

## CONTENTS

	Page No.
Board of Directors .....	03
Notice to Shareholders .....	04
At a Glance .....	10
Report of the Directors .....	11
Report on Corporate Governance .....	19
Auditors' Report .....	24
Balance Sheet . .....	27
Profit and Loss Account .....	28
Schedules .....	29
Statement of Significant Accounting Policies .....	38
Notes forming part of the Accounts .....	40
Cash Flow Statement .....	48
Balance Sheet Abstract and Company's General Business Profile .....	49
Subsidiary Companies Statement	50
<b>Consolidated Financial Statements of</b>	
The KCP Limited Group .....	52

**HIGHLIGHTS**

*(Rs. in Lakhs)*

	Year Ended									
	31-3-97**	31-3-98	31-3-99	31-3-00	31-3-01	31-3-02	31-3-03	31-3-04	31-3-05	31-3-06
SHARE CAPITAL	1289	1289	1289	1289	1289	1289	1289	1289	1289	1289
RESERVES & SURPLUS	9035	9425	9399	8329	8740	8435	8112	8084	8610	9625
NET WORTH	10324	10714	10688	9618	10029	9725	9401	9374	9899	10914
FIXED ASSETS (NET)	5292	6628	9357	9316	8686	8146	7556	7091	6850	7572
GROSS INCOME	21941	15466	19235	13957	13954	14092	14353	14722	16863	20680
GROSS PROFIT	7176	1702	2039	1139	2544	2734	1122	1385	2445	3448
DEPRECIATION	360	356	419	618	701	695	688	667	494	519
INTEREST	487	590	1152	1480	1255	1051	774	584	489	444
PROFIT BEFORE TAX	6328	756	468	-959	587	988	-339	135	1462	2485
PROFIT AFTER TAX	5478	656	318	-962	567	790	-178	117	967	1750
EARNINGS PER SHARE (Rs.)	42.49	5.09	2.47	-	4.40	6.13	-1.38	0.91	7.50	13.57
BOOK VALUE PER SHARE (Rs.)	80.08	83.11	82.91	74.61	77.79	75.43	72.93	72.71	76.79	84.66
DIVIDENDS ON EQUITY (%)	25	25	25	10	11	20	10	10	30	50
DEBT EQUITY RATIO	0.32	0.51	0.48	0.43	0.35	0.23	0.13	0.05	0.03	0.39

\*\* After Re-Organisation

**DIRECTORS**

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

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

**KAVITHA D. CHITTURI**  
Executive Director

**PINNAMANENI KOTESWARA RAO**

**NANDAGOPAL S.**

**RAMAKRISHNA A.**

**RAMAKRISHNAN P.R.**

**RAMAKRISHNAN V.H.**

**SWAMINATHA REDDY O.**

**GANDHI V.**

**COMPANY SECRETARY &  
CHIEF FINANCIAL OFFICER**

**SRIDHAR K.**

**AUDITORS**

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

**COST AUDITORS**

M/s. **PARANKUSAM & CO.**, Hyderabad

**BANKERS**

**STATE BANK OF INDIA  
CANARA BANK  
SOUTH INDIAN BANK**

**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

**REGISTRARS & SHARE TRANSFERS 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 to 803 Fax : 28142479  
Website : www.iepindia.com

**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 27th September, 2006 at 11.00 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 31st March, 2006 and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. O. Swaminatha Reddy, who retires by rotation and being eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. O. Swaminatha Reddy 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 Smt. Kavitha D Chitturi, who retires by rotation and being eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED that Smt. Kavitha D Chitturi, who retires by rotation, be and is hereby re-appointed as a Director of the Company not liable to retire by rotation."

5. To appoint a Director in the place of Sri. Pinnamaneni Koteswara Rao, who retires by rotation and being eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED that Sri Pinnamaneni Koteswara Rao, who retires by rotation, be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

6. To appoint auditors for the current financial year and to authorize the Board of Directors to fix their remuneration. M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, retire at this Annual General Meeting and are eligible for re-appointment, and to pass the following resolution as Special 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."

**SPECIAL BUSINESS**

7. To appoint Sri. V. Gandhi as a Director of the Company and to consider and if thought fit, to pass with or without the modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. V. Gandhi be and is hereby appointed as a Director of the Company liable to retire by rotation."

8. To appoint Dr. V.L. Dutt as Chairman and Managing Director for a period of five years from 01.07.2006 to 30.06.2011, and to consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of the Companies Act, 1956 and subject to necessary approvals, Dr. V.L. Dutt be and is hereby appointed as the Chairman & Managing Director of the Company for a period of five years with effect from 1st July, 2006."

"Further RESOLVED that the following remuneration, be approved as payable to the Chairman and Managing Director during his tenure in office, for five years commencing 1st July, 2006."

- I SALARY : 1,40,000 per month
- II PERQUISITES
1. Housing : Free furnished accommodation
  2. Medical Reimbursement : Rs.25,000 per annum or Rs.1,25,000 in a block of five years, for self and family.
  3. Club Fees : Two clubs
  4. Personal Accident Insurance : As per Company Rules.
  5. Car and Telephone : Will be provided also with one or more cars, and one or more telephones at his residence or such other places as necessary for use in connection with the Company's business.
- III COMMISSION : Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 2.5% of the net profits of the Company in a financial year, computed in accordance with the provisions of Sec. 349 of the Companies Act, 1956.
- IV MINIMUM REMUNERATION : Where in any financial year during the currency of the tenure of the Chairman & Managing Director, the Company has no profits or its profits computed in accordance with Section 349 of the Companies Act, 1956, are inadequate, the Company will pay him remuneration by way of salary and perquisites as specified above.

9. To appoint Smt. V L Indira Dutt as Joint Managing Director for a period of five years with effect from 01.07.2006 to 30.06.2011, and to consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that in accordance with the provisions of Sections 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of the Companies Act, 1956 and subject to necessary approvals, Smt. V.L. Indira Dutt be and is hereby appointed as Joint Managing Director of the Company for a period of five years with effect from 1st July, 2006."

"Further, RESOLVED that the following remuneration, be approved as payable to the Joint Managing Director during her tenure in office, for five years commencing 1st July, 2006."

- I. SALARY : Rs.1,00,000 per month
- II. PERQUISITES
1. Medical Reimbursement : Rs.25,000 per annum or Rs.1,25,000 in a block of five years, for self and family.
  2. Club Fees : Two clubs

3.	Personal Accident Insurance	:	As per Company Rules.
4.	Provident Fund Superannuation	:	12% of salary as Provident Fund contribution
	Fund/Annuity Fund	:	15% of salary as Superannuation contribution
5.	Gratuity	:	In accordance with Payment of Gratuity Act, read with Company Rules.
6.	Car and Telephone	:	Will be provided also with one or more cars, and one or more telephones at her residence or such other places as necessary for use in connection with the Company's business.
III	COMMISSION	:	Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 2.5% of the net profits of the Company in a financial year, computed in accordance with the provisions of Sec. 349 of the Companies Act, 1956.
IV	MINIMUM REMUNERATION	:	Where in any financial year during the currency of the tenure of the Joint Managing Director, the Company has no profits or its profits computed in accordance with Section 349 of the Companies Act, 1956 are inadequate, the Company will pay her remuneration by way of salary and perquisites as specified above.

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

"RESOLVED that in accordance with the provisions of Section 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of the Companies Act, 1956 and subject to necessary approvals, the following revised remuneration, be approved for payment to the Executive Director, Smt. Kavitha D Chitturi during the remaining tenure of her office, from 1st January, 2006 to 30th September, 2009."

I	SALARY	:	Rs.75,000 per month, in the scale Rs.75000 - Rs.5000 - Rs.100000.
II	PERQUISITES		
1.	Housing	:	HRA Rs.25,000 per month
2.	Medical Reimbursement	:	Rs.25,000 per annum or Rs.1,25,000 in a block of five years, for self and family.
3.	Club Fees	:	Two clubs
4.	Personal Accident Insurance	:	As per Company Rules.
5.	Provident Fund Superannuation	:	12% of salary as Provident Fund contribution
	Fund/Annuity Fund	:	15% of salary as Superannuation contribution
6.	Gratuity	:	In accordance with Payment of Gratuity Act, read with Company Rules.

7. Car and Telephone : Will be provided also with one or more cars, and one or more telephones at her residence or such other places as necessary for use in connection with the Company's business.
- III COMMISSION : Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 1% of the net profits of the Company in a financial year, computed in accordance with the provisions of Sec. 349 of the Companies Act, 1956.
- IV MINIMUM REMUNERATION : Where in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits computed in accordance with Section 349 of the Companies Act 1956 are inadequate, the Company will pay her remuneration by way of salary and perquisites as specified above.

11. To appoint Sri. V. Gandhi as Technical Director of the Company for a period of five years and to consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED that Sri V. Gandhi be and is hereby appointed as Technical Director of the Company for a period of five years commencing from 25th January 2006, on the following terms:

- I SALARY Rs.75,000 per month in the scale Rs.75000 - Rs.50000 - Rs.100000.
- II PERQUISITES
1. Housing : Free furnished accommodation and Rs.25,000 per month as house related expenses.
2. Medical Reimbursement : Rs.15,000 per annum, or Rs.75,000 in a block of five years, for self and family.
3. Leave Travel Concession : Rs.15,000 per annum
4. Club Fees : One club
5. Personal Accident Insurance : As per Company Rules.
6. Provident Fund Superannuation : 12% of salary as Provident fund contribution  
Fund/Annuity Fund : 15% of salary as Superannuation contribution
7. Gratuity : In accordance with Payment of Gratuity Act, read with Company Rules.
8. Encashment of Leave : Accumulated leave can be encashed at the end of contract period.
9. Car and Telephone : Will be provided also with one or more cars, and one or more telephones at his residence or such other places as necessary for use in connection with the Company's business.

III COMMISSION

Remuneration by way of commission on net profits in addition to salary and perquisites is also payable. The amount of salary, perquisites and commission, in aggregate is subject to an overall ceiling of 1% of the net profits of the Company in a financial year, computed in accordance with the provisions of Sec. 349 of the Companies Act, 1956.

IV MINIMUM REMUNERATION

Where in any financial year during the currency of the tenure of the Technical Director, the Company has no profits or its profits computed in accordance with Section 349 of the Companies Act, 1956 are inadequate, the Company will pay him remuneration by way of salary and perquisites as specified above.

( FOR AND ON BEHALF OF THE BOARD )

For THE K C P LIMITED

V. L. DUTT  
Chairman & Managing Director

Place : Chennai-600 008  
Date : 26th June, 2006

NOTES :

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. 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 TIME OF THE COMMENCEMENT OF THE AFORESAID MEETING.**
2. Explanatory Statement under Section 173 of the Companies Act, 1956 is annexed herewith.
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 their 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 Agreements signed by the Company with the Stock Exchanges, 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. Due to the prohibitive costs of printing, it will not be possible to supply extra copies.
6. The Register of Members and the Register of Share Transfer will remain closed from 19th September, 2006 to 27th September, 2006, both days inclusive.
7. Members who wish to have their dividend warrant printed with the bank account for direct credit may please forward a mandate for payment of dividend, to avoid loss during postal transit or interception and encashment by unscrupulous persons.
8. The Company has already transferred the unclaimed Dividend, up to the financial year ended 31st March 1998 to the Investor Education and Protection Fund as per Section 205(A)(5).
9. Members who have not encashed their dividend warrants pertaining to 1999 and after may approach the Company's Registered Office at No. 2, Dr. P.V. Chierian Crescent, Egmore, Chennai - 600 008.

10. Additional information pursuant to Clause 49 of the Listing Agreement with Stock Exchange on Director's re-appointment/appointment at this Annual General Meeting is appearing in this Directors' Report.

**EXPLANATORY STATEMENT ANNEXED  
TO THE NOTICE**

Explanatory Statement annexed pursuant to Section 173(2) of The Companies Act, 1956.

**ITEM NO. 6 :**

Banks & Financial Institutions hold more than 25% of the subscribed and paid-up share capital of the Company, mainly by way of shares held as security. In terms of clarification of the Department of Company Affairs in this regard, it is necessary to pass a Special Resolution to appoint auditors in terms of Section 224A of The Companies Act, 1956. Accordingly a Special Resolution is tabled for consideration.

The Board recommends this resolution for your approval.

None of the Directors of the Company is interested in this Resolution.

**ITEM NO. 7 :**

Sri. V. Gandhi was appointed as Additional Director in the Board Meeting held on 25.01.2006 pursuant to Section 260 of the Companies Act, 1956.

He will hold office till this Annual General Meeting and hence the resolution for his appointment as Director.

Due notice under Section 257 of the Companies Act, 1956 has been received from a member proposing the appointment of Sri. V. Gandhi as Director of the Company.

The Board recommends this resolution for your approval.

Except Sri. V. Gandhi, none of the other Directors of the Company is interested in this resolution.

**ITEM NO. 8:**

Dr. V L Dutt is appointed, subject to necessary approvals, as Chairman and Managing Director for a period of five years

from 01.07.2006 to 30.06.2011, in the Board Meeting held on 25.01.2006 on the remuneration as recommended by the Remuneration Committee. Due to the dynamism and guidance of Dr. V L Dutt, the Company has gained and maintained the momentum in the Business and has greater vision for the years to come. Hence it is proposed that Dr. V L Dutt be appointed as Chairman and Managing Director on the Board for a period of five years on the terms as mentioned in the Resolution.

The Board recommends this resolution for your approval.

Except Dr. V. L Dutt, Smt. V.L. Indira Dutt, Smt. Kavitha D. Chitturi, none of the other Directors is interested in this resolution recommended.

**ITEM NO. 9 :**

Smt V.L. Indira Dutt is appointed, subject to necessary approvals, as Joint Managing Director for a period of five years from 01.07.2006 to 30.06.2011, in the Board Meeting held on 25.01.2006 on the remuneration as recommended by the Remuneration Committee. She is controlling and guiding the activities of the Cement Division of the Company and has greater vision for the years to come. Hence it is proposed that Smt V L Indira Dutt be appointed as Joint Managing Director on the Board for a period of five years on the terms as mentioned in the Resolution recommended.

The Board recommends this resolution for your approval.

Except Dr. V.L. Dutt, Smt. V.L. Indira Dutt, Smt. Kavitha D Chitturi, none of the other Directors is interested in this resolution.

**ITEM NO. 10 :**

Smt Kavitha D Chitturi is appointed as Executive Director from 1st October 2004 and to keep in line with the market position, and subject to necessary approvals, it is desired to revise the remuneration payable to Smt. Kavitha D Chitturi. She is managing the Engineering Unit of the Company and is involved in K C P Biotech Limited plant also. Hence it is proposed to revise the remuneration payable to Smt. Kavitha D Chitturi as mentioned in the Resolution recommended.

The Board recommends this resolution for your approval.

Except Dr. V.L. Dutt, Smt. V.L. Indira Dutt, and Smt. Kavitha D Chitturi, none of the other Directors is interested in this resolution.

## ITEM NO. 11:

Sri. V. Gandhi aged about 56 years is a part of the senior management of the Company with 31 years of experience. He is a metallurgist by profession. After serving in KCP Engineering Unit as Foundry Manager, he took up an assignment as a Project Co-ordinator for rehabilitation of Engineering Unit, having similar functions to our unit, for 4 years, in Uganda, funded by multilateral funding agencies. He served as General Manager in FCB-KCP, looking after planning and procurement. He was Chief Executive of the Engineering Unit of the Company immediately before being appointed as Technical Director. He has effectively improved the performance of the unit and has broad based the product range. The Company will benefit from having his services at the Board level. Hence he was appointed as Additional Director in the Board of the Company. Since he was appointed only as Additional Director, he will hold office only till the conclusion of the the forthcoming Annual General Meeting and he needs to be appointed into the Board in the forthcoming Annual General Meeting. Hence, it is proposed that

Sri. V. Gandhi be appointed as Technical Director on the Board for a period of five years on the terms and conditions as mentioned in the Resolution recommended.

The Board recommends this resolution for your approval.

Except Sri. V. Gandhi, none of the other Directors of the Company is interested in this Resolution.

FOR AND ON BEHALF OF THE BOARD

For **THE K.C.P. LIMITED**

**V.L. DUTT**

Chairman & Managing Director

Place : Chennai-600 008

Date : 26th June, 2006

## AT A GLANCE

	31.03.2006		31.03.2005	
Cement Produced (M.T.)	5,31,504		4,84,551	
Power Produced (KWH)	3,68,21,869		2,37,10,176	
<b>TURNOVER:</b>	Rs.	%	Rs.	%
	(000')		(000')	
Machinery & Equipment	8,02,252	40.69	6,69,452	40.85
Cement	10,91,751	55.37	9,21,352	56.22
Others	77,588	3.94	48,125	2.94
	<u>19,71,591</u>	<u>100</u>	<u>16,38,929</u>	<u>100</u>
<b>FIXED ASSETS</b>	Rs.		Rs.	
	(000')		(000')	
Gross Block	17,24,324		16,94,150	
Depreciation	10,34,474		10,16,110	
Net	6,89,850		6,78,040	
<b>RESERVES</b>	9,62,511		8,61,048	
<b>PROFITS</b>	3,00,379		1,95,561	
(Before Depreciation and Taxation)				
<b>NET PROFIT</b>	1,74,965		96,753	
(After Depreciation and Tax, available for appropriation & Dividend)				

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2006

**Submitted to the Shareholders at the 65th Annual General Meeting held  
at the Registered Office of the Company  
on Wednesday, the 27th September, 2006 at 11.00 a.m.**

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2006 together with the Balance Sheet on that date and the Profit and Loss Account for the year ended on that date.

### 2. PROFIT & APPROPRIATIONS

	Rs.	Rs.
The accompanying accounts show a Net Profit of for the year 2005-2006 after providing for		
Interest of .....	4,43,85,574	
Depreciation of .....	5,18,68,661	
Reversal of Deferred Tax .....	2,26,23,19	
Provision for Current Tax of.....	7,65,00,000	
Fringe Benefit Tax of .....	50,00,000	
Deduct:		
Transfer to General Reserve	12,50,00,000	
Proposed Dividend and Tax thereon	7,35,01,176	
Balance to be carried to the next year	50,95,20,289	

### 3. DIVIDENDS

Your Directors are pleased to recommend for the approval of the shareholders a Dividend of 50% (Rs. 5.00 per share) on 12892116 Equity Shares of Rs. 10/- each amounting to Rs. 64460580.

