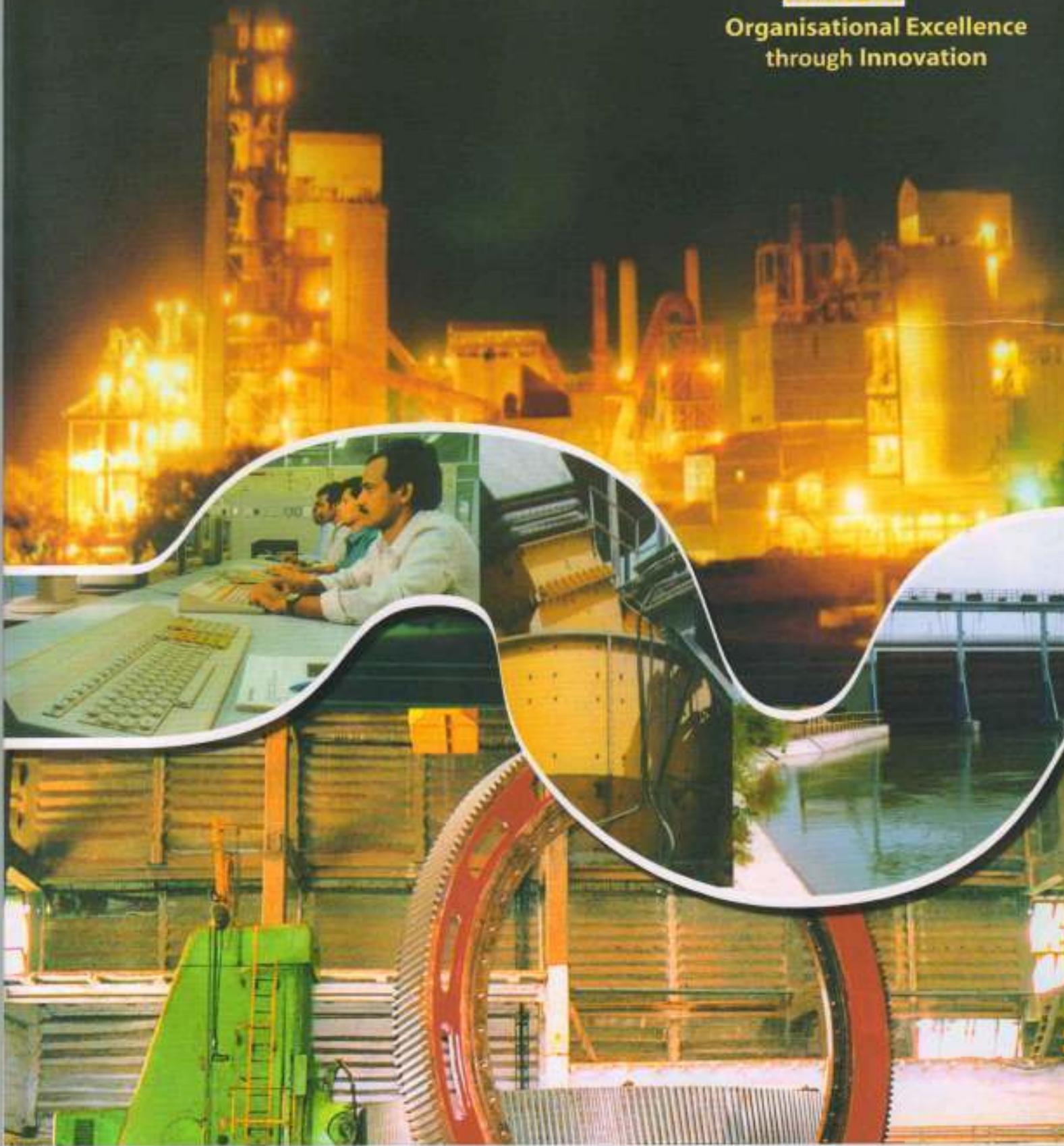


THE **kep** LIMITED

Organisational Excellence  
through Innovation



67<sup>th</sup> ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008



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## KEY FINANCIAL HIGHLIGHTS

*(Rs. in Lakhs)*

|                               | Year Ended |         |         |         |         |         |         |         |         |         |
|-------------------------------|------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|                               | 31-3-99    | 31-3-00 | 31-3-01 | 31-3-02 | 31-3-03 | 31-3-04 | 31-3-05 | 31-3-06 | 31-3-07 | 31-3-08 |
| SHARE CAPITAL                 | 1289       | 1289    | 1289    | 1289    | 1289    | 1289    | 1289    | 1289    | 1289    | 1289    |
| RESERVES & SURPLUS            | 9399       | 8329    | 8740    | 8435    | 8112    | 8084    | 8610    | 9625    | 12984   | 17697   |
| NET WORTH                     | 10688      | 9618    | 10029   | 9725    | 9401    | 9374    | 9899    | 10914   | 14273   | 18986   |
| FIXED ASSETS (NET)            | 9357       | 9316    | 8686    | 8146    | 7556    | 7091    | 6850    | 7572    | 11704   | 12653   |
| GROSS INCOME                  | 19235      | 13957   | 13954   | 14092   | 14353   | 14722   | 16863   | 20680   | 30051   | 41604   |
| GROSS PROFIT                  | 2039       | 1139    | 2544    | 2734    | 1122    | 1385    | 2445    | 3448    | 8321    | 11284   |
| DEPRECIATION                  | 419        | 618     | 701     | 695     | 688     | 667     | 494     | 519     | 618     | 858     |
| INTEREST                      | 1152       | 1480    | 1255    | 1051    | 774     | 584     | 489     | 444     | 444     | 692     |
| PROFIT BEFORE TAX             | 468        | -959    | 587     | 988     | -339    | 135     | 1462    | 2485    | 7259    | 9734    |
| PROFIT AFTER TAX              | 318        | -962    | 567     | 790     | -178    | 117     | 967     | 1750    | 4829    | 6654    |
| EARNINGS PER SHARE<br>(Rs.)   | 2.47       | -       | 4.4     | 6.13    | -1.38   | 0.91    | 7.50    | 13.57   | 37.46   | 51.61   |
| BOOK VALUE PER SHARE<br>(Rs.) | 82.91      | 74.61   | 77.79   | 75.43   | 72.93   | 72.71   | 76.79   | 84.66   | 110.72  | 147.27  |
| DIVIDEND ON EQUITY (%)        | 25         | 10      | 11      | 20      | 10      | 10      | 30      | 50      | 100     | 100     |
| DEBT EQUITY RATIO             | 0.48       | 0.43    | 0.35    | 0.23    | 0.13    | 0.05    | 0.03    | 0.39    | 0.21    | 0.15    |



## BOARD OF DIRECTORS

**DUTT V.L**  
Chairman and Managing Director

**INDIRA DUTT V.L**  
Joint Managing Director

**KAVITHA D. CHITTURI**  
Executive Director

**GANDHI V.**  
Technical Director

**KOTESWARA RAO P.**

**NANDAGOPAL S.**

**RAMAKRISHNA A.**

**RAMAKRISHNAN P.R.**

**RAMAKRISHNAN V.H.**

**SWAMINATHA REDDY O.**

## COMPANY SECRETARY

**VIJAYAKUMAR Y.**

## AUDITORS

M/s. **BRAHMAYYA & CO**  
Chartered Accountants, Vijayawada

## COST AUDITORS

M/s. **NARASIMHAMURTHY & CO**  
Hyderabad

## BANKERS

**STATE BANK OF INDIA**  
**CANARA BANK**  
**HDFC BANK LTD**  
**KOTAK MAHINDRA BANK LTD**

## REGISTERED AND CORPORATE OFFICE

"RAMAKRISHNA BUILDINGS"  
2, DR. P.V. CHERIAN CRESCENT  
EGMORE, CHENNAI - 600 008  
Ph: 66772600 Fax: 66772620  
E-MAIL: kcp@vsnl.com

## REGISTRAR & SHARE TRANSFER AGENT & DEPOSITORY REGISTRARS

**M/S INTEGRATED ENTERPRISES (INDIA) LIMITED**  
II FLOOR "KENCES TOWERS"  
NO.1 RAMAKRISHNA STREET  
NORTH USMAN ROAD, T. NAGAR  
CHENNAI - 600 017  
Ph: 28140801 Fax: 28142479  
Website: www.iepindia.com

# Notice to Shareholders

NOTICE is hereby given that the Sixty Seventh Annual General Meeting of the Shareholders of the Company will be held on Thursday, 25<sup>th</sup> Day of September, 2008 at 11 A.M. at the Registered Office of the Company at "Ramakrishna Buildings", No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai-600 008 to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Accounts of the Company for the year ended 31<sup>st</sup> March, 2008 and the Auditors' Report thereon.
2. To declare a dividend on shares (including interim dividend paid).
3. To appoint a Director in the place of Sri V.H. Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment and for the same purpose to consider and if thought fit, to pass the following Resolution with or without modification(s) as an Ordinary Resolution.  

**"RESOLVED THAT** Sri V.H. Ramakrishnan, who retires by rotation be and is hereby re-appointed as a Director of the Company liable to retire by rotation."
4. To appoint a Director in the place of Sri A. Ramakrishna, who retires by rotation and being eligible, offers himself for re-appointment and for the same purpose to consider and if thought fit, to pass the following resolution with or without modification(s) as an Ordinary Resolution.  

**"RESOLVED THAT** Sri A. Ramakrishna, who retires by rotation be and is hereby re-appointed as a Director of the Company liable to retire by rotation."
5. To appoint M/s. Brahmayya & Co., Chartered Accountants, Vijayawada retiring Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, to fix their

remuneration and for the same purpose to consider and if thought fit, to pass the following Resolution with or without modification(s) as an Ordinary Resolution.

**"RESOLVED THAT** M/s. Brahmayya & Co., Chartered Accountants, Vijayawada be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Board on mutually agreed terms and conditions."

## SPECIAL BUSINESS

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

**"RESOLVED THAT,** pursuant to Section 293(1) (d) of the Companies Act, 1956, rules made thereunder as amended from time to time, all other enabling provisions, if any and in supersession of all the earlier resolutions passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, as it may consider fit, any sum or sums of money not exceeding Rs.450 crores (Rupees four hundred and fifty crores only) on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose".

By Order of the Board

Place: Chennai  
Date: 31<sup>st</sup> July, 2008

**V.L. DUTT**  
Chairman and Managing Director



#### NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The Explanatory statement as required under section 173 (2) of the companies Act, 1956, in respect of item No. 6 of the notice convening the meeting is annexed hereto.
3. Shareholders are requested to notify their change of address, if any, without delay. Members holding shares in Physical form should mention in all correspondence the ledger folio number. Persons holding in Demat form should inform the details to respective Depository Participant.
4. A brief profile of the Directors retiring by rotation and eligible for re-appointment, as required by Clause 49 (VI) (A) of the Listing Agreement(s) signed by the Company with the Stock Exchange(s), is given as item No. 13 in the Directors' Report forming part of the Annual Report.
5. Shareholders are requested to bring with them their copies of the Annual Report.
6. The Register of Members and the Register of Share Transfer will remain closed from 17th September - 25th September (both the days inclusive).
7. The Company has already transferred the unclaimed Dividend, up to the financial year ended 31st March 2000 to the Investor Education and Protection Fund as per Section 205(A)(5) of Companies Act, 1956.
8. Members who have not en-cashed their dividend warrants pertaining to financial years 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007 are requested to contact the Company's Registered Office at No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008 with their warrants for revalidation. Dividend for these years, which remain unclaimed for a period of 7 years will be transferred by the company to Investors Education and Protection Fund.
9. Additional information pursuant to Clause 49 of the listing agreement with stock exchanges on Directors re-appointment/appointment at this Annual General Meeting is appearing in this Director's Report.

## EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

#### Item No.6:

Section 293(1)(d) of the Companies Act, 1956 provides that the Board of Directors of a Company shall not borrow moneys (apart from temporary loans obtained from Company's bankers in the ordinary course of business) in excess of the aggregate of paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, unless the Company in general meeting authorises the Board of Directors to do so., At the 49th Annual General Meeting held on 20.09.1990 a resolution was passed by authorizing Board of Directors of the Company, to borrow in the aggregate Rs.200 crores notwithstanding that the same may exceed the limit set out in Section 293(1)(d) of the Companies Act, 1956.

The company has proposals to incur capital expenditure in respect of Projects for the different units of the company and for setting up of a Hotel at Hyderabad. Considering that the total cost of such expansions and new projects are estimated at about Rs.440 crores, your Board of Directors consider it necessary to seek the consent of shareholders to increase the said borrowing limits upto Rs. 450 crores including existing borrowings of the company.

Your Directors therefore, recommend the resolution for your approval.

None of the Directors are concerned or interested in the proposed resolution.

Place: Chennai  
Date: 31<sup>st</sup> July, 2008

By Order of the Board  
**V.L. DUTT**  
Chairman and Managing Director

# Profile of Directors



**Dr. V.L. Dutt**  
**Chairman and Managing Director**

Dr Dutt was educated in London, England and secured the Grad BIM Degree. Dr. Dutt is the Chairman of The KCP Ltd, Fives-Cail KCP Ltd and KCP Vietnam Industries Limited. Apart from KCP Group, Dr. Dutt is a Director on the Board of DCM Shriram Industries Limited, Chairman of Chennai Willingdon Corporate Foundation and Director of V Ramakrishna Sons Private Ltd.

Dr. Dutt is presently the Honorary Consul General of the Republic of Turkey in Chennai, for the States of Tamilnadu, Kerala, Karnataka, Andhra Pradesh and Union Territory of Pondicherry.



**Smt. V.L. Indira Dutt**  
**Joint Managing Director**

Smt. V.L. Indira Dutt, B.A (Economics) from Madras University is the Joint Managing Director of the Company. Smt. Dutt serves as Director of Fives Cail - KCP Limited; Velagapudi Foundation; KCP Vietnam Industries Limited; KCP Technologies Limited; and V Ramakrishna Sons Private Limited.



**Smt. Kavitha Dutt Chitturi**  
**Executive Director**

Smt. Kavitha Dutt Chitturi is a graduate in Business Management with specialization in International Business from Cedar Crest College Allentown, Pennsylvania. She also holds a Post-Graduate Diploma in Human Resources. She is also a Director of V Ramakrishna Sons Private Limited.



**Sri P.R. Ramakrishnan**  
**Director**

Sri P.R. Ramakrishnan, M.Sc (MIT), a senior industrialist with six decades of experience in industry, is a promoter non-executive Director on the Board of the Company since March 1974.



**Sri S. Nandagopal**  
**Director**

Sri S. Nandagopal is a Chartered Accountant with more than 52 years of professional experience. He is a Fellow member of the Institute of Chartered Accountants of India and a member of Institute of Certified Public Accountants of Singapore. He has also served on the Central Council of the Institute of Chartered Accountants of India for nine years. He has association with various industries/trade/public fora. He has served on the Boards of various Banks, Public Limited Companies such as Andhra Bank, MRF Limited etc.



**Sri V.H. Ramakrishnan**  
**Director**

Sri V.H.Ramakrishnan, a Chartered Accountant and a Cost Accountant is a retired General Manager of the Bank of India, with 35 years of experience in India and abroad. He is on the panel for nominee Directors in IDBI and other financial institutions. Presently, he is a Director of Andhra Bank and a member of the Group of Advisers of Shriram Group of Companies.



**Sri O. Swaminatha Reddy**  
**Director**

Sri O. Swaminatha Reddy, a Chartered Accountant by profession has vast banking and industrial experience spanning five decades. He has held various high ranking posts which include Chairman of Andhra Bank and Chairman and Managing Director of Andhra Pradesh State Financial Corporation.



**Sri A. Ramakrishna**  
**Director**

Sri A. Ramakrishna is a structural engineer with 40 years experience. He retired as President and Deputy Managing Director of Larsen and Toubro Limited and is Director of many companies.



**Sri Pinnamaneni Koteswara Rao**  
**Director**

Sri Pinnamaneni Koteswara Rao is an agriculturist and served as Zilla Parishad Chairman in Krishna District of Andhra Pradesh.

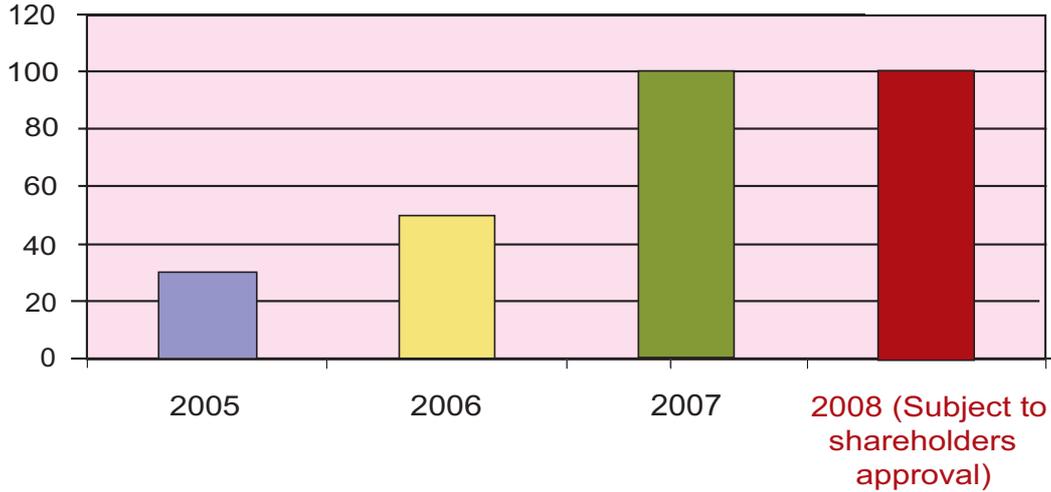


**Sri V. Gandhi**  
**Technical Director**

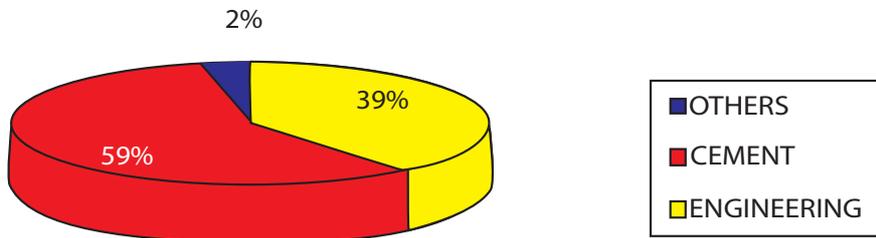
Sri V. Gandhi is a part of the senior management of KCP Ltd with 31 years of experience. He is a Metallurgist by profession. He served as General Manager in FCB KCP, looking after planning and procurement. He is also a Director of Fives-Cail KCP Limited.

# At a Glance

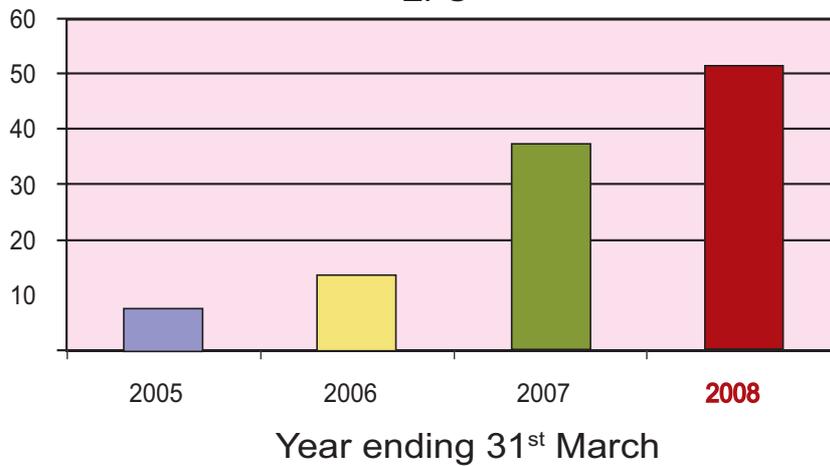
DIVIDEND HISTORY



GROSS INCOME OF KCP LTD IN 2008



EPS



# Corporate Social Responsibility

As part of its responsibility to the society, The KCP Limited has been in constant touch with the communities in which it has been operating. KCP has been taking some concrete action to realise its social responsibilities and in the process has been building value for all its stake-holders. In the past several decades since inception, KCP has taken up innumerable social and community initiatives in areas it has been in operation. Its aim has been to touch the lives of communities positively by taking up health-care, infra-structural, environmental, social, cultural and educational programs. Following is a brief note on KCP fulfilling its part of the social responsibilities.

## Health Programmes:

Healthcare and wellbeing of the community has always been in the forefront of KCP's scheme of things. In January and February 2008, and earlier in June 2007, Pulse Polio Immunisation programmes were held for the benefit of several villages in Macherla. The local Rotary Club was also roped in to provide services in these programs. All the volunteers were provided food packets as also transport facilities to the villagers to attend these programs.

On the occasion of "World AIDS Day" on December 01, 2007, a huge rally was conducted in Macherla town to bring awareness on AIDS and its complications, prevention, etc. Cultural programs depicting the consequences of AIDS, how to avoid contact AIDS were conducted with the help of the local college students and teachers.

An eye camp was held in Tiruvotriyur during March 2008 for about 900 people. Free spectacles were distributed to those who were found to be in need of them.

A blood donation camp was also organised in which a team of doctors from Government Stanley Hospital collected blood from more than 60 volunteers.

## Drinking Water:

When it was brought to the notice of the Company that the drinking water being supplied to the people of Terala Village



in Macherla was unsafe and unfit for consumption, it was decided to construct a safe drinking water plant in collaboration with Nandi Foundation. Work on a water plant operating on Reverse Osmosis technology with a capacity of 1000 ltrs per hour has been started. Work is in progress. Another similar project is underway in Macherla too with a capacity of 4000 ltrs per hour. Among other initiatives in provision of drinking water to the people is our daily supply of safe drinking water to a few wards of Macherla during scorching summer when most of the water resources go dry.

## Green Belt:

In its quest to maintain the ecological balance, KCP is developing a Green Belt in and around Macherla. Planting of saplings on a monthly basis apart from planting additional saplings on special occasions is being taken up on a serious scale. Hundreds of saplings have been planted so far to develop the greenery in Macherla and its surroundings.



## Infrastructure:

KCP has been donating cement bags to various infrastructural development activities in the area. These include building or renovating temples, mosques and repairs to some of the local body offices, police stations, and laying of cement roads, etc.

## Other Activities:

Tricycles were provided to the physically challenged, in collaboration with the Rotary Club of Macherla.

Desks have been donated to The S.K.B.r. Govt. Junior College, Macherla to make the students' life a little more comfortable.

On various special occasions like temple festivals, etc. KCP has been in the forefront in providing facilities to devotees – like provision of drinking water, butter milk, transport and shelter from the heat.

It is KCP's firm belief to improve and improvise on these activities of social responsibility and expand the scope of their coverage to other areas in a phased manner.

# Directors' Report

## Dear Shareholders,

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2008 together with the Balance Sheet as on that date and the Profit and Loss Account for the year ended on that date.

## 2. Financial Results

| Particulars   | (Rupees in Lakhs)  |             |
|---|--------------------|-------------|
|   | For the year ended |             |
|   | 31/3/2008          | 31/3/2007   |
| <b>Profit for the year (PBDIT)</b>                        | <b>11284</b>       | <b>8321</b> |
| <b>Less:-</b>   |                    |             |
| a) Interest and finance charges                           | 692                | 444         |
| b) Depreciation   | 858                | 618         |
| c) Provision for current tax                              | 2654               | 1660        |
| d) Fringe Benefit Tax                                     | 41                 | 105         |
| e) Deferred Tax   | 385                | 665         |
| <b>Net Profit</b>   | <b>6654</b>        | <b>4829</b> |
| <b>Add:-</b>  |                    |             |
| Surplus brought forward from earlier year                 | 2705               | 5095        |
| <b>Less:-</b>   |                    |             |
| Brought forward loss of KCP Biotech Ltd from earlier year | 534                | 0           |
| <b>Amount available for appropriations</b>                | <b>8825</b>        | <b>9924</b> |
| Transfer to General Reserve                               | 5053               | 5750        |
| Interim Dividend paid                                     | 967                | 1289        |
| Dividend proposed   | 322                | 0           |
| Tax on distributed Profits                                | 219                | 181         |
| <b>Surplus carried to next year</b>                       | <b>2264</b>        | <b>2704</b> |

## 3. DIVIDEND

Your Directors at the Board Meeting held on 30th June 2008, have recommended a Final Dividend of 25% for the approval of shareholders at the ensuing Annual general meeting making a total dividend for the year of 100% including interim dividend of 75% paid during the financial year 2007-08.

## 4. CAPITAL & RESERVES

Capital of the Company stood at Rs. 1,289 lakhs and the Reserves stood at Rs.17,698 lakhs as on 31st March, 2008.

## 5. FIXED DEPOSITS

As at 31st March, 2008, the deposits matured and unclaimed amounted to Rs. 78,49,000/- due

to 266 depositors. Since then, Rs. 23,13,000/- of 72 depositors were renewed and Rs. 14,72,000/- of 50 depositors were repaid.

## 6. MANAGEMENT DISCUSSION & ANALYSIS

### Company performance:

| FINANCIAL YEAR               | (Rs. in lakhs) |           |
|------------------------------|----------------|-----------|
|                              | 2007-2008      | 2006-2007 |
| Sales                        | 40,683         | 29,432    |
| Profit before interest & tax | 10,426         | 7,704     |
| Profit(+)/Loss(-) after tax  | 6,654          | 4,829     |
| Current ratio                | 2.04           | 1.96      |
| Debt equity ratio            | 0.15           | 0.21      |
| Inventory Turnover (times)   | 6.55           | 5.23      |

## CEMENT

### Operational Performance:

| FINANCIAL YEAR                | 2007-2008 | 2006-2007 |
|-------------------------------|-----------|-----------|
| Cement Produced (M.T)         | 7,37,041  | 6,05,396  |
| Capacity Utilisation (%)      | 111.67    | 121       |
| Cement Sold (M.T)             | 7,33,714  | 6,06,571  |
| Turnover (Rs. in lakhs)       | 24,155    | 16,022    |
| Segment Profit (Rs. in lakhs) | 4,793     | 3,430     |

### Over view:

During the year under review, the annual production capacity of the Company's cement plant at Macherla was increased from 5.00 lakh tonnes to 6.6 lakh tonnes with a capital expenditure of about Rs.18 Crores. The buoyant demand for cement during the year and realisations being in tune with the overall scenario in Andhra Pradesh have resulted in the additional capacity being profitably utilised with production being higher by about 22% and sales by about 51%, thus adding to the bottom line.

### State of the Industry:

The company expects that with the increase evident in infrastructure projects, the demand will remain buoyant in the coming years, subject to restrictive measures if any that may be imposed by Government. Viewed from the point of consolidation in the industry and the position of larger players, the overall prospects for growth in volumes and contribution are considered good.

### Outlook:

The company produces predominantly Portland Cement in the current year.

Demand for Cement increased substantially during the year. Hence prices are expected to firm up and rule at higher levels as compared to previous year all through the Country.

### Proposed addition to cement capacity with a new cement plant at Muktyala, Krishna District, A.P:

Considering the over-view and outlook for the industry in general and for the company, in particular, your Directors have considered it prudent to set up a new plant with updated technology at Muktyala, Krishna District, Andhra Pradesh to add to capacity and volume in this Division. The company owns and also has, under long term lease, sufficient land with the necessary licences etc. for mining of quality limestone in and around the area. Geological studies have been conducted and a Detailed Project Report has been commissioned for a plant with an annual capacity of 1.2 MTPA at an estimated cost of Rs. 350 crores. It is proposed to fund the cost with term loans and internal accruals. The Plant is expected to be completed in about 24 months.

## POWER

### THERMAL ENERGY GENERATION UNIT (from Waste Heat Recovery):

The Company's Waste Heat Recovery Unit having an installed capacity of 2.35 MWH has produced 1,16,23,800 KWH during the year under consideration and has benefited in cost advantage to the company.