### 4. CAPITAL & RESERVES

Capital of the Company stood at Rs.12,89,21,160 and the Reserves stood at Rs.96,25,11,433 as on 31st March, 2006.

### 5. FIXED DEPOSITS

As at 31st March, 2006, there were deposits matured and unclaimed amounting to Rs.52,43,000 of 262 depositors. Since then, Rs.12,16,000 of 40 depositors were renewed and Rs.8,60,000 of 42 depositors were repaid.

### 6. MANAGEMENT DISCUSSION & ANALYSIS SALES & PROFITS

	(Rs. in lakhs)	
FINANCIAL YEAR	2005-2006	2004-2005
Sales	19716	16389
Profit before Interest & Tax	2764	1951
Profit(+)/Loss(-) after tax	1733	968
Current ratio	2.09	1.95
Debt Equity ratio	0.39	0.03
Inventory Turnover	3.85	4.33

#### CEMENT

##### Operational Performance :

	(Rs. in lakhs)	
FINANCIAL YEAR	2005-2006	2004-2005
Cement produced (M.T.)	531504	484551
Capacity Utilisation (%)	106%	96%
Cement sold	529877	487015
Turnover (Rs. In lakhs)	10918	9214
Segment Result	92	566

Realisation during the last quarter of the year under review was much better than the previous quarters in view of the good increase in the demand and better prices. In the first three quarters, prices were not remunerative which resulted in this segment posting losses. Subsequent quarter witnessed substantial increase in prices. For the year as a whole, this segment posted a net loss of Rs.216 lakhs as compared to net profit of Rs.566 lakhs for the previous year.

##### Overview :

The Company operates a plant of 500000 tonnes annual capacity at Macherla in Guntur District of Andhra Pradesh. During the year under report, the Company marketed cement in Andhra Pradesh, Pondicherry and parts of Tamil Nadu & Karnataka. The Company's prospects were in tune with the realisation in Andhra Pradesh since 90% of the production was marketed in Andhra Pradesh.

##### State of the Industry :

The entire country is witnessing increase in Demand. Demand outstripped supplies in the entire country, as also in Andhra Pradesh, in the last quarter of this year. The Company's production capacity is 4% of the total production capacity available in the State. Severe competition and un

remunerative prices had impacted in the first three quarters. However, prices firmed up in the last quarter as mentioned above.

Increase in transport costs due to oil price increase and consequent increase in input costs, have had adverse impact on the segment result.

## Outlook :

The Company produced 50% Portland Cement and 50% Blended Cement during the year. The Company proposes to produce predominantly Portland Cement in the ensuing year.

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

The Company was able to procure required coal domestically thereby avoiding incurring heavy costs on import of coal.

The Company is in the final stages of installing a waste heat recovery system, at a cost of Rs.1150 lakhs, which is expected to generate 2MW electricity. In furtherance of clean environment, a clinker silo is being built at a cost of Rs.1000 lakhs, which is also in the final stages of completion. These facilities are expected to be operational in the second/third quarter of fiscal year 2006-2007.

## POWER

### Operational Performance :

FINANCIAL YEAR	(Rs. in lakhs)	
	2005-2006	2004-2005
Hydel power generation in (KWH)	33183700	23710170
Usage (KWH)	27102046	22568453
Turnover (Rs. in lakhs)	882	790
Segment result	540	377

Generating stations operated to capacity since adequate water flow was available. Wind power generation yielded a generation of 3670434 units.

### Overview :

The Company has five mini-hydel units aggregating to 8.25 MW capacity on the Guntur Branch Canal of the Nagarjuna Sagar Dam. This being an irrigation canal, water is

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 unused even after twelve months is sold to the Grid. Electricity used in the cement factory will be deducted from the monthly bills and will get a relief at the H.T rates, while electricity sold to grid will be paid for at the prevalent purchase price as determined by APERC.

In addition to the Hydel Unit, the 12 wind turbines of 225 KW each, taken on operating lease, newly set up last year by Indusind bank, and maintained by Alfin Wind Energy Limited, which is located at Thandayarkulam Village, Radhapuram Taluk, Tirunelveli District of Tamil Nadu is producing adequate units as envisaged. The Company has entered into agreement with Tamil Nadu Electricity Board, as operating lessee, to wheel the energy generated to the Company's Engineering Unit located in Tiruvottiyur. Power remaining unused as at 31st March of each year is sold to TNEB at the prevalent purchase price.

### Risks :

Except one scheme all the other four are operating at FULL capacity due to good inflow of water. Further, water flow in the canal is unpredictable which is entirely dependant on inflow of water to Nagarjuna Sagar Dam. 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 normal.

### Concerns :

The following matters taken to Court by the Company are still pending in appropriate Courts:

- Increase in wheeling charge - challenged by the Company, in AP High Court. The Court quashed the order. APTRANSCO went on appeal to Supreme Court, which is pending.
- Increase in water cess - challenged by the Company and is pending in AP High Court.
- Government levied a duty on electricity generated, which was also contested by the Company and is pending in AP High Court. 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 in the AP High Court, which is pending.

## Outlook :

Prospects of this unit are dependent on copious monsoon resulting in abundant water flow to Nagarjuna Sagar Dam. Electricity reform measures are expected to tone down the concessions available to all developers including mini-hydel units. This will reduce the expected benefit out of captive generation of Hydel Power.

## ENGINEERING

### Operational Performance :

(Rs. in lakhs)

FINANCIAL YEAR	2005-2006	2004-2005
----------------	-----------	-----------

### Turnover :

Domestic	8611	6301
Export	167	875
Segment result	2143	1251

The Company operates a versatile engineering facility that is capable of manufacturing heavy mechanical equipment to a given design for various industries. The workshop has foundry, heavy fabrication and machine shop facilities, integrated within the plant location. Arakonam facility was effectively used to augment production of foundry products.

Due to all round growth in the Cement, Sugar and Infrastructure sectors, the operation of the Engineering Unit at Tiruvottiyur was substantially better than the previous year in terms of turnover and profits.

### Overview :

#### Status of capital goods sector :

During the year capital goods industry has maintained momentum and is doing well on both domestic and export market.

#### Opportunities :

Widening of the product range has also widened the customer base. This is leading to better value addition.

#### Risks :

Product mix and customer mix are the deciding factors affecting the performance of this segment which are variables with shorter time cycle. Consequently, this segment results are open to variations in profits as each job order will have differing contributions.

## Outlook :

With the orders on hand of about Rs. 100 Crores and the existing product-mix, performance during fiscal 2006-2007 is expected to yield similar results as that of the year under report. The modernisation programme being implemented at a cost of Rs.2000 lakhs will enable the Company to increase productivity and to compete in higher value added segment.

## 7. CORPORATE INVESTMENTS

### Performance :

#### Fives Cail K.C.P. Limited :

Operations during the year ended 31.03.2006 were better than the previous year. New domestic orders fructified on revival of sugar industry. The Company returned profits in the current year and was able to wipe out accumulated losses. Outlook for the ensuing year is optimistic. The Company has declared a dividend of 50% for the year ended 31.03.2006.

#### Sudalagunta Sugars Limited:

Our Investment in Sudalagunta Sugars Limited has come down below 20% and hence the financial results are not discussed here.

#### K.C.P. Biotech Limited :

During the year under report, paprika (chilli) colour extract was exported to USA, Europe, South Africa and Japan. Quality of the products has been acceptable to the international buyers. Natural colour market demand being vast, growth potential offered by this business is impressive.

However, production process is under stabilization and the Company is focusing to get quality manpower to improve the efficiency of the Plant. Efforts are on to improve yields, which is essential to make this business segment profitable.

For the year under report this unit posted a loss of Rs. 279 lakhs.

#### Diminution in value of investments :

As per the audited accounts of KCP Biotech Ltd, the Company has incurred cash losses during the year, and is more than 50% of its networth. The Directors are of the opinion that since this being the first full year of operations,

and the production process is being stabilized, there need not be any adjustment towards diminutions of investment in the books of 'The KCP Ltd'.

## **KCP Vietnam Industries Limited :**

KCP Vietnam Industries Limited concluded the season with a crush of 303321 tonnes and a recovery of 9.64%. Realisation in 2005 was higher than that of the previous year. For the year ended 31-12-2005, the Company earned a profit of Rs. 853 lakhs. Accumulated losses have been brought down to Rs.420 lakhs. Dong Xuan Factory crushed 7432 tonnes of cane and the syrup was taken into production process at the Phu Yen factory.

## **KECEPE Investments (Pte) Limited :**

The process of winding up of the investment Company, (KECEPE Investments (Pte) Limited) in Singapore, through which investment was made in the Vietnam Subsidiary has been completed.

### **Overview :**

### **Status and risks :**

### **Investment in Sugar :**

Prospects of the parent Company's investment in Vietnam improved substantially, with the excellent demand for the sugar in Vietnam and this trend is likely to continue for the coming year also. During the year under review, this company posted profits.

### **Investment in Bio-Technology:**

Natural colour extraction facility became fully operational during the year. Further, production process is yet to stabilise. While there is a good demand for the products, and quality has been established to international requirements, returns depend upon appropriate manufacturing process. Directors are confident that this will be achieved during the course of ensuing financial year.

## **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 had 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. SUBSIDIARIES**

In terms of application under Section 212(8) of the Companies Act, 1956, application submitted to Central Government, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the above Subsidiary Companies have not been attached with the Balance Sheet of the Company. The Company will make available these documents/details upon request by any member of the Company interested in obtaining the same.

However, as required under the listing Agreements with the Stock Exchanges, the Consolidated Financial Statements of the Company and all its Subsidiaries as prepared in accordance with Indian GAAP is enclosed and forms part of the Annual Report and Accounts.

## **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, 2006 and profit of the Company for the year ended 31st March, 2006;
- 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

M/s. O. Swaminatha Reddy, Kavitha D Chitturi, Pinnamaneni Koteswara Rao retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Details of Sri.O. Swaminatha Reddy, Smt. Kavitha D Chitturi and Sri. Pinnamaneni Koteswara Rao, whose reappointments are coming up for consideration at the AGM, are given below :

#### PROFILE OF EACH DIRECTOR :

##### a) O. Swaminatha Reddy

Sri. O Swaminatha Reddy, a Chartered Accountant by profession and has vast banking and industrial experience of over 50 years. He held various high ranking posts which include Chairman - Andhra Bank, Chairman & Managing Director - Andhra Pradesh State Financial Corporation. In addition to the directorship of the Company, he holds the following positions :

1. M/s. Sagar Cements Ltd - Chairman
2. M/s. Swan Vacuum Systems Ltd - Chairman
3. M/s. TCI Finance Ltd - Chairman
4. M/s. Sujana Resorts Ltd - Chairman
5. M/s. Sagar Power Ltd - Chairman
6. M/s. VBC Industries Ltd - Director
7. M/s. Transport Corporation of India Ltd - Director
8. M/s. Surana Telecom - Director
9. M/s. Bhagyanagar Metals Ltd - Director
10. M/s. Khaitan Tiberwal Electricals Ltd - Director
11. M/s. HBC Flex Tech Ltd - Director
12. M/s. KM Power Ltd - Director (Nominee of IREDA).
13. M/s. EPR Pharmaceuticals P Ltd - Director

#### Other Corporate Bodies :

1. Indian Institute of Economics, Hyderabad - Chairman-Governing Body.
2. Federation of AP Chamber of Commerce & Industry - Member-Management Committee (Ex-officio).

#### Committees :

1. M/s. Sagar Cements Ltd - Chairman  
Audit Sub Committee
2. M/s. Transport Corporation of India- Chairman  
Audit Sub Committee
3. M/s. Khaitan Tiberwal Elec. Ltd - Chairman  
Audit Sub Committee
4. M/s. Bhagyanagar Metals Ltd - Chairman  
Audit Sub Committee
5. M/s. Surana Telecom Ltd - Chairman  
Audit Sub Committee
6. M/s. VBC Industries Ltd - Member  
Audit Sub Committee

##### b) Kavitha D Chitturi :

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 presently a Member of Madras Chapter of Young Presidents Organisation, an International Organisation based at USA and Secretary of Madras Chapter FICCI Ladies Organisation. She was appointed as Executive Director of the Company from 1/10/2004 for a period of five years.

In addition to the directorship of the Company she holds the following positions :

1. M/s. KCP Biotech Ltd - Director
2. M/s. Ramakrishna Sons P Ltd - Director

##### c) Pinnamaneni Koteswara Rao :

Sri. Pinnamaneni Koteswara Rao, is an agriculturist and served as Zilla Parishad Chairman in Krishna district of Andhra Pradesh. He joined the Board in January, 1976.

In addition to the directorship in the company, he holds the following positions :

1. M/s. Veeraiah Non-conventional Power Projects Limited - Director

##### d) Appointment of Technical Director:

In the Board Meeting held on 25th January 2006, Sri .V. Gandhi was appointed as Additional Director on the Board. Sri . V. Gandhi aged about 56 years is a part of the senior management of the Company with 31 years of

experience. He is a Metallurgist by profession. After serving in KCP Engineering Unit as Foundry Manager, he took up an assignment as a Project Co - ordinator for rehabilitation of Engineering Unit, having similar functions to our unit, for 4 years, in Uganda, funded by multilateral funding agencies. He served as General Manager in FCBKCP, looking after planning and procurement. He was appointed as Technical Director into the Board of the Company from 25.01.2006. He has effectively improved the performance of the Unit and has broad based the product range. Your Directors are of the opinion that the Company will benefit from having his services at the Board level.

In addition to the directorship of the Company, he does not hold any other position in any other Company.

- e) Re - appointment of Dr. V.L. Dutt as Chairman and Managing Director for a period of five years from 01.07.2006 to 30.06.2011.

Dr. V.L. Dutt is managing and running the affairs of the Company successfully for the last 3 decades and has great vision for the Company and your Board feels it is essential that he be continued as Chairman and Managing Director of the Company further and in the Board Meeting held on 25.01.2006, Dr. V.L. Dutt has been re-appointed, for a further period of five years, effective 01.07.2006.

In addition to the Directorship of the Company, he holds the following positions:

1. M/s. Fives Cail KCP Ltd - Chairman
2. M/s. KCP Biotech Ltd - Director
3. M/s. KCP Vietnam Industries Ltd - Chairman
4. M/s. Chennai Willingdon Corporate Foundation - Chairman
5. M/s. DCM Shriram Fertilizers Ltd - Director
6. M/s. Velagapudi Foundation - Director
7. M/s. V Ramakrishna Sons P Ltd - Director

- f) Re-appointment of Smt. V.L. Indira Dutt as Joint Managing Director for a period of five Years from 01.07.2006 to 30.06.2011.

Smt. V.L. Indira Dutt is successfully managing the affairs of the Company and your Board feels that it is essential that she be re appointed as Joint Managing Director of the Company for further period of five years from 1.7.2006.

In addition to the directorship in the company, she holds the following positions:

1. M/s. Fives Cail - KCP Limited - Director
2. M/s. Velagapudi Foundation - Director
3. M/s. KCP Vietnam Industries Limited - Director
4. M/s. KCP Technologies Limited - Director
5. M/s. KCP Biotech Limited - Director
6. M/s. V Ramakrishna Sons Private Limited - Director

#### 14. MANAGEMENT STAFF

The Company employs 375 officers.

List of employees in receipt of remuneration higher than the limit prescribed in Section 217(2A) of The Companies Act, 1956, is enclosed to the report.

#### 15. STAFF RELATIONS

The Company employs 526 workers and 72 staff members. Industrial relations remained cordial.

#### 16. AUDITORS

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

M/s. Parankusam & Company, 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, 2007.

#### 17. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal Audit department prepares at the beginning of the year a detailed audit plan covering the various units of the company and conducts as per the plan and a detailed report is prepared and reviewed. In line with the practices,

planning and conduct of the internal audit is oriented towards a review of controls in the management of risks, along with the maintenance of proper accounting records and the reliability of financial information used in the business.

The Internal Audit department reports significant audit observations, on a quarterly basis, to the Audit Committee. During the year the Committee met 4 times to review the audit report submitted along with the review of periodical financial statements. The Statutory auditors of the Company also attend and participate in the audit committee meetings to convey their views to the Audit Committee on the adequacy of internal control systems in the Company.

## 18. 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 registered.

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

## 19. DEPOSITORY SYSTEM

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

## 20. 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.

## 21. 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)

For The KCP Ltd.

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

Place : Chennai-600 008

Date : 26h June, 2006

**Statement showing particulars of employees of the Company as required under Section 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,2006.**

Particulars given below are in the following sequence :

Sl. No, Name, Designation, Qualification, Experience, Date of commencement of employment, Salary in Rs. Commission in Rs, Benefits in Rs, Total remuneration in Rs. Nature of Employment, Date of Birth, Particulars of previous employment :- name of the employer, designation and period of employment.

1. Dr. V.L. Dutt, Chairman and Managing Director, Grad.B.I.M,48Years,3.4.1970, 3,20,079, 62,73,914, 15291, 66,09,284, contractual, 27/12/1937, V.Ramakrishna Sons (Private) Limited, Administrative Director,12 years.
2. Smt. V.L. Indira Dutt, Joint Managing Director, B.A., 20 years, 1.7.1996, 6,29,683, 59,79,601, Nil, 66,09,284, contractual, 14/9/1940.
3. Smt. Kavitha Dutt Chitturi, Executive Director, Graduate in Business Management, PDGHR, 9 years, 1.10.1999, 8,78,899, 17,64,815, 60,448, 26,43,714, contractual, 17.05.1971.
4. Sri. V. Gandhi, Technical Director, B. E (Met.), 30 years, 25.01.2006, .2,67,652, 2,10,389, Nil, 4,78,041, contractual, 4.3.1949, Fives Cail KCP Ltd, GM (PPC), 7 years.

**ANNEXURE**

**FORM A (See Rule 2)**

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

<b>POWER AND FUEL CONSUMPTION</b>	<b>CURRENT YEAR 2005-2006</b>	<b>PREVIOUS YEAR 2004-2005</b>
<b>1. ELECTRICITY</b>		
<b>A). PURCHASED FROM APSEB</b>		
Unit (K.W.H)	20142386	17880847
Total Amount (Rs.)	83292031	79126897
Rate/Unit (Rs.)	4.14	4.43
<b>B). OWN GENERATION</b>		
<b>1) THROUGH DIESEL GENERATOR</b>		
Unit (K.W.H)	217888	171490
Units per Ltr.of Diesel Oil	3.47	3.78
Cost/Unit (Rs.)	21.62	18.77
<b>2) THROUGH HYDEL POWER</b>		
Unit (K.W.H)	26223399	21790750
Total Amount (Rs.)	85318376	76267625
Cost/Unit (Rs.)	3.25	3.50
<b>2. COAL( SPECIFY QUANTITY AND WHERE USED)</b>		
Qty (Tonnes)	86995	76011
Total cost (Rs.)	215747241	159932247
Average rate (Rs.)	2480.00	2104.07
<b>3. DIESEL OIL</b>		
Qty ( Ltrs )	5000	4014
Total cost (Rs.)	156808	104206
Average Rate (Rs.)	31.36	25.96
<b>4. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity (KWH)	85.06	82.56
Furnace Oil.		
Coal	0.156	0.160

**FORM B (See Rule 2)**

**Form of disclosure of particulars with respect to TECHNOLOGY ABSORPTION**

<b>1. EXPENDITURE ON RESEARCH AND DEVELOPMENT</b>		
(a) Capital	-	-
(b) Recurring	253477	619421
(c) Total	253477	619421
(d) Percentage of R&D Expenses on Total Turnover	0.012%	0.037%
<b>2. TECHNOLOGY ABSORPTION</b>		
The Company continues to utilise the in-house R&D facilities		
<b>3. FOREIGN EXCHANGE EARNINGS AND OUTGO</b>		
Total Foreign Exchange Used	28404037	20227531
Total Foreign Exchange Earned	34447880	107845078

## REPORT ON CORPORATE 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 organisational skill 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](http://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 five parts:

- Board of Directors
- Remuneration of Directors
- Committees of the Board
- Shareholder information
- Other disclosures

### I. BOARD OF DIRECTORS

Composition of Board and attendance particulars :

During the year six meetings were held on the following dates :

27-04-2005, 09-06-2005, 28-07-2005, 16-09-2005, 31-10-2005, 25-01-2006.

Directors	No. of Board Meetings attended during the year	Attendance at last AGM (16-9-2005)	Number of other Directorships	No. of other Board Committees in which Director is a member	No. of shares held by non-Executive Directors
<b>Non-Executive Independent Directors:</b>					
Sri. S. Nandagopal	6	P	6	5	-
Sri. Pinnamaneni Koteswara Rao	5	P	2	-	1920
Sri. D.S. Reddy	2	-	4	-	-
Sri. V.H. Ramakrishnan	5	P	3	2	-
Sri. A. Ramakrishna	5	P	12	2	-
Sri. O. Swaminatha Reddy	5	P	14	7	-
<b>Non-Executive Promoter Director:</b>					
Sri. P.R. Ramakrishnan	6	P	5	-	2531
<b>Executive Promoter Directors :</b>					
Dr. V.L. Dutt, Chairman & Managing Director	6	P	8	1	549225
Smt. V.L. Indira Dutt, Joint Managing Director	5	P	6	1	280274
Smt. Kavitha D Chitturi, Executive Director	6	P	2	1	59975
<b>Executive Non Promoter Director :</b>					
Sri V. Gandhi, Technical Director	1	-	-	-	-

In the Board Meeting held on 26th June 2006, the Board has reviewed the Compliance Report received from all the units of the Company with respect to compliance with various statutory requirements.

The Board of Directors of the Company has put in a detailed Code of Conduct for the Directors and the Employees of the Company. The code is available on the Company's corporate website.

## II. REMUNERATION OF DIRECTORS

### A. Remuneration to Non-Executive Directors for the year ended 31st March, 2006

During the year, non-executive Directors were paid sitting fees of Rs. 4,000 (Rupees Four thousand only) each for every meeting of the Board and Committee of Board attended by them.

### B. 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 meeting and Government, where required.

Particulars of their remuneration for the year ended 31st March, 2006 are given below.

Particulars of Executive Director	Salary & Commission		
	Perquisites (Rs.)	(Rs.)	Total
V.L. Dutt Chairman & Managing Director	3,35,370	62,73,914	66,09,284
V.L. Indira Dutt Joint Managing Director	6,29,683	59,79,601	66,09,284
Kavitha Dutt Chitturi Executive Director	8,78,899	17,64,815	26,43,714
V. Gandhi Technical Director	2,67,652	2,13,089	4,78,041

## III. COMMITTEES OF THE BOARD

### A. Audit Committee

The Audit Committee provides direction to the audit and risk management function 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 external auditors, reviewing the periodical interim and annual financial statements before submission to the Board, reviewing adequacy of internal control systems and adequacy, structure and staffing of the internal audit function and discussing the scope of audit with external auditors.

During the year, four meetings were held on the following dates :

09-06-2005, 28-07-2005, 31-10-2005, 25-01-2006.

The Audit Committee comprises 4 Non-Executive Independent Directors and 1 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 composition of the Audit Committee is given below :

Members	Number of Meetings attended
<b>Non-Executive Independent Directors :</b>	
Sri. S. Nandagopal, Chairman	4
Sri. O. Swaminatha Reddy	3
Sri. V.H. Ramakrishnan	3
Sri. A. Ramakrishna	3
<b>Executive Promoter Directors :</b>	
Smt. Kavitha D Chitturi	4

The Head of Internal Audit is the co-ordinator and the Company Secretary is the Secretary to the Committee. The Statutory auditors have also attended the audit committee meetings.

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.

Sri. S. Nandagopal, Chairman of the Audit Committee, attended the Annual General Meeting of the Company held on 16th September, 2005.

## B. Share Transfer Committee

This Committee is constituted to approve transfer of shares.

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

01-04-2005, 18-04-2005, 02-05-2005, 17-05-2005, 02-06-2005, 07-06-2005, 04-07-2005, 20-07-2005, 05-08-2005, 22-08-2005, 02-09-2005, 28-09-2005, 19-10-2005, 12-11-2005, 05-12-2005, 21-12-2005, 06-01-2006, 23-01-2006, 06-02-2006, 20-02-2006, 06-03-2006, 20-03-2006, 31-03-2006.

The Committee consisted of the following officers of the Company.

### Officers :

Sri. K.B. Pranesh, Secretary & Corporate G.M. (Finance)

Sri. K.V. Krishnamurthy, Group Internal Auditor (upto 02.09.2005)

Dr. A.V. Sivarama Prasad, Vice President (HRD & S)

Sri. R. Nandagopal, Sr. Manager (Internal Audit) (from 02.09.2005)

- Sri.K.B.Pranesh, Secretary and Corporate General Manager (Finance) of the Company has been designated as the compliance Officer.

- The Company had no applications for transfer of shares, pending as at 31st March, 2006.

## C. Shareholders/Investors' Grievance Committee

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

Sri. S. Nandagopal

Sri. V.H. Ramakrishnan

Sri. A. Ramakrishna

Sri. O. Swaminatha Reddy

The Company did not receive any complaints from shareholders during the year.

## D. Remuneration Committee.

Remuneration Committee consists of the following Directors :

1. Sri. S.Nandagopal
2. Sri. A. Ramakrishna
3. Sri. V.H. Ramakrishnan
4. Sri O Swaminatha Reddy

During the year, the Remuneration Committee consisting of the following Directors met once during the year on 25th January, 2006, to consider and recommend remuneration payable to Executive Directors.

1. Sri. S. Nandagopal
2. Sri. A. Ramakrishna
3. Sri. V.H. Ramakrishnan

## IV. SHAREHOLDER INFORMATION

### 1. Ensuing Annual General Meeting

- Date and Time : 27th September, 2006 11 a.m.
- Venue : "Ramakrishna Buildings"  
2, Dr. P.V. Cherian Crescent,  
Egmore, Chennai 600 008.

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

### 3. Financial Calender :

1st Quarter - 1st April to 30th June  
- Last week of July 2006

2nd Quarter - 1st July to 30th Sept.  
-Last week of October 2006

3rd Quarter-1st Oct to 31st Dec  
- Last week of January 2007

4th Quarter - 1st Jan to 31st March  
- Last week of June 2007 (audited).

### 4. Book Closure :

19th September,2006 to 27th September,  
2006 (both the days inclusive)

### 5. Dividend Payment Date :

3rd October 2006

### 6. Registered Office :

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

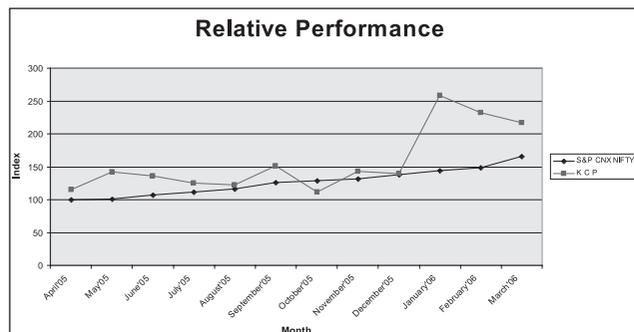
### 7. Listing of Equity Shares on Stock Exchanges :

National Stock Exchange

## 8. Stock Code :

<b>Stock Exchange</b>	<b>Stock Code</b>
National Stock Exchange, Mumbai	KCP

## 9. Stock Performance :



## 10. Share Price Data

Month	NATIONAL STOCK EXCHANGE (NSE)	
	High	Low
April 2005	102.40	81.00
May 2005	126.40	87.00
June 2005	120.40	91.15
July 2005	111.00	89.00
August 2005	108.50	87.35
September 2005	134.40	98.00
October 2005	107.60	84.00
November 2005	127.40	88.00
December 2005	124.00	110.00
January 2006	229.80	115.45
February 2006	206.00	166.00
March 2006	193.00	167.30

## 11. Registrars & 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.

## 12. Share Transfer System

Share Transfer 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.

## 13. Distribution of Shareholding as on March 31, 2006

No. of Equity Shares held	No. of Shareholders	% Shareholders	No. of Shares	% Share holding
1 - 500	9126	85.67	1005667	7.80
501 - 1000	638	5.99	464464	3.60
1001 - 2000	378	3.55	541718	4.20
2001 - 3000	156	1.46	385808	2.99
3001 - 4000	81	0.76	284488	2.21
4001 - 5000	65	0.61	301378	2.34
5001 - 10000	97	0.91	687251	5.33
Above 10001	111	0.91	9221342	71.53
<b>TOTAL</b>	<b>10652</b>	<b>100.00</b>	<b>12892116</b>	<b>100.00</b>

## 14. Categories of Shareholding as on March 31, 2006

Category	No. of Shareholders	No. of Shares	% Shareholding
Clearing Member	60	49906	0.3871
Bank Foreign	1	50	0.0004
Foreign Institutional	2	7578	0.0588
Indian Financial Institutions	17	546415	4.2384
Indian Promoters	27	5963824	46.2595
Mutual Funds & UTI	4	1550	0.0120
NRI / OCBs	26	167571	1.2998
Private Corporate Bodies	286	565918	4.3897
Indian Public	10228	5585473	43.3247
Trusts	0.0094	3831	0.0297
<b>TOTAL</b>	<b>10652</b>	<b>12892116</b>	<b>100.0000</b>

## 15. Dematerialisation of shares and liquidity

36.74% of total Equity Capital is held in dematerialized form with NSDL and CDSL as on March 31, 2006. Trading in Equity shares of the Company is permitted only in dematerialised form with effect from 29th May 2000 as per notification issued by the Securities and Exchange Board of India. (SEBI)

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

## 17. Plant Locations :

### CEMENT :

Macherla - 522 426  
Guntur District, Andhra Pradesh

### ENGINEERING :

- 1) Tiruvottiyur, Chennai-600 019  
Tamil Nadu
- 2) Mosur Road,  
Ekhunagar, Arakonam-631 004  
Tamil Nadu.

### ELECTRICITY ENERGY HYDEL UNIT :

B.No. AE-1, NSP Colony  
Nekarikallu-522 615  
Guntur District  
Andhra Pradesh

### WIND POWER :

Thandayarkulam Village  
Radhapuram Taluk  
Tirunelveli District  
Tamil Nadu

## V. OTHER DISCLOSURES

### 1. Details of Annual General Meetings

Location and time of Annual General Meetings held in last 3 years :

Year	AGM	Location	Date	Time
2003	62nd	"Ramakrishna Buildings" 2, Dr. P.V. Cherian Crescent Egmore, Chennai-600 008	29/09/2003	11.30 a.m.
2004	63rd	"Ramakrishna Buildings" 2, Dr. P.V. Cherian Crescent Egmore, Chennai-600 008	09/09/2004	11.00 a.m.
2005	64th	"Ramakrishna Buildings" 2, Dr. P.V. Cherian Crescent Egmore, Chennai-600 008	16/09/2005	10.00 a.m.

## 2. Special Resolutions :

At the last AGM held on 16th September, 2005, one special resolution was passed, to transact the business of appointment of Auditors.

Resolution referred to above was put to vote at the AGM and was passed unanimously.

## 3. Means of Communication

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

Business Line  
Financial Express  
Dhinamani  
Malaimurasu

These results were simultaneously posted on the website 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 about its financial results during the year. A management discussion analysis of relevant matters forms part of the Report of the Board of Directors.

## CERTIFICATE TO THE SHAREHOLDERS / MEMBERS OF THE K.C.P. LIMITED

I, V.L.Dutt, Chairman & 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 31.3.2006.

For **THE K.C.P. LIMITED**

**V.L. DUTT**  
CHAIRMAN & MANAGING DIRECTOR

Place : Chennai  
Date : 26th June, 2006

**AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE KCP LIMITED**

We have audited the attached Balance Sheet of The KCP Limited, as at 31st March 2006, 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 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, 2006,
  - 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

Place: Chennai  
Date: 26th June 2006

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

**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.42503000 from Three Directors and one 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	14509683	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.

For BRAHMAYYA & CO  
Chartered Accountants

Place: Chennai  
Date: 26th June 2006

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

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Members  
The K C P Limited  
Ramakrishna Buildings  
No.2, Dr.P.V.Cherian 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, 2006 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 on the financial statements of the Company.

In our opinion and to the best of our information and according

to the explanations given to us, and 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

Camp: Chennai  
Date :26th June 2006

C. MURALIKRISHNA  
ICAI Memb.No.20884  
Partner

## BALANCE SHEET AS AT 31st MARCH 2006

PARTICULARS	Schedule	AS AT 31-03-2006		AS AT 31-03-2005	
		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	96,25,11,433		86,10,47,977	
			<b>1,09,14,32,593</b>		98,99,69,137
<b>2. Loan Funds:</b>					
(a) Secured Loans	C	34,16,16,607		21,02,79,666	
(b) Unsecured Loans	D	26,55,20,000		25,98,89,000	
			<b>60,71,36,607</b>		47,01,68,666
<b>3. Deferred Tax Liability (Net)</b>					
(a) Deferred Tax Liability		7,82,87,248		8,04,33,212	
(b) Less: Deferred Tax Asset		37,59,240		36,42,885	
			<b>7,45,28,008</b>		7,67,90,327
Total			<b>1,77,30,97,208</b>		1,53,69,28,130
<b>(II) APPLICATION OF FUNDS:</b>					
<b>1. Fixed Assets:</b>					
(a) Gross Block	E	1,72,43,23,767		1,69,41,50,317	
(b) Less: Depreciation		1,03,44,73,706		1,01,61,09,803	
(c) Net Block		68,98,50,061		67,80,40,514	
(d) Capital Work-in-Progress		6,73,81,899		69,57,109	
			<b>75,72,31,960</b>		68,49,97,623
<b>2. Investments</b>	F		<b>31,60,55,849</b>		33,40,55,149
<b>3. Current Assets, Loans and Advances:</b>					
(a) Inventories	G-1	51,20,49,115		37,85,01,161	
(b) Sundry Debtors	G-2	14,05,78,201		15,33,89,927	
(c) Cash and Bank Balances	G-3	17,06,55,500		6,40,01,313	
(d) Other Current Assets	G-4	74,54,500		53,44,556	
(e) Loans and Advances	H	55,96,72,074		46,28,47,472	
		<b>1,39,04,09,390</b>		1,06,40,84,429	
Less : Current Liabilities and Provisions:					
(a) Liabilities	I-1	46,89,73,433		43,78,01,231	
(b) Provisions	I-2	22,16,26,558		10,84,07,840	
		<b>69,05,99,991</b>		54,62,09,071	
<b>Net Current Assets</b>			<b>69,98,09,399</b>		51,78,75,358
Total			<b>1,77,30,97,208</b>		1,53,69,28,130

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 &  
Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb. No. 200884)

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai - 600 008.  
Date : 26th June 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

Particulars	Schedule	For the	For the
		year ended 31-03-2006	year ended 31-03-2005
		Rs.	Rs.
<b>INCOME FROM :</b>			
Sale of Products and Services (including Excise duty recovered Rs.317215602/- (Rs.274622509/-) and Service Tax Rs. 1650911/-(Rs.818473/-)		<b>1,97,37,96,142</b>	1,63,89,30,242
Other Income	1	<b>9,42,51,630</b>	4,74,08,484
		<b>2,06,80,47,772</b>	1,68,63,38,726
<b>EXPENDITURE ON :</b>			
Materials Consumed	2	<b>29,01,67,514</b>	26,50,91,518
Payments and Benefits to Employees	3	<b>18,82,85,442</b>	16,66,90,494
Manufacturing,Selling,Administrative and other expenses	4	<b>91,96,03,616</b>	72,96,41,908
Excise Duty and Taxes (excluding Income-Tax)	5	<b>32,52,26,909</b>	28,04,51,310
Interest and Finance charges		<b>4,43,85,574</b>	4,89,02,164
Depreciation		<b>5,18,68,660</b>	4,93,70,009
		<b>1,81,95,37,715</b>	1,54,01,47,403
<b>PROFIT FOR THE YEAR:</b>		<b>24,85,10,057</b>	14,61,91,323
Add:Refund of Income Tax		<b>56,92,257</b>	
Differed Tax Liability reversal		<b>-22,62,319</b>	-30,61,280
Less: Provision for Taxation - Current		<b>7,65,00,000</b>	5,25,00,000
Fringe Benefit Tax		<b>50,00,000</b>	
<b>PROFIT AFTER TAXATION</b>		<b>17,49,64,633</b>	9,67,52,603
Balance brought forward from last Year		<b>53,30,56,833</b>	50,15,42,974
		<b>70,80,21,466</b>	59,82,95,577
		This year	Previous year
		Rs.	Rs.
Add : Withdrawn from Investment Allowance Reserve			8,88,95,000
Less : Transfer to General Reserve		12,50,00,000	11,00,00,000
Proposed Dividend		6,44,60,580	3,86,76,348
Tax on distributed Profits (see Directors' Report)		90,40,596	54,57,396
Balance carried forward to next Year		<b>50,95,20,289</b>	<b>53,30,56,833</b>
<b>Basic Earnings per equity share of Rs.10 each -(EPS)</b>		<b>13.57</b>	<b>7.50</b>
<b>Net Profit after tax Rs.174964633/- (Rs.96752603/-)/No.of equity shares 12892116 (12892116)</b>			

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

Per our report annexed  
for BRAHMAYYA & CO.  
Chartered Accountants

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

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb. No. 200884)

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai - 600 008.