## HYDEL POWER

### Operational Performance:

| FINANCIAL YEAR                  | 2007-2008   | 2006-2007   |
|---------------------------------|-------------|-------------|
| Hydel power generation (in KWH) | 3,78,90,400 | 3,95,90,600 |
| Usage (in KWH)                  | 3,73,57,769 | 4,29,49,450 |
| Turnover (Rs. in lakhs)         | 1,048       | 1,211       |
| Segment Profit (Rs. in lakhs)   | 678         | 543         |

### Overview:

The capacity of the generating units at the Hydel Power Stations continue to be operated with five mini-hydel units on the Guntur Branch Canal of the Nagarjuna Sagar Dam with an overall capacity of 8.25 MW. Being an irrigation canal, water is normally expected to be available for seven to eight months of the year. Electricity generated in these units is wheeled to the Company's Cement Unit for use. Generation in excess of the consumption at the cement unit is banked on a monthly basis and is to be used within twelve months of generation. Electricity utilised in the cement factory is deducted from the total consumption from the monthly bills and therefore, get a relief at the H.T rates. Electricity not wheeled to the cement unit if any, at the end of 12 months can be sold to the grid to be paid for at the purchase price as per the terms of the agreement with Transmission Corporation of Andhra Pradesh (APTRANSCO).

### Risks:

Except one scheme all the other four are presently operating at full capacity due to good inflow of water. Production of energy is, however, subject to the water flow in the canal which is entirely dependant on inflow of water to Nagarjuna Sagar dam. In the year under review, normal monsoon during the season improved storage in Nagarjuna Sagar Dam. Consequently during the year under report, adequate flow of water was available in the canal. Generation was slightly lower than the last year.

### Concerns:

The following matters which are the subject matter of challenge before legal fora are still pending disposal as indicated:

- Increase in wheeling charge for the year 2002-03 by the APERC was challenged by the Company in AP High Court along with many other power producers. The Hon'ble Court was pleased to quash the order of the APERC in this regard. APTRANSCO has gone on appeal to Supreme Court of India, which is pending.
- In regard to subsequent years, the fixation of wheeling charges at different rates, were challenged before the Appellate Tribunal for Electricity by the Government of India which had been constituted by then. The Hon'ble Tribunal has been pleased to allow the petitions of the company and others

holding that the wheeling charges fixed under bilateral agreements between the company and APTRANSCO cannot be changed by the APERC.

- c) Increase in water cess - challenged by the company and is pending in AP High Court.
- d) Government levied a duty on electricity generated, which was also contested by the Company and is pending in AP High Court.
- e) APERC has, for the current year fixed wheeling charge of 6% and cash compensation of 84.25 paise per KW per month. The company has contested this hike also before the Appellate Tribunal for Electricity, which is pending.

**Outlook:**

As stated elsewhere, the production at this Unit is totally dependent on flow of water into the Nagarjuna Sagar Dam and into the Guntur branch Canals and is subject to considerable variation from year to year. Electricity reform measures being constantly reviewed by the State Government can have the effect of toning down the concessions made available to all developers including mini-hydel units which is and can be the subject matter of legal challenges and the outcome thereof. The benefits presently available to the company from out of captive generation of hydel power are subject to these factors.

**Wind Power Generating Unit:**

The Wind Farm located in Uthumalai in Tirunelveli District which was set up with an installed capacity of 3.75 MWH, generated 66,70,717 KWH of power during the year under consideration, to cater to the requirements of the Engineering Unit with resultant benefit in cost of energy.

**ENGINEERING**

**Operational Performance:**

| FINANCIAL YEAR   | (Rs. in lakhs) |           |
|------------------|----------------|-----------|
|                  | 2007-2008      | 2006-2007 |
| <b>Turnover:</b> |                |           |
| Domestic         | 12,778         | 12,095    |
| Export           | 3,270          | 1,600     |
| Segment Profit   | 4,978          | 4,461     |

The Company's engineering facility with its versatile range of machinery and equipment to undertake manufacture of heavy mechanical equipment and capital goods has performed with good results during the year. The Plant has capabilities of men and

machinery to undertake the manufacture of large equipment to specific designs for varied types of industries. The foundry, fabrication and machine shops make for an integrated facility and the facility at Arakkonam has been effectively used to augment production of foundry products and fabrication.

With substantial orders executed for general engineering requirements and a good order book position, the buoyancy in the Cement, Sugar and Infrastructure sectors, has substantially improved the operations of the Engineering Unit both, in terms of turnover and profits.

The Company has undertaken an expansion of the Foundry to meet demands from the industrial sector for equipment of larger capacities in the coming years. Certain balancing and de-bottlenecking equipments are also being added to complement the existing facilities. This expansion programme estimated to cost about Rs.70 crores will meet future demand and also more than off-set possible downturns in contribution due to rise in other costs. The expansion programme is expected to be completed in about 18 months.

**Overview:**

Status of capital goods sector:

During the year capital goods industry has done well in both the domestic and export markets.

**Opportunities:**

The expansion of the customer base of the Unit with noticeable movement from any dependence on specified sectors has widened its product range leading to better value addition. The programme of capital expenditure will also provide more opportunities for improvement in turnover and profits in the coming years.

**Risks:**

Product mix is the deciding factor affecting the performance of this segment. Consequently, this segment results are open to variations in profits depending on the order profile.

**Outlook:**

The order book position of about Rs. 137 Crores combined with execution of on-going orders is expected to maintain the present trend in volume and contribution in the current financial year also. However, as stated earlier, the programme of modernization under implementation will effectively

increase productivity and enable the company to be competitive in the higher value-added segment.

## 7. CORPORATE INVESTMENTS

### Performance:

#### Fives Cail KCP Limited:

During the year under review, Fives Cail KCP Limited has achieved the highest turnover and post-tax profits since its inception. Sales amounted to Rs. 21,750 lakhs as against Rs. 10,440 lakhs during the previous year. The Company recorded a net profit after tax of Rs. 976 lakhs during the financial year ended 31.03.2008 as compared to the profit of Rs. 498 lakhs in the last year.

The company declared a dividend of 440% during the year.

#### Sudalagunta Sugars Limited:

Our Investment in Sudalagunta Sugars continues to be below 20%.

As reported in earlier years it was agreed with the promoter that the entire holding of your company is to be bought back in a phased manner. Accordingly the original share holding of 60,00,000 shares, stands at 24,00,000 shares as at 31st March 2008.

#### KCP Vietnam Industries Limited:

KCP Vietnam Industries Limited has been able to record further growth in volume of sugarcane crushed which stood at 6,08,828 metric tonnes at a recovery of about 9%. Total production of sugar was 59,295 metric tons including that from purchased raw sugar for conversion. Realisation from sale of sugar in 2008 was higher than that of the previous year, with the company reporting a profit of Rs. 1874 Lakhs. The Dong Xuan Factory crushed 30,194 tonnes of cane and the syrup was taken into production process at the Phuyen factory. During the year under review, KCP Vietnam Industries Limited has purchased a inoperative sugar factory with a view to dismantle the available equipment and shift the same to Dong Xuan Factory, to increase the capacity of this unit to 1000TCD.

Since its inception, KCP Vietnam Industries Limited has increased its crushing capacity from 2500 to 4000 TCD and has also expanded the capacity of the Sugar Refinery to 5000 TCD. The total cost of these expansion was estimated as 10.25 million USD funded through a mix of internal accruals and loans from commercial banks. With the completion

of this programmes crushing of cane will be carried within the peak season resulting in better recovery of increased volume of Sugar production.

During the year under review the company KCP Vietnam Industries Limited has allotted 23,99,760 equity shares of USD 1 each as bonus shares to this company.

#### KCP Biotech Limited:

#### Amalgamation of KCP Biotech Ltd. with your company:

The Board of Directors, during the year under review, after considering the lack of sufficient working capital for this company and the consequent losses being incurred by this company decided that in view of the good demand for export of its products, amalgamation with your Company will be advantageous. The need for rehabilitating the operations with infusion of additional funds being imperative and the tax advantage accruing from the amalgamation being available to meet the cost of rehabilitation of the unit, the amalgamation was considered in the best interests of both companies.

Accordingly, a Scheme of Amalgamation under the provisions of Sections 391/394 of the Companies Act, 1956 was approved and submitted to the Hon'ble High Court of Judicature at Madras. After due legal process, including the passing of a resolution approving the Scheme of Amalgamation at a Court Convened Meeting of the shareholders of your company, the Hon'ble High Court was pleased to sanction the said Scheme on 14.07.2008 effective from 1st April, 2007.

The accompanying accounts of the company for the year ended 31st March 2008 reflect the position after merging the results of KCP Biotech Ltd. in terms of the sanction of the Scheme of Amalgamation and applicable accounting standards and practices.

Being a wholly owned subsidiary, there will be no change in the Paid up Share Capital of your company.

#### Performance during the year:

During the year under report, paprika (chilli) colour extract was exported to USA and Vietnam, Quality of the products has been acceptable to the international buyers. The market for Natural colours being global and vast, the growth potential offered by this business is impressive. This has resulted in procurement of orders for newer markets such as China.

However, with the production process having stabilised after some unforeseen delays, the focus is on

improving the operating efficiencies at the Plant with induction of technical manpower to complement the expected demand.

**Financial results:**

During the year under consideration, the unit achieved turnover of Rs. 3.26 Crores with a net loss of Rs. 2.76 Crores.

**Overview:**

**Status and risks:**

Besides, the normal risks associated with availability of raw materials which are basically agricultural in nature, the effects of fluctuating foreign exchange rates will have their impact on the unit's performance considering its largely export market.

**8. CAUTIONARY STATEMENT**

Statements in the "Management Discussion and Analysis" describing the Company's objectives, expectations or predictions are as perceived currently. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include: domestic supply and demand conditions affecting selling prices of finished goods, input prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

**9. SAFETY & POLLUTION CONTROL**

Cement and Engineering units have necessary approvals under pollution control and the emission / effluent levels conformed to requirements.

**10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORT AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement giving the details of conservation of energy, technology absorption, export and foreign exchange earned and outgo in accordance with the companies (Disclosure of particulars in the report of Board of Directors), Rules, 1988 is enclosed.

**11. SUBSIDIARY COMPANY:**

The Company has received exemption from Ministry of Corporate Affairs, Government of India under Sec.212 (8) of the Companies Act, 1956, from publishing the accounts of the Subsidiary Company, M/s. KCP Vietnam Industries Limited, Vietnam. The consolidated accounts are attached to this Report.

**12. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Clause 2(AA) of Section 217 of the Companies Act, 1956, Board of Directors hereby states -

- 1) that in the presentation of annual accounts, applicable Accounting Standards have been followed and there is no material departure;
- 2) that the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, as at 31st March, 2008 and profit of the Company for the year ended 31st March, 2008;
- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) that the Directors have prepared the annual accounts on a 'going-concern' basis.

**13. DIRECTORS**

Sri V.H. Ramakrishnan and Sri A. Ramakrishna liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The relevant particulars of Sri V.H. Ramakrishnan and Sri A. Ramakrishna, are given below:

**PROFILE OF RETIRING DIRECTORS:**

**a) V.H. Ramakrishnan**

Sri V.H. Ramakrishnan, a Chartered Accountant and a Cost Accountant is a retired General Manager of the Bank of India, with 35 years of rich experience in India and abroad. He is on the panel for nominee Directors in IDBI and other financial institutions. Presently he is a Director of Andhra Bank and a member of the Group of Advisors of Shriram Group of Companies.

In addition, he is also the Chairman of the Audit Committee of the Board of Directors of Andhra Bank.

**b) A. Ramakrishna**

Sri A. Ramakrishna is a structural engineer with 40 years experience. He retired as President and Deputy Managing Director of Larsen and Toubro Limited.

In addition to the Directorship in the Company, he holds the following other Directorships:

- 1) GVK Jaipur Expressway Private Limited - Director
- 2) Andhra Sugars Limited - Director
- 3) Madras Cements Limited – Director
- 4) Ramco Industries Limited – Director
- 5) GVK Power and Infrastructure Limited – Director
- 6) Mumbai International Airport Limited – Director
- 7) Gautami Power Limited – Director
- 8) International Infrastructure Consultants Pvt. Ltd – Director
- 9) GVK Industries Ltd – Director
- 10) SPEL Semiconductor Ltd – Director
- 11) Teesta Urja Limited – Director
- 12) Taj GVK Hotels and Resorts Limited – Director

#### **14. STAFF RELATIONS**

Industrial relations remained cordial.

#### **15. AUDITORS**

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada hold office upto the conclusion of this Annual General Meeting and are eligible for re-appointment.

M/s. Narasimha Murthy & Co, Hyderabad are the Cost Auditors of the Company to conduct the cost audit for the Cement and Hydrel Units for the year ending 31st March, 2009.

#### **16. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

M/s RGN Price & Co, Chartered Accountants, Chennai and M/s M. Bhaskara Rao & Co, Chartered Accountants, Hyderabad who are the Internal Auditors for Engineering Unit and Cement Divisions respectively, have been submitting periodical internal audit reports covering various relevant spheres besides financial audits for the units based on a detailed audit plan. Detailed reports were presented before the Board Meeting held on 30th June, 2008 highlighting the existing controls in the system with orientation towards review of controls in the management of risks along with the maintenance of the accounting records and the reliability of financial information used in the business.

The Internal Auditors reports significant audit observations, on a quarterly basis, to the Audit Committee.

During the year the Committee met 5 times to review the internal audit reports submitted along with the review of periodical financial statements. The Statutory auditors of the Company also attended and participated in the audit committee meetings to convey their views to the Audit Committee on the adequacy of internal control systems in the Company.

#### **17. CORPORATE GOVERNANCE**

The Company has complied with all mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchange with which the Company is listed.

A separate report on Corporate Governance is annexed as a part of the Annual Report along with the Auditors' certificate on its compliance.

#### **18. DEPOSITORY SYSTEM**

The Company has an arrangement with the National Securities Depository Limited (NSDL) as well as with the Central Depository Services (India) Limited (CDSL) to enable shareholders to hold shares in a dematerialised form. The Company also offers simultaneous dematerialization of the physical shares lodged for transfer with the Company.

#### **19. CONSOLIDATED FINANCIAL STATEMENTS**

As stipulated by Clause 32 of The Listing Agreement, Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India. The audited Consolidated Financial Statements form part of the Annual Report.

#### **20. ACKNOWLEDGEMENT**

The Board wishes to thank the bankers for their continued and positive support. The Board also places on record their appreciation of the work done by all the employees of the Company.

(FOR AND ON BEHALF OF THE BOARD)

Place: Chennai-600 008

Date: 31st July, 2008

**V.L. DUTT**  
**Chairman and**  
**Managing Director**

# Annexures to the Directors' Report

## ANNEXURE 1

Statement showing particulars of employees of the Company as required under Sec. 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Board of Directors for the year ended 31st March, 2008.

| Sl. No. | PARTICULARS   | 1                                  | 2                       | 3                                   | 4                              |
|---------|---|------------------------------------|-------------------------|-------------------------------------|--------------------------------|
| 1       | Name  | Dr. V.L. Dutt                      | Smt. V.L. Indira Dutt   | Smt. Kavitha D. Chitturi            | Sri V. Gandhi                  |
| 2       | Designation   | Chairman and Managing Director     | Joint Managing Director | Executive Director                  | Technical Director             |
| 3       | Qualification   | Grad.B.I.M.                        | B.A.,                   | Grad. In Business Management, PGDHR | B.E. (MET)                     |
| 4       | Experience  | 50 years                           | 11 years                | 8 years                             | 31 years                       |
| 5       | Date of Commencement of Employment                      | 3.4.1970                           | 1.7.1996                | 1.10.1999                           | 25.01.2006                     |
| 6       | Salary in Rs.   | 16,80,000                          | 12,00,000               | 9,75,000                            | 9,71,129                       |
| 7       | Commission in Rs.                                       | 2,35,86,780                        | 2,37,37,655             | 84,68,837                           | 84,78,391                      |
| 8       | Benefits in Rs.   | 43,287                             | 3,72,412                | 6,80,190                            | 6,74,507                       |
| 9       | Total Remuneration in Rs.                               | 2,53,10,067                        | 2,53,10,067             | 1,01,24,027                         | 1,01,24,027                    |
| 10      | Nature of employment                                    | Contractual                        | Contractual             | Contractual                         | Contractual                    |
| 11      | Date of Birth   | 27/12/1937                         | 14/09/1940              | 17/05/1971                          | 04/03/1949                     |
| 12      | Particulars of previous employment-Name of the Employer | V. Ramakrishna Sons Private Ltd    | Nil                     | Nil                                 | Fives Cail KCP Limited         |
| 13      | Designation & period of employment                      | Administrative Director – 12 years | Nil                     | Nil                                 | General Manager (PPC)- 7 years |



## ANNEXURE 2

### FORM A (See Rule 2)

#### FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY CEMENT PRODUCTION UNIT, MACHERLA

| POWER AND FUEL CONSUMPTION               | CURRENT YEAR<br>2007-08 | PREVIOUS YEAR<br>2006-07 |
|--|-------------------------|--------------------------|
| 1. ELECTRICITY                           |                         |                          |
| A) PURCHASED FROM APSEB                  |                         |                          |
| Unit (KWH)                               | 1,97,91,568             | 1,19,85,258              |
| Total Amount (Rs.)                       | 8,12,01,606             | 5,92,49,808              |
| Rate/Unit (Rs.)                          | 4.10                    | 4.94                     |
| B) OWN GENERATION                        |                         |                          |
| I) THROUGH DIESEL GENERATOR              |                         |                          |
| Unit (KWH)                               | 3,52,032                | 4,58,213                 |
| Units per Ltr.of Diesel Oil              | 3.56                    | 3.72                     |
| Cost/Unit (Rs.)                          | 19.62                   | 41.33                    |
| 2) THROUGH HYDEL POWER                   |                         |                          |
| Unit (KWH)                               | 3,60,95,786             | 4,15,95,493              |
| Total Amount Rs.                         | 10,10,68,201            | 11,71,09,635             |
| Cost/Unit (Rs.)                          | 2.80                    | 2.82                     |
| 3) THROUGH W H R POWER                   |                         |                          |
| Unit (KWH)                               | 98,34,098               | -                        |
| Total Amount (Rs.)                       | 2,75,35,410             | -                        |
| Cost/Unit (Rs.)                          | 2.80                    | -                        |
| 2. COAL(SPECIFY QUANTITY AND WHERE USED) |                         |                          |
| Qty (Tonnes)                             | 1,14,051                | 95,991                   |
| Total cost (Rs.)                         | 39,63,90,959            | 26,32,16,362             |
| Average rate (Rs.)                       | 3,475.56                | 2742.09                  |
| 3. DIESEL OIL                            |                         |                          |
| Qty (Ltrs)                               | 4,650                   | 10,500                   |
| Total cost (Rs.)                         | 1,54,781                | 4,16,327                 |
| Average Rate (Rs.)                       | 33.29                   | 39.65                    |
| 4. CONSUMPTION PER UNIT OF PRODUCTION    |                         |                          |
| Electricity (KWH)                        | 94.79                   | 89.02                    |
| Furnace Oil.                             |                         |                          |
| Coal                                     | 0.175                   | 0.163                    |
| Others (Specify)                         |                         |                          |
| Pet Coke                                 | 0                       | 0                        |

### FORM B (See Rule 2)

#### FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

|  | 2007-2008<br>Rs. | 2006-2007<br>Rs. |
|--|------------------|------------------|
| 1. EXPENDITURE ON RESEARCH AND DEVELOPMENT                     |                  |                  |
| (a) Capital  | -                | -                |
| (b) Recurring  | 2,26,907         | 1,83,603         |
| (c) Total  | 2,26,907         | 1,83,603         |
| (d) Percentage of R & D Expenses on Total Turnover             | 0.006%           | 0.009%           |
| 2. TECHNOLOGY ABSORPTION                                       |                  |                  |
| The Company continues to utilise the in-house R & D facilities |                  |                  |
| 3. FOREIGN EXCHANGE EARNINGS AND OUTGO                         |                  |                  |
| Total Foreign Exchange used                                    | 5,14,35,702      | 2,41,01,048      |
| Total Foreign Exchange earned                                  | 31,47,65,767     | 15,46,39,419     |

# Report on Corporate Governance

## Company's philosophy on code of governance

### The Company believes that

- Effective Corporate Governance is an essential component of a successful enterprise in a globalised economy.
- Value addition through wider consultations and compliance of standards sharpens the organizational skills to achieve results better than before.
- Appropriate disclosures to shareholders ensure adequate information to assess and match risk of and reward from the enterprise.
- Consequently, Corporate Governance delivers a cohesive group of shareholders who cherish

similar values, share similar perspectives and expect similar returns.

The Company makes disclosures of its operations and performance to public through the Annual Report, quarterly financial results, its website (www.kcp.co.in), timely press releases and Electronic Data Information Filing And Retrieval Systems (EDIFAR). The Company has implemented the mandatory requirements of the 'Code of Governance' as mentioned in Clause 49 of the Listing Agreement.

The report on Corporate Governance is divided into four parts:

- Board of Directors
- Committees of the Board
- Shareholders' information
- Other disclosures

## I. BOARD OF DIRECTORS

### a) Composition of Board and attendance particulars:

The Board is headed by Dr. V.L. Dutt, Executive Chairman. The Board has ten Directors of which five are non-executive and independent Directors meeting the requirement of the Code of Corporate Governance as per listing agreement

During the year five Board meetings were held on the following dates:

18-06-2007, 20-07-2007, 13-08-2007, 31-10-2007 & 28-01-2008.

| Directors                                      | No. of Board Meetings attended during the year | Attendance at last AGM (13-08-2007) | No. of other Directorships | No. of other Board Committees in which Director is a member / Chairman |
|--|--|-------------------------------------|----------------------------|--|
| <b>Non-Executive Independent Directors:</b>    |  |                                     |                            |  |
| Sri S. Nandagopal                              | 5  | P                                   | 4                          | 2 Chairman   |
| Sri Pinnamaneni Koteswara Rao                  | 4  | P                                   | 1                          | -  |
| Sri V.H. Ramakrishnan                          | 5  | P                                   | 3                          | 2 Chairman, 2 Member   |
| Sri A. Ramakrishna                             | 3  | P                                   | 12                         | -  |
| Sri O. Swaminatha Reddy                        | 5  | P                                   | 14                         | 5 Chairman, 1 Member   |
| <b>Non-Executive Promoter Directors:</b>       |  |                                     |                            |  |
| Sri P.R. Ramakrishnan                          | 4  | P                                   | 4                          | -  |
| <b>Executive Promoter Directors:</b>           |  |                                     |                            |  |
| Dr. V.L. Dutt, Chairman and Managing Director  | 5  | P                                   | 7                          | 1  |
| Smt. V.L. Indira Dutt, Joint Managing Director | 5  | P                                   | 6                          | -  |
| Smt. Kavitha D Chitturi, Executive Director    | 4  | P                                   | 2                          | -  |
| <b>Executive Non Promoter Directors:</b>       |  |                                     |                            |  |
| Sri V. Gandhi, Technical Director              | 5  | P                                   | 1                          | -  |

The Board of Directors of the Company has prescribed a detailed Code of Conduct for the Directors and the Employees of the Company. The Code is available on the Company's Corporate Website ([www.kcp.co.in](http://www.kcp.co.in)).

The Board reviews at every meeting, compliance by the Company with various statutory requirements applicable to it.

## b) Remuneration of Directors

### i) Remuneration to Non-Executive Directors for the year ended 31st March, 2008

During the year, non-executive Directors were paid sitting fees of Rs. 10,000/- (Rupees Ten Thousand only) each for every meeting of the Board and Committees of the Board attended by them, which is within the limits prescribed under the provisions of the Companies Act, 1956.

### ii) Remuneration to Executive Directors

Remuneration to all the Executive Directors is paid within the limits prescribed under the provisions of the Companies Act, 1956, and is approved by the Board of Directors based on the recommendations of the Remuneration Committee and sanctioned by the Shareholders at their meetings and by the Government, wherever required.

Particulars of their remuneration for the year ended 31st March 2008 are given below:

| Particulars of Executive Directors                 | Salary & Perquisites (Rs.) | Commission (Rs.) | Total (Rs.) |
|--|----------------------------|------------------|-------------|
| V.L. Dutt<br><i>Chairman and Managing Director</i> | 17,23,288                  | 2,35,86,780      | 2,53,10,067 |
| V.L. Indira Dutt<br><i>Joint Managing Director</i> | 15,72,414                  | 2,37,37,655      | 2,53,10,067 |
| Kavitha Dutt Chitturi<br><i>Executive Director</i> | 16,55,190                  | 84,68,837        | 1,01,24,027 |
| V. Gandhi<br><i>Technical Director</i>             | 16,45,636                  | 84,78,391        | 1,01,24,027 |

Sitting fees paid to Non Executive Directors for the year 2007-2008 (for attending to Board Meetings, Investments Committee meetings and Audit Committee meetings) are given below:

| PARTICULARS                   | Sitting fees paid Rs. |
|-------------------------------|-----------------------|
| Mr. V. H. Ramakrishnan        | 1,10,000/-            |
| Mr. Pinnamaneni Koteswara Rao | 50,000/-              |
| Mr. P.R. Ramakrishnan         | 40,000/-              |
| Mr. O. Swaminatha Reddy       | 1,10,000/-            |
| Mr. S. Nandagopal             | 1,20,000/-            |
| Mr. A. Ramakrishna            | 70,000/-              |

## II. COMMITTEES OF THE BOARD

### A. Audit Committee

The Audit Committee provides direction to the audit and risk management functions in the Company and monitors the quality of internal audit. The responsibilities of the Audit Committee include among other things overseeing the financial reporting process to ensure proper disclosure of financial statements, recommending appointment and remuneration of internal auditors, external auditors and cost auditors, reviewing the periodical interim and annual financial statements before submission to the Board, reviewing adequacy of internal control systems and discussing the scope of audit with external auditors.

During the year, five Audit Committee meetings were held on the following dates:

18-06-2007, 20-07-2007, 13-08-2007, 31-10-2007 & 28-01-2008.

The Audit Committee comprises 5 Non-Executive Independent Directors and an Executive Director. The Committee is chaired by an independent Director, Sri S. Nandagopal, a Chartered Accountant by qualification. In the opinion of the Board of Directors, all the members of the Audit Committee are financially literate, and also have accounting or related financial management experience.

The committee also meets the requirements of Sec 292A of the Companies Act 1956.

The Composition of the Audit Committee is given below:

| Members   | Number of Meetings Attended |
|---|-----------------------------|
| <b>Non-Executive Independent Directors:</b>     |                             |
| Sri S. Nandagopal, Chairman                     | 5                           |
| Sri O. Swaminatha Reddy                         | 5                           |
| Sri V.H. Ramakrishnan                           | 5                           |
| Sri A. Ramakrishna                              | 3                           |
| Sri Pinnamaneni Koteswara Rao<br>(From Oct' 07) | 1                           |
| <b>Executive Promoter Director:</b>             |                             |
| Smt Kavitha D Chitturi                          | 4                           |

The Company Secretary is the Secretary to the Committee. The Statutory Auditors and the Internal Auditors have also attended the audit committee meetings, when invited by the Committee.

The Audit Committee reviewed the quarterly, half-yearly and annual financial statements of the Company before submission to the Board of Directors. It has also reviewed the financial and other specified information of subsidiary Companies. It has appointed the Internal Auditors and reviewed their reports and discussed the same with them and the concerned officer of the Company, to address the matters contained therein.

Sri S. Nandagopal, Chairman of the Audit Committee, attended the Annual General Meeting of the Company held on 13th August 2007.

#### B. Investment Committee

The Investment Committee evaluates the various investment proposals of the Company and guides the Board of Directors in evaluating and implementing the same.

During the year, one meeting was held on 28-01-2008

The Investment Committee comprises of 4 Non-Executive Independent Directors. The Committee is chaired by an Independent Director, Sri S. Nandagopal, a Chartered Accountant by qualification.

The composition of the Investment Committee is given below:

| Members                                     | Number of Meetings Attended |
|---|-----------------------------|
| <b>Non-Executive Independent Directors:</b> |                             |
| Sri S. Nandagopal, Chairman                 | 1                           |
| Sri O. Swaminatha Reddy, Member             | 1                           |
| Sri V.H. Ramakrishnan, Member               | 1                           |
| Sri A. Ramakrishna, Member                  | Nil                         |

#### C. Share Transfer Committee

This Committee is constituted to approve transfer and transmission of shares.