Date : 26th June 2006

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

### Schedule 'A'

#### "Share Capital"

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
<b>Authorised:</b> 50000000 Equity Shares of Rs.10/- each	<b>50,00,00,000</b>	50,00,00,000
<b>Issued:</b> 12897748 Equity Shares of Rs.10/- each	<b>12,89,77,480</b>	12,89,77,480
<b>Subscribed and Paid-up:</b> 12892116 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: Of the above equity shares, 1,26,65,220 shares represent Bonus Shares allotted as fully paid up, by capitalisation of Profits / Reserves.

### Schedule 'B'

#### "Reserves & Surplus"

PARTICULARS	AS AT 31-03-2005 Rs.	Added during the year Rs.	Withdrawn during the year Rs.	AS AT 31-03-2006 Rs.
Capital Reserve - on reorganisation	2,79,91,144	Nil	Nil	<b>2,79,91,144</b>
General Reserve	30,00,00,000	12,50,00,000		<b>42,50,00,000</b>
Surplus (i.e) Balance in Profit and Loss Account	53,30,56,833			<b>50,95,20,289</b>
<b>Total taken to Balance Sheet</b>	<b>86,10,47,977</b>	<b>12,50,00,000</b>		<b>96,25,11,433</b>

### Schedule 'C'

#### "Secured Loans"

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
<b>I. Short-Term Loans:</b>		
a) Working capital facilities from bank against paripassu first charge on Current Assets at Cement Unit and a second charge paripassu on the fixed assets of the Cement and Engineering units	<b>10,00,00,000</b>	14,06,60,881
b) Packing credit facilities against hypothecation of specific current assets of Engineering Unit, and guaranteed by some of the Directors.	Nil	2,42,18,371
c) From a bank against paripassu first charge on the entire Fixed Assets of the Company	<b>10,00,00,000</b>	Nil
d) From a Company on the security of some of the shares held as investments.	<b>1,15,00,000</b>	1,72,50,000
<b>II. Long-Term Loans :</b>		
a) From a bank secured by paripassu first charge with other term lenders, by hypothecation of all the fixed assets, of the Company, present and future. (Including interest accrued and due on above)	<b>12,82,15,735</b>	2,40,00,000
b) From a bank against security of specific assets.	<b>19,00,872</b>	41,50,414
<b>Total taken to Balance Sheet</b>	<b>34,16,16,607</b>	21,02,79,666

## Schedule 'D'

### II. Unsecured Loans :

PARTICULARS	AS AT 31-03-2006	AS AT 31-03-2005
	<b>Rs.</b>	<b>Rs.</b>
i) Fixed Deposits (including Rs.4603000/- (Rs.4603000/-) from Directors)	<b>23,91,20,000</b>	25,98,89,000
ii) From Directors	<b>2,64,00,000</b>	
<b>Total taken to Balance Sheet</b>	<b>26,55,20,000</b>	25,98,89,000

## Schedule 'F'

### "Investments"

PARTICULARS	Details Rs.	AS AT 31-03-2006 Total Rs.	AS AT 31-03-2005 Total Rs.
<b>I. SHARES OF COMPANIES:</b>			
<b>1. Trade Investments:</b>			
<b>(a) Quoted Equity Shares - Fully paid</b>			
1,00,000 shares of Rs.10/- each in Prudential Mouli Sugars Ltd.	10,00,000		
Less : Written off to the extent of	(A) 9,99,999	1	1
<b>(b) 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) 36,00,000 Equity Shares of Rs.10/- each in Sudalagunta Sugars Limited (1800000 shares sold during the year)	3,60,00,000		5,40,00,000
	(B)	<b>4,00,00,000</b>	5,80,00,000
<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) 50,000 Shares of Rs.10/- each in South Asian Financial Exchange Limited	5,00,000		
Less : Written off to the extent of	4,99,999	1	1
(iii) 300 Shares of Rs.10/each in State Bank of India	30,000		30,000
(iv) 2,44,000 Equity Shares of Rs.10/- each in Vantech Industries Limited.	1,00,91,937		
Less : Written off to the extent of	1,00,91,936	1	1
(v) 100 Shares of Rs.10/each in Industrial Finance Corporation of India	3,500		
Less : Provision for diminution in value	2,170	1,330	1,330
(vi) 14240 shares of Rs.10/- each in Industrial Development Bank of India	11,57,000		11,57,000
	(C)	<b>12,06,337</b>	12,06,337
<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) 500000 Equity Shares of Rs.10/- each in Somayajulu & Company Limited	50,00,000		50,00,000
<b>In Subsidiary companies:</b>			
(iii) 6000000 Equity Shares of US\$ 1 each, KCP Vietnam Industries Ltd, Vietnam. (See Note. 10)	23,71,43,668		23,71,43,668
(iv) 3750070 Equity Shares of Rs.10/- each in KCP Bio-tech Limited. (70 Shares purchased during the year)	2,71,17,675		2,71,16,975
		<b>26,92,61,344</b>	
	(D)	<b>26,92,61,344</b>	26,92,60,644

PARTICULARS	Details Rs.	AS AT	AS AT
		31-03-2006 Total Rs.	31-03-2005 Total Rs.
<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 )			
(i) 53850 6.75% Tax free Bonds of Rs.100 /- each	53,85,000		53,85,000
(ii) 23918.49 Units of US 2002 Scheme	2,02,617		2,02,617
<b>(b) Unquoted:</b>			
(i) National Savings Certificates	50		50
(ii) Postal Time Deposit	500		500
		<u>55,88,167</u>	
	(E)	<u>55,88,167</u>	<u>55,88,167</u>
<b>Total taken to Balance Sheet</b>	A+B+C+D+E	<b>31,60,55,849</b>	<b>33,40,55,149</b>
1. All the above are long term investments.			
2. Aggregate values of quoted investments :			
At Cost		<b>67,96,125</b>	67,96,125
At Market value		<b>73,19,255</b>	70,45,424
3. Aggregate cost of unquoted investments		<b>30,92,61,894</b>	32,72,61,194

#### Schedule 'G-1'

##### "Current Assets" Inventories

PARTICULARS	AS AT	AS AT
	31-03-2006 Rs.	31-03-2005 Rs.
(as certified by the Managing Director.)		
(1) Stores and Spares at Cost	<b>20,76,10,007</b>	13,98,16,081
(2) Stores and Raw Materials in transit at Cost	<b>63,81,708</b>	1,57,531
(3) Stocks-in-trade		
a) Raw Materials at cost	<b>2,09,35,825</b>	1,45,63,221
b) i) Finished Goods at Cost	<b>2,05,37,921</b>	99,78,581
ii) Finished Goods at Market Value	<b>9,58,012</b>	1,48,73,692
(c) Work-in-progress at cost	<b>25,56,25,642</b>	19,91,12,055
<b>Total taken to Balance Sheet</b>	<b>51,20,49,115</b>	<b>37,85,01,161</b>

#### Schedule 'G-2'

##### "Sundry Debtors"

PARTICULARS	AS AT	AS AT
	31-03-2006 Rs.	31-03-2005 Rs.
Sundry Debtors		
(A) Debts outstanding for a period exceeding six months:		
Considered Good		
(a) Fully Secured:	<b>26,86,282</b>	25,83,813
(b) Unsecured:	<b>62,81,291</b>	4,67,127
Considered Doubtful	<b>0</b>	<b>5,22,405</b>
	<b>89,67,573</b>	<b>35,73,345</b>
Less: Provision for doubtful debts	<b>0</b>	<b>5,22,405</b>
	<b>89,67,573</b>	<b>30,50,940</b>
(B) Other Debts Considered Good		
(including Rs.Nil/-(Rs.2230656/-)due from Subsidiary Companies)		
(a) Fully Secured	<b>41,11,773</b>	46,76,934
(b) Unsecured	<b>12,74,98,855</b>	14,56,62,053
<b>Total taken to Balance Sheet</b>	<b>14,05,78,201</b>	<b>15,33,89,927</b>

Schedule 'E'  
"Fixed Assets"

Serial No.	DESCRIPTION	GROSS BLOCK				DEPRECIATION Total Depreciation upto 31-03-2006	NET BLOCK	
		Cost upto 31-03-2005	Additions during the year	Deductions during the year	Cost upto 31-03-2006		As at 31-03-2006	As at 31-03-2005
1	Lands	Rs. 15639418	Rs. 509830	Rs. -	Rs. 16149248	Rs. -	Rs. 16149248	Rs. 15639418
2	(a) Buildings	Rs. 183653774	Rs. 2149540	Rs. -	Rs. 185803314	Rs. 77323853	Rs. 108479461	Rs. 110265760
	(b) Leasehold Buildings	Rs. 1547500	Rs. -	Rs. -	Rs. 1547500	Rs. 412342	Rs. 1135158	Rs. 1160382
3	Tramways & Railway Sidings	Rs. 7012865	Rs. -	Rs. -	Rs. 7012865	Rs. 5112053	Rs. 1900812	Rs. 2223544
4	Plant & Machinaries							
	Owned	Rs. 1385970044	Rs. 53589211	Rs. 27148737	Rs. 1412410518	Rs. 877563743	Rs. 534846775	Rs. 525160803
	Leased Assets	Rs. 803107	Rs. -	Rs. -	Rs. 803107	Rs. 762951	Rs. 40156	Rs. 40156
5	Furniture, Fixtures & Office Equipments	Rs. 35245930	Rs. 1770819	Rs. 782952	Rs. 36233797	Rs. 27030008	Rs. 9203789	Rs. 9034380
6	Veehicles & Earthmoving Equipments							
	Owned	Rs. 54542144	Rs. 7347948	Rs. 6722268	Rs. 55167824	Rs. 38590431	Rs. 16577393	Rs. 10989228
	Leased Assets	Rs. 8022630	Rs. -	Rs. 539942	Rs. 7482688	Rs. 5996716	Rs. 1485972	Rs. 3494045
7	Research & Development Equipments	Rs. 812906	Rs. -	Rs. -	Rs. 812906	Rs. 781609	Rs. 31297	Rs. 32797
8	Patents	Rs. 900000	Rs. -	Rs. -	Rs. 900000	Rs. 900000	Rs. -	Rs. -
	Grand Total	Rs. 1694150317	Rs. 65367348	Rs. 35193899	Rs. 1724323767	Rs. 1034473706	Rs. 689850061	Rs. 678040514
1	Registered Office	Rs. 79096422	Rs. 5617171	Rs. 364154	Rs. 84349439	Rs. 43887764	Rs. 40461675	Rs. 38109372
2	Engineering Unit	Rs. 308777090	Rs. 37044981	Rs. 461146	Rs. 345360925	Rs. 275166851	Rs. 70194074	Rs. 37984450
3	Cement Production Unit, Macherla	Rs. 763374572	Rs. 19328547	Rs. 34419752	Rs. 748283367	Rs. 523613340	Rs. 224670027	Rs. 223266218
4	Research & Development	Rs. 1554404	Rs. -	Rs. -	Rs. 1554404	Rs. 1360492	Rs. 193912	Rs. 203971
5	Hydel Project	Rs. 524837099	Rs. 1599546	Rs. 12887	Rs. 526423758	Rs. 184750178	Rs. 341673580	Rs. 366493173
6	Cement Marketing	Rs. 5780131	Rs. 1621215	Rs. 23950	Rs. 7377396	Rs. 3505688	Rs. 3871708	Rs. 3001083
7	Engineering Unit Arakkonam	Rs. 10730600	Rs. 243878	Rs. -	Rs. 10974478	Rs. 2189393	Rs. 8785085	Rs. 8982246
	Total	Rs. 1694150317	Rs. 65455338	Rs. 35281889	Rs. 1724323767	Rs. 1034473706	Rs. 689850061	Rs. 678040514
	Less: Internal Transfers	Rs. -	Rs. -	Rs. 87990	Rs. 87990	Rs. -	Rs. -	Rs. -
	Grand Total	Rs. 1694150317	Rs. 65367348	Rs. 35193899	Rs. 1724323767	Rs. 1034473706	Rs. 689850061	Rs. 678040514

### Schedule 'G-3'

#### "Cash and Bank Balances"

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
(1) Cash /Cheques on hand	56,17,866	75,56,412
(2) At Scheduled Banks:		
i) in Fixed Deposits	11,38,70,023	4,43,71,024
ii) in Current Accounts	5,11,67,611	1,20,73,877
<b>Total taken to Balance Sheet</b>	<b>17,06,55,500</b>	<b>6,40,01,313</b>

### Schedule 'G-4'

#### Other Current Assets"

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
Interest accrued (includes Rs.4958256/- (Rs.3347137/-) from subsidiary)	74,54,500	53,44,556
<b>Total taken to Balance Sheet</b>	<b>74,54,500</b>	<b>53,44,556</b>

### Schedule "H"

#### "Loans And Advances"

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
(1) Advances, ( unsecured , recoverable in cash or in kind , for value to be received )		
Considered Good (includes Rs.3,98,864/- (Rs.11,32,976/-) to Subsidiaries.)	5,09,79,521	
Considered Doubtful	37,36,597	
	<u>5,47,16,118</u>	
Less : Provision for Doubtful Advances	<u>37,36,597</u>	4,95,73,933
(2) Prepaid Expenses	1,01,44,524	1,33,92,129
(3) Excise Duty paid in advance	4,22,74,165	1,48,32,761
(4) Direct Taxes paid in advance	15,53,42,411	12,41,71,297
(5) Income-tax deducted at source	74,79,438	26,36,291
(6) Deposits recoverable	3,18,54,354	3,90,07,891
(7) Claims recoverable	1,07,28,096	24,38,139
(8) Loans to a Subsidiary Companies	25,08,69,565	21,67,95,031
<b>Total taken to Balance Sheet</b>	<b>55,96,72,074</b>	<b>46,28,47,472</b>

**Schedule "I-1"**

**"Current Liabilities and Provisions"**

**A. CURRENT LIABILITIES :**

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
(1) a. Sundry Creditors - Due to Small Scale Industrial Undertakings	13,20,454	
b. Sundry Creditors- Due to Others (includes Rs.1,42,61,451/-(Rs.60,18,897/-) due to Managing and whole time directors)	<b>16,61,39,684</b>	19,55,09,244
(2) Advances received against sales	<b>24,74,76,987</b>	18,44,31,707
(3) Trade Deposits	<b>3,60,30,000</b>	3,61,13,500
(4) Security Deposits from staff	<b>1,52,124</b>	48,400
(5) Unclaimed Dividends *	<b>38,68,122</b>	43,03,961
(6) Interest accrued but not due on loans	<b>87,95,679</b>	72,67,322
(7) Due to Superannuation and Gratuity Trusts(Net)	<b>65,10,838</b>	<b>88,06,643</b>
<b>Total taken to Balance Sheet</b>	<b>46,89,73,433</b>	43,78,01,231

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

**Schedule "I-2"**

**B. PROVISIONS:**

PARTICULARS	AS AT 31-03-2006 Rs.	AS AT 31-03-2005 Rs.
(1) For Income Tax & Wealth Tax	<b>13,81,71,360</b>	5,66,71,360
(2) For Proposed Dividend	<b>6,44,60,580</b>	3,86,76,348
(3) For Tax on Distributed Profits	<b>90,40,596</b>	54,24,358
(4) For Leave Encashment	<b>99,54,022</b>	76,35,774
<b>Total taken to Balance Sheet</b>	<b>22,16,26,558</b>	10,84,07,840

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 &  
Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai - 600 008.