During the year, 14 meetings of Share Transfer Committee were held on the following dates:

07/04/2007, 05/05/2007, 04/06/2007, 30/06/2007, 07/08/2007, 07/09/2007, 06/10/2007, 29/10/2007, 12/11/2007, 10/12/2007, 07/01/2008, 07/02/2008, 06/03/2008 & 31/03/2008.

The Committee comprising of the following executives of the Company:

Sri K. Sridhar – Company Secretary & CFO  
(Upto Sep'07)

Dr. A.V. Sivarama Prasad – Vice President HRD & S

Sri R. Nandagopal – Senior Manager – Finance

Sri S. Sankaran – Senior Manager – Legal  
(From 06/10/2007)

#### D. Shareholders' / Investors' Grievance Committee

This Committee was reconstituted with following Directors with effect from 28.01.2005, to attend to redressal of any specific grievances raised by the shareholders/investors:

Sri S. Nandagopal, Chairman  
Sri V.H. Ramakrishnan, Member  
Sri A. Ramakrishna, Member  
Sri O. Swaminatha Reddy, Member

The Company has received and redressed 3 complaints received through SEBI. As on 31.3.2008 there are no complaints pending. The Committee did not meet during the year, 2007–2008.

### E. Remuneration Committee

This Committee evaluates the financial position and state of affairs of the Company vis-à-vis the prevailing comparable remuneration structure of managerial personnel in other Companies and it determines the remuneration of the Whole Time Directors of the Company for recommendation to the Board.

Remuneration Committee consists of the following Directors:

- Sri S. Nandagopal, Chairman
- Sri A. Ramakrishna, Member
- Sri V.H. Ramakrishnan, Member

The Committee did not meet during the year under report, in the absence of any business to be transacted by it.

The Remuneration Policy and the details of the remuneration to the Directors are furnished in the Section relating to the Board of Directors herein before.

### III. SHAREHOLDER INFORMATION

#### 1. Ensuing Annual General Meeting

Date & Time : 25-09-2008, 11-AM

Venue : "Ramakrishna Buildings", No.2,  
Dr. P.V. Cherian Crescent,  
Egmore, Chennai 600 008

2. **Financial Year:** April 1st to March 31st

#### 3. Financial Calendar:

1st Quarter – 1st April to 30th June – Last week of July

2nd Quarter – 1st July to 30th September – Last week of October

3rd Quarter – 1st October to 31st December – Last week of January

4th Quarter – 1st January to 31st March – Last week of June (audited)

4. **Book Closure:** 17th September 2008 – 25th September 2008 (both days inclusive)

5. **Dividend Payment Date:** On or before 13th October 2008

#### 6. Address for Correspondence:

The KCP Limited  
"Ramakrishna Buildings":  
No.2, Dr. P.V. Cherian Crescent  
Egmore  
Chennai 600 008

#### 7. Listing on Stock Exchanges:

| Name of Stock Exchange   | Stock Code    |
|--|---------------|
| National Stock Exchange of India Limited, Mumbai               | KCP           |
| The Bombay Stock Exchange Limited, Mumbai (Permitted to trade) | 590066        |
| Name of the Depositories (for demat only)                      | Scrip Code    |
| National Securities Depository Ltd.                            | INE 805C01010 |
| Central Depository Services (India) Ltd.                       | INE 805C01010 |

#### 8. Relative Stock Performance:

The KCP Limited price Vs NSE Nifty



For the period 01.04.2007 – 31.03.2008

**9. Share Price Data:**

**NATIONAL STOCK EXCHANGE (NSE)**

| Month          | High   | Low    |
|----------------|--------|--------|
| April 2007     | 246.70 | 206.00 |
| May 2007       | 335.00 | 229.50 |
| June 2007      | 345.80 | 243.20 |
| July 2007      | 424.80 | 320.00 |
| August 2007    | 380.00 | 313.80 |
| September 2007 | 400.00 | 333.00 |
| October 2007   | 439.00 | 330.00 |
| November 2007  | 619.75 | 382.00 |
| December 2007  | 898.00 | 564.90 |
| January 2008   | 867.00 | 440.00 |
| February 2008  | 610.90 | 450.05 |
| March 2008     | 520.00 | 351.10 |

**10. Registrar & Share Transfer Agents**

For demat & physical shares: Integrated Enterprises India Limited, II Floor, "Kences Towers", No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai 600 017.

**11. Share Transfer System:**

Share Transfer System in physical form is normally effected within a maximum period of 30 days of receipt of the documents, if found in order. All share transfers are approved by the Share Transfer Committee, which meets once in three weeks. All requests for dematerialization of shares are processed and the confirmation is given to the respective depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 15 days.

**12. Distribution of Shareholding as on March 31st, 2008**

| No. of Equity Shares held | No. of Share holders | % Share holders | No. of Shares      | % Share holding |
|---------------------------|----------------------|-----------------|--------------------|-----------------|
| 1 – 500                   | 14,790               | 90.88           | 12,26,704          | 9.52            |
| 501 – 1000                | 655                  | 4.02            | 4,80,337           | 3.73            |
| 1001 – 2000               | 344                  | 2.11            | 4,86,994           | 3.78            |
| 2001 – 3000               | 158                  | 0.97            | 3,86,756           | 3.00            |
| 3001 – 4000               | 81                   | 0.50            | 2,82,193           | 2.19            |
| 4001 – 5000               | 50                   | 0.31            | 2,31,019           | 1.79            |
| 5001 – 10000              | 84                   | 0.52            | 5,82,285           | 4.52            |
| Above 10001               | 113                  | 0.69            | 92,15,828          | 71.47           |
| <b>TOTAL</b>              | <b>16,275</b>        | <b>100.00</b>   | <b>1,28,92,116</b> | <b>100.00</b>   |

**13. Categories of Shareholding as on March 31st, 2008**

| Category                      | No. of Share holders | No. of Shares      | % Share holding |
|-------------------------------|----------------------|--------------------|-----------------|
| Clearing Member               | 127                  | 60,434             | 0.4688          |
| Bank Foreign                  | 1                    | 50                 | 0.0004          |
| Foreign Institutional         | 4                    | 25,432             | 0.1973          |
| Indian Financial Institutions | 16                   | 2,85,956           | 2.2181          |
| Indian Promoters              | 26                   | 59,63,824          | 46.2595         |
| Mutual Funds & UTI            | 8                    | 3,56,709           | 2.7667          |
| NRI / OCBs                    | 223                  | 2,02,012           | 1.5669          |
| Private Corporate Bodies      | 410                  | 6,10,514           | 4.7356          |
| Indian Public                 | 15458                | 53,83,154          | 41.7554         |
| Trusts                        | 2                    | 4,031              | 0.0313          |
| <b>TOTAL</b>                  | <b>16275</b>         | <b>1,28,92,116</b> | <b>100</b>      |

**14. Dematerialization of Shares and Liquidity**

54114790 total Equity Capital is held in dematerialized form with NSDL and CDSL as on March 31st, 2008. Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 29th May 2000 as per notification issued by the Securities and Exchange Board of India (SEBI).

15. The Company has not issued any GDRs / ADRs / Warrants or any other convertible instruments that are outstanding at the Balance Sheet Date.

**16. Plant Locations:**

CEMENT: Macherla - 522426  
Guntur District  
Andhra Pradesh

ENGINEERING: 1) Tiruvottiyur  
Chennai 600 019  
Tamilnadu  
2) Mosur Road  
Ekhunagar  
Arakonam 631 004  
Tamilnadu

ELECTRICITY ENERGY  
HYDEL UNIT: B.No. AE-1, NSP  
Colony  
Nekarikallu 522 615  
Guntur District  
Andhra Pradesh

WIND POWER: Uthumalai Village  
Tirunelveli District  
Tamilnadu

THERMAL UNIT: Macherla - 522426  
Guntur District  
Andhra Pradesh

BIOTECH: Plot No.14,  
S.P.Biotech Park,  
Genome Valley,  
Turkapally (villege) –  
500078, Shameerpet  
(Mandal), R.R.District  
Andhra Pradesh

penalties or strictures imposed on it with regard thereto by any concerned regulatory authorities.

3. The company does not have a whistle-blower policy. However, the company does not deny any of its personnel, access to the audit committee.
4. The Company has, to the best of its understanding, complied with all the mandatory requirements of Clause 49 of the Listing Agreement. With regard to the non-mandatory requirements, in addition to the matters already implemented as reported herein/elsewhere,
  - There were no qualifications by the auditors that are material in nature, and the company is taking corrective steps in response to the observations if any made by the auditors
  - All the Directors of the company have considerable experience and expertise as directors in this company and other companies, and hence in the opinion of the Board no further training or evaluation is considered necessary for them.
  - For the time being there is no ceiling on the tenure of the non-executive directors.

## V. OTHER DISCLOSURES

1. During the year there were no materially significant related party transactions that might have had potential conflict with the interest of the company at large.
2. During the last three years, there were no instances of non compliance by the company, with any statutory matters concerning capital markets, nor were any

### 1. Details of Annual General Meetings & Special Resolutions:

Location and time of Annual General Meetings held in last 3 years along with Special Resolutions passed:

| Year | AGM  | Location   | Date       | Time          | Special Resolutions considered thereof | Result |
|------|------|--|------------|---------------|--|--------|
| 2005 | 64th | "Ramakrishna Buildings"<br>2, Dr. P.V. Cherian Crescent<br>Egmore, Chennai 600 008 | 16/09/2005 | 10.00<br>a.m. | Appointment of Auditors                | Passed |
| 2006 | 65th | "Ramakrishna Buildings"<br>2, Dr. P.V. Cherian Crescent<br>Egmore, Chennai 600 008 | 27/09/2006 | 11.00<br>a.m. | Appointment of Auditors.               | Passed |
| 2007 | 66th | "Ramakrishna Buildings"<br>2, Dr. P.V. Cherian Crescent<br>Egmore, Chennai 600 008 | 13/08/2007 | 3.00<br>p.m.  | -                                      |        |

### 2. Means of Communication

Quarterly results of the Company in the prescribed format were published in the following newspapers:

Business Line  
Financial Express  
Dinamani  
Malaimurasu

The company does not send a half yearly declaration of its financial performance to each household of its shareholders.

These results were simultaneously posted on the web-site of the Company at [www.kcp.co.in](http://www.kcp.co.in). Information as prescribed was posted to Electronic Data Information Filing and Retrieval Systems (EDIFAR) during the year. The Company has not issued any official news release, nor made any presentations to the investors about its financial results during the year. A management discussion analysis of relevant matters forms part of the Report of the Board of Directors.

## Auditors' Certificate on Corporate Governance

The Members  
The KCP Limited  
Ramakrishna Buildings  
No. 2, Dr.P.V.Chерian Crescent  
Egmore,  
Chennai - 600 008

We have examined the compliance of conditions of Corporate Governance by The KCP Limited for the year ended March 31, 2008 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our Examination was limited to procedures and implementation 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 of the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, the representations made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR BRAHMAYYA & CO  
Chartered Accountants

Place: Chennai  
Date: 31<sup>st</sup> July 2008

C. MURALIKRISHNA  
(ICAI Memb.No.20884)  
Partner

## Declaration under clause 49 of the Listing Agreement

I, V.L. Dutt, Chairman and Managing Director of the Company hereby confirm that all the members of your Board and the Senior Management Personnel of your Company have confirmed the compliance to the Code of Conduct of the Company during the year ended 31.03.2008.

For THE KCP LIMITED  
V.L. DUTT  
Chairman and Managing Director

Place: Chennai  
Date: 31<sup>st</sup> July, 2008

## CEO / CFO Certification

The Board of Directors,  
The KCP Limited  
We hereby certify that:

a) We have reviewed the financial statements and the cash flow statement of the company for the year ended March 31, 2008 and to the best of our knowledge and belief:

- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies

d) We have indicated to the auditors and the Audit committee:

- i) Significant changes in internal control over financial reporting during the year;
  - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.
- e) The disclosures have been received from the senior management personnel relating to the financial and commercial transactions in which they or their relatives may have personal interest. However, none of these transactions have conflict with the interest of the Company at large.

Place: Chennai  
Date: 31<sup>st</sup> July, 2008

For The KCP Limited  
V.L. Dutt  
Chairman and Managing Director

For The KCP Limited  
R. Nandagopal  
Sr. Manager (Finance)



# Auditors' Report

To  
The Shareholders of  
The KCP Limited  
Chennai

We have audited the attached Balance Sheet of The KCP Limited, as at 31<sup>st</sup> March 2008, its Profit and Loss Account for the year ended on that date annexed thereto, and its cash-flow statement for the year ended on that date. 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 Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to 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 purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company

so far as appears from our examination of such books;

- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet and Profit and Loss account and the 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;
- e. On the basis of written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 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 said accounts 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;
  - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008,
  - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date,
  - iii. In the case of the cash-flow statement, of the cash-flows of the company for the year ended on that date

For BRAHMAYYA & CO  
Chartered Accountants

C. MURALI KRISHNA  
(ICAI Memb.No.20884)  
Partner

Place: Chennai  
Date: 31<sup>st</sup> July 2008

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- 1.2 According to the information and explanations furnished to us, the company has physically verified some of its fixed assets during the year, in accordance with a phased programme of verification, which, in our opinion, is reasonable, having regard to the size of the company and the nature of the assets. As per the said information and explanations, no material discrepancies were noticed on such verification carried out during the year.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has physically verified its inventories during the year. In our opinion, the frequency of such verification is reasonable.
- 2.2 In our opinion, 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.
- 2.3 According to the information furnished to us, the company is maintaining proper records of its inventory and the discrepancies if any noticed on verification between the physical stocks and the book records were not material, and have been properly dealt with in the books of account.
- 3.1 According to the information and explanations furnished to us, the company has not granted any loans to companies, firms or other parties covered by the register maintained under Section 301 of the Companies Act 1956, at the beginning of the year or during the year, and consequently reporting under sub-clauses b, c and d of clause 4(iii) of the Order does not arise during the year.
- 3.2 According to the information and explanations furnished to us, the company has taken loans aggregating to Rs.6.86 crores from three directors and Rs.2.35 crores from a company, covered by the register maintained under Section 301 of the Companies Act 1956.
- 3.3 In our opinion, the rate of interest and other terms and conditions on which loans have been taken by the company from companies, firms or other parties covered by the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- 3.4 According to the information and explanations furnished to us, the company has been regular in repaying the principal and interest amounts as stipulated on the loans taken by it from the parties listed in the registers maintained under Section 301 of the Companies Act 1956.
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 with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control that require correction and have so continued without correction.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA and other applicable provisions of the Companies Act, 1956 and Companies

- (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no Order has been passed on the company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non-compliance with the provisions of Sections 58A and 58AA of the Companies Act, 1956.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
  8. We have broadly reviewed the books of account and records maintained by the company at its cement and electric power generation units pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we are not required to and have not carried out a detailed audit of the same.
    - 9.1 According to the information furnished to us, the company has generally been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.
    - 9.2 There were no undisputed statutory dues mentioned in the preceding paragraph in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.
    - 9.3 According to the information furnished to us, there were no amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, Service Tax that have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report, except
 

| S.No | Nature of Dues              | Applicable Statute                          | Amount (in Rs.) | Pending Before                |
|------|-----------------------------|---|-----------------|-------------------------------|
| 1    | Sales Tax & Related Demands | Sales Tax Acts of Various State Governments | 1,19,02,374     | Various Appellate Authorities |
  10. According to the information and explanations furnished to us by the company, it had no accumulated losses at the end of the financial year, and it did not incur cash losses during the financial year covered by our audit and in the immediately preceding financial year.
  11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
  12. According to the information furnished to 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.
  13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
  14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  15. In our opinion, and according to the information furnished to us, the terms and conditions on which the company has given guarantees for loans taken by its subsidiary from banks are not prejudicial to the interest of the company.
  16. In our opinion, and according to the information and explanations furnished to us, the term loans taken by the company have been applied for the purpose for which they were raised.
  17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment,
  18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.

19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any moneys through public issue of its securities during the year, and the question of end use of such moneys does not arise during the year.
21. According to the information and explanations furnished to us, and based on the audit procedures generally adopted by us, we report that, during

the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

Place: Chennai  
Date: 31st July 2008

For BRAHMAYYA & Co  
Chartered Accountants  
C.MURALI KRISHNA  
(ICAI Memb. No. 20884)  
Partner



## BALANCE SHEET AS AT 31ST MARCH 2008

| PARTICULARS                                  | Schedule | AS AT 31-03-2008     |                      | AS AT 31-03-2007 |                      |
|--|----------|----------------------|----------------------|------------------|----------------------|
|  |          | Rs.                  | Rs.                  | Rs.              | Rs.                  |
| <b>(I) SOURCES OF FUNDS:</b>                 |          |                      |                      |                  |                      |
| <b>1. Shareholders' Funds:</b>               |          |                      |                      |                  |                      |
| (a) Capital                                  | A        | 12,89,21,160         |                      | 12,89,21,160     |                      |
| (b) Reserves & Surplus                       | B        | 176,97,69,245        |                      | 129,84,50,128    |                      |
|  |          |                      | <b>189,86,90,405</b> |                  | 142,73,71,288        |
| <b>2. Loan Funds:</b>                        |          |                      |                      |                  |                      |
| (a) Secured Loans                            | C        | 31,99,42,120         |                      | 44,24,91,199     |                      |
| (b) Unsecured Loans                          | D        | 24,39,40,000         |                      | 26,38,25,000     |                      |
|  |          |                      | <b>56,38,82,120</b>  |                  | 70,63,16,199         |
| <b>3. Deferred Tax Liability (Net)</b>       |          |                      |                      |                  |                      |
| (a) Deferred Tax Liability                   |          | 18,70,50,272         |                      | 14,39,19,937     |                      |
| (b) Less: Deferred Tax Asset                 |          | 1,02,40,684          | 17,68,09,588         | 28,94,895        | 14,10,25,042         |
| <b>Total</b>                                 |          |                      | <b>263,93,82,113</b> |                  | <u>227,47,12,529</u> |
| <b>(II) APPLICATION OF FUNDS:</b>            |          |                      |                      |                  |                      |
| <b>1. Fixed Assets:</b>                      |          |                      |                      |                  |                      |
| (a) Gross Block                              | E        | 232,10,80,498        |                      | 209,69,71,021    |                      |
| (b) Less: Depreciation                       |          | 113,77,81,964        |                      | 108,57,67,937    |                      |
| (c) Net Block                                |          | 118,32,98,534        |                      | 101,12,03,084    |                      |
| (d) Capital Work-in-Progress                 |          | 8,19,58,776          |                      | 15,91,72,055     |                      |
|  |          |                      | <b>126,52,57,310</b> |                  | 117,03,75,139        |
| <b>2. Investments</b>                        |          |                      |                      |                  |                      |
|  | F        |                      | <b>27,72,41,121</b>  |                  | 27,70,93,488         |
| <b>3. Current Assets, Loans and Advances</b> |          |                      |                      |                  |                      |
| (a) Inventories                              | G1       | 62,11,45,841         |                      | 56,27,52,022     |                      |
| (b) Sundry Debtors                           | G2       | 53,31,90,460         |                      | 27,87,65,675     |                      |
| (c) Cash and Bank Balances                   | G3       | 38,20,91,416         |                      | 22,50,08,921     |                      |
| (d) Other Current Assets                     | G4       | 1,33,17,860          |                      | 82,75,482        |                      |
| (e) Loans and Advances                       | H        | 60,41,25,121         |                      | 61,38,19,586     |                      |
|  |          | <b>215,38,70,698</b> |                      | 168,86,21,686    |                      |
| Less: Current Liabilities and Provisions:    |          |                      |                      |                  |                      |
| (a) Liabilities                              | I-1      | 70,94,09,091         |                      | 66,58,16,884     |                      |
| (b) Provisions                               | I-2      | 34,75,77,925         |                      | 19,55,60,900     |                      |
|  |          | <b>105,69,87,016</b> |                      | 86,13,77,784     |                      |
| <b>Net Current Assets</b>                    |          |                      | <b>109,68,83,682</b> |                  | 82,72,43,902         |
| <b>Total</b>                                 |          |                      | <b>263,93,82,113</b> |                  | <u>227,47,12,529</u> |

Notes, Schedules & Statement on Accounting Policies form an integral part of the Balance Sheet

(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

| PARTICULARS   |                      | Schedule                 | For the year ended 31-03-2008 | For the year ended 31-03-2007 |
|---|----------------------|--------------------------|-------------------------------|-------------------------------|
|   | Rs.                  |                          | Rs.                           | Rs.                           |
| <b>INCOME FROM:</b>   |                      |                          |                               |                               |
| <b>Sale of Products and Services</b>  | 406,82,84,977        |                          |                               |                               |
| Less: Excise Duty & Cess  | 63,68,58,606         |                          | <b>343,14,26,371</b>          | 249,71,86,343                 |
| Other Income  |                      | 1                        | <b>9,21,24,751</b>            | 6,53,16,467                   |
|   |                      |                          | <b>352,35,51,122</b>          | 256,25,02,810                 |
| <b>EXPENDITURE ON:</b>  |                      |                          |                               |                               |
| Materials Consumed  |                      | 2                        | <b>59,66,47,191</b>           | 37,37,96,644                  |
| Payments and Benefits to Employees  |                      | 3                        | <b>27,99,73,392</b>           | 22,43,16,500                  |
| Manufacturing, Selling, Administrative and other expenses   |                      | 4                        | <b>150,42,11,126</b>          | 112,27,66,803                 |
| Rates and Taxes (excluding income-tax)  |                      |                          | <b>1,43,45,579</b>            | 94,75,634                     |
| Interest and Finance charges  |                      |                          | <b>6,92,01,773</b>            | 4,44,22,352                   |
| Depreciation  |                      |                          | <b>8,57,97,541</b>            | 6,17,86,791                   |
|   |                      |                          | <b>255,01,76,602</b>          | 183,65,64,724                 |
| <b>Profit/(Loss) for the year:</b>  |                      |                          | <b>97,33,74,520</b>           | 72,59,38,086                  |
| Less: Provision for Taxation-Current  |                      |                          | <b>26,54,00,000</b>           | 16,60,00,000                  |
| Fringe Benefit Tax  |                      |                          | <b>41,00,000</b>              | 1,05,00,000                   |
| Deferred Tax  |                      |                          | <b>3,84,83,953</b>            | 6,64,97,035                   |
| <b>Profit/(Loss) after Taxation</b>   |                      |                          | <b>66,53,90,567</b>           | 48,29,41,051                  |
| Balance brought forward from last Year  | 27,04,58,984         |                          |                               | 50,95,20,289                  |
| Less: Brought forward losses of amalgamating company  | 5,33,80,810          |                          | <b>21,70,78,174</b>           |                               |
|   |                      |                          | <b>88,24,68,741</b>           | 99,24,61,340                  |
| <b>Appropriations (See Directors' Report)</b>   | <b>This Year Rs.</b> | <b>Previous Year Rs.</b> |                               |                               |
| Less: Transfer to General Reserve   | <b>50,52,42,354</b>  | 57,50,00,000             | <b>50,52,42,354</b>           | 57,50,00,000                  |
| Proposed Dividend   | <b>3,22,30,290</b>   |                          | <b>3,22,30,290</b>            |                               |
| Interim Dividend paid   | <b>9,66,90,870</b>   | 12,89,21,160             | <b>9,66,90,870</b>            | 12,89,21,160                  |
| Tax on distributed Profits  | <b>2,19,10,151</b>   | 1,80,81,196              | <b>2,19,10,151</b>            | 1,80,81,196                   |
| Balance carried forward to next Year  |                      |                          | <b>22,63,95,076</b>           | 27,04,58,984                  |
| <b>Basic Earnings per equity share of Rs.10 each -(EPS)</b>   |                      |                          | <b>51.61</b>                  | 37.46                         |
| <b>[Net Profit after tax Rs. 66,53,90,567/- (Rs. 48,29,41,051/-)/No.of equity shares 1,28,92,116 (1,28,92,116)]</b> |                      |                          |                               |                               |

Notes, Schedules & Statement on Accounting Policies form an integral part of the Profit and Loss Account

(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

| <b>“SHARE CAPITAL”</b>                                 |                            | <i>Schedule ‘A’</i>        |  |
|--|----------------------------|----------------------------|--|
| PARTICULARS  | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |  |
| <b>Authorised:</b>                                     |                            |                            |  |
| 5,50,00,000 (5,00,00,000) Equity Shares of Rs.10/-each | <b>55,00,00,000</b>        | 50,00,00,000               |  |
| <b>Issued:</b>   |                            |                            |  |
| 1,28,97,748 Equity Shares of Rs.10/-each               | <b>12,89,77,480</b>        | 12,89,77,480               |  |
| <b>Subscribed and Paid-up:</b>                         |                            |                            |  |
| 1,28,92,116 Equity Shares of Rs.10/-each fully paid    | <b>12,89,21,160</b>        | 12,89,21,160               |  |
| <b>Total taken to Balance Sheet</b>                    | <b>12,89,21,160</b>        | 12,89,21,160               |  |

Note: 1. Authorised capital of the company has been increased during the year on account of addition of the Authorised Capital of the amalgamating company, KCP Biotech Limited.

2. Of the above subscribed and paid up equity shares, 1,26,65,220 shares represent Bonus Shares allotted as fully paid up, by capitalisation of Profits / Reserves.

| <b>“RESERVES &amp; SURPLUS”</b>                  |                            | <i>Schedule ‘B’</i>             |  |                            |  |
|--|----------------------------|---------------------------------|--|----------------------------|--|
| PARTICULARS                                      | AS AT<br>31-03-2007<br>Rs. | Added during<br>the year<br>Rs. | Withdrawn<br>during the<br>year<br>Rs. | AS AT<br>31-03-2008<br>Rs. |  |
| Capital Reserve - on reorganisation              | 2,79,91,144                | 0                               | 0                                      | <b>2,79,91,144</b>         |  |
| Capital Subsidy                                  | 0                          | 50,00,000                       | 0                                      | <b>50,00,000</b>           |  |
| General Reserve (see Note below)                 | 100,00,00,000              | 50,52,42,354                    | 52,42,354                              | <b>150,00,00,000</b>       |  |
| Amalgamation Reserve                             | 0                          | 1,03,83,025                     | 0                                      | <b>1,03,83,025</b>         |  |
| Surplus (i.e) Balance in Profit and Loss Account | 27,04,58,984               | 0                               | 0                                      | <b>22,63,95,076</b>        |  |
| <b>Total taken to Balance Sheet</b>              | <b>129,84,50,128</b>       |                                 |  | <b>176,97,69,245</b>       |  |

Transitional adjustment of Rs. 52,42,354 (net of tax of Rs. 26,99,403/-, [Refer Note 24 to the accounts]) on application of AS 15 “Employee Benefits” during the year has been shown under ‘withdrawn during the year’, above.

**“SECURED LOANS”**

**Schedule ‘C’**

| PARTICULARS   | AS AT               | AS AT               |
|---|---------------------|---------------------|
|   | 31-03-2008          | 31-03-2007          |
|   | Rs.                 | Rs.                 |
| <b>I. Short-Term Loans:</b>   |                     |                     |
| (a) From banks secured by paripassu first charge on the Current Assets of the Cement Division and pari passu second charge on the Fixed Assets of the Cement Division | 0                   | 1,48,307,952        |
| (b) From banks secured by charge on current assets and extension of charge on the Fixed Assets of the Biotech Division  | 4,50,32,022         | 0                   |
| <b>II. Long-Term Loans:</b>   |                     |                     |
| (a) From banks secured by paripassu first charge on the Fixed Assets and paripassu second charge on the current assets of Macherla Units.                             | 8,96,37,446         | 13,97,22,222        |
| (b) From a bank secured by first charge on the WindMills of the Company.  | 15,24,00,000        | 15,40,00,000        |
| (c) From a bank against security of specific assets   | 0                   | 4,61,025            |
| (d) From a bank secured by First charge on the fixed assets and extension of charge on current assets of Biotech Division   | 3,28,72,652         | 0                   |
| <b>Total taken to Balance Sheet</b>   | <b>31,99,42,120</b> | <b>44,24,91,199</b> |

**“UNSECURED LOANS”**

**Schedule ‘D’**

| PARTICULARS   | AS AT               | AS AT               |
|---|---------------------|---------------------|
|   | 31-03-2008          | 31-03-2007          |
|   | Rs.                 | Rs.                 |
| i) Fixed Deposits<br>( including Rs.34,03,000/- (Rs.36,03,000/-) from Directors.) | 15,52,40,000        | 21,01,25,000        |
| ii) From Directors  | 6,52,00,000         | 3,77,00,000         |
| iii) Intercorporate Loan  | 2,35,00,000         | 1,60,00,000         |
| <b>Total taken to Balance Sheet</b>   | <b>24,39,40,000</b> | <b>26,38,25,000</b> |

**“FIXED ASSETS”**

**Schedule ‘E’**

| Sl. No. | DESCRIPTION                             | GROSS BLOCK          |                           |  |                            | DEPRECIATION         | NET BLOCK                          |                      |                      |
|---------|---|----------------------|---------------------------|--|----------------------------|----------------------|------------------------------------|----------------------|----------------------|
|         |   | Cost upto 31-03-2007 | Additions during the year | Additions on amalgamation of KCP Biotech Limited | Deductions during the year | Cost upto 31-03-2008 | Total Depreciation upto 31-03-2008 | As at 31-03-2008     | As at 31-03-2007     |
|         |   | Rs.                  | Rs.                       | Rs.  | Rs.                        | Rs.                  | Rs.                                | Rs.                  |                      |
| 1.      | Lands                                   | 1,79,20,258          | —                         | 96,80,000  | —                          | 2,76,00,258          | —                                  | 2,76,00,258          | 1,79,20,258          |
| 2.      | (a) Buildings                           | 18,69,71,578         | 87,78,841                 | 2,71,04,076                                      | —                          | 22,28,54,495         | 8,64,17,968                        | 13,64,36,527         | 10,72,70,785         |
|         | (b) Leasehold Buildings                 | 15,47,500            | —                         | —  | —                          | 15,47,500            | 4,62,790                           | 10,84,710            | 11,09,934            |
| 3.      | Tramways & Railway Sidings              | 67,94,361            | —                         | —  | —                          | 67,94,361            | 55,40,800                          | 12,53,561            | 15,76,293            |
| 4.      | Plant & Machinery Owned                 | 177,15,42,948        | 16,85,18,013              | 4,03,24,777                                      | 1,34,73,094                | 196,69,12,644        | 99,47,35,412                       | 97,21,77,232         | 84,42,67,475         |
| 5.      | Furniture, Fixtures & Office Equipments | 3,61,92,461          | 36,78,408                 | 5,29,555   | 61,27,479                  | 3,42,72,945          | 2,45,46,183                        | 97,26,762            | 89,42,117            |
| 6.      | Vehicles & Earth moving Equipments      |                      |                           |  |                            |                      |                                    |                      |                      |
|         | Owned                                   | 7,04,04,377          | 61,33,307                 | 5,35,703   | 2,18,24,929                | 5,52,48,458          | 2,47,86,811                        | 3,04,61,647          | 2,90,80,042          |
|         | Leased Assets                           | 38,84,632            | —                         | —  | 38,84,632                  | —                    | —                                  | —                    | 2,23,274             |
| 7.      | Research & Development Equipments       | 8,12,906             | —                         | 36,46,931  | —                          | 44,59,837            | —                                  | 44,59,837            | 8,12,906             |
| 8.      | Patents                                 | 9,00,000             | —                         | 4,90,000   | —                          | 13,90,000            | 12,92,000                          | 98,000               | —                    |
|         | <b>Grand Total</b>                      | <b>209,69,71,021</b> | <b>18,71,08,569</b>       | <b>8,23,11,042</b>                               | <b>4,53,10,134</b>         | <b>232,10,80,498</b> | <b>113,77,81,964</b><br>@          | <b>118,32,98,534</b> | <b>101,12,03,084</b> |
|         | <b>Previous Year</b>                    | <b>172,43,23,767</b> | <b>38,63,25,566</b>       |  | <b>1,36,78,312</b>         | <b>209,69,71,021</b> | <b>108,57,67,937</b>               | <b>101,12,03,084</b> | <b>68,98,50,061</b>  |

Note: @ Total depreciation upto 31.03.08 includes an amount of Rs. 71,47,650/- being the accumulated depreciation on the fixed assets of KCP Biotech Limited on account of amalgamation with the holding company The KCP Limited.

**“INVESTMENTS”**

**Schedule ‘F’**

| PARTICULARS   | Details<br>Rs. | AS AT               | AS AT             |
|---|----------------|---------------------|-------------------|
|   |                | 31-03-2008<br>Rs.   | 31-03-2007<br>Rs. |
| <b>I.SHARES OF COMPANIES:</b>   |                |                     |                   |
| <b>1.Trade Investments:</b>   |                |                     |                   |
| <b>(a) Unquoted Equity Shares - Fully paid:</b>   |                |                     |                   |
| (i) 4,00,000 Shares of Rs.10/- each in Fives Cail KCP Limited   | 40,00,000      |                     | 40,00,000         |
| (ii) 24,00,000 Equity Shares of Rs.10/- each in Sudalagunta Sugars Limited  | 2,40,00,000    |                     | 2,40,00,000       |
|   | (A)            | <b>2,80,00,000</b>  | 2,80,00,000       |
| <b>2. Non-Trade Investments:</b>  |                |                     |                   |
| <b>(a) Quoted Equity Shares -Fully Paid:</b>  |                |                     |                   |
| (i) 350 Shares of Rs.10/- each in ICICI Bank Limited  | 18,005         |                     | 18,005            |
| (ii) 360 (300)Shares of Rs.10/- each in State Bank of India<br>(60 Shares purchased on Rights basis during the year)  | 1,25,400       |                     | 30,000            |
| (iii) 100 Shares of Rs.10/- each in Industrial Finance Corporation of India   | 3,500          |                     | 3,500             |
| (iv) 14,240 shares of Rs.10/- each in Industrial Development Bank of India  | 11,57,000      |                     | 11,57,000         |
|   | (B)            | <b>13,03,905</b>    | 12,08,505         |
| <b>(b) Unquoted Equity Shares - Fully Paid:</b>   |                |                     |                   |
| (i) 30 Equity Shares of Rs.10/-each in Andhra Pradesh Heavy Machinery & Engineering Company Limited   | 300            |                     |                   |
| Less: Written off to the extent of  | 299            | 1                   | 1                 |
| (ii) 5,00,000 Equity Shares of Rs.10/- each in Somayajulu & Company Limited   | 50,00,000      |                     | 50,00,000         |
| (iii) 1,00,000 Shares of Rs. 10/- each in Prudential Mouli Sugars Ltd.  | 10,00,000      |                     |                   |
| Less: Written off to the extent of  | 9,99,999       | 1                   | 1                 |
| <b>In Subsidiary companies:</b>   |                |                     |                   |
| (iv) 83,99,760 Equity Shares of US\$ 1 each, in KCP Vietnam Industries Ltd, Vietnam.<br>(23,99,760 Equity Shares of US\$ 1 each, bonus shares allotted during the year) | 23,71,43,668   |                     | 23,71,43,668      |
|   | (C)            | <b>24,21,43,670</b> | 24,21,43,670      |
| <b>II. Other Investments:</b>   |                |                     |                   |
| <b>(a) Quoted:</b>  |                |                     |                   |
| <b>Unit Trust of India</b>  |                |                     |                   |
| (earmarked towards deposits under companies (Acceptance of Deposits) Rules, 1975)   |                |                     |                   |

(Continued)

Schedule 'F'

| PARTICULARS  | Details<br>Rs.   | AS AT               | AS AT             |
|--|------------------|---------------------|-------------------|
|  |                  | 31-03-2008<br>Rs.   | 31-03-2007<br>Rs. |
| (i) 53850 6.75% Tax free Bonds of Rs. 100/- each   | 53,85,000        |                     | 53,85,000         |
| (ii) 18433.029 UTI Balanced Fund Units of Rs. 10/- each (incl. reinvestment of Dividend received during the year in 1885.196 units)  | 3,93,546         |                     | 3,56,313          |
| <b>(b) Unquoted:</b>   |                  |                     |                   |
| (iii) National Savings Certificates  | 15,000           |                     |                   |
|  |                  | <b>57,93,546</b>    |                   |
|  | <b>(D)</b>       | <b>57,93,546</b>    | 57,41,313         |
| <b>Total taken to Balance Sheet</b>  | <b>(A+B+C+D)</b> | <b>27,72,41,121</b> | 27,70,93,488      |
| NOTES:   |                  |                     |                   |
| 1. All the above are long term investments.  |                  |                     |                   |
| 2. Aggregate values of quoted investments:   |                  |                     |                   |
| At Cost  |                  |                     |                   |
| At Market Value  |                  |                     |                   |
| 3. Aggregate cost of unquoted investments  |                  |                     |                   |
| 4. As at 31.03.2007, the Company held 37,50,070 Equity shares of Rs.10/- each at a cost of Rs. 2,71,675 in its Subsidiary Company, KCP Biotech Limited, the diminution of the total carrying amount of which was also provided for as on that date. The said subsidiary has been merged with the Company during the year [Refer Note 25] |                  |                     |                   |

**"CURRENT ASSETS"**

**INVENTORIES**

Schedule 'G-1'

| PARTICULARS                                     | AS AT               | AS AT             |
|---|---------------------|-------------------|
|   | 31-03-2008<br>Rs.   | 31-03-2007<br>Rs. |
| (as certified by the Managing Director)         |                     |                   |
| (1) Stores and Spares at Cost                   | 21,49,05,368        | 26,44,34,616      |
| (2) Stores and Raw Materials in transit at Cost | 0                   | 37,33,184         |
| (3) Stocks-in-trade                             |                     |                   |
| (a) Raw Materials at cost                       | 1,78,72,844         | 2,42,73,624       |
| (b) i) Finished Goods at Cost                   | 1,25,79,001         | 87,74,951         |
| ii) Finished Goods at Market Value              | 5,22,74,395         | 8,42,157          |
| (c) Work-in-progress at cost                    | 32,35,14,233        | 26,06,93,490      |
| <b>Total taken to Balance Sheet</b>             | <b>62,11,45,841</b> | 56,27,52,022      |

# THE KCP LTD.

## “SUNDRY DEBTORS”

*Schedule ‘G-2’*

| PARTICULARS  | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|--|----------------------------|----------------------------|
| Sundry Debtors   |                            |                            |
| (A) Debts outstanding for a period exceeding six months:                   |                            |                            |
| Considered Good  |                            |                            |
| (a) Fully Secured  | 12,66,178                  | 25,08,539                  |
| (b) Unsecured  | 9,21,43,705                | 9,76,866                   |
|  | 9,34,09,883                | 34,85,405                  |
| (B) Other Debts Considered Good  |                            |                            |
| (a) Fully Secured  | 87,46,828                  | 42,84,060                  |
| (b) Unsecured  | 43,10,33,749               | 27,09,96,210               |
| (includes Rs. 14,28,96,495/- (Rs.5,42,80,577) due from subsidiary company) |                            |                            |
| <b>Total taken to Balance Sheet</b>  | <b>53,31,90,460</b>        | <b>27,87,65,675</b>        |

## “CASH AND BANK BALANCES”

*Schedule ‘G-3’*

| PARTICULARS                         | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|-------------------------------------|----------------------------|----------------------------|
| (1) Cash /Cheques on hand           | 81,48,535                  | 3,16,51,153                |
| (2) At Scheduled Banks:             |                            |                            |
| i) in Fixed Deposits                | 32,92,03,419               | 15,90,14,626               |
| ii) in Current Accounts             | 4,47,39,462                | 3,43,43,142                |
| <b>Total taken to Balance Sheet</b> | <b>38,20,91,416</b>        | <b>22,50,08,921</b>        |

## “OTHER CURRENT ASSETS”

*Schedule ‘G-4’*

| PARTICULARS   | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|---|----------------------------|----------------------------|
| Interest accrued  | 1,33,17,860                | 82,75,482                  |
| (includes Rs. 32,88,853/- (Rs.50,40,217/-) from Subsidiary company) |                            |                            |
| <b>Total taken to Balance Sheet</b>                                 | <b>1,33,17,860</b>         | <b>82,75,482</b>           |

## “LOANS AND ADVANCES”

*Schedule ‘H’*

| PARTICULARS  | Details<br>Rs. | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|--|----------------|----------------------------|----------------------------|
| (1) Advances,  |                |                            |                            |
| (unsecured, recoverable in cash or in kind, for value to be received ) |                |                            |                            |
| Considered Good  | 7,13,68,616    |                            |                            |

(Continued)

Schedule "H"

| PARTICULARS                           | Details<br>Rs. | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|---------------------------------------|----------------|----------------------------|----------------------------|
| Considered Doubtful                   | 4,12,127       |                            |                            |
|                                       | 7,17,80,743    |                            |                            |
| Less: Provision for Doubtful Advances | 4,12,127       |                            |                            |
|                                       |                | <b>7,13,68,616</b>         | 5,79,87,750                |
| (2) Prepaid Expenses                  |                | <b>84,91,479</b>           | 64,52,549                  |
| (3) Excise Duty paid in advance       |                | <b>3,49,28,811</b>         | 3,82,28,829                |
| (4) Direct Taxes paid in advance      |                | <b>28,82,49,085</b>        | 20,92,24,729               |
| (5) Income-tax deducted at source     |                | <b>1,22,57,664</b>         | 1,42,38,582                |
| (6) Deposits recoverable              |                | <b>3,29,03,240</b>         | 3,17,34,182                |
| (7) Claims recoverable                |                | <b>86,46,724</b>           | 1,17,62,411                |
| (8) Loans to Subsidiary Company       |                | <b>14,72,79,502</b>        | 24,41,90,554               |
| <b>Total taken to Balance Sheet</b>   |                | <b>60,41,25,121</b>        | 61,38,19,586               |

"CURRENT LIABILITIES AND PROVISIONS"

Schedule "I-1"

| PARTICULARS  | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|--|----------------------------|----------------------------|
| <b>A. CURRENT LIABILITIES:</b>   |                            |                            |
| (1) a. Sundry Creditors - Due to Micro and Small Enterprises<br>(See Note No. 10 forming part of accounts)         | <b>0</b>                   | 43,01,615                  |
| b. Sundry Creditors - Due to Others<br>(includes Rs. 6,42,71,660/- (Rs. 5,06,92,362/-) due to wholetime directors) | <b>32,13,90,373</b>        | 24,93,68,333               |
| (2) Advances received against sales  | <b>32,07,20,641</b>        | 34,05,65,767               |
| (3) Trade Deposits   | <b>4,59,70,000</b>         | 3,63,45,000                |
| (4) Deposits from Contractors and others   | <b>2,90,500</b>            | 1,88,500                   |
| (5) Security Deposits from staff   | <b>1,07,000</b>            | 1,25,000                   |
| (6) Unclaimed Dividend *   | <b>75,02,172</b>           | 1,85,76,961                |
| (7) Interest accrued but not due on loans  | <b>74,14,180</b>           | 1,01,17,497                |
| (8) Due to Superannuation and Gratuity Trusts  | <b>60,14,225</b>           | 62,28,211                  |
| <b>Total taken to Balance Sheet</b>  | <b>70,94,09,091</b>        | 66,58,16,884               |

Note:\*There are no amounts due to be remitted to Investor Education and Protection Fund out of these amounts.

**Schedule "I-2"**

| PARTICULARS   | AS AT<br>31-03-2008<br>Rs. | AS AT<br>31-03-2007<br>Rs. |
|---|----------------------------|----------------------------|
| <b>B. PROVISIONS:</b>                                     |                            |                            |
| (1) For Income Tax ,Wealth Tax & Fringe Benefit Tax       | <b>28,12,14,162</b>        | 18,56,81,049               |
| (2) For Proposed Dividend                                 | <b>3,22,30,290</b>         | 0                          |
| (3) For Tax on Distributed Profits                        | <b>54,77,538</b>           | 0                          |
| (4) For Leave Encashment                                  | <b>1,29,22,964</b>         | 98,79,851                  |
| (5) For Retirement Gratuity (Net of value of plan assets) | <b>1,57,32,971</b>         | 0                          |
| <b>Total taken to Balance Sheet</b>                       | <b>34,75,77,925</b>        | 19,55,60,900               |

Signature to Schedules A to I-2  
(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place : Chennai  
Date : 31st July, 2008

## SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

### “OTHER INCOME”

#### Schedule-1

| PARTICULARS   | For the<br>year ended<br>31-03-2008<br>Rs. | For the<br>year ended<br>31-03-2007<br>Rs. |
|---|--|--|
| (1) Interest received from Banks and others<br>(Tax deducted on above Rs. 47,96,704 [Previous<br>year Rs. 36,31,137]) | 4,20,48,205                                | 3,36,68,974                                |
| (2) Dividend Received (Gross)   |  |  |
| -From Trade Investments   | 0  | 1,10,00,000                                |
| -From Non-Trade Investments   | 44,933                                     | 3,04,534                                   |
| (3) Rents received  | 28,12,983                                  | 12,12,306                                  |
| (4) Miscellaneous Receipts  | 1,41,65,211                                | 86,80,449                                  |
| (5) Profit on sale of Assets  | 76,694                                     | 13,02,368                                  |
| (6) Unclaimed balances credited back  | 9,34,538                                   | 95,095                                     |
| (7) Claims/refunds received   | 19,21,990                                  | 9,15,234                                   |
| (8) Provisions no longer required credited back   | 3,01,20,197                                | 81,37,507                                  |
| <b>Total taken to Profit and Loss Account</b>   | <b>9,21,24,751</b>                         | <b>6,53,16,467</b>                         |

### “MATERIALS CONSUMED”

#### Schedule-2

| PARTICULARS                                    | Details<br>Rs. | For the<br>year ended<br>31-03-2008<br>Rs. | Details<br>Rs. | For the<br>year ended<br>31-03-2007<br>Rs. |
|--|----------------|--|----------------|--|
| Opening Stocks:                                |                |  |                |  |
| Raw materials                                  | 2,42,73,623    |  | 1,57,33,073    |  |
| Add: Stock of Amalgamating Company             | 17,29,406      |  |                |  |
| Work-in-Progress                               | 26,06,93,490   |  | 25,56,25,642   |  |
| Add: WIP of Amalgamating Company               | 12,37,604      |  |                |  |
| Finished goods                                 | 96,17,108      |  | 2,14,95,933    |  |
| Add: Finished goods of Amalgamating<br>Company | 5,41,93,090    |  |                |  |
|  |                | <b>35,17,44,321</b>                        |                | <b>29,28,54,648</b>                        |
| <b>ADD:</b>                                    |                |  |                |  |
| i) Purchases of                                |                |  |                |  |
| Raw materials & Components                     | 47,72,57,176   |  | 24,53,89,400   |  |
| ii) Cost of raw materials produced             | 17,24,88,569   |  | 13,00,43,078   |  |
|  |                | <b>64,97,45,745</b>                        |                | <b>37,54,32,478</b>                        |

## THE KCP LTD.

(Continued)

**Schedule-2**

| PARTICULARS  | Details<br>Rs. | For the<br>year ended<br>31-03-2008 | Details<br>Rs. | For the<br>year ended<br>31-03-2007 |
|--|----------------|-------------------------------------|----------------|-------------------------------------|
|  |                | Rs.                                 |                | Rs.                                 |
|  |                | <b>1,00,14,90,066</b>               |                | 66,82,87,126                        |
| <b>LESS:</b>   |                |                                     |                |                                     |
| Closing Stocks:  |                |                                     |                |                                     |
| Raw materials  | 1,78,72,844    |                                     | 2,42,73,623    |                                     |
| Work-in-Progress   | 32,35,14,233   |                                     | 26,06,93,490   |                                     |
| Finished goods   | 6,48,53,396    |                                     | 96,17,108      |                                     |
|  |                | <b>40,62,40,473</b>                 |                | 29,45,84,221                        |
| Excise Duty differential on Opening/<br>Closing Stocks of Finished goods |                | <b>13,97,598</b>                    |                | 93,739                              |
| <b>Total taken to Profit and Loss Account</b>                            |                | <b>59,66,47,191</b>                 |                | 37,37,96,644                        |

**“PAYMENTS AND BENEFITS TO EMPLOYEES”**

**Schedule-3**

| PARTICULARS   | For the<br>year ended<br>31-03-2008 | For the<br>year ended<br>31-03-2007 |
|---|-------------------------------------|-------------------------------------|
|   | Rs.                                 | Rs.                                 |
| Salaries, Wages and Bonus                                     | <b>22,86,19,030</b>                 | 14,87,34,315                        |
| Contribution to Provident Fund and Family -<br>Pension Scheme | <b>1,12,72,821</b>                  | 1,00,32,829                         |
| Contribution to Superannuation Funds                          | <b>53,06,620</b>                    | 3,70,35,893                         |
| Contribution to Gratuity Funds                                | <b>77,91,214</b>                    | 50,84,718                           |
| Workmen and Staff Welfare expenses                            | <b>2,69,83,707</b>                  | 2,34,28,745                         |
| <b>Total taken to Profit and Loss Account</b>                 | <b>27,99,73,392</b>                 | 22,43,16,500                        |

**“MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES”**

**Schedule-4**

| PARTICULARS  | Details<br>Rs. | For the<br>year ended<br>31-03-2008 | For the<br>year ended<br>31-03-2007 |
|--|----------------|-------------------------------------|-------------------------------------|
|  |                | Rs.                                 | Rs.                                 |
| <b>Manufacturing:</b>  |                |                                     |                                     |
| Stores and Spares (including Packing-<br>Materials) consumed |                | <b>41,00,80,392</b>                 | 26,04,22,604                        |
| Sub-contracted works   |                | <b>9,99,27,048</b>                  | 7,78,86,267                         |
| Power and Fuel   | 71,40,38,461   |                                     |                                     |
| Less: Self consumption of Power generated internally         | 15,88,24,476   | <b>55,52,13,985</b>                 | 41,33,73,162                        |
| Insurance  |                | <b>58,55,033</b>                    | 54,56,304                           |



(Continued)

Schedule-4

| PARTICULARS                                      | Rs.              | For the<br>year ended<br>31-03-2008<br>Rs. | For the<br>year ended<br>31-03-2007<br>Rs. |
|--|------------------|--|--|
| Research & Development                           |                  | 5,50,451                                   | 4,54,927                                   |
| Lease Rentals                                    |                  | 0  | 1,00,25,430                                |
| Repairs to Buildings                             |                  | 2,40,39,769                                | 2,37,20,387                                |
| Repairs to Machinery                             |                  | 8,16,10,523                                | 4,41,88,765                                |
| Repairs to Other Assets                          |                  | 1,82,48,579                                | 92,62,883                                  |
|  | <b>(A)</b>       | <b>119,55,25,780</b>                       | <b>84,47,90,729</b>                        |
| <b>Selling:</b>                                  |                  |  |  |
| Advertisement                                    |                  | 2,01,41,896                                | 1,91,33,245                                |
| Loading, Unloading, Transport etc                |                  | 7,98,23,063                                | 6,24,73,161                                |
| Commission on Sales                              |                  | 9,90,409                                   | 17,63,215                                  |
|  | <b>(B)</b>       | <b>10,09,55,368</b>                        | <b>8,33,69,621</b>                         |
| <b>Administrative:</b>                           |                  |  |  |
| Rent   |                  | 33,81,999                                  | 19,33,119                                  |
| Payments to Auditors (see note No.16(a))         |                  | 11,51,475                                  | 10,63,923                                  |
| Directors' Sitting Fee                           |                  | 5,20,000                                   | 6,80,000                                   |
| Managerial Remuneration (see note no.17(ii))     |                  | 7,08,68,188                                | 5,66,33,994                                |
| Miscellaneous Expenses                           |                  | 9,70,06,385                                | 8,25,82,378                                |
|  | <b>(C)</b>       | <b>17,29,28,047</b>                        | <b>14,28,93,414</b>                        |
| <b>Other Items:</b>                              |                  |  |  |
| Warranty Claims                                  |                  | 74,82,917                                  | 94,32,423                                  |
| Provision for doubtful advances                  |                  | 28,473                                     | 0  |
| Bad debts and irrecoverable advances written off |                  | 1,27,574                                   | 40,63,757                                  |
| Discarded assets written off                     |                  | 28,66,859                                  | 15,29,216                                  |
| Loss on sale of assets                           |                  | 7,52,431                                   | 7,54,412                                   |
| Difference in exchange (Net)                     |                  | 2,34,81,055                                | 88,15,004                                  |
| Provision for shortfall in value of Investments  |                  | 0  | 2,71,17,675                                |
| Investments written off                          |                  | 0  | 552  |
| Preliminary expenses written off                 |                  | 57,232                                     | 0  |
| Prior period expenses                            |                  | 5,390                                      | 0  |
|  | <b>(D)</b>       | <b>3,48,01,931</b>                         | <b>5,17,13,039</b>                         |
| <b>Totals taken to Profit and Loss Account</b>   | <b>(A+B+C+D)</b> | <b>150,42,11,126</b>                       | <b>112,27,66,803</b>                       |

Signature to Schedules 1 to 4  
(FOR AND ON BEHALF OF THE BOARD)

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 1. GENERAL

Financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting practices.

### 2. FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, and taxes, incidental expenses relating thereto, interest on direct borrowals upto commissioning, wherever applicable, and the cost of installation/erection, as applicable. CENVAT availed, if any, on Fixed Assets, is not included in the Cost of such Fixed Assets capitalised.

### 3. LEASED ASSETS:

#### (A) ASSETS UNDER FINANCE LEASE:

Assets acquired under finance lease arrangement on or after 01.04.2001 are recognised separately among the fixed assets, at the inception of the lease at lower of their fair value or the present value of minimum lease payments in respect thereof. Depreciation and lease charges on such assets are accounted for, in accordance with the Accounting Standard-19 – “Accounting for Leases” issued by The Institute of Chartered Accountants of India .

#### (B) ASSETS UNDER OPERATING LEASE:

Assets used by the Company as a lessee under operating lease agreement are not recognised in the Company’s accounts. Lease payments under operating lease are charged to the profit and loss account on a systematic basis representative of the pattern of the benefit accruing to the Company from the use of the asset under operating lease.

### 4. INVESTMENTS

Investments (LongTerm) are stated at cost, except where written down, in which case they are shown as their written down values. Dividend thereon are accounted for on accrual.

### 5. INVENTORIES

(a) Finished goods are valued at cost or market value, whichever is lower.

(b) Stock of scrap –

- i. In respect of Engineering Unit, purchased scrap and internally generated scrap for use in production are both valued at average cost of purchased scrap.
- ii. In respect of other scrap, the stock of scrap is not valued and adjusted. Sales, as and when made, are adjusted.

(c) Work-in-Progress, raw materials, stores, spares, material in transit, are valued at cost except where the net realisable value of the finished goods they are used in is less than the cost of finished goods and in such an event, if the replacement cost of such materials etc., is less than their book values, they are valued at replacement cost.

### 6. SALES AND OTHER EARNINGS

(a) Sales and service earnings are inclusive of excise duty, service tax, freight, insurance etc. recovered thereon.

(b) Despatches from Engineering Unit are in completely knocked down condition and are invoiced at the appropriate technically evaluated values, which are matched with contracted sale prices.

(c) Electricity generated by the Power generation units of the Company sold to its other units is accounted at the tariff rates charged by the State Electricity Board. Such earnings are adjusted to the power charges.

### 7. FOREIGN EXCHANGE TRANSACTIONS

A) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchange arising on actual receipt/payment during the year.

B) At each Balance Sheet date

- foreign currency monetary items are reported using the rate of exchange on that date
- foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized

C) In respect of forward exchange contracts in the nature of hedges

- Premium or discount on the contract is amortised over the term of the contract
- Exchange differences on the contract are recognized as profit or loss in the period in which they arise

## 8. EMPLOYEE BENEFITS

a) Short Term Employee Benefits are recognized as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.

b) Long Term Employee Benefits i.e such benefits which do not fall due wholly within twelve months after the end of the period in which the employees render the related service, are recognized as follows

- Expense is arrived at as per actuarial valuation and is recognized and charged to the Profit and Loss account in the year in which employee has rendered services in lieu of such leave.
- Liability as at the date of each Balance Sheet is arrived at and recognized therein as per actuarial valuation.