Date : 26th June 2006

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

### Schedule-1

#### "Other Income"

PARTICULARS	For the year ended 31-03-2006 Rs.	For the year ended 31-03-2005 Rs.
(1) Interest received from Banks and others (Tax deducted on above Rs.1016436/- Previous year Rs.401764/-)	6,61,11,889	1,45,31,097
(2) Dividends received (Gross) From Non-Trade Investments	2,67,405	2,55,925
(3) Rents received	12,16,944	11,67,613
(4) Miscellaneous Receipts	1,53,29,956	1,74,23,443
(5) Profit on sale of Assets	8,77,138	13,41,867
(6) Unclaimed balances credited back	3,63,878	57,61,946
(7) Claims/refunds received	8,77,726	4,21,153
(8) Provisions no longer required credited back	63,01,840	40,05,440
(9) Bad debts recovered		25,00,000
(10) Difference in Exchange (Net)	29,04,854	
<b>Total taken to Profit and Loss Account</b>	<b>9,42,51,630</b>	<b>4,74,08,484</b>

### Schedule-2

#### "Materials Consumed"

PARTICULARS	Details Rs.	For the year ended 31-03-2006 Rs.	Details Rs.	For the year ended 31-03-2005 Rs.
OPENING STOCKS:				
Raw materials	1,45,63,220		65,85,275	
Work-in-Progress	19,91,12,055		9,87,10,164	
Finished goods	<u>2,48,52,273</u>	<b>23,85,27,548</b>	<u>7,53,80,651</u>	18,06,76,090
ADD:				
i) Purchases:				
Raw materials & Components	18,82,91,295		21,21,06,586	
ii) Cost of raw materials produced	<u>16,14,06,071</u>	<b>34,96,97,366</b>	<u>11,08,36,390</u>	<u>32,29,42,976</u>
		<b>58,82,24,914</b>		50,36,19,066
LESS:				
CLOSING STOCKS:				
Raw materials	2,09,35,825		1,45,63,220	
Work-in-Progress	25,56,25,642		19,91,12,055	
Finished goods	<u>2,14,95,933</u>	<b>29,80,57,400</b>	<u>2,48,52,273</u>	23,85,27,548
<b>Total taken to Profit and Loss Account</b>		<b>29,01,67,514</b>		<b>26,50,91,518</b>

**Schedule-3**

**"Payments and Benefits to Employees"**

PARTICULARS	For the year ended 31-03-2006 Rs.	For the year ended 31-03-2005 Rs.
Salaries, Wages and Bonus	14,79,73,696	13,01,19,408
Contribution to Provident Fund and Family Pension Scheme	99,11,977	95,05,972
Contribution to Superannuation Funds	53,23,652	49,07,972
Contribution to Gratuity Funds	56,23,993	44,95,198
Workmen and Staff Welfare expenses	1,94,52,124	1,76,61,944
<b>Total taken to Profit and Loss Account</b>	<b>18,82,85,442</b>	<b>16,66,90,494</b>

**Schedule-4**

**"Manufacturing ,Selling, Administrative and Other Expenses"**

PARTICULARS	For the year ended 31-03-2006 Rs.	For the year ended 31-03-2005 Rs
<b>Manufacturing:</b>		
Stores and Spares (including Packing Materials) consumed.	18,91,27,804	15,24,98,302
Sub-contracted works	5,39,57,305	4,62,76,111
Power and Fuel	46,11,11,436	
Less:Self consumption of Power generated internally	9,99,10,467	
Insurance	36,12,00,969	31,08,69,393
Research & Development	51,35,761	48,85,672
Lease Rentals	3,97,424	3,65,134
Repairs to Buildings	1,24,45,636	10,37,487
Repairs to Machinery	1,96,02,063	1,41,79,294
Repairs to Other Assets	2,31,81,188	3,03,39,532
	70,70,865	65,36,976
(A)	<b>67,21,19,014</b>	<b>56,69,87,901</b>
<b>Selling:</b>		
Advertisement	57,09,626	66,55,879
Loading,Unloading,Transport etc	15,33,01,073	6,81,27,822
Commission on Sales	11,01,553	20,88,377
(B)	<b>16,01,12,252</b>	<b>7,68,72,078</b>
<b>Administrative:</b>		
Rent	13,61,802	10,88,154
Payments to Auditors (see note No.16(a))	19,62,921	10,83,793
Directors' Sitting Fee	2,00,000	2,80,000
Managerial Remuneration (see note no.17(ii))	1,63,40,322	76,18,315
Miscellaneous Expenses	6,08,33,051	5,97,84,312
(C)	<b>8,06,98,096</b>	<b>6,98,54,574</b>
<b>Other Items:</b>		
Warranty Claims	34,58,553	84,33,371
Provision for doubtful debts	3,18,319	14,875
Bad debts and irrecoverable advances written off	10,53,508	6,83,393
Discarded assets written off	16,31,619	3,259
Loss on sale of assets	2,12,255	1,78,697
Investments written off		9,99,999
Difference in exchange (Net)		56,13,761
(D)	<b>66,74,254</b>	<b>1,59,27,355</b>
<b>Total taken to Profit and Loss Account</b>	<b>A+B+C+D</b>	<b>91,96,03,616</b>
		<b>72,96,41,908</b>

**Schedule-5**

**"Excise Duty & Taxes (Excluding Income tax)"**

PARTICULARS	For the year ended 31-03-2006	For the year ended 31-03-2005
	Rs.	Rs.
Excise Duty and Cess	31,80,03,021	27,16,06,272
Rates and Taxes	<u>72,23,888</u>	<u>88,45,038</u>
<b>Total taken to Profit and Loss Account</b>	<b><u>32,52,26,909</u></b>	<b><u>28,04,51,310</u></b>

Signatures 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 &  
Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai - 600 008.

Date : 26th June 2006

## 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. Modvat 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 (Long Term) are stated at cost, except where written down, in which case they are shown as their written down values. Dividends 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) Power sold by the Hydroelectric Power Unit and Wind Power Unit of the Company, being worked under operating lease, 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. RETIREMENT BENEFITS

(a) All the employees of the Company are entitled to retirement benefits of Provident Fund, Gratuity and Superannuation.

Contributions to gratuity and superannuation fund are made on the basis of demands raised by LIC, and charged to revenue accordingly. Provident Fund contributions are accounted for at the prescribed rates, on accrual.

- (b) The above liabilities are funded with Trusts duly approved by Income-tax authorities (managed by LIC)/paid to the Provident Fund Commissioner, as the case may be.
- (c) Provision is made in the accounts for the estimated liability as at each Balance Sheet date based on actuarial valuation towards available leave eligible for encashment on retirement/cessation of service of the employee, as per the rules of the Company.

## 9. DEPRECIATION

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

- i. In respect of assets existing as on 30-6-1988, under the written down value method: and
- ii. 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. DIVIDENDS

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

## 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 1st 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)

Per our report annexed  
for BRAHMAYYA & CO.  
Chartered Accountants

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

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai - 600 008.  
Date : 26th June 2006

**NOTES FORMING PART OF THE ACCOUNTS**

<b>BALANCE SHEET :</b>	<b>31st March,2006</b>	<b>31st March,2005</b>
	Rs.	Rs.
1. Claims against the Company not admitted		
Statutory Levies		
Indirect Taxes	2,64,94,287	2,42,78,783
Direct Taxes	1,44,74,196	3,54,82,402
Contractual Levies	1,72,70,412	1,15,49,013
Others	3,71,97,678	1,97,83,576
Total	<b>9,54,36,573</b>	9,10,93,774
2. Estimated amount of contracts remaining to be executed on Capital account and not provided for	9,68,03,000	4,02,73,000
3. Corporate guarantees extended on behalf of another Company.	28,46,27,230	14,28,89,742
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 include Lands.- 12.64 acres of the carrying amount of Rs.3,73,651/- at Arakkonam, 14.23 acres at the carrying amount of Rs.4,62,475/- at Macherla, pending transfer of title to the Company.		
6. The Company has issued counter guarantees to bankers for the guarantees issued by them aggregating to US \$ 3 million, to the Company's Subsidiary for loans obtained by the said Subsidiary from its bankers, the amount of guarantee outstanding against which as at 31st March, 2006 was US \$ 3 million. The guarantees referred to herein are secured by a second charge on all the movable and immovable assets of the Company, present and future, and by transfer and pledge in favour of the bankers of some of the shares in Companies held as investments by the Company, the beneficial interest in which, continues to be held by the Company. The guarantees are also counter guaranteed by another Company and some of the Directors of this Company in their individual capacity.		
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
	Rs.	Rs.
1. Depreciation		7,82,87,248
2. Items u/s 43 B of IT Act	24,32,807	
3. Provision for Doubtful debts	13,26,433	
	<u>37,59,240</u>	<u>7,82,87,248</u>
Net deferred tax liability as on 31.3.2006		<b>7,45,28,008</b>
8. Cash and Bank balances include		
a. Rs.1,50,000/- (Rs.48,400/-) on account of Staff Security Deposit.		
b. Rs.39,99,562/- (Rs.43,59,404/- ) towards Unclaimed Dividends.		
c. Rs.7,00,02,073/-(Rs.3,43,86,608/-) representing Fixed Deposit Receipts lodged with Bankers as securities against Guarantees issued by them.		
d. Rs.1,20,00,000/-(Rs. Nil) deposited as per provisions of 58A of the Companies Act 1956 and the Rules made there under.		
9. Based on the information obtained and available with the Company with regard to the status of the creditors, there are no SSI Undertakings to whom the Company owes any sum outstanding for a period exceeding thirty days at the date of the Balance Sheet.		

10. Pursuant to the steps taken for members voluntary liquidation of KECEPE Investment (Pte.) Limited, Singapore, a Subsidiary of the Company, being an investment Company incorporated for holding shares in KCP Vietnam Industries Limited and also pursuant to a share holders' resolution of the members of the said Company. KCP Limited has entered into an agreement with KECEPE Investment (Pte) Limited for substitution of its holding in KECEPE Investment (Private) Limited with shares of KCP Vietnam Industries Limited, of equal value and in the same proportion of holdings in KECEPE Investments (Private) Limited.

Necessary approvals from the regulatory authorities have been obtained in this regard. The said substitution of investment has been recognised accordingly in the accounts during the year.

## PROFIT AND LOSS ACCOUNT :

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

	Quantity	31-03-2006	Quantity	31-03-2005
		Rs.		Rs.
Cement (MT)	529877	1,09,17,51,168	487015	92,13,52,127
Heavy Engineering Products *		80,22,52,047		66,94,52,730
Service Receipts		7,11,05,747		4,14,51,474
Others		64,81,760		66,73,911
		<b>1,97,15,90,722</b>		<b>1,63,89,30,242</b>

\* Unit quantification not possible

Note: (a) Sale of Products includes:

- (1) Machinery and components valued at Rs.30,94,623/-(Rs.59,78,212/- ) supplied by Engineering Unit to the other Units of the Company.
- (2) Cement valued at Rs.41,63,742/- (Rs.10,62,124/-) used internally.
- (3) Excise Duty Rs.31,72,15,602/- (Rs.27,46,22,509/- ) and Service Tax Rs.16,50,911/- (Rs.8,18,473/-).
- (4) Electrical energy 773814 KWH (534694 KWH) valued at Rs.25,09,884/- (Rs.19,37,184/-) adjusted towards wheeling and banking charges, by the buyer Electricity Company.

(b) Sale of products does not include:

Electrical Energy generated by Hydel Unit 26368011 KWH (22362044 KWH) valued at Rs. 8,58,10,057/- (Rs. 7,82,67,154/-) and by the Wind Power unit 3670434 KWH (206409 KWH) valued at Rs. 1,39,20,031/- (Rs. 7,59,586/-) and consumed within the Company.

12. Raw Material Consumed:

	Quantity	This Year	Quantity	Prev. Year
	MT.	Rs.	MT.	Rs.
i) Cement				
Limestone	648999	8,93,81,764	585985	6,90,96,780
Laterite	23823	1,60,96,661	12618	54,08,177
Morum			0.800	1,427
Fly Ash	56522	2,85,55,350	43379	1,53,68,584
Gypsum	27335	1,69,43,923	9977	59,89,148
Iron Ore	6970	40,55,768	11095	68,00,265
Red Oxide Lumps			246	1,94,064
ii) Engineering Unit				
Iron and Steel, Nickel , Scrap and Equipments	7196	18,82,91,295	8351	21,21,06,586
		<b>34,33,24,761</b>		<b>31,49,65,031</b>

13. Opening and Closing Stock of Finished Goods:

Units	Opening Stock		Closing Stock	
	This Year	Previous year	This Year	Previous year
Cement (MT)	114	2,578	1,720	114
(Rs.)	1,72,496	38,21,193	27,02,502	1,72,496
Industrial Machinery and Equipment Not quantifiable (Rs.)	2,26,24,628	7,14,59,839	98,56,131	2,26,24,628
Electrical				
Energy:Hydel (KWH)	10,39,356	-	70,04,944	10,39,356
(Rs.)	17,11,196	-	86,95,965	17,11,196
Wind Power (KWH)	1,02,367	-	70,102	1,02,367
(Rs.)	3,43,953	-	2,41,335	3,43,953
Trading Goods (Qty.)	-	79	-	-
(Rs.)	-	99,619	-	-
Total (Rs.)	2,48,52,273	7,53,80,651	2,14,95,933	2,48,52,273

14. Particulars regarding Capacity and Production:

Class of Goods	CAPACITY		ACTUAL PRODUCTION	
	Licenced	Installed	31-03-2006	31-03-2005
a) Electrical Energy				
Hydel Power	8.25 MWH	8.25 MWH	33183700 KWH	23401400 KWH
Wind Power	2.70 MWH	2.70 MWH	3638169 KWH	308776 KWH
b) Cement		500000 TPA	531504 TPA	484551 TPA
c) Industrial Machinery and equipments.		Not quantifiable	Not quantifiable	

15. (a) "Materials Consumed" - Cost of raw materials  
(Limestone for Cement Factory) produced includes among other things

	31-03-2006	31-03-2005
	Rs.	Rs.
(a) Salaries,Wages and Bonus	73,80,831	64,27,589
(b) Contribution to Provident and other funds	11,45,132	9,84,808
(c) Workmen and Staff Welfare Expenses	10,42,004	8,44,954
(d) Stores and Spares Consumed	42,57,909	51,80,734
(e) Power and Fuel	52,44,742	51,66,769
(f) Royalty	3,29,00,251	2,55,95,952
(g) Rates and Taxes	53,05,427	1,31,976
(h) Repairs to Building and Roads	8,95,290	4,71,530
(i) Repairs to Machinery	29,96,768	62,31,521
(j) Repairs to Other Assets	83,028	79,236
(k) Insurance	2,64,511	2,18,954
(l) Lime Stone Freight	2,00,80,327	81,25,112
(b) "Power and Fuel" - includes the following expenditure incurred among other things on Generation of Power.		
(a) Salaries,Wages and Bonus	8,46,322	7,54,395
(b) Contribution to Provident and other Funds	1,35,613	1,19,335
(c) Workmen and Staff Welfare Expenses	49,100	33,365
(d) Power and Fuel	3,49,101	3,04,581
(e) Stores and Spares Consumed	21,14,944	12,77,906

		31-03-2006	31-03-2005
(Contd...)	Rs.	Rs.	Rs.
(f) Repairs to Building and Roads		57,740	34,524
(g) Repairs to Machinery		1,325	7,044
(h) Taxes and Licences		3,100	
(l) Insurance		7,12,364	2,58,489
(j) Repairs to Other Assets		12,811	
16. (a) "Payment to Auditors" (net of service tax for which input credit was/to be availed by the Company) comprise :			
For Statutory Audit		4,00,000	4,00,000
For Taxation matters (including tax audits)		11,25,500	1,70,000
For Certification and other services		2,95,000	2,88,940
For Company law matters		10,000	10,000
For Audit of Gratuity and Superannuation Trusts		25,000	25,000
Sales Tax Audit			15,000
Out of pocket expenses		17,421	72,353
		<u>18,72,921</u>	<u>9,81,293</u>
Fees for Cost Audit		75,000	75,000
Fees for Certification and Other Services		15,000	27,500
Total		<u>19,62,921</u>	<u>10,83,793</u>
(b) "Miscellaneous Expenses" include: Donations		15,00,000	Nil
(c) Interest paid includes:			
On Fixed Loans (includes Rs.396290/- paid to MD & other Wholetime Directors)		2,96,73,690	2,66,66,029
To Managing Director and Other Whole-time Directors		15,69,105	4,01,125
(d) Revenue expenditure capitalised during the year			
Interest		46,28,670	Nil
17. Remuneration to Managing Director and Whole Time Directors:			
(i) Computation of Net Profit in accordance with sec 349 of the Companies Act 1956.			
Profit for the year as per Profit and Loss account		24,85,10,057	
<b>Add:</b>			
Directors' sitting fee	2,00,000		
Remuneration to Managing Director & Whole Time Directors	1,63,40,322		
Profit on sale of Assets allowable as per sec 349	<u>1,98,120</u>		
		<u>1,67,38,442</u>	
		<u>26,52,48,498</u>	
<b>Less:</b>			
Profit on Sale of assets as per P & L A/c	<u>8,77,138</u>		
		<u>8,77,138</u>	
Adjusted Net Profit for the year		<u>26,43,71,360</u>	
(ii) Details of Remuneration to Managing Director and other Whole Time Directors			
Salary		12,16,935	9,00,000
House Rent Allowance		4,45,645	3,60,000
Company's Contribution to Provident Fund		1,10,033	72,000
Company's Contribution to Superannuation Fund		1,37,540	90,000
Company's Contribution to Gratuity Fund		43,058	35,394
Personal Accident Insurance Premium		8,409	7,059
Medical Expenses		74,245	1,16,453
Other Perquisites		75,739	18,512
Commission		1,42,28,718	60,18,897
		<u>1,63,40,322</u>	<u>76,18,315</u>

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% 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 perquisites allowed during the year to the Whole Time Directors in addition to the remuneration paid above works out to Rs.70519/-. The value of the said perquisite computed in accordance with Income Tax Rules 1962 ,works out to Rs.332420/-.

18. C.I.F Value of Imports made by the Company during the year	<b>31-03-2006</b>	31-03-2005
	<b>Rs</b>	Rs
(i) Raw Materials	<b>87,37,007</b>	34,33,570
(ii) Components and Spare Parts	<b>42,95,299</b>	29,77,582
(iii) Capital Goods	<b>96,83,293</b>	-

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

(i) Foreign Travel (excluding tickets )	<b>17,47,907</b>	17,85,997
(ii) Membership	<b>29,022</b>	5,68,083
(iii) Commission	-	1,68,230
(iv) Bank charges and Guarantee Commission	-	2,89,908
(v) Interest on Foreign currency Loan	<b>39,11,509</b>	1,09,99,025
(vi) Tender Documents	-	5,136

20. Earnings in Foreign Exchange:

- (i) F.O.B. value of goods exported during the year Rs.1,66,73,463/-(Rs.8,74,56,352)
- (ii) F.O.B Value of Services rendered Rs.Nil/- (Rs.23,120/- )
- (iii) Guarantee commission Rs.34,73,903/- (Rs.48,20,929/-)
- (iv) Interest and consultancy Rs.1,71,30,911/-(Rs.97,04,584/-)
- (v) Income from subsidiary Rs.10,82,546/- (Rs.58,40,093/-)

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

	<b>31-3-2006</b>	%	31-3-2005	%
	Rs.		Rs.	
(a) Raw Materials				
(i) Imported	<b>94,58,336</b>	2.75	40,52,729	1.29
(ii) Indigenous	<b>33,38,66,425</b>	97.25	31,09,12,302	98.71
	<b>34,33,24,761</b>	100	31,49,65,031	100
(b) Spare parts and Components (debited to respective heads)				
(i) Imported	<b>78,40,556</b>	3.90	28,20,298	1.58
(ii) Indigenous	<b>19,30,89,110</b>	96.10	17,62,29,768	98.42
	<b>20,09,29,666</b>	100	17,90,50,066	100

22. Particulars disclosed pursuant to "AS-18 Related Party Disclosures" :-

**A. List of Related parties:**

**Subsidiary Companies**

M/s. KCP Vitetnam Industries Limited

M/s. KCP Bio Tech Limited

M/s. KECEPE Investments Pte. Ltd.

## Joint Venture Companies

M/s. 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  
 Sri. Uma S Vallabaneni, Sister of Smt V.L.Indira Dutt  
 Sri. V.Rama Kumari, Sister of Smt. V.L.Indira Dutt  
 Sri.Sivani Dutt Chitturi Daughter of Smt.Kavita D. Chitturi  
 Sri. Rajeswary Ramakrishanan, Sister of Sri V.L. Dutt.  
 Sri. Ravi Chitturi Husband of Smt. Kavitha D. Chitturi

## Companies controlled by

### Key Management Personnel/Relatives

M/s. KCP Technologies Limited  
 M/s. V. Ramakrishna Sons Limited  
 M/s. The Jeypore Sugar Company Ltd.  
 M/s. VRK Grandsons (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
Transactions during the year	Rs.	Rs.	Rs.	Rs.	Rs.
Sale of Goods	5942097 (18436047)	287950122 (129295170)			
Sale of Assets		5649 (25129)			
Services rendered	7385678 (8835787)	300000 (312000)	30000 (30000)		122880 (122880)
Interest Received	14432636 (10169839)				
Dividends received	(5840093)				
Loans/Deposits Received			27500000		11500000
Commission towards Counter Guarantee		1564495 (973342)			
Purchase of Goods		2142506 (3501296)			

(Continued)

	Subsidiary Companies	Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Companies Controlled by KMP/ relatives of KMP
<b>Transactions during the year</b>	Rs.	Rs.	Rs.	Rs.	Rs.
Purchase of Assets	(162864)	(78377)			
Services received and others				(14700)	(92647)
Remuneration paid			16340322 (7618315)		
Interest paid	(159869)		1965395 (401125)		898335 (1680205)
Dividend paid			2599188 (667573)	524331 (174777)	11782005 (4857331)
Loans paid/Given	30000000 (16228336)				(8015585)
<b>Balances as at 31.03.2006</b>					
Share capital held by KCP in	264261343 (264260643)	4000000 (4000000)			
Loans given -	250869565 (216795031)	716924			
Guarantees/Counter Guarantees Extended	153387500 (174520001)	113771269 (142889742)			
Receivable - Trade dues	1553143 (2230656)	19333318 (23469442)			5159631 (4414314)
Receivable - Interest	4958256 (3347137)				
Share capital in KCP held by			8894740 (8623960)	2058440 (1747770)	39300690 (48573310)
Loans/Advances/Deposits received	4585984 (1524666)	46827148 (19459124)	26400000 (4403000)		11500000 (17250000)
Guarantees received			153387500 (174520000)		
Payable - Trade dues			32733		
Payable - Interest					0 (302763)

### 23. Particulars disclosed pursuant to "AS-19 Accounting for Leases":-

(a) Financial Lease:

PARTICULARS	AS ON 31.03.2006	Not Later than One Year	Later than 1 year and not later than 5 years
	Rs.	Rs.	Rs.
Total minimum lease payments	16,15,557	12,95,479	3,20,078
Present value of minimum lease payments	8,54,020	7,02,949	1,51,071

- There are no material restrictions imposed under lease arrangements.
- There are no commitments for renewal or purchase of the leased assets at the end of the lease term.

- (b) Operating Lease:
- There are no minimum lease payments.
  - Lease payments accrue only by way of contingent rents based on the number of units of power generated from the Wind Energy Generators for which the company has entered into a noncancellable Operating Lease Arrangement.
  - The leasing arrangement contains terms for renewal but not for purchase of the assets under lease and also contains a built-in escalation provision.
  - There are no material restrictions imposed under the said operating lease arrangement.
24. a. The Company has 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.4980709/-)
- 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 :

	31.03.2006 (Rs. Thousands)	31.03.2005 (Rs. Thousands)
(a) Total Assets	108568	65192
(b) Total Liabilities	108568	65192
<b>SOURCES OF FUNDS</b>		
(a) Paid up Share Capital	4000	4000
(b) Reserves and Surplus	11296	4434
(c) Secured Loans	69	3750
(d) Current Liabilities & Provisions	93203	53008
<b>APPLICATIONS OF FUNDS</b>		
(a) Net Fixed Assets	790	631
(b) Current Assets	107778	64561
(c) Profit & Loss Account		
<b>PERFORMANCE OF COMPANY</b>		
(a) Turnover	268022	113001
(b) Other Income	2111	254
(c) Total Expenditure	259658	107256
(d) Profit/ (Loss) Before Tax	10475	6000
(e) Profit/ (Loss) After Tax	9142	5520

25. **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 )

Per our report annexed  
 for BRAHMAYYA & CO.  
 Chartered Accountants

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

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

**KAVITHA D. CHITTURI**  
 Executive Director

**C. MURALIKRISHNA**  
 Partner

**S. NANDAGOPAL**  
 Director

**V. GANDHI**  
 Technical Director

**K. SRIDHAR**  
 Company Secretary &  
 Chief Financial Officer

Place : Chennai - 600 008.  
 Date : 26th June 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006**

A	2006			2005
	ADD	LESS	TOTAL	
Net Profit before Tax	Rs.	Rs.	Rs.	Rs.
			<b>24,85,10,057</b>	14,61,91,323
			<b>24,85,10,057</b>	14,61,91,323
<b>ADJUSTMENTS FOR</b>				
Depreciation	5,18,68,661			4,93,70,010
Foreign Exchange Difference (Net)		29,04,854		56,13,761
Provision for dimunition in value of investments				0
Profit/Loss on Sale/Conversion of Assets		8,77,138		-13,41,867
Assets written off	14,45,402			3,259
Profit/Loss on Sale of Investment	2,12,255			1,78,698
Interest(Net)		2,17,26,315		3,43,71,067
Dividend Received		2,67,405		-2,55,925
Income from Subsidiary		10,82,546		-58,40,093
Provision for dimunition in value of investments of earlier years withdrawn				-11,96,037
	5,35,26,318	2,68,58,258	<b>2,66,68,060</b>	8,09,02,873
			<b>27,51,78,117</b>	22,70,94,196
<b>OPERATING PROFIT BEFORE WORKING CAPITAL :</b>		1,60,34,024		-2,11,60,867
Trade and other Receivables		13,35,47,954		-6,39,00,749
Inventories	<b>3,34,90,450</b>			<b>3,38,48,685</b>
Trade Payables & Provision	3,34,90,450	14,95,81,978	<b>-11,60,91,528</b>	-5,12,12,931
			<b>15,90,86,589</b>	<b>17,58,81,265</b>
<b>CASH GENERATED FROM OPERATIONS</b>				
Direct Taxes refunds received / paid	3,96,77,995	7,00,00,000	<b>-3,03,22,005</b>	-4,12,14,091
			<b>12,87,64,584</b>	<b>13,46,67,174</b>
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>				
Foreign Exchange Difference	29,04,854			-56,13,761
			<b>29,04,854</b>	-56,13,761
<b>NET CASH FROM OPERATING ACTIVITIES....A</b>			<b>13,16,69,438</b>	<b>12,90,53,413</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		6,54,55,338		-2,37,11,828
Capital Work-in-Progress		60,4,24,790		-38,43,808
Purchase of Investments		700		0
Loan to Subsidiary Company		3,40,74,534		1,89,55,745
Sale of Fixed Assets	9,96,610			34,09,262
Sale of Investments	1,80,00,000			60,00,000
Interest Received	6,61,11,889			1,45,31,097
Dividend Received	2,67,405			2,55,925
Income from Subsidiary	10,82,546			58,40,093
Investments written off				9,99,999
	8,64,58,450	15,99,55,362	<b>-7,34,96,912</b>	2,24,36,485
<b>NET CASH USED IN INVESTING ACTIVITIES B</b>			<b>-7,34,96,912</b>	2,24,36,485
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long Term Borrowings (Secured)	13,13,36,941			-11,84,60,061
Dividends Paid		3,86,76,348		-1,28,92,116
Tax on Distributed Profits		54,24,358		-16,84,840
Interest Paid		4,43,85,574		-4,89,02,164
Long Term Borrowings (Unsecured)	56,31,000			3,21,92,664
	13,69,67,941	8,84,86,280	<b>4,84,81,661</b>	-14,97,46,517
<b>NET CASH USED IN FINANCING ACTIVITIES C</b>			<b>48481661</b>	<b>-14,97,46,517</b>
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)			<b>10,66,54,187</b>	<b>17,43,381</b>
Opening Cash Balance			<b>6,40,01,313</b>	<b>6,22,57,932</b>
Closing Cash Balance			<b>17,06,55,500</b>	<b>6,40,01,313</b>

( FOR AND ON BEHALF OF THE BOARD )

Per our Certificate of even date  
for BRAHMAYYA & CO.,  
Chartered Accountants

V .L. DUTT  
CHAIRMAN & MANAGING DIRECTOR

C. MURALIKRISHNA  
ICAI NO Memb.No. 20884  
Partner

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

(Amount in Rs. Thousands)

<b>I. Registration Details</b>	
a. Registration No.	1128
b. State Code	18
c. Balance Sheet Date	31.3.2006
<b>II. Capital raised during the year</b>	
a. Public Issue	Nil
b. Rights Issue	Nil
c. Bonus Issue	Nil
d. Private Placement	Nil
<b>III. Position of Mobilisation &amp; Deployment of Funds</b>	
a. Total Assets	2463697
b. Total Liabilities	2463697
<b>Sources of Funds :</b>	
a. Paid-up Capital	128921
b. Reserves & Surplus	962511
c. Secured Loans	341617
d. Unsecured Loans	265520
e. Deferred Tax Liability	74528
<b>Total</b>	<b>1773097</b>
<b>Application of Funds :</b>	
a. Net Fixed Assets	757232
b. Investments	316056
c. Net Current Assets	699809
<b>Total</b>	<b>1773097</b>
<b>IV. Performance of Company :</b>	
a. Turnover	1973796
b. Other Income	94252
c. Total Expenditure	1819538
d. Profit Before Tax	248510
e. Profit After Tax	174965
f. Earnings Per Share in Rs.	13.57
g. Dividend Rate %	50
<b>V. 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 &  
Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
(ICAI Memb. No. 200884)

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

**STATEMENT UNDER SECTION 212 OF COMPANIES ACT, 1956  
IN RESPECT OF SUBSIDIARY COMPANIES****KECEPE INVESTMENTS PRIVATE LIMITED**

1. During the year, the Company has been wound up and the shareholders have been allotted equal value in respective proportions to their holdings in The KCP Limited.

**KCP VIETNAM INDUSTRIES LIMITED**

(wholly-owned subsidiary undertaking of The KCP Limited)

1. KECEPE Investments Pte. Limited held the entire share capital of VND 115,343,475,000 equivalent to US\$ 9 million (Rs. 42,63,30,000). During the year, consequent to the winding up of the parent company, the shareholders of the parent company have been allotted shares in The KCP Limited of equal value in respective proportion to their holding in the parent company. The said substitution of investment has been recognized accordingly in the accounts during the year.
2. The Company earned a net profit of VND 22,422,200.00 (Rs. 6,19,71,262/-) for the year ended 31st December 2005 and a net Loss of VND 43,948,346,000 (Rs. 12,14,65,979/-) from inception to 31st December, 2005.
3. No part of the above loss has been dealt with in the Company's accounts.
4. Holding Company's interest as mentioned above, continued to be the same as at 31st March, 2006.

**KCP-BIOTECH LIMITED**

1. The KCP Limited held 37,50,070 Equity Shares of Rs. 10 each representing 100% of the Share Capital.
2. The Company incurred a net loss of Rs. 279 lakhs for the current year and a net loss of Rs. 308 Lakhs from the inception upto 31st March, 2006.
3. No part of the above loss has been dealt within the Company's accounts.

(FOR AND ON BEHALF OF THE BOARD)

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

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

**KAVITHA D. CHITTURI**  
Executive Director

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

**STATEMENT PURSUANT TO EXEMPTION UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

Sl. No.	Nature of the Subsidiary Company	Country	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investments other than Investments in Subsidiaries	Turnover	Profit / (Loss) before taxation	Provision for taxation	(Rs. In lakhs)	
													Profit / (Loss) after taxation	Proposed Dividend
1	KCP Vietnam Industries Ltd.	Vietnam	Vietnam - Dongs	44.04	3222.51	117.05	9576.21	9576.21	Nil	6409.78	520.56	0	520.56	Nil
2	KCP Biotech Ltd.	India	Rupees	N/A	375.01	(307.83)	888.37	888.37	0.15	324.25	(278.65)	0.53	(278.12)	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, 2006 for balance sheet items and average rate during the year 2005-06 for profit and loss account items

## CONTENTS

	Page No.
Auditors' Report .....	53
Balance Sheet . .....	54
Profit and Loss Account .....	55
Schedules Annexed to and forming part of the Balance Sheet .....	56
Notes forming part of the Accounts .....	65
Cash Flow Statement .....	68
Segment Reporting .....	69

## AUDITOR'S REPORT TO THE DIRECTORS OF THE KCP LIMITED

To  
The Board of Directors  
The KCP Limited  
Chennai

1. We have examined the attached consolidated Balance Sheet of The KCP Limited, its subsidiaries, and its Joint venture as at March 31, 2006, 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 one of the two of the subsidiaries, viz, KCP Vietnam Industries Ltd, whose accounts were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the consolidated 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 subsidiaries, 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/unaudited financial statements of The KCP Limited, its joint venture and its aforesaid subsidiaries 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 subsidiaries as at March 31, 2006;
  - 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 subsidiaries 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 subsidiaries for the year ended on that date.

for BRAHMAYYA & CO  
Chartered Accountants

CAMP: Chennai  
DATE :26th June 2006

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

**BALANCE SHEET AS AT 31st MARCH 2006**

PARTICULARS	Schedule	AS AT		AS AT	
		31-03-2006		31-03-2005	
		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	92,19,05,232		78,46,04,331	
			<b>1,05,08,26,392</b>		91,35,25,491
<b>2. Minority Interest</b>					
	C		<b>10,26,68,303</b>		7,40,76,395
<b>3. Loan Funds:</b>					
(a) Secured Loans	D	70,21,25,820		60,68,67,766	
(b) Unsecured Loans	E	34,55,30,001		36,08,75,000	
			<b>1,04,76,55,821</b>		96,77,42,766
<b>4. Deferred Tax Liability (Net) See note 8</b>					
(a) Deferred Tax Liability		7,82,87,248		8,04,33,212	
(b) Less: Deferred Tax Asset		37,59,240	<b>7,45,28,008</b>	36,42,885	7,67,90,327
Total			<b>2,27,56,78,524</b>		<b>2,03,21,34,979</b>
<b>(II) APPLICATION OF FUNDS:</b>					
<b>1. Fixed Assets:</b>					
(a) Gross Block	F	2,72,08,72,425		2,66,37,44,603	
(b) Less: Depreciation		1,35,29,74,806		1,25,72,52,219	
(c) Net Block		1,36,78,97,619		1,40,64,92,384	
(d) Capital Work-in-Progress		7,11,60,271	<b>1,43,90,57,890</b>	1,82,29,775	1,42,47,22,159
<b>2. Investments</b>					
	G		<b>4,78,70,969</b>		6,58,37,145
<b>3. Current Assets, Loans and Advances</b>					
(a) Inventories	H-1	75,05,49,701		56,51,44,603	
(b) Sundry Debtors	H-2	23,00,12,940		16,22,21,130	
(c) Cash and Bank Balances	H-3	22,60,01,863		16,17,76,050	
(d) Other Current Assets	H-4	25,83,718		20,81,935	
(e) Loans and Advances	H-5	38,66,19,566		27,19,49,838	
		<b>1,59,57,67,788</b>		1,16,31,73,556	
Less: Current Liabilities and Provisions :					
(a) Liabilities	I-1	58,04,85,972		51,21,43,029	
(b) Provisions	I-2	22,66,18,000		10,95,69,317	
		<b>80,71,03,972</b>		62,17,12,346	
<b>Net Current Assets</b>			<b>78,86,63,816</b>		54,14,61,210
<b>5. Preliminary Expenses ( to the extent Not written off)</b>					
			<b>85,848</b>		1,14,464
Total			<b>2,27,56,78,524</b>		<b>2,03,21,34,979</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 & Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2006