### c) Post-Employment Benefits:

(i) Defined Contribution plans: The company's employees are covered under superannuation schemes, state governed provident fund scheme, employee state insurance scheme and employee pension scheme, which are in the nature of Defined Contribution Plans. The contributions paid/payable under the schemes are recognized during the period in which the employee renders the related service.

### (ii) Defined Benefit plans:

The company's liability to gratuity on retirement of its eligible employees is funded under a Defined Benefit Plan with the Life Insurance Corporation of India. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method. The incremental expense thereon for each year is arrived at as per actuarial valuation and is recognized and charged to the Profit and Loss account in the year in which the employee has rendered service.

The fair value of the plan assets and the gross plan obligation, under the said plan, are recognized in each Balance Sheet on net basis.

d) Actuarial Gains/losses are charged to the Profit and Loss account immediately in each year.

## 9. DEPRECIATION

Depreciation is provided in accordance with the rates and rules prescribed under Schedule XIV to the Companies Act, 1956, as follows:--

- In respect of assets existing as on 30-6-1988, under the written down value method: and
- In respect of assets acquired on or after 1-7-1988, under the straight line method.

## 10. WARRANTY CLAIMS

Company's liability for Warranty claims and Guarantee claims are accounted on accrual basis as per contracts, after adjusting the claims no longer required.

## 11. DIVIDEND

Provision is made in the accounts for the dividend paid / payable by the Company as recommended by the Board of Directors, pending approval of the shareholders at the Annual General Meeting. Income Tax on dividend payable is provided for in the year to which such dividend relates.

## 12. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue in the period in which they are incurred.

## 13. EXPENDITURE ON APPROVED RESEARCH AND DEVELOPMENT PROGRAMME

In respect of approved Research and Development Programme, expenditure of capital nature is included in the fixed assets and other expenditure is charged off to revenue in the year in which such expenditure is incurred.

## 14. TAXATION

Provision is made for income tax liability estimated to arise on the results for the year at the current rate of tax in accordance with the Income Tax Act, 1961.

In accordance with the Accounting Standard – 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India (ICAI), and effective from 1<sup>st</sup> April 2001 and in

accordance with the listing agreements with the respective stock exchanges, the Company has recognised the deferred tax liability in the accounts, whereby

- The net deferred tax liability arising on account of timing differences at 1.4.2001 has been adjusted against the General Reserve as at 1.4.2001.
- Deferred tax resulting from timing differences between book and tax profits is accounted for

under the liability method, at the current rate of tax.

- Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on other temporary timing differences are recognised only if there is a reasonable certainty of realisation.

(FOR AND ON BEHALF OF THE BOARD)

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

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(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

# Notes Forming Part of the Accounts

## BALANCE SHEET

| PARTICULARS   | 31st March,<br>2008<br>Rs. | 31st March,<br>2007<br>Rs. |
|---|----------------------------|----------------------------|
| 1. Claims against the Company not admitted  |                            |                            |
| Statutory Levies  | 6,26,39,443                | 5,82,42,556                |
| Contractual Levies  | 0                          | 0                          |
| Others  | 5,23,82,610                | 4,21,99,300                |
| 2. Estimated amount of contracts remaining to be executed on Capital account and not provided for   | 2,75,40,209                | 13,04,75,630               |
| 3. Corporate guarantees extended on behalf of another company   | 6,03,48,311                | 8,21,49,956                |
| 4. No provision has been made in accounts towards probable liability upto Jute year ended 30th June, 1998, if any, that may arise as a result of non-compliance with the requirements of Jute Packaging Materials (Compulsory Use of Packaging Commodities) Act, 1987, consequent to differing decisions of different courts and also the representations of industry before the Government, since the same is not ascertainable at this stage. |                            |                            |
| 5. Fixed Assets: Lands include Rs. 4,62,475/- being the value of Land measuring 14.23 Acres of Magazine Land at Macherla assigned and notified in Revenue records vide Dist. Collector, Guntur order No. Rc No. 3567/2000-E1, dt. 23.10.2002 in favour of the company.  |                            |                            |
| 6. The Company has issued counter guarantees to bankers for the guarantees issued by them to the Company's subsidiary for loans obtained by it from its bankers. The amount of such guarantee outstanding as at 31st March, 2008 was US \$ 1.00 million.  |                            |                            |
| 7. In compliance with AS-22 "Accounting for Taxes on Income" major components of deferred tax assets and liabilities arising on account of timing differences are:  |                            |                            |

| PARTICULARS                                 | ASSETS      | LIABILITIES         |
|---|-------------|---------------------|
| 1. Depreciation                             |             | 18,70,50,272        |
| 2. Items u/s 43 B of IT Act*                | 1,01,00,602 |                     |
| 3. Provision for Doubtful debts             | 1,40,082    |                     |
|   | 1,02,40,684 | 18,70,50,272        |
| Net deferred tax liability as on 31.03.2008 |             | <b>17,68,09,588</b> |

\* Includes the tax on transitional adjustments to General Reserve on account of employee benefits (See Note No. 24)

8. Advances include Rs. 8,22,675/- being the value of Land measuring 73.38 Acres registered in the name of the company, for exchange to the Andhra Pradesh State Government under the re-afforestation programme in compensation for getting the mining lands in favour of the Company.
9. Cash and Bank balances include
- Rs.1,50,000/- (Rs.1,50,000/-) on account of Staff Security Deposit.
  - Rs.77,89,024/-(Rs.1,87,30,234/-) towards Unclaimed Dividend.
  - Rs.2,73,22,757/-(Rs.2,76,09,903/-) representing Fixed Deposit Receipts lodged with Bankers as securities against Guarantees issued by them.
  - Rs.1,51,54,169/-(Rs.3,11,54,723/-) deposited as per provisions of section 58A of the Companies Act 1956 and the Rules made there under.
10. The Company, despite its efforts, has not received from the concerned creditors, the necessary details to identify Micro, Small and Medium enterprises among them, in terms of the Micro, Small & Medium Enterprises Development Act, 2006. Therefore, company is unable to furnish the prescribed information with regard to its dues if any to such enterprises. However, according to the information available with and in the opinion of the company, there are no claims from any such parties for interest etc. on such dues/ payments at the date of the Balance Sheet.

**PROFIT AND LOSS ACCOUNT:**

**11. Sale of Products and Services (including Excise Duty/Service Tax)**

| CLASS OF GOODS               | Quantity | For the Year ending  |          |                      |
|------------------------------|----------|----------------------|----------|----------------------|
|                              |          | 31-03-2008           | Quantity | 31-03-2007           |
|                              |          | Value<br>Rs.         |          | Value<br>Rs.         |
| Cement (MT)                  | 7,33,714 | 241,55,13,374        | 6,06,571 | 160,22,62,679        |
| Heavy Engineering Products * |          | 132,53,26,284        |          | 112,88,58,569        |
| Service Receipts             |          | 27,94,65,551         |          | 20,92,30,325         |
| Electrical Energy (KWH)      |          | 38,10,119            |          | 28,71,365            |
| Bio products                 |          | 3,26,73,196          |          |                      |
| Others                       |          | 1,14,96,453          |          |                      |
|                              |          | <b>406,82,84,977</b> |          | <b>294,32,22,938</b> |

\* Unit quantification not possible.

Note: (a) Sale of Products includes:

- Machinery and components valued at Rs.95,37,642/- (Rs.66,13,441/- ) supplied by Engineering Unit to other units of the Company.
- Cement valued at Rs. 20,29,935/- (Rs.43,49,707/-) used internally.
- Excise Duty Rs. 63,22,73,460/-(Rs.44,31,89,000/-) and Service Tax Rs.45,85,146/- (Rs.28,47,595/-).
- Electrical energy 12,19,605 KWH (9,51,472 KWH) valued at Rs.38,10,119/- (Rs.26,95,356/-) adjusted towards wheeling and banking charges, by the buyer Electricity Company.

(b) Sale of products does not include:

Electrical Energy generated by Hydel unit 3,65,29,319 KWH (4,20,12,494 KWH) valued at Rs. 10,24,83,110/- (Rs.11,84,86,433/-), Wind Power Unit situated at Tirunelveli (Uthumalai village), 62,33,198 KWH [12,17,088] valued at Rs. 2,37,94,725/- [45,77,160/-] and Power generated from Waste Heat Recovery Plant 1,16,23,800 KWH valued at Rs. 3,25,46,640/- used internally.

## 12. Raw Material Consumed:

| Class of Goods                                  | Quantity<br>MT. | This Year           |                 | Prev. Year   |                     |
|---|-----------------|---------------------|-----------------|--------------|---------------------|
|   |                 | Value<br>Rs.        | Quantity<br>MT. | Value<br>Rs. | Quantity<br>MT.     |
| <b>i) Cement</b>                                |                 |                     |                 |              |                     |
| Limestone                                       | 7,72,925        | 18,05,85,824        | 7,25,691        | 12,59,53,772 |                     |
| Laterite  | 42,073          | 2,54,31,026         | 17,448          | 1,07,93,798  |                     |
| Fly Ash   | 62,510          | 3,97,59,843         | 56,149          | 3,18,44,953  |                     |
| Gypsum  | 33,086          | 4,09,56,257         | 22,455          | 1,82,48,885  |                     |
| Iron Ore  | 13,852          | 89,10,764           | 15,495          | 90,24,891    |                     |
| Clinker   | 62,154          | 14,69,37,026        |                 |              |                     |
| <b>ii) Engineering Unit</b>                     |                 |                     |                 |              |                     |
| Iron and Steel, Nickel,<br>Scrap and Equipments | 7,814           | 19,32,89,897        | 7,688           | 17,10,25,627 |                     |
| <b>iii) Bio Products</b>                        |                 |                     |                 |              |                     |
|   | 627             | 2,20,05,293         |                 |              |                     |
|   |                 | <b>65,78,75,930</b> |                 |              | <b>36,68,91,926</b> |

## 13. Opening and Closing Stock of Finished Goods:

| Units   | Opening Stock |                  |               |                    | Closing Stock |                    |               |                  |
|---|---------------|------------------|---------------|--------------------|---------------|--------------------|---------------|------------------|
|   | This Year     |                  | Previous year |                    | This Year     |                    | Previous year |                  |
|   | Qty           | Rs.              | Qty           | Rs.                | Qty           | Rs.                | Qty           | Rs.              |
| Cement (MT)   | 545           | 11,13,097        | 1,720         | 27,02,502          | 3,650         | 80,97,392          | 545           | 11,13,097        |
| Industrial Machinery and<br>Equipment<br>(Not quantifiable) |               | 42,17,429        |               | 98,56,131          |               | 17,88,668          |               | 42,17,429        |
| Electrical Energy (KWH)                                     | 37,22,145     | 42,86,582        | 70,75,046     | 89,37,300          | 16,79,633     | 26,92,941          | 37,22,145     | 42,86,582        |
| Bio products (KG)   |               |                  |               |                    | 24,139        | 5,22,74,395        |               |                  |
| <b>Total</b>  |               | <b>96,17,108</b> |               | <b>2,14,95,933</b> |               | <b>6,48,53,396</b> |               | <b>96,17,108</b> |

## 14. Particulars regarding Capacity and Production:

| Class of Goods                     | CAPACITY |           | ACTUAL PRODUCTION |                 |
|------------------------------------|----------|-----------|-------------------|-----------------|
|                                    | Licenced | Installed | 31-03-2008        | 31-03-2007      |
| <b>a) Electrical Energy</b>        |          |           |                   |                 |
| Hydel Power                        | 8.25 MWH | 8.25 MWH  | 3,78,90,400 KWH   | 3,95,90,600 KWH |
| Wind Power (under operating lease) |          |           | 0                 | 27,32,910 KWH   |
| Wind Power (Own)                   | 3.75 MWH | 3.75 MWH  | 66,70,717 KWH     | 12,17,088 KWH   |
| Waste Heat Recovery Unit           |          | 2.35 MWH  | 1,16,23,800 KWH   | -               |

(Continued)

| Class of Goods                                | CAPACITY |                  | ACTUAL PRODUCTION       |            |
|---|----------|------------------|-------------------------|------------|
|   | Licenced | Installed        | 31-03-2008              | 31-03-2007 |
| <b>b) Cement</b>                              |          | 6,60,000 TPA     | <b>7,37,041</b>         | 6,05,396   |
| <b>c) Industrial Machinery and equipments</b> |          | Not quantifiable | <b>Not quantifiable</b> |            |
| <b>d) Bio products</b>                        |          |                  |                         |            |
| Chilly Oleoresin and Colour                   |          | 36,000 Kg        | <b>28,109 Kg</b>        |            |
| Curcumin powder                               |          | 54,000 Kg        | <b>1,468 Kg</b>         |            |
| Annato Dye                                    |          | 9,000 Kg         | <b>618 Kg</b>           |            |

**15. a. "Materials Consumed" - Cost of raw materials**

(Limestone for Cement Factory) produced includes among others

| PARTICULARS   | For the Year ending |                   |
|---|---------------------|-------------------|
|   | 31-03-2008<br>Rs.   | 31-03-2007<br>Rs. |
| (a) Salaries,Wages and Bonus  | <b>1,09,97,582</b>  | 75,00,976         |
| (b) Contribution to Provident and other funds   | <b>8,60,610</b>     | 18,54,709         |
| (c) Contribution to Gratuity  | <b>7,78,951</b>     |                   |
| (d) Workmen and Staff Welfare Expenses  | <b>11,53,101</b>    | 12,79,218         |
| (e) Stores and Spares Consumed  | <b>67,33,034</b>    | 90,66,557         |
| (f) Power and Fuel  | <b>60,35,446</b>    | 52,61,364         |
| (g) Royalty   | <b>3,83,70,432</b>  | 3,52,98,505       |
| (h) Rates and Taxes   | <b>2,53,877</b>     | 2,26,944          |
| (i) Repairs to Building and Roads   | <b>2,92,078</b>     | 6,11,895          |
| (j) Repairs to Machinery  | <b>35,21,625</b>    | 31,67,812         |
| (k) Repairs to Other Assets   | <b>2,77,997</b>     | 2,34,253          |
| (l) Insurance   | <b>1,36,655</b>     | 2,88,155          |
| (m) Lime Stone Freight  | <b>5,69,57,271</b>  | 3,73,48,640       |
| (n) Lime Stone Loading  | <b>3,36,72,865</b>  | 1,76,54,120       |
| <b>b. "Power and Fuel" - includes the following expenditure incurred among others on Generation of Power.</b> |                     |                   |
| (a) Salaries,Wages and Bonus  | <b>13,69,014</b>    | 9,03,038          |
| (b) Contribution to Provident and other funds   | <b>1,10,155</b>     | 1,97,451          |
| (c) Contribution to Gratuity  | <b>94,839</b>       |                   |
| (d) Workmen and Staff Welfare Expenses  | <b>49,675</b>       | 51,934            |
| (e) Power and Fuel  | <b>4,78,189</b>     | 3,68,040          |
| (f) Stores and Spares Consumed  | <b>38,25,373</b>    | 48,37,852         |
| (g) Repairs to Building and Roads   | <b>18,742</b>       | 48,553            |
| (h) Repairs to Machinery  | <b>2,359</b>        | 1,14,46,565       |
| (i) Taxes and Licences  | <b>17,050</b>       | 17,050            |
| (j) Insurance   | <b>4,43,410</b>     | 6,08,750          |
| (k) Repairs to Other Assets   | <b>1,19,745</b>     | 38,950            |

**16. (a) "Payment to Auditors" (net of service tax for which input credit was/to be availed by the Company) comprise:**

| PARTICULARS   | For the Year ended |                   |
|---|--------------------|-------------------|
|   | 31-03-2008<br>Rs.  | 31-03-2007<br>Rs. |
| For Statutory Audit   | 4,22,472           | 4,00,000          |
| For Taxation matters (including tax audits)                                   | 2,05,000           | 2,20,000          |
| For Certification and other services  | 3,05,000           | 2,60,000          |
| For Company law matters   | 10,000             | 10,000            |
| For Audit of Gratuity and Superannuation Trusts                               | 25,000             | 25,000            |
| Out of pocket expenses  | 75,979             | 36,423            |
|   | <b>10,43,451</b>   | <b>9,51,423</b>   |
| Fees for Cost Audit   | 85,000             | 75,000            |
| Fees for Certification and Other Services                                     | 22,500             | 37,500            |
| Out of pocket expenses  | 524                | 0                 |
| <b>Total</b>  | <b>11,51,475</b>   | <b>10,63,923</b>  |
| <b>(b) "Miscellaneous Expenses" include: Donations</b>                        | <b>1,93,56,000</b> | <b>60,00,000</b>  |
| <b>(c) Interest paid includes:</b>  |                    |                   |
| On Fixed Loans (includes Rs. 3,06,899 paid to MD & other Wholetime Directors) | 5,18,12,978        | 2,65,51,538       |
| To Managing Director and Other Whole-time Directors                           | 36,09,285          | 29,87,852         |
| <b>(d) Revenue expenditure capitalised during the year</b>                    |                    |                   |
| Salaries / Wages & Other Allowances   | 76,301             | 11,35,691         |
| P.F & E.S.I   | 9,388              | 1,26,429          |
| Interest on Fixed Loans   | 2,22,411           | 74,17,764         |
| Upfront Fee, Processing Charges Etc   | 0                  | 13,58,720         |
| Insurance   | 0                  | 1,04,235          |

**17. Remuneration to Managing Director and Whole Time Directors:**

(i) Computation of Net Profit in accordance with sec 349 of the Companies Act 1956.

| PARTICULARS  | Rs.         | Rs.                  |
|--|-------------|----------------------|
| Profit for the year as per Profit and Loss account       |             | <b>97,33,74,520</b>  |
| <b>Add:</b>  |             |                      |
| Directors' sitting fee                                   | 5,20,000    |                      |
| Remuneration to Managing Director & Whole Time Directors | 7,08,68,188 |                      |
| Profit on sale of Assets allowable as per sec 349        | 76,694      | <b>7,14,64,882</b>   |
|  |             | <b>104,48,39,402</b> |
| <b>Less:</b>   |             |                      |
| Profit on Sale of assets as per P & L A/c                | 76,694      |                      |
| Employee Benefits/ Transitional adjt. to General Reserve | 52,42,354   |                      |
| Provision for Diminution in value of Investment reversal | 2,71,17,675 | <b>3,24,36,723</b>   |
| Adjusted net profit for the year                         |             | <b>101,24,02,679</b> |

(ii) Details of Remuneration to Managing Director and other Whole Time Directors

| PARTICULARS                                   | For the Year ended |                    |
|---|--------------------|--------------------|
|   | 31-03-2008<br>Rs.  | 31-03-2007<br>Rs.  |
| Salary  | 48,26,129          | 41,36,129          |
| House Rent Allowance                          | 6,00,000           | 6,45,000           |
| Company's Contribution to Provident Fund      | 3,77,535           | 3,36,135           |
| Company's Contribution to Superannuation Fund | 4,71,919           | 4,20,169           |
| Company's Contribution to Gratuity Fund       | 1,69,647           | 1,94,284           |
| Personal Accident Insurance Premium           | 53,458             | 22,044             |
| Medical Expenses                              | 77,170             | 1,70,602           |
| Other Perquisites                             | 20,670             | 17,269             |
| Commission                                    | 6,42,71,660        | 506,92,362         |
|   | <b>7,08,68,188</b> | <b>5,66,33,994</b> |

Note:(1) Commission provided to the Wholetime directors represents the balance amount of aggregate remuneration payable to them, not exceeding 2.5% each to the Managing Director and Joint Managing Director and 1% each to the Executive Director and Technical Director, on the profits computed above, in accordance with the terms of their appointments.

(2) The cost to the company of the non-monetary perquisites allowed during the year to the Whole Time Directors in addition to the remuneration paid above works out to Rs. 70,519/-. The value of the said perquisite computed in accordance with the Income Tax Rules 1962 ,works out to Rs.4,42,669/-.

**18. C.I.F Value of Imports made by the Company during the year**

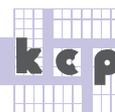
| PARTICULARS                     | 31-03-2008<br>Rs. | 31-03-2007<br>Rs. |
|---------------------------------|-------------------|-------------------|
| (i) Raw Materials               | 1,32,79,954       | 70,93,168         |
| (ii) Components and Spare Parts | 3,67,32,489       | 63,71,462         |
| (iii) Tools                     | 14,827            | 0                 |
| (iv) Capital Goods              | 0                 | 86,82,559         |

**19. Expenditure in Foreign Currency during the financial year on account of:**

| PARTICULARS                             | 31-03-2008<br>Rs. | 31-03-2007<br>Rs. |
|---|-------------------|-------------------|
| (i) Foreign Travel (excluding tickets ) | 18,83,154         | 16,87,891         |
| (ii) Membership                         | 1,06,867          | 2,65,968          |

**20. Earnings in Foreign Exchange:**

- (i) F.O.B. value of goods exported during the year Rs. 31,07,81,177/- (13,04,51,618/-)
- (ii) Guarantee commission Rs. 14,50,442(Rs.24,17,432/-)
- (iii) Interest and consultancy Rs.1,49,59,808 (Rs.2,17,70,369/-)
- (iv) Income from subsidiary Rs. Nil (Rs.10,82,546/-)



**21. Comparison between Consumption of imported and indigenous raw materials, spare parts and components during the financial year:**

| PARTICULARS   | 31-03-2008<br>Rs.   | %          | 31-03-2007<br>Rs.   | %          |
|---|---------------------|------------|---------------------|------------|
| <b>(a) Raw Materials</b>  |                     |            |                     |            |
| (i) Imported  | 1,56,22,579         | 2.37       | 61,45,162           | 1.67       |
| (ii) Indigenous   | 64,22,53,351        | 97.63      | 36,07,46,764        | 98.33      |
|   | <b>65,78,75,930</b> | <b>100</b> | <b>36,68,91,926</b> | <b>100</b> |
| <b>(b) Spare parts and Components<br/>(debited to respective heads)</b> |                     |            |                     |            |
| (i) Imported  | 4,32,43,450         | 9.49       | 2,72,11,933         | 9.09       |
| (ii) Indigenous   | 41,25,54,445        | 90.51      | 27,22,36,296        | 90.91      |
|   | <b>45,57,97,895</b> | <b>100</b> | <b>29,94,48,229</b> | <b>100</b> |

**22. Particulars disclosed pursuant to “AS-18 Related Party Disclosures”:-**

**A. List of Related parties:**

**Subsidiary Company**

KCP Vietnam Industries Limited

**Joint Venture Company**

Fives Cail KCP Limited

**Key Management Personnel**

Dr. V.L. Dutt - Chairman and Managing Director  
 Smt. V.L. Indira Dutt - Joint Managing Director  
 Smt. Kavitha D Chitturi - Executive Director  
 Sri V.Gandhi - Technical Director

**Relatives of Key Management Personnel**

Smt. S.R.V.Rajyalakshamma, Mother of Smt.V.L.Indira Dutt  
 Sri V.Chandra Kumar, Brother of Smt V.L.Indira Dutt  
 Smt. Uma S Vallabhaneni, Sister of Smt V.L.Indira Dutt  
 Smt.V.Rama Kumari, Sister of Smt. V.L.Indira Dutt  
 Kum.Shivani Dutt Chitturi, Daughter of Smt.Kavitha Dutt Chitturi  
 Smt. Rajeswary Ramakrishanan, Sister of Sri V.L. Dutt.  
 Sri Ravi Chitturi, Husband of Smt. Kavitha Dutt Chitturi  
 Smt. V. Kamala Devi, Wife of Sri V. Gandhi  
 Sri V. Praveen Kumar, Son of Sri V. Gandhi  
 Smt. V. Sowmya, Wife of Son of Sri V. Gandhi  
 Smt. V. Anupama, Daughter of Sri V. Gandhi  
 Sri N. Seshubabu, Husband of Daughter of Sri V. Gandhi

**Companies controlled by Key management Personnel/Relatives**

KCP Technologies Limited  
 V. Ramakrishna Sons Private Limited  
 The Jeypore Sugar Company Ltd.  
 V.R.K Grandsons Investment Private Limited

**B. Transactions with the related parties:**

|  | Subsidiary Companies | Joint Ventures | Key Management Personnel | Relatives of Key Management Personnel | Companies Controlled by KMP/ relatives of KMP |
|--|----------------------|----------------|--------------------------|---------------------------------------|---|
|  | Rs.                  | Rs.            | Rs.                      | Rs.                                   | Rs.   |

**Transactions during the year:**

|                               |              |              |             |           |             |
|-------------------------------|--------------|--------------|-------------|-----------|-------------|
| Sale of Goods                 | 20,43,12,689 | 43,22,21,683 |             |           | 2,33,31,092 |
| Income from Services rendered | 41,95,520    | 72,48,439    |             |           | 1,23,000    |
| Interest Received             | 1,21,39,494  |              |             |           |             |
| Purchase of Goods             | -            | 20,94,132    |             |           |             |
| Services received and others  |              |              |             |           | 21,598      |
| Remuneration paid             |              |              | 7,08,68,188 |           |             |
| Interest paid                 |              |              | 39,16,184   | 1,894     | 19,76,634   |
| Dividend paid                 |              |              | 66,72,585   | 13,10,828 | 3,64,50,488 |

**Balances as at 31.03.2008:**

|                                  |              |              |             |           |             |
|----------------------------------|--------------|--------------|-------------|-----------|-------------|
| Share capital held by KCP in     | 23,71,43,668 | 40,00,000    |             |           |             |
| Loans given                      | 14,72,79,502 | 0            |             |           |             |
| Guarantees/Counter Guarantees to | 3,98,10,000  | 2,05,38,311  |             |           |             |
| Receivable - Trade dues          | 14,21,21,870 | 21,35,19,077 |             |           | 61,88,143   |
| Receivable - Interest            | 32,88,853    |              |             |           |             |
| Receivable - Others              | 7,74,625     | 7,13,333     |             |           |             |
| Share capital in KCP held by     |              |              | 88,96,780   | 17,47,770 | 4,86,00,650 |
| Loans/Advance/Deposits received  | 9,27,112     | 3,92,76,208  | 6,52,00,000 |           | 2,45,04,960 |
| Fixed Deposits Received          |              |              | 34,03,000   | 21,000    |             |
| Payable - Remuneration due       |              |              | 6,42,71,660 |           |             |
| Payable - Trade dues             |              | 20,94,132    |             |           | 4,908       |

23. a. The Company has a 40% interest in its joint venture entity Fives Cail KCP Ltd, a company incorporated in India.
- b. The Company's share (at 40%) of the contingent liabilities of Fives Cail KCP Ltd at the Balance Sheet date works out to Rs. Nil (Rs. Nil/-)
- c. The Interest of the Company (at 40%) in the aggregate amount of the assets, income and expenses of Fives Cail KCP Ltd was as follows:

| PARTICULARS                          | 31.03.2008<br>(Rs.<br>Thousands) | 31.03.2007<br>(Rs.<br>Thousands) |
|--------------------------------------|----------------------------------|----------------------------------|
| (a) Total Assets                     | 4,02,304                         | 2,76,187                         |
| (b) Total Liabilities                | 4,02,304                         | 2,76,187                         |
| <b>SOURCES OF FUNDS</b>              |                                  |                                  |
| (a) Paid up Share Capital            | 4,000                            | 4,000                            |
| (b) Reserves and Surplus             | 39,504                           | 20,953                           |
| (c) Secured Loans                    | 13,562                           | 26                               |
| (d) Deferred Tax Liability           | 240                              | 222                              |
| (e) Current Liabilities & Provisions | 3,44,998                         | 2,50,986                         |
| <b>APPLICATIONS OF FUNDS</b>         |                                  |                                  |
| (a) Net Fixed Assets                 | 4,373                            | 3,530                            |
| (b) Current Assets                   | 3,97,931                         | 2,72,657                         |
| (c) Profit & Loss Account            | -                                | -                                |
| <b>PERFORMANCE OF THE COMPANY</b>    |                                  |                                  |
| (a) Turnover                         | 8,70,236                         | 4,18,263                         |
| (b) Other Income                     | 2,361                            | 4,043                            |
| (c) Total Expenditure                | 8,12,469                         | 3,91,949                         |
| (d) Profit/Loss Before Tax           | 60,128                           | 30,357                           |
| (e) Profit/Loss After Tax            | 39,021                           | 19,920                           |

#### 24. DISCLOSURES REQUIRED BY ACCOUNTING STANDARD-15 (REVISED)- EMPLOYEE BENEFITS

Pursuant to the adoption of Accounting Standard-15 (Revised), "Employee Benefits" with effect from 1.4.2007, the past service liability arrived at based on actuarial valuation as on the said date of adoption for the Company's Defined Benefit Plan for Retirement Gratuity has been adjusted against General Reserve as at 1st April 2007, in accordance with transitional provisions in the Standard.

| PARTICULARS                             | Rs.              |
|---|------------------|
| Gratuity Liability                      | 79,41,757        |
| Less: Deferred Tax                      | 26,99,403        |
| <b>Adjusted against General Reserve</b> | <b>52,42,354</b> |

| PARTICULARS   | Gratuity    | Compensated Absences |
|---|-------------|----------------------|
|   | Rs.         | Rs.                  |
| <b>a) Reconciliation for present value of obligations</b> |             |                      |
| Present value of obligations as at beginning of the year  | 5,21,78,449 | 99,45,386            |
| Interest Cost   | 36,92,993   | 7,59,678             |
| Current Service Cost                                      | 28,41,934   | 23,71,942            |
| Benefits paid   | 58,77,093   | 9,16,435             |
| Actuarial loss on obligation                              | 47,62,352   | 7,62,395             |
| Present value of obligations as at end of the year        | 5,75,98,635 | 1,29,22,966          |

(Continued)

| PARTICULARS   | Gratuity               | Compensated Absences   |
|---|------------------------|------------------------|
| <b>b) Reconciliation for Fair Value of Plan Assets</b>                  | <b>Rs.</b>             | <b>Rs.</b>             |
| Fair value of plan assets at beginning of year                          | 3,81,84,022            |                        |
| Expected return on plan assets  | 28,70,386              |                        |
| Contributions   | 60,52,670              |                        |
| Benefits paid   | 58,77,093              |                        |
| Actuarial gain on plan assets   | 6,35,679               |                        |
| Fair value of plan assets at the end of year                            | 4,18,65,664            |                        |
| <b>c) Expenses Recognised in statement of Profit &amp; Loss account</b> |                        |                        |
| Current Service cost  | 28,41,934              | 23,71,942              |
| Interest Cost   | 36,92,993              | 7,59,678               |
| Expected return on plan assets  | 28,70,386              |                        |
| Net Actuarial loss recognised in the year                               | 41,26,673              | 7,62,395               |
| Expenses to be Recognised in the profit & loss account                  | 77,91,214              | 39,03,762              |
| <b>d) Net Liability Recognised in the Balance Sheet</b>                 |                        |                        |
| Present value of obligations as at the end of year                      | 5,75,98,635            | 1,29,22,966            |
| Fair value of plan assets as at the end of the year                     | 4,18,65,664            |                        |
| Funded status   | 1,57,32,971            |                        |
| Net Liability Recognised in the Balance Sheet                           | 1,57,32,971            | 1,29,22,966            |
| <b>e) Actuarial Assumptions</b>   |                        |                        |
| Discount Rate   | 8.00%                  | 8.00%                  |
| Salary Escalation   | 4.50%                  | 4.5%                   |
| Attrition rate  | 1-3%                   | 1-3%                   |
| Expected return on plan assets  | 8.00%                  | 0%                     |
| Mortality   | LIC 94-96              | LIC 94-96              |
|   | <b>Mortality Rates</b> | <b>Mortality Rates</b> |

25) In accordance with the sanctions received from the respective shareholders and from the High Court of Judicature at Madras, KCP Biotech Limited, a wholly owned subsidiary of The KCP Limited (the Company) was amalgamated with the Company with effect from 1.4.2007. KCP Biotech Limited is engaged in the manufacture of organic dyes, resins and additives.