Particulars	Schedule	For the year ended 31.03.2006	For the year ended 31.03.2005
		Rs	Rs
<b>INCOME FROM:</b>			
<b>Sale of Products and Services</b>			
Group companies (including Excise duty recovered Rs.31,72,15,602/- (Rs.27,46,22,509/-) and Service Tax Rs.16,50,911/- (Rs.8,18,473/-)		2,53,20,20,422	2,19,19,64,476
Joint venture (including Excise duty recovered Rs.8,67,289/- (Rs.8,14,527/-) and Service Tax Rs.2,83,474/-(Rs.3,32,231/-)		26,77,48,597	11,26,68,782
<b>Other Income</b>			
Group Companies	1	8,16,36,027	5,54,73,073
Joint venture		21,10,866	2,54,417
		<u>2,88,35,15,912</u>	<u>2,36,03,60,748</u>
<b>EXPENDITURE ON:</b>			
Materials Consumed	2	79,28,70,006	59,78,97,656
Payments and Benefits to Employees	3	22,57,29,833	19,45,43,309
Manufacturing, Selling, Administrative and other expenses	4	1,00,46,49,379	85,54,17,787
Excise Duty and Taxes (excluding Income-Tax)	5	32,63,49,086	28,08,19,786
Interest & Finance Charges		9,07,35,480	6,79,16,846
Group Companies		86,081	10,00,205
Joint Venture		12,59,78,755	12,20,35,774
Depreciation		3,11,909	1,58,062
Group Companies		<u>2,56,67,10,528</u>	<u>2,11,97,89,425</u>
Joint Venture		31,68,05,383	24,05,71,323
Profit for the year:		56,92,257	3,04,68,867
Add: Income Tax Refunds		2,85,62,104	-
Less: Minority Share of Profit / (Loss)		-	-
Less: Provision for Taxation-Current		8,15,53,325	5,25,00,000
Group Companies		13,32,943	4,80,000
Joint Venture		-22,62,320	-30,61,279
Less: Provision for Taxation-deferred		-	-
Add: Excess provision for tax withdrawn		21,33,11,588	16,01,83,735
Profit after Taxation		<u>44,79,51,542</u>	<u>35,30,06,551</u>
Balance brought forward from last Year		66,12,63,130	51,31,90,286
	This Year Rs.	Previous Year Rs.	
Add: Investment Allowance (utilised) withdrawn	-	8,88,95,000	8,88,95,000
Less: Transfer to General Reserve	12,59,14,181	11,00,00,000	11,00,00,000
		<u>12,59,14,181</u>	<u>49,20,85,286</u>
Less: Proposed Dividend	6,64,60,580	3,86,76,348	3,86,76,348
Tax on distributed Profits (see Directors' Report)	93,21,096	54,57,396	54,57,396
Balance carried forward to next Year		45,95,67,273	44,79,51,542
<b>Basic Earnings per Equity Share of Rs.10 each (EPS)</b>		16.55	12.42
<b>Net Profit after Tax Rs. 21,33,11,588/- (Rs.16,01,83,735)/No.of Equity Shares 12892116 (12892116)</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 & Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

**Schedules annexed to and forming part of the Balance Sheet**

**Schedule 'A'**

**"Share Capital"**

PARTICULARS	AS AT 31.03.2006	AS AT 31.03.2005
	Rs.	Rs.
<b>Authorised:</b>		
50000000 Equity Shares of Rs.10/-each	<b>50,00,00,000</b>	50,00,00,000
<b>Issued:</b>		
12897748 Equity Shares of Rs.10/-each	<b>12,89,77,480</b>	12,89,77,480
<b>Subscribed and Paid-up:</b>		
12892116 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>	<b>12,89,21,160</b>

**Schedule 'B'**

**"Reserves & Surplus"**

PARTICULARS	AS AT 31.03.2005	Added during The Year	Withdrawn during The Year	AS AT 31.03.2006
	Rs.	Rs.	Rs.	Rs.
Group Companies				
Capital Reserve -	3,83,73,469	-	-	3,83,73,469
<b>General Reserve</b>				
- Group Companies	30,00,00,000	<b>12,50,00,000</b>	-	42,50,00,000
- Joint venture	44,13,360	<b>9,14,182</b>	-	53,27,542
Foreign Project reserve				
- Joint venture	43,20,000	-	-	43,20,000
Translation reserve	-1,04,54,040	-	-	-1,06,83,052
Surplus (i.e) Balance in Profit and Loss Account	44,79,51,542	-	-	45,95,67,273
<b>Total taken to Balance Sheet</b>	<b>78,46,04,331</b>	<b>12,59,14,182</b>		<b>92,19,05,232</b>

**Schedule 'C'**

**Minority Interest**

PARTICULARS	AS AT 31.03.2006	AS AT 31.03.2005
	Rs.	Rs.
Share capital IN KCPVIL	<b>11,85,71,834</b>	11,85,71,834
4819922 Equity shares (4819922 shares ) held by minority in KCPVI Limited		
Share capital in KCP BIOTECH	-	700
7 shares held by minority in KCP Biotech Limited		
Deficit in Profit and Loss Account	<b>-1,05,62,005</b>	-3,91,24,109
Translation Reserve	<b>-53,41,526</b>	-53,72,030
<b>Total taken to Balance Sheet</b>	<b>10,26,68,303</b>	<b>7,40,76,395</b>

### Schedule 'D' "Secured Loans"

PARTICULARS	AS AT	AS AT
	31.03.2006	31.03.2005
	Rs.	Rs.
<b>I.Short-Term Loans:</b>		
a) Working capital loans from Banks		
- Group companies	42,45,04,908	423389114
- Joint Venture		3640000
<b>II. Long-Term Loans :</b>		
From Financial institutions	27,75,51,803	179729052
- Joint Venture	69,109	109600
<b>Total taken to Balance Sheet</b>	<b>70,21,25,820</b>	<b>606867766</b>

### Schedule 'E' "Unsecured Loans"

PARTICULARS	AS AT	AS AT
	31.03.2006	31.03.2005
	Rs.	Rs.
1. Fixed Deposits	23,91,20,000	25,98,89,000
2. Intercompany Loans	10,64,10,001	10,09,86,000
<b>Total taken to Balance Sheet</b>	<b>34,55,30,001</b>	<b>36,08,75,000</b>

### Schedule 'G' "Investments"

PARTICULARS	AS AT	AS AT
	31.03.2006	31.03.2005
	Rs.	Rs.
1. Trade Investments:		
(a) Quoted Equity Shares - Fully paid	1	1
(b) Unquoted Equity Shares - Fully paid:	3,60,00,000	5,40,00,000
2. Non-Trade Investments:		
(a) Quoted Equity Shares -Fully Paid:	12,08,507	
Less : Provision for shortfall in Value & Investments	<u>2,172</u>	
(b) Unquoted Equity Shares - Fully Paid:	50,00,002	50,00,002
3. Investments in Unit Trust of India		
4. Other Investments	56,64,631	56,30,807
<b>Total taken to Balance Sheet</b>	<b>4,78,70,969</b>	<b>6,58,37,145</b>

### Schedule 'H-1' "Current Assets"

#### Inventories

(as certified by the Managing Director.)

PARTICULARS	AS AT	AS AT
	31.03.2006	31.03.2005
	Rs.	Rs.
(1) Stores and Spares		
- Group Companies	25,27,37,144	18,33,56,733
- Joint Venture	38,99,953	78,60,305
a) Raw Materials	5,14,99,547	3,16,98,532
b) i) Finished Goods at Cost		
- Group Companies	18,46,18,630	12,15,47,114
- Joint Venture	0	58,95,445
ii) Finished Goods at Market Value		
- Group Companies	9,58,012	1,48,73,692
c) Work-in-progress	25,68,36,415	19,99,12,782
<b>Total taken to Balance Sheet</b>	<b>75,05,49,701</b>	<b>56,51,44,603</b>

**Schedule 'F'**  
**"Fixed Assets"**

Serial No.	DESCRIPTION	GROSS BLOCK						DEPRECIATION			NETT BLOCK	
		Cost upto 31.03.2005 year	Additions during the year	Deductions during the year	Exchange difference	Cost upto 31.03.2006	Exchange difference	Total Depreciation upto 31.03.2005	Total Depreciation upto 31.03.2006	As at 31.03.2006	As at 31.03.2005	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	Lands											
	- Group Companies	27964042	509830			28473872			28473872	27964042		
2.	(a) Buildings											
	- Group Companies	209279775	2773520			212053295			212053295	135791607		
	(b) Leasehold Buildings											
	- Group Companies	1547500				1547500			1547500	1160382		
3	Tramways & Railway Sidings											
	- Group Companies	7012866				7012866			7012866	1900813		
4	Plant & Machinaries											
	Owned											
	- Group Companies	2303318378	69203820	27148737	9691145	2355064606	-1920937	1088924426	1193986717	1161077889	1214393952	
	Leased											
	- Group Companies	803107				803107		762951	762951	40156	40156	
5	Furniture, Fixtures & Office Equipments											
	A) Owned											
	- Group Companies	40833502	1770819	782952		41821369		31454694	27035651	14785718	9378808	
	- Joint Venture	1154922	336703	12852		1478772		734671	950445	528328	420251	
	B) Leased											
	- Joint Venture	128932				128932		46778	72388	56544	82154	
6	Vehicles & Earthmoving Equipments											
	A) Owned											
	- Group Companies	59872898	7935052	6722268		61085682		49162424	38638774	22446908	10710474	
	- Joint Venture	160909	141712	28026		274594		32035	69952	204643	128874	
	B) Leased											
	- Group Companies	8022630		539942		7482688		4528608	5996716	1485972	3494022	
7	Research & Development Equipments											
	- Group Companies	1484225				1484225		780108	781609	702616	704117	
8	Patents											
	- Group Companies	2160916				2160916		2160917	900000	1260916		
	<b>Grand Total</b>	<b>2663744602</b>	<b>82671455</b>	<b>35234777</b>	<b>9691145</b>	<b>2720872425</b>	<b>-1920937</b>	<b>1257252220</b>	<b>1352974806</b>	<b>1367897619</b>	<b>1406492384</b>	
1.	Group Companies	2662299840	82193041	35193899	9691145	2718990127	-1920937	1256438735	1351882022	1367108105	1405861105	
2	Joint Venture	1444762	478414	40878		1882298		813485	1092784	789514	631279	
	<b>Grand Total</b>	<b>2663744602</b>	<b>82671455</b>	<b>35234777</b>	<b>9691145</b>	<b>2720872425</b>	<b>-1920937</b>	<b>1257252220</b>	<b>1352974806</b>	<b>1367897619</b>	<b>1406492384</b>	

## Schedule 'H-2'

### "Sundry Debtors"

PARTICULARS	Details	AS AT	AS AT
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
Sundry Debtors			
(A) Debts outstanding for a period exceeding six months:			
Considered Good			
(a) Fully Secured			
- Group Companies	26,86,282		25,83,813
(b) Unsecured			
- Group Companies	62,81,291		4,67,127
- Joint venture	1,46,02,380		98,06,407
		2,35,69,953	1,02,73,534
Considered Doubtful			
- Group Companies		0	5,22,405
- Joint Venture		0	10,93,346
			16,15,751
		2,35,69,953	1,44,73,098
Less: Provision for doubtful debts			
- Group Companies		0	5,22,405
- Joint Venture		0	10,93,346
		2,35,69,953	1,28,57,347
(B) Other Debts-Considered Good			
(a) Fully Secured			
- Group Companies	41,11,773		46,76,934
(b) Unsecured			
- Group Companies	16,81,36,593		12,90,67,622
- Joint Venture	3,41,94,621		1,56,19,227
		20,64,42,987	14,93,63,783
<b>Total taken to Balance Sheet</b>		<b>23,00,12,940</b>	<b>16,22,21,130</b>

## Schedule 'H-3'

### "Cash and Bank Balances"

PARTICULARS	Details	AS AT	AS AT
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
(1) Cash /Cheques on hand			
- Group Companies	1,03,98,199		1,34,44,789
- Joint venture	13,034	1,04,11,233	4,663
(2) At Scheduled Banks:			
i) in Fixed Deposits			
- Group Companies	11,87,37,546		3,00,65,334
- Joint venture	1,54,39,103	13,41,76,649	20,35,473
ii) in Current Accounts			
- Group Companies	8,12,66,942		6,00,76,114
- Joint venture	1,47,039	8,14,13,981	98,34,085
iii) in Other Banks:			4,63,15,592
<b>Total taken to Balance Sheet</b>		<b>22,60,01,863</b>	<b>16,17,76,050</b>

## Schedule 'H-4'

### "Other Current Assets"

PARTICULARS	Details	AS AT	AS AT
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
Interest accrued			
- Group Companies		25,56,027	20,57,202
- Joint Venture		27,691	24,733
<b>Total taken to Balance Sheet</b>		<b>25,83,718</b>	<b>20,81,935</b>

## Schedule "H-5"

### "Loans And Advances"

PARTICULARS	Details Rs.	AS AT	AS AT
		31.03.2006 Rs.	31.03.2005 Rs.
(1) Advances, ( unsecured , recoverable in cash or in kind , for value to be received ) Considered Good			
- Group Companies	9,16,74,788		5,93,34,464
- Joint Venture	2,85,10,213		1,12,14,368
Considered Doubtful	<u>37,36,597</u>		<u>34,18,278</u>
	12,39,21,598		7,39,67,110
Less : Provision for Doubtful Advances	<u>37,36,598</u>		<u>34,18,278</u>
		<b>12,01,85,000</b>	<b>7,05,48,832</b>
(2) Prepaid Expenses			
- Group Companies	1,15,91,632		1,59,47,878
- Joint Venture	<u>6,64,421</u>	<b>1,22,56,053</b>	<u>2,65,431</u>
(3) Excise Duty paid in advance			
- Group Companies	4,31,64,846		1,48,32,761
- Joint Venture	<u>6,46,879</u>	<b>4,38,11,725</b>	<u>1,98,607</u>
(4) Income-tax / Wealth -tax paid in advance			
- Group Companies	15,54,79,071		12,47,23,020
- Joint Venture	<u>43,11,376</u>	<b>15,97,90,447</b>	<u>9,87,148</u>
(5) Income-tax deducted at source			
- Group Companies	74,79,438		21,67,900
- Joint Venture		<b>74,79,438</b>	<u>2,98,022</u>
(6) Deposits recoverable			
- Group Companies	3,22,66,478		3,93,26,565
- Joint Venture	<u>15,534</u>	<b>3,22,82,012</b>	<u>2,15,534</u>
(7) Claims recoverable			
- Group Companies	1,07,28,097		24,38,139
- Joint Venture	<u>86,794</u>	<b>1,08,14,891</b>	
<b>Total taken to Balance Sheet</b>		<b>38,66,19,566</b>	<b>27,19,49,838</b>

## Schedule "I-1"

### "Current Liabilities and Provisions"

PARTICULARS	Details Rs.	AS AT	AS AT
		31.03.2006 Rs.	31.03.2005 Rs.
<b>A. CURRENT LIABILITIES:</b>			
(1) Sundry Creditors			
- Group Companies	24,30,50,546		22,73,66,826
- Joint Venture	<u>2,85,50,681</u>	<b>27,16,01,227</b>	<u>1,49,18,002</u>
(2) Advances received against sales			
- Group Companies	19,63,17,222		17,33,70,760
- Joint Venture	<u>6,01,45,414</u>	<b>25,64,62,636</b>	<u>3,43,90,963</u>
(3) Trade Deposits		<b>3,60,30,000</b>	3,59,25,000
(4) Security Deposits from staff and others			
- Group Companies	14,03,764		16,01,633
- Joint Venture	<u>8,040</u>	<b>14,11,804</b>	<u>2,000</u>
(5) Interest accrued but not due on loans			
- Group Companies	47,78,824		88,86,954
- Joint Venture	<u>214</u>	<b>47,79,038</b>	<u>75</u>
(6) Due to Superannuation and Gratuity Trusts(NET)		<b>63,33,146</b>	88,06,643
(7) Unclaimed dividend		<b>38,68,122</b>	43,03,961
(8) Other Liabilities			
- Joint venture			25,70,212
<b>Total taken to Balance Sheet</b>		<b>58,04,85,972</b>	<b>51,21,43,029</b>

## Schedule "I-2"

### PROVISIONS:

PARTICULARS	Details Rs.	AS AT	AS AT
		31.03.2006 Rs.	31.03.2005 Rs.
(1) for Income Tax & Wealth Tax			
- Group Companies	13,82,59,480		5,66,92,891
- Joint Venture	<u>20,78,565</u>	<b>14,03,38,045</b>	<u>7,45,623</u>
(2) for Proposed Dividend		<b>6,64,60,580</b>	3,86,76,348
(3) for Tax on Dividend		<b>93,21,096</b>	54,24,358
(4) for Leave Encashment			
- Group Companies	99,99,233		76,46,585
- Joint Venture	<u>4,99,046</u>	<b>1,04,98,279</b>	<u>3,83,512</u>
<b>Total taken to Balance Sheet</b>		<b>22,66,18,000</b>	<b>10,95,69,317</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 & Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

**SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT**
**Schedule-1**
**"Other Income"**

PARTICULARS	Details	For the	For the
		year ended 31.03.2006	year ended 31.03.2005
	Rs.	Rs.	Rs.
(1) Interest received from Banks and others			
- Group Companies	6,06,86,098		77,28,498
- Joint Venture	5,17,168	<b>6,12,03,266</b>	1,10,045
(2) Dividends Received (Gross)		<b>2,67,405</b>	2,55,925
(3) Rents received		<b>10,96,944</b>	10,42,813
(4) Miscellaneous Receipts			
- Group Companies		<b>80,10,521</b>	29,05,986
- Joint Venture			
(5) Profit on sale of Assets			
- Group Companies	8,77,138		13,41,867
- Joint Venture	14,584	<b>8,91,722</b>	7,252
(6) Unclaimed balances credited back		<b>5,52,421</b>	63,33,837
(7) Claims/refunds received			
- Group Companies	7,64,952		2,93,55,920
- Joint Venture	1,88,080		
(8) Profit on Sale of Investments		<b>9,53,032</b>	
(9) Provision no longer required credited back			
- Group Companies	63,31,337		40,08,227
- Joint Venture	11,71,767	<b>75,03,104</b>	1,37,120
(10) Bad debts recovered			25,00,000
(11) Difference in Exchange (Net)		<b>32,68,478</b>	
<b>Total taken to Profit and Loss Account</b>		<b>8,37,46,892</b>	<b>5,57,27,490</b>

**Schedule-2**
**Materials Consumed**

PARTICULARS	Details	For the	Details	For the
		year ended 31.03.2006		year ended 31.03.2005
	Rs.	Rs.	Rs.	Rs.
<b>Opening Stocks:</b>				
Raw materials				
- Group Companies	1,45,63,220		65,85,275	
- Joint Venture	78,60,305		99,01,979	
Work-in-Progress				
- Group Companies	19,20,52,477		9,87,10,164	
Finished goods				
- Group Companies	13,14,24,398		15,54,72,156	
- Joint Venture	58,95,445		Nil	
		<b>35,17,95,845</b>		27,06,69,574
<b>ADD:</b>				
i) Purchases:				
Raw materials & Components				
- Group Companies	12,55,67,606		24,71,84,650	
- Joint Venture	22,48,78,070		8,91,27,621	
ii) Cost of raw materials produced				
- Group Companies	55,39,77,367		34,27,11,656	
		<b>90,44,23,043</b>		67,90,23,927
		<b>1,25,62,18,888</b>		94,96,93,501
<b>LESS:</b>				
Closing Stocks: Raw materials				
- Group Companies	2,09,35,825		1,45,63,220	
- Joint Venture			78,60,305	
Work-in-Progress				
- Group Companies	25,68,36,415		19,20,52,477	
Finished goods				
- Group Companies	18,55,76,642		13,14,24,397	
- Joint Venture			58,95,445	
		<b>46,33,48,882</b>		35,17,95,845
<b>Total taken to Profit and Loss Account</b>		<b>79,28,70,006</b>		59,78,97,656

### Schedule-3 "Payments and Benefits to Employees"

PARTICULARS	Details	For the	For the
		year ended	year ended
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
Salaries, Wages and Bonus			
- Group Companies		17,48,92,963	15,11,98,229
- Joint Venture		57,62,748	38,39,404
Contribution to Provident Fund and Family Pension Scheme			
- Group Companies		1,13,39,331	1,02,10,990
- Joint Venture		3,28,564	2,48,087
Contribution to Superannuation Funds			
- Group Companies		53,23,652	49,07,972
- Joint Venture		2,71,306	2,96,667
Contribution to Gratuity Funds			
- Group Companies		56,23,993	44,95,198
- Joint Venture		4,97,168	66,992
Workmen and Staff Welfare expenses			
- Group Companies		2,11,14,536	1,86,89,852
- Joint Venture		5,75,572	5,89,918
<b>Total taken to Profit and Loss Account</b>		<b>22,57,29,833</b>	<b>19,45,43,309</b>

### Schedule-4 "Manufacturing ,Selling, Administrative And Other Expenses"

PARTICULARS	Details	For the	For the
		year ended	year ended
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
<b>Manufacturing:</b>			
Stores and Spares (including Packing Materials) consumed.			
- Group Companies		20,14,19,593	16,26,55,473
- Joint Venture		9,38,947	33,36,091
Sub-contracted works			
- Group Companies		5,48,88,654	4,80,94,720
- Joint Venture		24,14,555	12,46,443
Power and Fuel			
- Group Companies	46,89,41,643		
Less: Self consumption of Power generated internally	9,99,10,467	36,90,31,176	31,43,69,688
Insurance			
- Group Companies		62,93,936	53,82,031
- Joint Venture		1,07,055	15,936
Research & Development			
- Group Companies		3,97,424	3,65,134
Technical fee and royalty			
- Group Companies		25,09,884	
- Joint Venture		6,06,752	2,42,258
Lease Rentals			
- Group Companies		1,23,85,000	10,37,487
Joint Venture		1,36,254	46,375
Repairs to Buildings			
- Group Companies		1,98,88,427	1,44,34,678
Repairs to Machinery			
- Group Companies		3,27,23,644	42,178,115
Repairs to Other Assets			
- Group Companies		92,37,500	85,67,784
	(A)	<u>71,29,78,800</u>	<u>60,19,72,213</u>
<b>Selling:</b>			
Advertisement			
- Group Companies		57,12,448	82,81,921
- Joint Venture		1,62,730	29,652
Loading, Unloading, Transport etc			
- Group Companies		16,34,98,658	8,29,15,210
- Joint Venture		36,91,952	24,25,096
Commission on Sales			
- Group Companies		22,31,676	45,67,013
- Joint Venture		68,08,902	26,75,640
	(B)	<u>18,21,06,365</u>	<u>10,08,94,532</u>
<b>Administrative:</b>			
Rent			
- Group Companies		14,43,669	13,52,232
- Joint Venture		1,36,254	29,652

(Continued)

PARTICULARS	Details	For the	For the
		year ended	year ended
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
Payments to Auditors			
- Group Companies		21,94,081	13,19,160
- Joint Venture		72,620	70,600
Directors' Sitting Fee			
- Group Companies		2,28,750	3,69,795
Managerial Remuneration			
- Group Companies		1,63,40,322	76,18,315
- Joint Venture		5,24,081	3,57,931
Miscellaneous Expenses			
- Group Companies		6,78,07,805	6,69,45,500
- Joint Venture		83,03,930	44,70,295
	(C)	<u>9,70,51,511</u>	<u>8,25,33,480</u>
<b>Other Items:</b>			
Warranty Claims			
- Group Companies		34,58,553	84,33,371
- Joint Venture		12,83,100	
Provision for doubtful debts			
- Group Companies		3,46,935	43,491
Bad debts and irrecoverable advances written off			
- Group Companies		10,53,508	6,83,393
- Joint Venture			
Discarded assets written off			
- Group Companies		16,31,619	3,259
Loss on sale of assets			
- Group Companies		27,51,570	4,74,24,081
- Joint Venture			
Investments written off			
- Group Companies		0	9,99,999
Short fall in value of Investments			
- Group Companies			
Difference in exchange (NET)			
- Group Companies		0	1,23,81,200
- Joint Venture		0	48,769
Bad debts written off			
- Joint Venture		19,87,418	
	(D)	<u>1,25,12,702</u>	<u>7,00,17,563</u>
<b>Totals of A+B+C+D taken to Profit and Loss Account</b>		<b>1,00,46,49,379</b>	<b>85,54,17,787</b>

## Schedule-5 Duty & Taxes (Excluding Income tax)"

PARTICULARS	Details	For the	For the
		year ended	year ended
		31.03.2006	31.03.2005
	Rs.	Rs.	Rs.
Excise Duty and Cess			
- Group Companies		31,80,03,021	27,12,74,041
- Joint Venture		9,33,622	6,58,042
Rates and Taxes			
- Group Companies		73,30,005	88,72,032
- Joint Venture		82,439	15,671
<b>Total taken to Profit and Loss Account</b>		<b>32,63,49,086</b>	<b>28,08,19,786</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 & Managing Director

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

## NOTES FORMING PART OF THE ACCOUNTS

### 1. Basis of preparation

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

Consolidating its accounts and those of its subsidiaries viz. KCP Vietnam Industries Ltd, KCP Biotech Limited, in accordance with "Accounting Standard 21 Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

#### 1.1 Companies included in consolidation

Consequent to the voluntary liquidation of KECEPE Investments Pvt. Ltd., Singapore, in which The K.C.P. Limited held 66.67% of the Equity Capital, the said holding has been substituted by shares of equivalent carrying amount in KCP Vietnam Industries Ltd. The financial statements of KCP Vietnam Industries Limited, prepared for the year ended 31st March, 2006, have been considered for the purposes of these consolidated accounts.

KCP Biotech limited is 100% subsidiary of the K.C.P Limited and Fives Cail KCP Limited a company incorporated in India, is a joint venture entity in which The KCP Limited has a 40% interest. The reporting date of these two entities is 31st March.

#### 1.2 Principles of consolidation

The financial statements of the KCP Ltd and its subsidiaries 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 here along with. It is not practicable to use uniform accounting policies in preparing the consolidated financial statements.

#### 1.3 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
- 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

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

PARTICULARS	ASSETS Rs.	LIABILITIES Rs.
1. Depreciation		7,82,87,248
2. Items U/s 43 B of IT Act	24,32,807	
3. Provision for Doubtful Debts	13,26,433	
	37,59,240	7,82,87,248
Net deferred tax liability as on 31.03.2006		<b>7,45,28,008</b>

Deferred Tax asset arising on account of unabsorbed loss incurred in Vietnam is not taken into account, as a prudent measure.

3. Movement in Translation Reserve	KCP Ltd Rs.	Minority Rs.	Total Rs.
Opening Balance (Cr)	-1,04,54,040	-53,72,030	-1,58,26,070
Movement due to Non - Monetary items- Capital, Reserves, Opening Stock etc. (Dr)	-2,29,012	30,504	-1,98,508
Closing Balance(Dr)	-1,06,83,052	-53,41,526	-1,60,24,578

4. 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 K C P Ltd  
Smt. V.L. Indira Dutt- Joint Managing Director, The K C P Ltd  
Smt. Kavitha D Chitturi - Executive Director, The K C P Ltd  
Sri. N.Radhakrishana Rao- Director and President, 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. Rajeswari Ramakrishanan, Sister of Dr. V.L. Dutt.

**Companies controlled by**

**Key management Personnel/Relatives**

M/s. KCP Technologies Limited  
M/s. V. Ramakrishna Sons Limited  
M/s. The Jeypore Sugar Company Ltd.  
M/s. VRK Grandsons (Private) Limited

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

	Key management personnel Rs.	Relatives of Key management Personnel Rs.	Companies Controlled by KMP/ relatives of KMP Rs.
<b>Transactions during the year</b>			
Services rendered	30000		122880
Interest Received	(30000)		(122880)
Loans / Deposits Received	27500000	0	11500000
Services received and others	0	0	0
Remuneration paid	16789815 (7976246)	(14700)	(92647)
Interest paid	1965395 (401125)	0	898335 (1680205)
Dividend paid	2599188 (667573)	524331 (174777)	11782005 (4857331)
Loans paid/Given	0		0
<b>Balances as at 31.03.2006</b>			
Receivable - Trade dues	0		5159631 (4414314)
Share capital in KCP held by	8894740 (8623960)	2058440 (1747770)	39300690 (48573310)
Loans/Advance/Deposits received	26400000 (4403000)	0	11500000 (17250000)
Guarantees received	153387500 (174520000)	0	
Payable - Trade dues	32733		
Payable - Interest			0 (302763)

5. Particulars disclosed pursuant to "AS-19 Accounting for Leases":-  
(a) Finance Leases :

PARTICULARS	AS ON 31.03.2006 Rs.	Not Later than One Year Rs.	Later than 1 year and not later than 5 years Rs.
Total minimum lease payments	16,15,557	12,95,479	3,20,078
Present value of minimum lease payments	8,54,020	7,02,949	1,51,071

-There are no material restrictions imposed under lease arrangements.  
-There are no commitments for renewal or purchase of the leased assets at the end of the lease term.

(b) Operating Lease:

There are no minimum lease payments.

Lease payments accrue only by way of contingent rents based on the number of units of power generated from the Wind Energy Generators for which the company has entered into a noncancellable Operating Lease arrangement.

The leasing arrangement contains terms for renewal but not for purchase of the assets under lease and also contains a built-in escalation provision.

There are no material restrictions imposed under the said operating lease arrangement.

6. Claims against the Company not admitted		31st March,2006	31st March,2005
Statutory Levies :-		Rs.	Rs.
Indirect Taxes			
Group Companies	2,64,94,287		2,42,78,783
Joint Venture	<u>0</u>	<b>2,64,94,287</b>	49,80,709
Direct Taxes			
Group Companies	1,44,74,196		3,54,82,402
Joint Venture	<u>0</u>	<b>1,44,74,196</b>	
Contractual Levies		<b>1,72,70,412</b>	1,15,49,013
Others		<b>3,71,97,678</b>	1,97,83,576
Total		<b>9,54,36,573</b>	9,60,74,483

7. 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 )

Per our report annexed  
for BRAHMAYYA & CO.  
Chartered Accountants

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

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

**KAVITHA D. CHITTURI**  
Executive Director

**C. MURALIKRISHNA**  
Partner

**S. NANDAGOPAL**  
Director

**V. GANDHI**  
Technical Director

**K. SRIDHAR**  
Company Secretary &  
Chief Financial Officer

Place : Chennai -600 008.  
Date : 26th June 2006

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2006**

PARTICULARS			2006	2005
	ADD	LESS	TOTAL	
A CASH FLOW FROM OPERATING ACTIVITIES	Rs.	Rs.	Rs.	Rs.
Net Profit before Tax			31,68,05,383	24,05,71,323
<b>ADJUSTMENTS FOR</b>			31,68,05,383	24,05,71,323
Depreciation	12,62,90,664			12,21,93,836
Investments written off				9,99,999
Foreign Exchange Difference		32,68,478		1,24,29,969
Profit/Loss on Sale / conversion of Assets	2,12,274	8,91,722		4,60,74,962
Assets Written off	14,45,402			3,259
Interest (Net)	2,96,18,295			6,10,78,508
Dividend Received		2,67,405		-2,55,925
Preliminary Expenses Written off	28,616			28,616
Provision for diminution in value of investments of earlier years withdrawn				-11,96,037
	15,75,95,251	44,27,605	15,31,67,646	24,13,57,187
<b>OPERATING PROFIT BEFORE WORKING CAPITAL :</b>			46,99,73,029	48,19,28,510
Trade and other Receivables		14,38,40,910		-2,55,87,695
Inventories		18,54,05,098		12,41,38,505
Trade Payables & Provision	7,08,11,125			2,77,82,710
	7,08,11,125	32,92,46,008	-25,84,34,883	12,63,33,520
<b>CASH GENERATED FROM OPERATIONS</b>			21,15,38,146	35,55,94,990
Direct Taxes refunds received/ Paid	3,94,51,405	7,28,52,943	-3,34,01,538	-4,17,56,054
			17,81,36,608	31,38,38,936
<b>CASH FLOW BEFORE EXTRAORDINARY ITEMS</b>				
Foreign Exchange Difference	32,68,478			-1,24,29,969
	32,68,478		32,68,478	-1,24,29,969
<b>NET CASH FROM OPERATING ACTIVITIES ... A</b>			18,14,05,086	30,14,08,967
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		8,26,71,455		-11,56,49,662
Capital Work-in-Progress		5,29,30,496		-44,77,102
Purchase of Investments		33,824		1,26,22,456
Sale of Fixed Assets	10,19,409			60,00,000
Sale of Investments	1,80,00,000			78,38,543
Interest Received	6,12,03,266			2,55,925
Dividend Received	2,67,405			
Translation difference	0	70,54,870		3,42,10,193
Movement in Minority Interest	30,504	0		-2,04,56,186
	8,05,20,584	14,26,90,645	-6,21,70,061	-7,96,55,833
<b>NET CASH USED IN INVESTING ACTIVITIES ... B</b>			-6,21,70,061	-7,96,55,833
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Long Term Borrowings (Secured)	9,52,58,054			-25,09,59,415
Dividends Paid		3,86,76,348		-1,28,92,116
Tax on Distributed Profits		54,24,358		-16,51,802
Interest Paid		9,08,21,561		-6,89,17,051
Proceeds Long Term Borrowings (Unsecured)		1,53,44,999		14,94,07,000
	9,52,58,054	15,02,67,266	-5,50,09,212	-18,50,13,384
<b>NET CASH USED IN FINANCING ACTIVITIES ... C</b>			-5,50,09,212	-18,50,13,384
Net increase in cash and cash equivalents (A+B+C)			6,42,25,813	3,67,39,750
Opening Cash Balance			16,17,76,050	12,50,36,299
Closing Cash Balance			22,60,01,863	16,17,76,050

(FOR AND ON BEHALF OF THE BOARD)

Per our Certificate of even date  
for BRAHMAYYA & CO.,  
Chartered Accountants

**V .L. DUTT**  
CHAIRMAN & MANAGING DIRECTOR

**C. MURALIKRISHNA**  
ICAI NO Memb.No. 20884  
Partner

SEGMENT REPORT UNDER ACCOUNTING STANDARD 17 AS AT 31ST MARCH 2006

Annexure-I  
(Rs. in lakhs)

Primary Segment Report - Business Segments

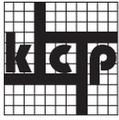
PARTICULARS	Engineering		Cement		Power		Sugar		Others		Elimination		Consolidated	
	Current Year	Previous Year												
Revenue	11484	8303	10918	9214	1021	0	6409	6046	324	446	2159	962	27997	23047
External Sales and other income	192	142	35	88	2	793	98	336	761	287	235	1089	853	557
Inter Segment Sales / other Income	11676	8445	10953	9302	1023	793	6507	6382	1085	733	2394	2051	28850	23604
Result	2249	1322	92	566	540	377	1359	1356	-173	-29	0	0	4067	3592
Add: Unallocated Corporate Expenses	2249	1322	92	566	540	377	1359	1356	-173	-29	0	0	-28	-497
Operating Profit / (Loss)														3095
Less: Interest Expenses														689
Add: Interest Income														0
Add: Income Tax Refund														57
Less: Income Taxes														829
Net Current Tax liability														-23
Net Deferred Tax Liability														-31
Profit from Ordinary Activities	2249	1322	92	566	540	377	1359	1356	-173	-29	0	0	2421	1907
less: Minority share of profit / ( Loss )														286
Net Profit	2249	1322	92	566	540	377	1359	1356	-173	-29	0	0	2135	1602

Other Information

Segment Assets	6346	5660	6294	4512	3561	3758	9319	9434	1347	1026	187	242	27055	24148
Unallocated corporate Assets	6346	5660	6294	4512	3561	3758	9319	9434	1347	0	187	242	1414	2720
Total Assets	3572	3702	4043	2841	16	15	6237	7222	1281	680	4316	2414	10832	12046
Segment Liabilities													6092	4944
Unallocated Corporate liabilities													1139	741
Minority Interest													10405	9137
Shareholders Funds	3572	3702	4043	2841	16	15	6237	7222	1281	805	5377	2414	28468	26868
Total Liabilities	372	110	209	81	16	6	123	154	45				765	1156
Capital Expenditure													56	0
Unallocated capital expenditure													821	1156
Total Capital Expenditure														1260
Depreciation	52	44	172	158	263	263	709	723	33	34	31	0		

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	22343	17222	18775	17434	642	1002
South East Asia - Vietnam	6507	6382	9319	9434	123	154



**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

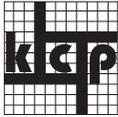
FOLIO NO./CLIENT ID NO.

**65TH ANNUAL  
GENERAL MEETING ON WEDNESDAY  
27TH SEPTEMBER, 2006 AT 11.00 A.M.  
AT REGISTERED OFFICE  
"RAMAKRISHNA BUILDINGS"  
2, DR. P. V. CHERIAN CRESCENT, EGMORE,  
CHENNAI - 600 008.**

\* If you intend to appoint a Proxy, please complete the Proxy from 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  
 ..... as my / our proxy  
 to vote for me / us on my / our behalf at the 65th Annual General Meeting of Company to held on at 11.00 a.m. on Wednesday, the 27th  
 September, 2006 and at any adjournment thereof.

As witness my (our) hand(s) this ..... day of .....2006

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.