The effect of the said amalgamation has been reflected in the accounts under the "Pooling of interest method".

The salient features of the said scheme of amalgamation under section 391 to 394 of the Companies Act, 1956 are as under:

- 1) The Authorised share Capital of KCP Biotech Limited shall stand combined with the authorised Share Capital of The KCP Limited.
- 2) The entire Issued and Paid up Share Capital of KCP Biotech Limited will stand automatically cancelled and there will be no issue and allotment of shares by The KCP Limited to the shareholders of KCP Biotech Limited, it being a wholly owned subsidiary of The KCP Limited
- 3) The debit balance in the Profit and Loss Account of KCP Biotech Limited as on 1.04.2007 is to be debited by The KCP Limited to the surplus in its Profit and Loss Account on the said date.
- 4) Capital subsidy in the books of KCP Biotech Limited shall stand transferred to and carried as such in the books of The KCP Limited.
- 5) The difference between the value of the net assets of KCP Biotech Limited as appearing in its books and the value of the investments in KCP Biotech Limited by The KCP Limited as appearing in the latter's books shall be reflected as "Amalgamation Reserve" in the books of The KCP Limited.
- 6) All employees of KCP Biotech Limited as on the effective date shall without any break and interruption in service become the employees of The KCP Limited.
- 7) The KCP Biotech Limited shall stand dissolved without going through the process of winding up on orders being made to that effect by the court under section 394 of the Companies Act, 1956.

**26)** The Board of Directors of the Company, at their meeting held on 30th June 2008, pending sanction of the scheme of Amalgamation of KCP Biotech Limited with The KCP Limited by the High court of Judicature at Madras, had adopted accounts of the Company for the year ended 31.3.2008, got them audited and published the same as required by clause 41 of the Listing Agreement with the Stock Exchanges. The said Annual accounts were not circulated to the Shareholders in anticipation of the sanction of the High Court to the said scheme of Amalgamation. The Sanction having been accorded on 14th July 2008 and the annual Accounts of the Company for the year ended 31.3.2008 have been duly revised herein by giving effect to the said scheme of Amalgamation.

**General:**

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

Figures for the previous year have been regrouped, wherever necessary. They are not comparable with the figures for the current year which reflect the post merger amounts.

(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008**

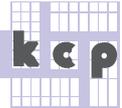
| PARTICULARS   | 2008         |              |               | 2007          |
|---|--------------|--------------|---------------|---------------|
|   | ADD<br>Rs.   | LESS<br>Rs.  | TOTAL<br>Rs.  | Rs.           |
| <b>A). CASH FLOW FROM OPERATING ACTIVITIES</b>                              |              |              |               |               |
| Net Profit before Tax   |              |              | 97,33,74,520  | 72,59,38,086  |
|   |              |              | 97,33,74,520  | 72,59,38,086  |
| <b>ADJUSTMENTS FOR</b>  |              |              |               |               |
| Depreciation  | 8,57,97,541  |              |               | 6,17,86,791   |
| Foreign Exchange Difference(Net)  | 2,34,81,055  |              |               | 88,15,004     |
| Profit/Loss on Sale conversion of Assets                                    | 7,52,431     | 76,694       |               | -5,47,956     |
| Assets written off  | 28,66,859    |              |               | 15,29,216     |
| Profit/Loss on Sale of Investment   |              | 0            |               | -1,27,697     |
| Interest (Net)  | 2,71,53,568  |              |               | 1,07,53,378   |
| Dividend Received   |              | 44,933       |               | -1,13,04,534  |
| Provision for diminution in value of investments                            |              |              |               | -2170         |
| Preliminary expenditure written off   | 57,232       |              |               |               |
| Provision for diminution in value of investments of earlier years withdrawn |              | 2,71,17,675  |               | 2,71,18,227   |
|   | 14,01,08,686 | 2,72,39,302  | 11,28,69,384  | 9,80,20,259   |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL:</b>                             |              |              | 108,62,43,904 | 82,39,58,345  |
| Trade and other Receivables   |              | 27,47,75,463 |               | -13,91,93,517 |
| Inventories   |              | 5,83,93,819  |               | -5,07,02,907  |
| Trade Payables & Provision  | 5,44,26,534  |              |               | 19,60,88,938  |
|   | 5,44,26,534  | 33,31,69,282 | -27,87,42,748 | 61,92,514     |
| <b>CASH GENERATED FROM OPERATIONS</b>                                       |              |              | 80,75,01,156  | 83,01,50,859  |
| Direct Taxes refunds received/ Paid (Net)                                   |              | 25,09,75,922 | -25,09,75,922 | -18,96,31,773 |
|   |              |              | 55,65,25,234  | 64,05,19,086  |
| <b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>                                 |              |              |               |               |
| Foreign Exchange Difference   |              | 2,34,81,055  |               | -88,15,004    |
|   |              | 2,34,81,055  | -2,34,81,055  | -88,15,004    |
| <b>NET CASH FROM OPERATING ACTIVITIES .... A</b>                            |              |              | 53,30,44,179  | 63,17,04,082  |
| <b>B). CASH FLOW FROM INVESTING ACTIVITIES</b>                              |              |              |               |               |
| Purchase of / Additions to Fixed Assets                                     |              | 18,71,35,269 |               | -38,63,25,566 |
| Capital Work-in-Progress  | 7,72,13,279  |              |               | -9,17,90,156  |
| Purchase of Investments   |              | 1,47,633     |               | -1,53,696     |
| Repayment of Loan by subsidiary company                                     | 1,34,38,806  |              |               | 66,79,011     |
| Sale of Fixed Assets  | 8,35,331     |              |               | 22,04,491     |
| Merger of subsidiary company  | 0            | 2,71,17,675  |               | 1,21,27,697   |
| Interest Received   | 4,20,48,205  |              |               | 3,36,68,974   |
| Dividend Received   | 44,933       |              |               | 1,13,04,534   |
| Provision for diminution in value of investments of earlier years withdrawn | 2,71,17,675  |              |               |               |
|   | 16,06,98,229 | 21,44,00,577 | -5,37,02,348  | -41,22,84,711 |
| <b>NET CASH USED IN INVESTING ACTIVITIES ... B</b>                          |              |              | -5,37,02,348  | -41,22,84,711 |
| <b>C). CASH FLOW FROM FINANCING ACTIVITIES</b>                              |              |              |               |               |
| Subsidy received  | 25,00,000    |              |               |               |
| Repayment of Long Term Borrowings (Secured)                                 |              | 12,25,49,079 |               | 11,75,54,934  |
| Dividend Paid   |              | 9,66,90,870  |               | -19,33,81,740 |
| Tax on Distributed Profits  |              | 1,64,32,614  |               | -2,71,21,792  |
| Interest Paid   |              | 6,92,01,773  |               | -4,44,22,352  |
| Long Term Borrowings (Unsecured)  |              | 1,98,85,000  |               | -1,76,95,000  |
| <b>NET CASH USED IN FINANCING ACTIVITIES ... C</b>                          | 25,00,000    | 32,47,59,336 | -32,22,59,336 | -16,50,65,950 |
|   |              |              | -32,22,59,336 | -16,50,65,950 |
| Net increase! (decrease) in cash and cash equivalents (A+B+C)               |              |              | 15,70,82,495  | 5,43,53,421   |
| Opening Cash Balance  |              |              | 22,50,08,921  | 17,06,55,500  |
| Closing Cash Balance  |              |              | 38,20,91,416  | 22,50,08,921  |

(FOR AND ON BEHALF OF THE BOARD)

**V.L. DUTT**  
Chairman and Managing Director

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants  
**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

Place: Chennai  
Date: 31st July, 2008



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

(Amounts in Rs. Thousands)

|             |   |  |
|-------------|---|--|
| <b>I.</b>   | <b>Registration Details</b>   |  |
|             | (a) Registration No.  | 1 1 2 8                                    |
|             | (b) CIN   | L 6 5 9 9 1 T N 1 9 4 1 P L C 0 0 1 1 2 8  |
|             | (c) State Code  | 1 8  |
|             | (d) Balance Sheet Date  | 3 1 0 3 2 0 0 8                            |
| <b>II.</b>  | <b>Capital Raised during the Year</b>   |  |
|             | (a) Public Issue  | N i l                                      |
|             | (b) Rights Issue  | N i l                                      |
|             | (c) Bonus Issue   | N i l                                      |
|             | (d) Private Placement   | N i l                                      |
| <b>III.</b> | <b>Position of Mobilisation &amp; Deployment of Funds:</b>                                    |  |
|             | (a) Total Assets  | 3 6 9 6 3 6 9                              |
|             | (b) Total Liabilities   | 3 6 9 6 3 6 9                              |
|             | <b>Sources of Funds:</b>  |  |
|             | (a) Paid-up Capital   | 1 2 8 9 2 1                                |
|             | (b) Reserves & Surplus  | 1 7 6 9 7 6 9                              |
|             | (c) Secured Loans   | 3 1 9 9 4 2                                |
|             | (d) Unsecured Loans   | 2 4 3 9 4 0                                |
|             | (e) Deferred Tax Liability  | 1 7 6 8 1 0                                |
|             | <b>Total</b>  | <b>2 6 3 9 3 8 2</b>                       |
|             | <b>Application of Funds:</b>  |  |
|             | (a) Net Fixed Assets  | 1 2 6 5 2 5 7                              |
|             | (b) Investments   | 2 7 7 2 4 1                                |
|             | (c) Net Current Assets  | 1 0 9 6 8 8 4                              |
|             | <b>Total</b>  | <b>2 6 3 9 3 8 2</b>                       |
|             | (a) Net Fixed Assets  | -  |
| <b>IV.</b>  | <b>Performance of Company:</b>  |  |
|             | (a) Turnover  | 4 0 6 8 2 8 5                              |
|             | (b) Other Income  | 9 2 1 2 5                                  |
|             | (c) Total Expenditure   | 3 1 8 7 0 3 5                              |
|             | (d) Profit Before Tax   | 9 7 3 3 7 5                                |
|             | (e) Profit After Tax  | 6 6 5 3 9 1                                |
|             | (f) Earnings Per Share in Rs.   | 5 1 . 6 1                                  |
|             | (g) Dividend Rate %   | 1 0 0                                      |
| <b>V.</b>   | <b>Generic Names of Three Principal Products/ Services of Company (as per monetary terms)</b> |  |
|             | 1. Item Code No. (ITC Code)   | 252321.00                                  |
|             | Product Description   | Cement                                     |
|             | 2. Item Code No.(ITC Code)  | 843830.02                                  |
|             | Product Description   | Machinery & Equipment for Sugar Machinery  |
|             | 3. Item Code No.(ITC Code)  | 841989.11                                  |
|             | Product Description   | Machinery & Equipment for Cement Machinery |

(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

## Statement under section 212 of the Companies Act, 1956 in respect of subsidiary company

### KCP Vietnam industries limited

1. The company earned a net profit of VND 76,827,572,000 (Rs. 1,874.22 lakhs) for the year ended 31st March, 2008, and posted a net profit of VND 63,054,715,000 (Rs. 1,507.95 lakhs) from the date of inception.
2. During the year, the company has allotted 23,99,760 Bonus shares to the Holding Company as fully paid up.
3. Holding Company's interest continued to be the same as at 31st March, 2008
4. No part of the above profit has been dealt with in the Holding Company's accounts.

(FOR AND ON BEHALF OF THE BOARD)

|  |  |   |
|--|--|---|
| <b>V.L. DUTT</b><br>Chairman and Managing Director | <b>V.L. INDIRA DUTT</b><br>Joint Managing Director | <b>KAVITHA D CHITTURI</b><br>Executive Director |
| <b>S. NANDAGOPAL</b><br>Director                   | <b>V. GANDHI</b><br>Technical Director             | <b>Y. VIJAYAKUMAR</b><br>Company Secretary      |

Place: Chennai  
Date: 31st July, 2008

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## Disclosure of Information relating to Subsidiary Company

(Statement pursuant to exemption granted by the Ministry of Corporate Affairs Under Section 212 (8) of the Companies Act, 1956 for the year ended 31<sup>st</sup> March 2008)

Rs. Lakhs

| Sl. No. | Name of the Subsidiary company | Country | Reporting Currency | Exchange Rate US \$ | Capital | Reserves | Total Assets | Total Liabilities | Investments over than Investments in Subsidiaries | Turnover | Profit/ (Loss) before taxation | Provision for taxation | Profit/ (Loss) after taxation | Proposed Dividend |
|---------|--------------------------------|---------|--------------------|---------------------|---------|----------|--------------|-------------------|---|----------|--------------------------------|------------------------|-------------------------------|-------------------|
| 1.      | KCP Vietnam Industries Ltd.    | Vietnam | Vietnam Dongs      | Rs. 39.52           | 2371.44 | 1507.95  | 12292.96     | 12292.96          | Nil   | 12322.66 | 1880.90                        | 6.68                   | 1874.22                       | Nil               |

Note: Indian rupee equivalents of the figures given in foreign currencies in the accounts of the Overseas Subsidiary company have been given based on the exchange rate at year end March 31, 2008 for balance sheet items and average rate during the year 2007-2008 for profit and loss account items.



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| <b>Profit and Loss Account .....</b>            | <b>62</b>       |
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**AUDITORS' REPORT TO THE DIRECTORS OF THE KCP LTD.**

To  
The Board of Directors  
The KCP Limited  
Chennai

1. We have examined the attached consolidated Balance Sheet of The KCP Limited, its subsidiary, and its Joint venture as at March 31, 2008, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended. These consolidated financial statements are the responsibility of The KCP Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the Subsidiary Company viz, KCP Vietnam Industries Ltd, whose accounts were audited by other auditors. Our opinion, in so far as it relates to the amounts included in the consolidate statements referred to above, in respect of KCP Vietnam Industries Limited, is based solely on the reports of the other auditors, and on the information and explanations for the purpose of the consolidation referred to herein, furnished to us by The KCP Limited.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited / unaudited financial statements of The KCP Limited, its joint venture and its subsidiary, as explained in paragraph 3 above, included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on consideration of separate audit reports, wherever furnished to us, on the individual audited financial statements of The KCP Limited, its joint venture and its aforesaid subsidiary as explained in paragraph 3 above, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of The KCP Limited, its joint venture and its subsidiary as at March 31, 2008.
  - b) in the case of the Consolidated Profit and Loss Account of the consolidated results of operations of The KCP Limited, its joint venture and its subsidiary for the year then ended and
  - c) in the case of the Consolidated cash flow statement of the consolidated cash flows of The KCP Limited, its joint venture and its subsidiary for year ended on that date.

For BRAHMAYYA & CO  
Chartered Accountants

C. MURALI KRISHNA  
(ICAI Memb. No. 20884)  
Partner

Place: Chennai  
Date: 31<sup>st</sup> July, 2008



## BALANCE SHEET AS AT 31ST MARCH 2008

| PARTICULARS  | Schedule | AS AT 31-03-2008     |                      | AS AT 31-03-2007     |                      |
|--|----------|----------------------|----------------------|----------------------|----------------------|
|  |          | Rs.                  | Rs.                  | Rs.                  | Rs.                  |
| <b>(I) SOURCES OF FUNDS:</b>   |          |                      |                      |                      |                      |
| <b>1. Shareholders' Funds:</b>   |          |                      |                      |                      |                      |
| (a) Capital  | A        | 1,28,921,160         |                      | 12,89,21,160         |                      |
| (b) Reserves & Surplus   | B        | 196,00,51,713        |                      | 135,32,11,156        |                      |
|  |          |                      | <b>208,89,72,873</b> |                      | <b>148,21,32,316</b> |
| <b>2. Minority Interest</b>  |          |                      |                      |                      |                      |
|  | C        |                      | <b>19,72,84,383</b>  |                      | <b>14,20,12,500</b>  |
| <b>3. Loan Funds:</b>  |          |                      |                      |                      |                      |
| (a) Secured Loans  | D        | 63,02,15,235         |                      | 75,59,72,787         |                      |
| (b) Unsecured Loans  | E        | 28,52,62,452         |                      | 30,80,80,528         |                      |
|  |          |                      | <b>91,54,77,687</b>  |                      | <b>106,40,53,315</b> |
| <b>4. Deferred Tax Liability (Net)</b>                                     |          |                      |                      |                      |                      |
| Deferred Tax Liability   |          | 18,72,96,299         |                      | 14,41,43,368         |                      |
| Less: Deferred Tax Asset   |          | 1,02,46,843          | <b>17,70,49,456</b>  | 28,96,518            | <b>14,12,46,850</b>  |
| <b>Total</b>   |          |                      | <b>337,87,84,399</b> |                      | <b>282,94,44,981</b> |
| <b>(II) APPLICATION OF FUNDS:</b>  |          |                      |                      |                      |                      |
| <b>1. Fixed Assets:</b>  |          |                      |                      |                      |                      |
| (a) Gross Block  | F        | 346,71,87,950        |                      | 311,58,72,325        |                      |
| (b) Less: Depreciation   |          | 155,38,73,810        |                      | 146,41,30,735        |                      |
| (c) Net Block  |          | 191,33,14,140        |                      | 165,17,41,590        |                      |
| (d) Capital Work-in-Progress   |          | 9,50,53,758          |                      | 18,59,46,521         |                      |
|  |          |                      | <b>200,83,67,898</b> |                      | <b>183,76,88,111</b> |
| <b>2. Investments</b>  |          |                      |                      |                      |                      |
| <b>3. Current Assets, Loans and Advances</b>                               |          |                      |                      |                      |                      |
| (a) Inventories  | H1       | 87,72,18,043         |                      | 81,33,38,087         |                      |
| (b) Sundry Debtors   | H2       | 50,74,52,938         |                      | 35,32,83,862         |                      |
| (c) Cash and Bank Balances   | H3       | 53,26,84,011         |                      | 34,41,43,361         |                      |
| (d) Other Current Assets   | H4       | 1,19,69,499          |                      | 45,37,204            |                      |
| (e) Loans and Advances   | H5       | 56,29,86,853         |                      | 54,20,56,382         |                      |
|  |          | <b>249,23,11,344</b> |                      | <b>205,73,58,896</b> |                      |
| Less: Current Liabilities and Provisions:                                  |          |                      |                      |                      |                      |
| (a) Liabilities  | I-1      | 75,52,97,519         |                      | 89,32,46,210         |                      |
| (b) Provisions   | I-2      | 40,27,49,253         |                      | 20,84,36,670         |                      |
|  |          | <b>115,80,46,772</b> |                      | <b>110,16,82,880</b> |                      |
| <b>Net Current Assets</b>  |          |                      | <b>133,42,64,572</b> |                      | <b>95,56,76,016</b>  |
| <b>4. Preliminary Expenses ( to the extent not written off / adjusted)</b> |          |                      |                      |                      |                      |
|  |          |                      | <b>0</b>             |                      | <b>57,232</b>        |
| <b>Total</b>   |          |                      | <b>337,87,84,399</b> |                      | <b>282,94,44,981</b> |

Notes, Schedules & Statement on Accounting Policies form an integral part of the Balance Sheet  
(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

# THE KCP LIMITED GROUP

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

| PARTICULARS   | Schedule | For the year ended |                      |
|---|----------|--------------------|----------------------|
|   |          | 31.03.2008         | 31.03.2007           |
|   |          | Rs.                | Rs.                  |
| <b>INCOME FROM:</b>   |          |                    |                      |
| <b>Sale of Products and Services</b>  |          |                    |                      |
| <b>Group Companies</b>  |          | 486,83,28,947      |                      |
| Less:Excise Duty  |          | 63,68,58,606       |                      |
| <b>Joint Venture</b>  |          | 88,02,74,118       |                      |
| Less:Excise Duty  |          | 1,23,53,795        |                      |
| <b>Other Income</b>   | 1        |                    |                      |
| - Group Companies   |          | 5,47,25,884        | 4,47,29,592          |
| - Joint Venture   |          | 25,82,468          | 40,42,609            |
|   |          | 515,66,99,016      | 380,89,04,853        |
| <b>EXPENDITURE ON:</b>  |          |                    |                      |
| Materials Consumed  | 2        | 168,31,04,202      | 121,14,48,085        |
| Payments and Benefits to Employees  | 3        | 33,57,52,774       | 26,87,43,855         |
| Manufacturing,Selling,Administrative and other expenses   | 4        | 167,31,20,786      | 120,29,58,243        |
| Rates and Taxes (excluding income-tax)  | 5        | 1,85,38,241        | 1,07,98,334          |
| Interest & Finance Charges  |          |                    |                      |
| - Group Companies   |          | 9,05,09,844        | 9,22,57,850          |
| - Joint Venture   |          | 7,08,810           | 12,304               |
| Depreciation  |          |                    |                      |
| - Group Companies   |          | 15,86,49,783       | 13,00,60,868         |
| - Joint Venture   |          | 18,57,040          | 11,35,098            |
|   |          | 396,22,41,480      | 291,74,14,637        |
| <b>Profit for the year:</b>   |          | 119,44,57,536      | 89,14,90,216         |
| Less: Minority Share of Profit  |          | 6,24,73,960        | 4,35,50,739          |
| Less: Provision for Taxation-Current  |          |                    |                      |
| - Group Companies   |          | 27,01,68,014       | 17,65,22,294         |
| - Joint Venture   |          | 2,10,88,472        | 1,02,15,424          |
| Less: Provision for Taxation-deferred   |          |                    |                      |
| - Group Companies   |          | 3,84,83,953        | 6,64,97,035          |
| - Joint Venture   |          | 18,060             | 2,21,809             |
| <b>Profit after Taxation</b>  |          | 80,22,25,077       | 59,44,82,915         |
| Balance brought forward from last Year  |          | 31,74,33,123       | 45,95,67,273         |
|   |          | 111,96,58,200      | 105,40,50,188        |
|   |          | <b>This Year</b>   | <b>Previous Year</b> |
|   |          | <b>Rs.</b>         | <b>Rs.</b>           |
| Add:Foreign Project Reserve withdrawn during the year   |          |                    | 43,20,000            |
| Less: Transfer to General Reserve   |          |                    |                      |
| - Group Companies   |          | 60,08,92,640       | 57,50,00,000         |
| - Joint Venture   |          | 2,13,83,207        | 86,72,459            |
|   |          | 49,73,82,353       | 47,46,97,729         |
| Less: Proposed Dividend   |          |                    |                      |
| - Group Companies   |          | 3,22,30,290        | 0                    |
| - Joint Venture   |          | 1,76,00,000        |                      |
| Interim Dividend Paid   |          |                    |                      |
| - Group Companies   |          | 9,66,90,870        | 12,89,21,160         |
| - Joint Venture   |          |                    | 90,00,000            |
| Tax on distributed Profits  |          |                    |                      |
| - Group Companies   |          | 2,19,10,151        | 1,80,81,196          |
| - Joint Venture   |          | 29,91,120          | 12,62,250            |
| <b>Balance carried forward to next Year</b>   |          | 32,59,59,922       | 31,74,33,123         |
| <b>Basic Earnings per equity share of Rs.10 each -(EPS)</b>   |          | 62.23              | 46.11                |
| <b>Net profit after tax Rs.80,22,25,077/- (Rs.59,44,82,915/-) / No.of equity shares 12,62,250 (1,28,92,116)</b> |          |                    |                      |

Notes, Schedules & Statement on Accounting Policies form an integral part of the Profit and Loss Account  
(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

### “SHARE CAPITAL”

*Schedule ‘A’*

| PARTICULARS   | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---|----------------------------|----------------------------|
| <b>Authorised:</b><br>5,50,00,000 (5,00,00,000) Equity Shares of Rs.10/-each          | <b>55,00,00,000</b>        | 50,00,00,000               |
| <b>Issued:</b><br>1,28,97,748 Equity Shares of Rs.10/-each                            | <b>12,89,77,480</b>        | 12,89,77,480               |
| <b>Subscribed and Paid-up:</b><br>1,28,92,116 Equity Shares of Rs.10/-each fully paid | <b>12,89,21,160</b>        | 12,89,21,160               |
| <b>Total Taken To Balance Sheet</b>   | <b>12,89,21,160</b>        | 12,89,21,160               |

### “RESERVES & SURPLUS”

*Schedule ‘B’*

| PARTICULARS   | AS AT<br>31.03.2007<br>Rs. | Added<br>during the<br>year<br>Rs. | Withdrawn<br>during the year<br>Rs. | AS AT<br>31.03.2008<br>Rs. |
|---|----------------------------|------------------------------------|-------------------------------------|----------------------------|
| Group Companies                                     |                            |                                    |                                     |                            |
| Capital Reserve -                                   | 3,83,74,169                |                                    | 1,03,83,025                         | <b>2,79,91,144</b>         |
| Capital Subsidy                                     | 25,00,000                  | 25,00,000                          |                                     | <b>50,00,000</b>           |
| Amalgamation Reserve                                |                            | 1,03,83,025                        |                                     | <b>1,03,83,025</b>         |
| General Reserve                                     |                            |                                    |                                     |                            |
| Group Companies                                     | 100,00,00,000              | 60,08,92,641                       | 52,42,354                           | <b>159,56,50,287</b>       |
| Joint Venture                                       | 1,40,00,000                | 2,15,04,300                        |                                     | <b>3,55,04,300</b>         |
| Translation Reserve                                 | -1,90,96,135               | -4,04,36,965                       | -1,90,96,135                        | <b>-4,04,36,965</b>        |
| Surplus (i.e) Balance in<br>Profit and Loss Account | 31,04,80,169               |                                    |                                     | <b>28,00,02,703</b>        |
| Joint Venture                                       | 69,52,954                  |                                    |                                     | <b>4,59,57,219</b>         |
| <b>Total Taken To Balance Sheet</b>                 | <b>135,32,11,156</b>       |                                    |                                     | <b>196,00,51,713</b>       |

### “MINORITY INTEREST”

*Schedule ‘C’*

| PARTICULARS   | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---|----------------------------|----------------------------|
| Share capital in KCP Vietnam Industries Ltd                               |                            |                            |
| 42,00,240 Equity shares (30,00,000 shares ) held by minority shareholders | 16,63,96,977               | 11,85,71,834               |
| Profit and Loss Account   | 5,11,05,888                | 3,29,88,734                |
| Translation Reserve   | -2,02,18,482               | -95,48,068                 |
| <b>Total Taken To Balance Sheet</b>                                       | <b>19,72,84,383</b>        | 14,20,12,500               |

**“SECURED LOANS”**

**Schedule ‘D’**

| PARTICULARS                                  | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|--|----------------------------|----------------------------|
| I. Short-Term Loans:                         |                            |                            |
| a) Working capital loans from Banks & Others |                            |                            |
| - Group Companies                            | 25,82,66,689               | 18,97,17,809               |
| - Joint Venture                              | 1,35,62,443                | 0                          |
| II. Long-Term Loans:                         |                            |                            |
| From Financial institutions                  |                            |                            |
| - Group Companies                            | 35,83,86,103               | 56,62,28,776               |
| - Joint Venture                              | 0                          | 26,202                     |
| <b>Total Taken To Balance Sheet</b>          | <b>63,02,15,235</b>        | <b>75,59,72,787</b>        |

**“UNSECURED LOANS”**

**Schedule ‘E’**

| PARTICULARS                         | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|-------------------------------------|----------------------------|----------------------------|
| Fixed Deposits                      | 15,52,40,000               | 21,01,25,000               |
| From Directors                      | 6,52,00,000                | 3,77,00,000                |
| Intercorporate Loans                | 6,48,22,452                | 6,02,55,528                |
| <b>Total Taken To Balance Sheet</b> | <b>28,52,62,452</b>        | <b>30,80,80,528</b>        |

**“Fixed Assets”**

**Schedule ‘F’**

| DESCRIPTION |  | GROSS BLOCK             |                                 |                                  |                        | DEPRECIATION            |                        |   | NET BLOCK                                   |                      |                      |
|-------------|--|-------------------------|---------------------------------|----------------------------------|------------------------|-------------------------|------------------------|---|---|----------------------|----------------------|
|             |  | Cost upto<br>31.03.2007 | Additions<br>during the<br>year | Deductions<br>during the<br>year | Exchange<br>difference | Cost upto<br>31.03.2008 | Exchange<br>difference | Total<br>Depreciation<br>upto<br>31.03.2007 | Total<br>Depreciation<br>upto<br>31.03.2008 | As at<br>31.03.2008  | As at<br>31.03.2007  |
|             |  | Rs.                     | Rs.                             | Rs.                              | Rs.                    | Rs.                     | Rs.                    |   | Rs.   | Rs.                  | Rs.                  |
| 1.          | Lands  |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 3,02,44,882             |                                 |                                  |                        |                         |                        |   |   | 3,02,44,882          | 3,02,44,882          |
| 2.          | (a) Buildings                                |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 21,41,16,454            | 87,78,841                       |                                  |                        |                         |                        | 8,15,32,841                                 | 8,63,92,744                                 | 13,65,02,550         | 13,25,83,613         |
|             | (b) Leasehold Buildings                      |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 15,47,500               |                                 |                                  |                        |                         |                        | 4,12,342                                    | 4,62,790                                    | 10,84,710            | 11,35,158            |
| 3.          | Tramways & Railway Sidings                   |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 67,94,362               |                                 |                                  |                        |                         |                        | 52,18,068                                   | 55,40,800                                   | 12,53,562            | 15,76,294            |
| 4.          | Plant & Machinery Owned                      |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 273,17,96,068           | 44,36,58,249                    | 1,34,73,094                      | -6,74,60,135           | 309,45,21,088           | -2,89,73,793           | 129,43,07,300                               | 139,61,81,641                               | 169,83,39,447        | 143,74,88,768        |
| 5.          | Furniture, Fixtures & Office Equipment Owned |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 4,19,56,074             | 38,31,321                       | 61,27,479                        | -4,21,561              | 3,92,38,355             | -3,85,493              | 3,30,20,868                                 | 2,86,27,799                                 | 1,06,10,556          | 89,35,206            |
|             | - Joint Venture                              | 30,88,556               | 11,45,138                       |                                  |                        | 42,33,694               |                        | 12,93,217                                   | 21,33,589                                   | 21,00,105            | 17,95,339            |
|             | Leased                                       |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Joint Venture                              | 1,28,932                |                                 |                                  |                        | 1,28,932                |                        | 1,01,610                                    | 1,05,410                                    | 23,522               | 27,322               |
| 6.          | Vehicles & Earthmoving Equipment Owned       |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 7,62,70,835             | 61,33,307                       | 2,18,24,929                      | -6,01,268              | 5,99,77,945             | -5,00,901              | 4,14,32,606                                 | 3,00,92,555                                 | 2,98,85,390          | 3,48,38,229          |
|             | - Joint Venture                              | 12,75,339               |                                 |                                  |                        | 12,75,339               |                        | 3,07,476                                    | 5,58,055                                    | 7,17,284             | 9,67,863             |
|             | Leased                                       |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 38,84,632               |                                 | 38,84,632                        |                        |                         |                        | 36,61,357                                   |   |                      | 2,23,275             |
| 7.          | Research & Development Equipment             |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 15,40,850               | 6,700                           |                                  |                        | 15,47,550               |                        | 3,54,235                                    | 5,27,345                                    | 10,20,205            | 11,86,615            |
| 8.          | Patents Owned                                |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Group companies                            | 21,19,302               |                                 |                                  |                        | 21,19,302               |                        | 21,19,302                                   | 21,19,302                                   |                      |                      |
|             | Leased                                       |                         |                                 |                                  |                        |                         |                        |   |   |                      |                      |
|             | - Joint Venture                              | 11,08,539               | 15,55,168                       |                                  |                        | 26,63,707               |                        | 3,69,513                                    | 11,31,780                                   | 15,31,927            | 7,39,026             |
|             | Grand Total                                  | 311,58,72,325           | 46,51,08,724                    | 4,53,10,134                      | -6,84,82,964           | 346,71,87,950           | -2,98,60,187           | 146,41,30,735                               | 155,38,73,810                               | 191,33,14,140        | 165,17,41,590        |
| 1.          | Group Companies                              | 311,02,70,959           | 46,24,08,418                    | 4,53,10,134                      | -6,84,82,964           | 345,88,86,278           | -2,98,60,187           | 146,20,58,919                               | 154,99,44,976                               | 190,89,41,302        | 164,82,12,040        |
| 2.          | Joint Venture                                | 56,01,366               | 27,00,306                       |                                  |                        | 83,01,672               |                        | 20,71,816                                   | 39,28,834                                   | 43,72,838            | 35,29,550            |
|             | <b>Grand Totals</b>                          | <b>311,58,72,325</b>    | <b>46,51,08,724</b>             | <b>4,53,10,134</b>               | <b>-6,84,82,964</b>    | <b>346,71,87,950</b>    | <b>-2,98,60,187</b>    | <b>146,41,30,735</b>                        | <b>155,38,73,810</b>                        | <b>191,33,14,140</b> | <b>165,17,41,590</b> |

## THE KCP LIMITED GROUP

### “INVESTMENTS”

Schedule ‘G’

| PARTICULARS                             | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---|----------------------------|----------------------------|
| <b>1. Trade Investments:</b>            |                            |                            |
| (a) Quoted Equity Shares - Fully paid   | 1                          | 1                          |
| (b) Unquoted Equity Shares - Fully paid | 2,40,00,000                | 2,40,00,000                |
| <b>2. Non-Trade Investments:</b>        |                            |                            |
| (a) Quoted Equity Shares -Fully Paid    | 13,03,905                  | 12,08,505                  |
| (b) Unquoted Equity Shares - Fully Paid | 50,00,001                  | 50,00,001                  |
| <b>3. Other Investments</b>             | 58,48,022                  | 58,15,115                  |
| <b>Total Taken To Balance Sheet</b>     | <b>3,61,51,929</b>         | <b>3,60,23,622</b>         |

### “CURRENT ASSETS” INVENTORIES

Schedule ‘H-1’

| PARTICULARS                            | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|--|----------------------------|----------------------------|
| (1) Stores and Spares                  |                            |                            |
| - Group Companies                      | 28,59,46,285               | 34,07,35,865               |
| (2) Raw Materials                      |                            |                            |
| Group Companies                        | 1,78,72,844                | 14,68,60,930               |
| - Joint Venture                        | 2,55,62,584                | 0                          |
| (3) i) Finished Goods at Cost          |                            |                            |
| - Group Companies                      | 17,20,47,702               | 87,74,951                  |
| ii) Finished Goods at Market Value     |                            |                            |
| - Group Companies                      | 5,22,74,395                | 5,50,35,247                |
| (4) Work-in-progress - Group Companies | 32,35,14,233               | 26,19,31,094               |
| <b>Total Taken To Balance Sheet</b>    | <b>87,72,18,043</b>        | <b>81,33,38,087</b>        |

### “Sundry Debtors”

Schedule ‘H-2’

| PARTICULARS  | Details<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|--|----------------|----------------------------|----------------------------|
| Sundry Debtors                                       |                |                            |                            |
| Debts outstanding for a period exceeding six months: |                |                            |                            |
| (1) Considered Good                                  |                |                            |                            |
| (a) Fully Secured                                    |                |                            |                            |
| - Group Companies                                    | 12,66,178      |                            | 25,08,538                  |



|                                     |              |                     |              |
|-------------------------------------|--------------|---------------------|--------------|
| (b) Unsecured                       |              |                     |              |
| - Group Companies                   | 9,21,43,705  |                     | 94,68,473    |
| - Joint Venture                     | 2,66,61,126  |                     | 77,57,517    |
|                                     |              | <b>12,00,71,009</b> |              |
|                                     |              | <b>12,00,71,009</b> | 1,97,34,528  |
| (2) Other Debts-Considered Good     |              |                     |              |
| (a) Fully Secured                   |              |                     |              |
| - Group Companies                   | 87,46,828    |                     | 42,84,060    |
| (b) Unsecured                       |              |                     |              |
| - Group Companies                   | 37,26,61,152 |                     | 24,89,00,623 |
| - Joint Venture                     | 59,73,949    |                     | 8,03,64,651  |
|                                     |              | <b>38,73,81,929</b> |              |
| <b>Total Taken To Balance Sheet</b> |              | <b>50,74,52,938</b> | 35,32,83,862 |

**“CASH AND BANK BALANCES”**

**Schedule ‘H-3’**

| PARTICULARS                         | Details<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|-------------------------------------|----------------|----------------------------|----------------------------|
| (1) Cash /Cheques on hand           |                |                            |                            |
| - Group Companies                   | 1,06,61,339    |                            | 3,51,45,821                |
| - Joint Venture                     | 2,36,060       | <b>1,08,97,399</b>         | 6,514                      |
| (2) At Scheduled Banks:             |                |                            |                            |
| i) in Fixed Deposits                |                |                            |                            |
| - Group Companies                   | 33,08,47,829   |                            | 16,28,46,709               |
| - Joint Venture                     | 2,52,82,032    | <b>35,61,29,861</b>        | 3,79,01,994                |
| ii) in Current Accounts             |                |                            |                            |
| - Group Companies                   | 16,41,18,199   |                            | 10,64,25,616               |
| - Joint Venture                     | 15,38,552      | <b>16,56,56,751</b>        | 18,16,707                  |
| <b>Total Taken To Balance Sheet</b> |                | <b>53,26,84,011</b>        | 34,41,43,361               |

**“OTHER CURRENT ASSETS”**

**Schedule ‘H-4’**

| PARTICULARS                         | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|-------------------------------------|----------------------------|----------------------------|
| Interest accrued                    |                            |                            |
| - Group Companies                   | <b>1,00,29,007</b>         | 37,38,248                  |
| - Joint Venture                     | <b>19,40,492</b>           | 7,98,956                   |
| <b>Total Taken To Balance Sheet</b> | <b>1,19,69,499</b>         | 45,37,204                  |

“LOANS AND ADVANCES”

Schedule ‘H-5’

| PARTICULARS   | Details<br>Rs.      | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---|---------------------|----------------------------|----------------------------|
| (1) Advances,<br>( unsecured, recoverable in cash or in kind , for value<br>to be received) |                     |                            |                            |
| Considered Good   |                     |                            |                            |
| - Group Companies   | 12,15,58,833        |                            | 15,68,86,293               |
| - Joint Venture   | 1,02,62,522         |                            | 5,00,81,427                |
| Considered Doubtful - Group Companies   | 4,12,127            |                            | 3,83,654                   |
|   | <b>13,22,33,482</b> |                            | 20,73,51,374               |
| Less: Provision For Doubtful Advances   | 4,12,127            |                            | 3,83,654                   |
|   |                     | <b>13,18,21,355</b>        | 20,69,67,720               |
| (2) Prepaid Expenses  |                     |                            |                            |
| - Group Companies   | 84,91,479           |                            | 79,53,976                  |
| - Joint Venture   | 13,68,717           | 98,60,196                  | 12,81,235                  |
| (3) Excise Duty Paid In Advance   |                     |                            |                            |
| - Group Companies   | 3,49,28,811         |                            | 3,82,28,829                |
| - Joint Venture   | 17,20,100           | 3,66,48,911                | 19,89,856                  |
| (4) Income-Tax / Wealth -Tax / Sales Tax Paid In Advance                                    |                     |                            |                            |
| - Group Companies   | 28,82,49,085        |                            | 20,92,74,634               |
| - Joint Venture   | 4,11,04,139         | 32,93,53,224               | 1,71,17,202                |
| (5) Income-Tax Deducted At Source   |                     |                            |                            |
| - Group Companies   | 1,22,57,664         |                            | 1,42,38,582                |
| - Joint Venture   | 12,56,796           | 1,35,14,460                | 9,95,359                   |
| (6) Deposits Recoverable  |                     |                            |                            |
| - Group Companies   | 3,30,07,105         |                            | 3,18,27,730                |
| - Joint Venture   | 23,200              | 3,30,30,305                | 19,534                     |
| (7) Claims Recoverable  |                     |                            |                            |
| - Group Companies   |                     | 87,58,402                  | 1,21,61,724                |
| <b>Total Taken To Balance Sheet</b>   |                     | <b>56,29,86,853</b>        | 54,20,56,382               |

**“CURRENT LIABILITIES AND PROVISIONS”**
**Schedule ‘I-1’**

| PARTICULARS                                   | Details<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---|----------------|----------------------------|----------------------------|
| <b>A. CURRENT LIABILITIES:</b>                |                |                            |                            |
| (1) Sundry Creditors                          |                |                            |                            |
| - Group Companies                             | 32,81,75,552   |                            | 30,06,59,847               |
| - Joint Venture                               | 2,77,31,964    | 35,59,07,516               | 4,45,48,719                |
| (2) Advances received against sales           |                |                            |                            |
| - Group Companies                             | 28,05,17,321   |                            | 33,93,62,688               |
| - Joint Venture                               | 4,85,22,424    | 32,90,39,745               | 13,62,36,604               |
| (3) Trade Deposits - Group Companies          |                | 4,59,70,000                | 3,63,45,000                |
| (4) Security Deposits from staff and others   |                |                            |                            |
| - Group Companies                             |                | 25,09,690                  | 18,51,025                  |
| (5) Interest accrued but not due on loans     |                |                            |                            |
| - Group Companies                             |                | 83,54,171                  | 94,37,155                  |
| (6) Due to Superannuation and Gratuity Trusts |                |                            |                            |
| - Group Companies                             |                | 60,14,225                  | 62,28,211                  |
| (7) Unclaimed Dividend                        |                | 75,02,172                  | 1,85,76,961                |
| <b>Total Taken To Balance Sheet</b>           |                | <b>75,52,97,519</b>        | <b>89,32,46,210</b>        |

**PROVISIONS:**
**Schedule ‘I-2’**

| PARTICULARS                     | Details<br>Rs. | AS AT<br>31.03.2008<br>Rs. | AS AT<br>31.03.2007<br>Rs. |
|---------------------------------|----------------|----------------------------|----------------------------|
| (1) for Income Tax & Wealth Tax |                |                            |                            |
| - Group Companies               | 28,18,57,608   |                            | 18,56,95,838               |
| - Joint Venture                 | 3,33,82,462    | 31,52,40,070               | 1,22,93,990                |
| (2) for Proposed Dividend       |                |                            |                            |
| - Group Companies               |                | 3,22,30,290                | 0                          |
| - Joint Venture                 |                | 1,76,00,000                |                            |
| (3) for Tax on Dividend         |                |                            |                            |
| - Group Companies               |                | 54,77,538                  | 0                          |
| - Joint Venture                 |                | 29,91,120                  |                            |

# THE KCP LIMITED GROUP

(Continued)

Schedule 'I-2'

| PARTICULARS                         | Details<br>Rs. | AS AT               | AS AT               |
|-------------------------------------|----------------|---------------------|---------------------|
|                                     |                | 31.03.2008<br>Rs.   | 31.03.2007<br>Rs.   |
| (4) for Leave Encashment            |                |                     |                     |
| - Group Companies                   | 1,29,22,964    |                     | 99,57,830           |
| - Joint Venture                     | 5,54,300       | 1,34,77,264         | 4,89,013            |
| (5) for Provision towards Gratuity  |                | 1,57,32,971         | 0                   |
| <b>Total Taken To Balance Sheet</b> |                | <b>40,27,49,253</b> | <b>20,84,36,670</b> |

Signature to Schedules A to I-2  
(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai

Date: 31st July, 2008

## SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT

### “OTHER INCOME”

### Schedule-1

| PARTICULARS   | Details<br>Rs. | For the                         | For the                         |
|---|----------------|---------------------------------|---------------------------------|
|   |                | year ended<br>31.03.2008<br>Rs. | year ended<br>31.03.2007<br>Rs. |
| (1) Interest received from Banks and others         |                |                                 |                                 |
| - Group Companies                                   | 4,29,70,942    |                                 | 1,59,51,563                     |
| - Joint Venture                                     | 19,47,184      | 4,49,18,126                     | 24,41,670                       |
| (2) Dividend Received (Gross)                       |                | 44,933                          | 1,13,04,534                     |
| (3) Rents received                                  |                | 28,12,983                       | 10,92,306                       |
| (4) Miscellaneous Receipts                          |                |                                 |                                 |
| - Group Companies                                   |                | 31,20,822                       | 22,71,595                       |
| (5) Profit on sale of Assets                        |                |                                 |                                 |
| - Group Companies                                   | 76,694         |                                 | 13,02,368                       |
| - Joint Venture                                     | 0              | 76,694                          | 52,620                          |
| (6) Unclaimed balances credited back                |                |                                 |                                 |
| - Group Companies                                   | 9,34,538       |                                 | 1,50,477                        |
| - Joint Venture                                     | 5,270          | 9,39,808                        | 1,50,027                        |
| (7) Claims/refunds received                         |                |                                 |                                 |
| - Group Companies                                   |                | 19,44,165                       | 43,72,028                       |
| (8) Profit on Sale of Investments - Group Companies |                | 0                               | 1,27,697                        |
| (9) Provision no longer required credited back      |                |                                 |                                 |
| - Group Companies                                   | 30,42,460      |                                 | 82,00,236                       |
| - Joint Venture                                     | 3,90,151       | 34,32,611                       | 7,82,745                        |
| (10) Difference in Exchange (Net)                   |                |                                 |                                 |
| - Joint Venture                                     |                | 18,210                          | 5,72,335                        |
| <b>Total Taken To Profit &amp; Loss Account</b>     |                | <b>5,73,08,352</b>              | <b>4,87,72,201</b>              |

## THE KCP LIMITED GROUP

### “MATERIALS CONSUMED”

### Schedule-2

| PARTICULARS  | Details<br>Rs. | For the<br>year ended<br>31.03.2008 | Details<br>Rs. | For the<br>year ended<br>31.03.2007 |
|--|----------------|-------------------------------------|----------------|-------------------------------------|
|  |                | Rs.                                 |                | Rs.                                 |
| <b>Opening Stocks:</b>   |                |                                     |                |                                     |
| Raw materials  |                |                                     |                |                                     |
| - Group Companies  | 2,60,03,029    |                                     | 3,98,11,357    |                                     |
| Work-in-Progress   |                |                                     |                |                                     |
| - Group Companies  | 26,19,31,094   |                                     | 25,88,24,190   |                                     |
| Finished goods   |                |                                     |                |                                     |
| - Group Companies  | 16,83,81,609   |                                     | 18,55,76,642   |                                     |
|  |                | <b>45,63,15,732</b>                 |                | 48,42,12,189                        |
| <b>ADD:</b>  |                |                                     |                |                                     |
| i) Purchases:  |                |                                     |                |                                     |
| Raw materials & Components   |                |                                     |                |                                     |
| - Group Companies  | 47,51,63,044   |                                     | 17,10,25,627   |                                     |
| - Joint Venture  | 30,77,96,335   |                                     | 18,69,69,812   |                                     |
| ii) Cost of raw materials produced                                       |                |                                     |                |                                     |
| - Group Companies  | 103,37,03,251  |                                     | 82,54,62,450   |                                     |
|  |                | <b>181,66,62,630</b>                |                | 118,34,57,889                       |
|  |                | <b>227,29,78,362</b>                |                | 166,76,70,078                       |
| <b>LESS:</b>   |                |                                     |                |                                     |
| Closing Stocks:  |                |                                     |                |                                     |
| Raw materials  |                |                                     |                |                                     |
| - Group Companies  | 1,78,72,844    |                                     | 2,60,03,029    |                                     |
| - Joint Venture  | 2,55,62,584    |                                     | 0              |                                     |
| Work-in-Progress   |                |                                     |                |                                     |
| - Group Companies  | 32,35,14,233   |                                     | 26,19,31,094   |                                     |
| Finished Goods   |                |                                     |                |                                     |
| - Group Companies  | 22,43,22,097   |                                     | 16,83,81,609   |                                     |
|  |                | <b>59,12,71,758</b>                 |                | 45,63,15,732                        |
| Excise duty differential on Opening/<br>Closing stocks of Finished Goods |                | <b>13,97,598</b>                    |                | 93,739                              |
| <b>Total Taken To Profit &amp; Loss Account</b>                          |                | <b>168,31,04,202</b>                |                | 121,14,48,085                       |

**“PAYMENTS AND BENEFITS TO EMPLOYEES”**
**Schedule-3**

| PARTICULARS  | For the<br>year ended<br>31.03.2008<br>Rs. | For the<br>year ended<br>31.03.2007<br>Rs. |
|--|--|--|
| Salaries, Wages and Bonus                                |  |  |
| - Group Companies  | 26,46,10,726                               | 18,05,30,571                               |
| - Joint Venture  | 1,33,90,782                                | 74,73,649                                  |
| Contribution to Provident Fund and Family Pension Scheme |  |  |
| - Group Companies  | 1,30,50,026                                | 1,17,27,206                                |
| - Joint Venture  | 10,30,335                                  | 3,66,203                                   |
| Contribution to Superannuation Funds                     |  |  |
| - Group Companies  | 53,06,620                                  | 3,70,35,893                                |
| - Joint Venture  | 0  | 4,45,790                                   |
| Contribution to Gratuity Funds                           |  |  |
| - Group Companies  | 77,91,214                                  | 50,84,718                                  |
| - Joint Venture  | 9,468                                      | 9,076                                      |
| Workmen and Staff Welfare expenses                       |  |  |
| - Group Companies  | 2,92,47,491                                | 2,53,25,923                                |
| - Joint Venture  | 13,16,112                                  | 7,44,826                                   |
| <b>Total Taken To Profit &amp; Loss Account</b>          | <b>33,57,52,774</b>                        | <b>26,87,43,855</b>                        |

**“MANUFACTURING ,SELLING, ADMINISTRATIVE AND OTHER EXPENSES”**
**Schedule-4**

| PARTICULARS   | Details<br>Rs. | For the<br>year ended<br>31.03.2008<br>Rs. | For the<br>year ended<br>31.03.2007<br>Rs. |
|---|----------------|--|--|
| <b>Manufacturing:</b>                                     |                |  |  |
| Stores and Spares (including Packing Materials) consumed. |                |  |  |
| - Group Companies   |                | 43,27,37,757                               | 28,30,55,123                               |
| - Joint Venture   |                |  |  |
| Sub-contracted works                                      |                |  |  |
| - Group Companies   |                | 9,99,27,048                                | 7,78,86,267                                |
| - Joint Venture   |                | 6,29,664                                   | 2,77,407                                   |
| Power and Fuel  |                |  |  |
| - Group Companies   | 71,88,60,365   |  |  |
| Less: Self consumption of Power generated internally      | 15,88,24,476   | 56,00,35,889                               | 42,18,45,459                               |
| Insurance   |                |  |  |
| - Group Companies   |                | 71,83,682                                  | 68,32,559                                  |
| - Joint Venture   |                | 0  | 59,602                                     |

## THE KCP LIMITED GROUP

(Continued)

**Schedule-4**

| PARTICULARS                       | Details<br>Rs. | For the<br>year ended<br>31.03.2008<br>Rs. | For the<br>year ended<br>31.03.2007<br>Rs. |
|-----------------------------------|----------------|--|--|
| Research & Development            |                |  |  |
| - Group Companies                 |                | 5,50,451                                   | 4,54,927                                   |
| Technical fee and royalty         |                |  |  |
| - Joint Venture                   |                | 55,70,262                                  | 27,97,285                                  |
| Lease Rentals                     |                |  |  |
| - Group Companies                 |                | 0  | 97,95,004                                  |
| - Joint Venture                   |                | 0  | 2,30,426                                   |
| Repairs to Buildings              |                |  |  |
| - Group Companies                 |                | 2,42,93,174                                | 2,40,01,446                                |
| Repairs to Machinery              |                |  |  |
| - Group Companies                 |                | 9,42,84,561                                | 5,62,57,152                                |
| Repairs to Other Assets           |                |  |  |
| - Group Companies                 |                | 2,03,23,175                                | 1,45,61,179                                |
|                                   | <b>(A)</b>     | <b>124,55,35,663</b>                       | <b>89,80,53,836</b>                        |
| <b>Selling:</b>                   |                |  |  |
| Advertisement                     |                |  |  |
| - Group Companies                 |                | 2,01,42,076                                | 1,93,35,620                                |
| - Joint Venture                   |                | 3,24,096                                   | 1,09,466                                   |
| Loading, Unloading, Transport etc |                |  |  |
| - Group Companies                 |                | 12,37,00,087                               | 8,33,95,974                                |
| - Joint Venture                   |                | 1,10,67,386                                | 32,06,089                                  |
| Commission on Sales               |                |  |  |
| - Group Companies                 |                | 9,97,011                                   | 19,33,370                                  |
| - Joint Venture                   |                | 3,47,84,392                                | 17,27,228                                  |
|                                   | <b>(B)</b>     | <b>19,10,15,048</b>                        | <b>10,97,07,748</b>                        |
| <b>Administrative:</b>            |                |  |  |
| Rent                              |                |  |  |
| - Group Companies                 |                | 37,01,887                                  | 20,03,314                                  |
| - Joint Venture                   |                | 0  | 2,30,426                                   |
| Payments to Auditors              |                |  |  |
| - Group Companies                 |                | 13,31,909                                  | 11,97,098                                  |
| - Joint Venture                   |                | 2,03,014                                   | 1,36,600                                   |
| Directors' Sitting Fee            |                |  |  |
| - Group Companies                 |                | 5,20,000                                   | 7,08,750                                   |

(Continued)

Schedule-4

| PARTICULARS   | Details<br>Rs. | For the<br>year ended<br>31.03.2008<br>Rs. | For the<br>year ended<br>31.03.2007<br>Rs. |
|---|----------------|--|--|
| Managerial Remuneration                                       |                |  |  |
| - Group Companies   |                | 7,08,68,188                                | 5,66,33,994                                |
| - Joint Venture   |                | 16,17,320                                  | 12,55,225                                  |
| Miscellaneous Expenses  |                |  |  |
| - Group Companies   |                | 9,89,39,675                                | 8,75,95,530                                |
| - Joint Venture   |                | 1,27,19,862                                | 1,03,74,097                                |
|   | <b>(C)</b>     | <b>18,99,01,855</b>                        | <b>16,01,35,033</b>                        |
| <b>Other Items:</b>   |                |  |  |
| Warranty Claims   |                |  |  |
| - Group Companies   |                | 74,82,917                                  | 94,32,423                                  |
| - Joint Venture   |                | 1,16,69,380                                | 19,19,810                                  |
| Provision for doubtful debts                                  |                |  |  |
| - Group Companies   |                | 28,473                                     | 28,616                                     |
| Bad debts and irrecoverable advances written off              |                |  |  |
| - Group Companies   |                | 1,27,574                                   | 48,03,258                                  |
| - Joint Venture   |                | 0  | 2,52,768                                   |
| Discarded assets written off                                  |                |  |  |
| - Group Companies   |                | 28,66,859                                  | 21,80,066                                  |
| Loss on sale of assets  |                |  |  |
| - Group Companies   |                | 7,52,431                                   | 7,54,412                                   |
| - Joint Venture   |                | 0  | 1,923                                      |
| Expenses Relating To Previous Year                            |                |  |  |
| - Group Companies   |                | 0  | 12,652                                     |
| Investments written off                                       |                |  |  |
| - Group Companies   |                | 0  | 550  |
| Difference in exchange (NET)                                  |                |  |  |
| - Group Companies   |                | 2,34,81,055                                | 1,54,22,381                                |
| - Joint Venture   |                | 1,96,909                                   | 0  |
| Bad debts written off   |                |  |  |
| - Joint Venture   |                | 0  | 2,52,768                                   |
| Preliminary expenses Written Off                              |                | 57,232                                     | 0  |
| Prior Period Expenses   |                | 5,390                                      | 0  |
|   | <b>(D)</b>     | <b>4,66,68,220</b>                         | <b>3,50,61,626</b>                         |
| <b>Totals of (A+B+C+D) Taken To Profit &amp; Loss Account</b> |                | <b>167,31,20,786</b>                       | <b>120,29,58,243</b>                       |

# THE KCP LIMITED GROUP

## “RATES & TAXES (EXCLUDING INCOME TAX)”

## Schedule-5

| PARTICULARS                                     | For the                  | For the                  |
|---|--------------------------|--------------------------|
|   | year ended<br>31.03.2008 | year ended<br>31.03.2007 |
|   | Rs.                      | Rs.                      |
| Rates and Taxes                                 |                          |                          |
| - Group Companies                               | 176,02,380               | 1,03,19,002              |
| - Joint Venture                                 | 9,35,861                 | 4,79,332                 |
| <b>Total Taken To Profit &amp; Loss Account</b> | <b>1,85,38,241</b>       | <b>1,07,98,334</b>       |

Signature to Schedules 1 to 5  
(FOR AND ON BEHALF OF THE BOARD)

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008

# Notes Forming Part of the Accounts

## 1. Basis of preparation

The KCP Limited (Parent company) has prepared the group consolidated financial statements by:

Consolidating its accounts and those of its subsidiary viz. KCP Vietnam Industries Ltd, a company incorporated in Socialist Republic of Vietnam, in which it holds 2/3rds of the share capital, in accordance with "Accounting Standard 21 Consolidated Financial Statements" and also reporting therein its 40% interest in its Joint Venture entity Fives Cail KCP Ltd, a company incorporated in India, in accordance with AS 27 "Financial Reporting of interest in Joint Ventures" issued by the Institute of Chartered Accountants of India.

The accounts of all the companies taken into these consolidated accounts have been prepared for the year ended 31st March 2008.

## 2. Principles of consolidation

The consolidated financial statements of The KCP Ltd, its subsidiary company and its Joint Venture are prepared according to the accounting policies and standards applicable to them in the countries in which they are incorporated as stated in the "Statements on Accounting Policies" in the respective companies and published separately. It is not practicable to use uniform accounting policies in preparing the consolidated financial statements.

## 3. FOREIGN EXCHANGE TRANSACTIONS

- A) Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately with the difference in the rate of exchanges arising on actual receipt/payment during the year.
- B) At each Balance Sheet date
  - foreign currency monetary items are reported using the rate of exchanges on that date
  - foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized
- C) In respect of forward exchange contracts in the nature of hedges if any,
  - a) Premium or discount on the contract is amortised over the term of the contract,
  - b) Exchange differences on the contract are recognized as profit or loss in the period in which they arise
- D) In consolidating the transactions of the non-integral foreign operations of the group, in the group financial statements,
 

All the assets and liabilities of such operations are translated at the exchange rate on the date of the Balance Sheet

Income and expenses of such operations are translated at the yearly average rates.

The resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the investment in such operations

**4. Major components of deferred tax assets and liabilities arising on account of timing differences are**

| PARTICULARS                                 | ASSETS<br>Rs.      | LIABILITIES<br>Rs.  |
|---|--------------------|---------------------|
| 1. Depreciation                             |                    | 18,70,50,272        |
| Joint Venture                               |                    | 2,46,027            |
| 2. Items U/s 43 B of IT Act                 | 1,01,00,602        |                     |
| Joint Venture                               | 6,159              |                     |
| 3. Provision for Doubtful Debts             | 1,40,082           |                     |
|   | <u>1,02,46,843</u> | <u>18,72,96,299</u> |
| Net deferred tax liability as on 31.03.2008 |                    | <b>17,70,49,456</b> |

| <b>5. Movement in Translation Reserve</b>  | Holding<br>Company<br>Rs. | Minority<br>Rs.     | Total<br>Rs.        |
|--|---------------------------|---------------------|---------------------|
| Opening Balance (Cr)   | -1,90,96,135              | -95,48,068          | -2,86,44,203        |
| Movement due to Non Monetary items-<br>Capital, Reserves, opening<br>Stock etc. (Dr) | 2,13,40,830               | -1,06,70,414        | -3,20,11,244        |
| Closing balance(Dr)  | <u>-4,04,36,965</u>       | <u>-2,02,18,482</u> | <u>-6,06,55,447</u> |

**6. Particulars disclosed pursuant to “AS-18 related party disclosures”:-**

**A. List of Related parties:**

**Key Management Personnel**

Dr. V.L. Dutt- Chairman and Managing Director, The KCP Ltd  
 Smt. V.L. Indira Dutt- Joint Managing Director, The KCP Ltd  
 Smt. Kavitha D Chitturi - Executive Director, The KCP Ltd  
 Sri V. Gandhi - Technical Director, The KCP Ltd  
 Sri K.B. Pranesh - Managing Director, Fives Cail KCP Ltd

**Relatives of Key Management Personnel**

Smt.S.R. V.Rajyalakshamma Mother of Smt.V.L.Indira Dutt  
 Sri V.Chandra Kumar Brother of Smt. V.L.Indira Dutt  
 Smt.Uma S Vallabaneni Sister of Smt. V.L.Indira Dutt  
 Smt.V.Rama Kumari Sister of Smt. V.L.Indira Dutt  
 Kum.Shivani Dutt Chitturi Daughter of Smt. Kavitha Dutt Chitturi  
 Smt. Rajeswary Ramakrishnan, Sister of Dr.V.L. Dutt.  
 Sri Ravi Chitturi, Husband of Smt. Kavitha Dutt Chitturi  
 Smt. Shobana Pranesh, wife of Sri K.B. Pranesh  
 Smt. V.Kamala Devi, Wife of Sri V.Gandhi  
 Sri V.Praveen Kumar, Son of Sri V.Gandhi  
 Smt.V.Sowmya, Wife of Son of Sri V.Gandhi  
 Smt.V.Anupama, Daughter of Sri V.Gandhi  
 Sri N.Seshubabu, Husband of Daughter of Sri V.Gandhi

**Companies controlled by**

**Key management Personnel/Relatives**

KCP Technologies Limited  
 V. Ramakrishna Sons Private Limited  
 The Jeypore Sugar Company Ltd.  
 V.R.K Grandsons Investments Private Limited

### B. Transactions with the related parties:

|                                     | Key management personnel | Relatives of Key management Personnel | Companies Controlled by KMP/ relatives of KMP |
|-------------------------------------|--------------------------|---------------------------------------|---|
| <b>Transactions during the year</b> | Rs.                      | Rs.                                   | Rs.   |
| Sale of Goods                       |                          |                                       | 2,33,31,092                                   |
| Service Charges Received            |                          |                                       | 1,23,000                                      |
| Service Charges Paid                |                          | 7,000                                 | 21,598  |
| Remuneration paid                   | 7,24,85,681              |                                       |   |
| Interest paid                       | 39,16,184                | 1,894                                 | 19,76,634                                     |
| Dividend paid                       | 66,72,585                | 13,10,828                             | 3,64,50,488                                   |
| <b>Balances as at 31.03.2008:</b>   |                          |                                       |   |
| Receivable - Trade dues             |                          |                                       | 61,88,143                                     |
| Share capital in KCP held by        | 88,96,780                | 17,47,770                             | 4,86,00,650                                   |
| Payable                             | 6,52,74,192              |                                       | 4,908   |

### 7. a. Claims against the Company not admitted

|                                    | 31st March,2008<br>Rs. | 31st March 2007<br>Rs. |
|------------------------------------|------------------------|------------------------|
| Statutory Levies - Group Companies | 6,26,39,443            | 5,82,42,556            |
| Contractual Levies                 | 0                      | 0                      |
| Others                             | 5,23,82,610            | 4,21,99,300            |

### b. Share of Contingent Liability in Joint Venture

- (1) Corporate Guarantees issued by the Company to customers Rs. 79,31,500/- (Rs.1,69,35,00/-)
- (2) Guarantees issued by bankers on behalf of the Company Rs. 15,84,65,580/- (Rs.14,75,70,014/-)
- (3) Estimate amount of contracts remaining to be executed on Capital account and not provided for Rs.Nil (Rs. 4,21,902/-)

### 8. Particulars disclosed pursuant to Accounting Standard 17 " Segment Reporting" are given in Annexure 1.

9. In accordance with the sanctions received from the respective shareholders and from the High Court of Judicature at Madras, KCP Biotech Limited, a wholly owned subsidiary of The KCP Limited (the Company) was amalgamated with the Company with effect from 01.04.2007. KCP Biotech Limited is engaged in the manufacture of organic dyes, resins and additives.

The effect of the said amalgamation has been reflected in the accounts under the "Pooling of interest method".

The salient features of the said scheme of amalgamation under section 391 to 394 of the Companies Act, 1956 are as under:

- 1) The Authorised share Capital of KCP Biotech Limited shall stand combined with the authorised Share Capital of The KCP Limited.
- 2) The entire Issued and Paid up Share Capital of KCP Biotech Limited will stand automatically cancelled and there will be no issue and allotment of shares by The KCP Limited to the shareholders of KCP Biotech Limited, it being a wholly owned subsidiary of The KCP Limited
- 3) The debit balance in the Profit and Loss Account of KCP Biotech Limited as on 1.04.2007 is to be debited by The KCP Limited to the surplus in its Profit and Loss Account on the said date.

## THE KCP LIMITED GROUP

- 4) Capital subsidy in the books of KCP Biotech Limited shall stand transferred to and carried as such in the books of The KCP Limited.
  - 5) The difference between the value of the net assets of KCP Biotech Limited as appearing in its books and the value of the investments in KCP Biotech Limited by The KCP Limited as appearing in the latter's books shall be reflected as "Amalgamation Reserve" in the books of The KCP Limited.
  - 6) All employees of KCP Biotech Limited as on the effective date shall without any break and interruption in service become the employees of The KCP Limited.
  - 7) The KCP Biotech Limited shall stand dissolved without going through the process of winding up on orders being made to that effect by the court under section 394 of the Companies Act, 1956.
10. The Board of Directors of the Company, at their meeting held on 30th June 2008, pending sanction of the scheme of Amalgamation of KCP Biotech Limited with The KCP Limited by the High Court of Judicature at Madras, had adopted accounts of the Company for the year ended 31.3.2008, got them audited and published the same as required by clause 41 of the Listing Agreement with the Stock Exchanges. The said Annual accounts were not circulated to the Shareholders in anticipation of the sanction of the High Court to the said scheme of Amalgamation. The Sanction having been accorded on 14th July 2008 and the annual Accounts of the Company for the year ended 31.3.2008 have been duly revised herein by giving effect to the said Scheme of Amalgamation.

### General:

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

Figures for the previous year have been regrouped, wherever necessary.

(FOR AND ON BEHALF OF THE BOARD)

**V.L. DUTT**  
Chairman and  
Managing Director

**V.L. INDIRA DUTT**  
Joint Managing Director

**KAVITHA D CHITTURI**  
Executive Director

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants

**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**Y. VIJAYAKUMAR**  
Company Secretary

Place: Chennai  
Date: 31st July, 2008



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

| PARTICULARS   | 2008         |              |                      | 2007                 |
|---|--------------|--------------|----------------------|----------------------|
|   | ADD          | LESS         | TOTAL                | Rs.                  |
| A). CASH FLOW FROM OPERATING ACTIVITIES                                     | Rs.          | Rs.          | Rs.                  | Rs.                  |
| Net Profit before Tax   |              |              | 119,44,57,536        | 89,14,90,216         |
| <b>ADJUSTMENTS FOR</b>  |              |              | <b>119,44,57,536</b> | <b>89,14,90,216</b>  |
| Depreciation  | 16,05,06,822 |              |                      | 13,11,95,966         |
| Foreign Exchange Difference(Net)  | 2,32,14,607  |              |                      | 1,48,50,046          |
| Investments written off   | 0            |              |                      | 550                  |
| Profit/Loss on Sale conversion of Assets                                    | 6,75,737     |              |                      | -5,98,652            |
| Assets written off  | 28,66,859    |              |                      | 21,80,066            |
| Transational Gain in employee benefits<br>Transferred to general Reserve    | 2,15,04,300  | 2,13,83,207  |                      |                      |
| Profit/Loss on Sale of Investment   | 0            |              |                      | -1,27,697            |
| Interest (Nett)   | 4,78,56,017  |              |                      | 7,38,76,921          |
| Dividend Received   |              | 44,933       |                      | -1,13,04,534         |
| Preliminary expenditure written off   | 57,232       |              |                      | 28,616               |
| Provision for diminution in value of investments withdrawn                  |              |              |                      | -2,170               |
|   | 25,66,81,574 | 2,14,28,140  | 23,52,53,434         | 21,00,99,112         |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL:</b>                             |              |              | <b>142,97,10,970</b> | <b>110,15,89,328</b> |
| Trade and other Receivables   |              | 37,52,40,723 |                      | -20,66,06,918        |
| Inventories   |              | 12,24,78,780 |                      | -6,27,88,386         |
| Trade Payables & Provision  | 18,60,45,448 |              |                      | 31,27,08,800         |
|   | 18,60,45,448 | 49,77,19,503 | -31,16,74,055        | 4,33,13,496          |
| <b>CASH GENERATED FROM OPERATIONS</b>                                       |              |              | <b>111,80,36,914</b> | <b>114,49,02,824</b> |
| Direct Taxes refunds received! Paid (Net)                                   |              | 27,55,25,831 | -27,55,25,831        | -20,31,31,423        |
|   |              |              | <b>84,25,11,082</b>  | <b>94,17,71,401</b>  |
| <b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>                                 |              |              |                      |                      |
| Foreign Exchange Difference   |              | 2,32,14,607  | -2,32,14,607         | 1,48,50,046          |
|   |              |              | <b>81,92,96,475</b>  | <b>92,69,21,355</b>  |
| <b>NET CASH FROM OPERATING ACTIVITIES ..... A</b>                           |              |              |                      |                      |
| <b>B). CASH FLOW FROM INVESTING ACTIVITIES</b>                              |              |              |                      |                      |
| Purchase of / Additions to Fixed Assets                                     |              | 39,39,25,450 |                      | -44,98,19,898        |
| Capital Work-in-Progress  | 9,08,92,755  |              |                      | -11,47,86,249        |
| Purchase of Investments   |              | 28,67,958    |                      | -1,53,696            |
| Repayment of Loan by subsidiary company                                     | 1,34,38,806  |              |                      |                      |
| Sale of Fixed Assets  | 8,35,331     |              |                      | 23,87,069            |
| Sale of Investments   | 0            |              |                      | 1,21,27,697          |
| Merger of subsidiary company  |              | 2,71,17,675  |                      | 0                    |
| Interest Received   | 5,55,02,132  |              |                      | 1,83,93,233          |
| Dividend Received   | 44,933       |              |                      | 1,13,04,534          |
| Translation Difference  |              | 5,83,86,140  |                      | 2,48,92,937          |
| Provision for diminution in value of investments of earlier years withdrawn | 2,71,17,675  |              |                      | -42,06,542           |
|   | 18,78,31,632 | 48,22,97,223 | -29,44,65,591        | -49,98,60,915        |
| <b>NET CASH USED IN INVESTING ACTIVITIES ... B</b>                          |              |              | <b>-29,44,65,591</b> | <b>-49,98,60,915</b> |
| <b>C). CASH FLOW FROM FINANCING ACTIVITIES</b>                              |              |              |                      |                      |
| Subsidy received  | 25,00,000    |              |                      |                      |
| Proceods of Long Term Borrowings (Secured)                                  |              | 9,53,68,723  |                      | 5,38,46,967          |
| Dividend Paid   |              | 11,42,90,870 |                      | -20,43,81,740        |
| Tax on Distributed Profits  |              | 1,94,23,734  |                      | -2,86,64,542         |
| Interest Paid   |              | 10,33,58,149 |                      | -9,22,70,154         |
| Repayment of Long Term Borrowings (Unsecured)                               |              | 63,48,759    |                      | -3,74,49,473         |
|   | 25,00,000    | 33,87,90,235 | -33,62,90,235        | -30,89,18,942        |
| <b>NET CASH USED IN FINANCING ACTIVITIES ... C</b>                          |              |              | <b>-33,62,90,235</b> | <b>-30,89,18,942</b> |
| Net increase! (decrease) in cash and cash equivalents (A+B+C)               |              |              | <b>18,85,40,650</b>  | <b>11,81,41,498</b>  |
| Opening Cash Balance  |              |              | <b>34,41,43,361</b>  | <b>22,60,01,863</b>  |
| Closing Cash Balance  |              |              | <b>53,26,84,011</b>  | <b>34,41,43,361</b>  |

(FOR AND ON BEHALF OF THE BOARD)

**V.L. DUTT**  
Chairman and Managing Director

Per our report annexed  
for BRAHMAYYA & CO  
Chartered Accountants  
**C. MURALIKRISHNA**  
(ICAI Memb.No.20884)  
Partner

Place: Chennai  
Date: 31st July, 2008

SEGMENT REPORT UNDER ACCOUNTING STANDARD 17 AS AT 31ST MARCH 2008

Annexure-I

Primary Segment Report - Business Segments

Rs in lakhs

| PARTICULARS                               | Engineering  |               | Cement       |               | Power        |               | Sugar        |               | Others       |               | Elimination  |               | Consolidated |               |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
|   | Current Year | Previous Year |
| <b>Revenue</b>                            |              |               |              |               |              |               |              |               |              |               |              |               |              |               |
| Total Revenue                             | 20,882       | 18,112        | 24,359       | 16,047        | 1,629        | 1,372         | 12,456       | 10,064        | 586          | 620           | 0            | 0             | 59,911       | 46,215        |
| Less:Excise Duty                          | 2,513        | 1,917         | 3,979        | 2,570         | 0            | 0             | 0            | 0             | 0            | 0             | 0            | 0             | 6,492        | 4,487         |
|   | 18,369       | 16,195        | 22,380       | 13,477        | 1,629        | 1,372         | 12,456       | 10,064        | 586          | 620           | 0            | 0             | 53,419       | 41,728        |
| Less:Inter Segment Sales                  | 15           | 2,028         | 28           | 0             | 1,588        | 1,336         | 0            | 0             | 221          | 277           | 0            | 0             | 1,852        | 3,641         |
|   | 18,354       | 14,167        | 20,352       | 13,477        | 41           | 36            | 12,456       | 10,064        | 365          | 343           | 0            | 0             | 51,567       | 38,087        |
| <b>Result</b>                             |              |               |              |               |              |               |              |               |              |               |              |               |              |               |
| Segment Result                            | 5,586        | 4,738         | 4,793        | 3,748         | 679          | 576           | 2,094        | 1,895         | -91          | -81           |              |               | 13,061       | 10,876        |
| Add: Unallocated Corporate Expenses       |              |               |              |               |              |               |              |               |              |               |              |               | -204         | -1,038        |
| Operating Profit / (Loss)                 | 5,586        | 4,738         | 4,793        | 3,748         | 679          | 576           | 2,094        | 1,895         | -91          | -81           | 0            | 0             | 12,857       | 9,838         |
| Less:Interest Expenses                    |              |               |              |               |              |               |              |               |              |               | 0            | 0             | 913          | 923           |
| Less: Income Taxes                        |              |               |              |               |              |               |              |               |              |               |              |               |              |               |
| Net Current Tax liability                 |              |               |              |               |              |               |              |               |              |               |              |               | 2,913        | 1,867         |
| Net Deferred Tax Liability                |              |               |              |               |              |               |              |               |              |               |              |               | 385          | 667           |
| Profit from Ordinary Activities           |              |               |              |               |              |               |              |               |              |               |              |               | 8,646        | 6,379         |
| less: Minority share of profit / ( Loss ) |              |               |              |               |              |               |              |               |              |               |              |               | 625          | 436           |
| Net Profit                                |              |               |              |               |              |               |              |               |              |               |              |               | 8,022        | 5,943         |
| <b>Other Information</b>                  |              |               |              |               |              |               |              |               |              |               |              |               |              |               |
| Segment Assets                            | 16,505       | 11,343        | 8,761        | 8,906         | 5,846        | 5,007         | 12,293       | 9,964         | 1,396        | 1,433         | 7,890        | 6,339         | 36,911       | 30,313        |
| Unallocated corporate Assets              |              |               |              |               |              |               |              |               |              |               |              |               | 8,439        | 8,960         |
| <b>Total Assets</b>                       | 16,505       | 11,343        | 8,761        | 8,906         | 5,846        | 5,007         | 12,293       | 9,964         | 1,396        | 1,433         |              | 6,339         | 45,350       | 39,272        |
| Segment Liabilities                       | 7,713        | 6,193         | 2,781        | 4,373         | 1,704        | 1,619         | 6,441        | 5,701         | 850          | 973           | 5,479        | 2,601         | 14,010       | 16,258        |
| Unallocated Corporate liabilities         |              |               |              |               |              |               |              |               |              |               |              |               | 8,477        | 6,772         |
| Minority Interest                         |              |               |              |               |              |               |              |               |              |               |              |               | 1,973        | 1,420         |
| Shareholders Funds                        |              |               |              |               |              |               |              |               |              |               |              |               | 20,890       | 14,821        |
| <b>Total Liabilities</b>                  | 7,713        | 6,193         | 2,781        | 4,373         | 1,704        | 1,619         | 6,441        | 5,701         | 850          | 972           |              | 2,601         | 45,350       | 39,271        |
| Capital Expenditure                       | 271          | 237           | 329          | 1,768         | 1,260        | 1,796         | 2,752        | 579           | 0            | 17            | 7            |               | 4,605        | 4,397         |
| Unallocated capital expenditure           |              |               |              |               |              |               |              |               |              |               |              |               | 46           | 101           |
| <b>Total Capital Expenditure</b>          |              |               |              |               |              |               |              |               |              |               |              |               | 4,651        | 4,498         |
| Depreciation                              | 119          | 95            | 271          | 189           | 421          | 313           | 729          | 649           | 66           | 65            |              |               | 1,605        | 1,312         |

Secondary Segment Report - Geographical Segments

|                           | Sales Revenue |               | Carrying amount of assets |               | Additions to Fixed Assets |               |
|---------------------------|---------------|---------------|---------------------------|---------------|---------------------------|---------------|
|                           | Current Year  | Previous Year | Current Year              | Previous Year | Current Year              | Previous Year |
| India                     | 39,111        | 36,151        | 33,057                    | 29,309        | 1,853                     | 3,903         |
| South East Asia - Vietnam | 12,456        | 10,064        | 12,293                    | 9,964         | 2,752                     | 579           |

Other disclosures:

1. Segments have been identified in line with the Accounting Standard - 17 Segment Reporting prescribed by the Companies Accounting Standard Rules 2006, on consolidated basis including business conducted through its subsidiary and joint venture.
2. The Company has disclosed business segment as the primary segment.
3. The reportable segments are further described below.
  - a) Engineering
  - b) Cement
  - c) Power
  - d) Sugar
4. Intersegment revenues are recognised at market price.



**ADMISSION SLIP**

**The KCP Limited**

Regd. Office: 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.  
PLEASE COMPLETE THIS ADMISSION SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

|  |               |                        |
|--|---------------|------------------------|
| NAME AND ADDRESS   | NO. OF SHARES | FOLIO NO./CLIENT ID NO |
|  |               |                        |
| <p><b>67th ANNUAL GENERAL MEETING</b></p> <p>Date : THURSDAY 25TH SEPTEMBER, 2008    Time: 11.00 A.M.</p> <p>Place: REGISTERED OFFICE "RAMAKRISHNA BUILDINGS"</p> <p>2, DR. P.V. CHERIAN CRESCENT, EGMORE,<br/>CHENNAI - 600 008</p> |               |                        |

\*If you intend to appoint a Proxy, please complete the Proxy below and deposit it at the Company's Registered Office 48 hours before the meeting. Please ensure that the Proxy brings this Admission slip with him for the meeting

|   |                                |
|---|--------------------------------|
| Name of Proxy (if any) in block letters | Signature of Member(s) / proxy |
|   |                                |



**PROXY FORM**

**The KCP Limited**

Regd. Office: 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008

|               |                         |
|---------------|-------------------------|
| No. of Shares | Folio No./Client ID No. |
|               |                         |

| SERIAL NO. | RECEIVED ON | TIME | CODE |
|------------|-------------|------|------|
|            |             |      |      |

I/We ..... of ..... in the district of ..... being a member/members of the above named company hereby appoint ..... of ..... in the district of ..... or failing him ..... of ..... in the district of ..... as my / our proxy to vote for me / us on my / our behalf at the 67th Annual General Meeting of the Company to be held at 11a.m. on Thursday, 25th September 2008 and at any adjournment thereof.

As witness my (our) hand(s) this ..... day of ..... 2008  
Signed by the said .....



\* This proxy form must be duly completed and received at the Company's Registered Office 48 hours before the commencement of meeting Proxy need not be a member of the Company



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North Usman Road, T. Nagar,  
Chennai - 600 017.



"Ramakrishna Buildings"  
2, Dr. P.V. Cherian Crescent,  
Egmore, Chennai - 600 008.  
Ph : 6677 2600  
website : [www.kcp.co.in](http://www.kcp.co.in)  
E mail : [kcp@vsnl.com](mailto:kcp@vsnl.com)