

***K.C.P. SUGAR AND INDUSTRIES
CORPORATION LIMITED***

***Thirteenth Annual Report
2007 - 2008***

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BOARD OF DIRECTORS

Chairman	Shri.Vinod R. Sethi
Managing Director	Smt.Irmgard Velagapudi M. Rao
Executive Director	Smt.V.Kiran Rao
Directors	Shri.K.A.Rangaswamy Shri.Ranvir Shah Shri.Prathap K.Moturi Dr.Vithal Rajan Shri.Raghu Cidambi [till 03.10.2007] Shri.M.S.V.M.Rao
Chief Operating Officer	Shri.S.V.Narasimha Rao
General Manager (Finance) and Secretary	Shri.V.C.Unnikrishnan, FCA, FICWA, FCS [till 04.07.2007]
General Manager (Finance)	Shri.R. Ganesan [from 05.07.2007]
Deputy General Manager (Finance) and Company Secretary	Shri.S.Chidambaram, B.Sc.,AICWA,ACS, [from 05.07.2007]
Auditors	Messrs. B.Purushottam & Co. Chartered Accountants, Flat No.3-D, "Pioneer Homes" 23/A, North Boag Road, T.Nagar Chennai 600017.
Legal Advisor	Shri.T.Raghavan
Bankers	State Bank of India Punjab National Bank ICICI Bank Ltd ING Vysya Bank Ltd Axis Bank Ltd
Registered & Corporate Office	"Ramakrishna Buildings" 239, Anna Salai, Chennai - 600 006.
Units	Vuyyuru - Sugar Industrial Chemicals Incidental Co-Generation Power Biotech Research and Development CO2 Calcium Lactate Lakshmipuram - Sugar - Incidental Co-Generation Power
Registrars to Deposits	TIPS Data Systems Private Limited 19 (old 11) Nagarjuna Nagar, 1st Street Rangarajapuram, Kodambakkam, Chennai - 600 024. Ph: 24812333 / 24812335 Fax : 24812336 Website : www.tipsdatasys.com
Registrars & Share Transfer Agent	M/s Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1,Ramakrishna Street, off: North Usman Road, T.Nagar, Chennai - 600 017. Ph: 28140801 to 28140803 Fax: 28142479 Website: www.iepindia.com

FINANCIAL HIGHLIGHTS

Rs. in Lakhs

Particulars	Year Ended									
	31.03.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30
Reserves and Surplus	14,342.19	14,475.97	12,784.19	9,012.45	6,554.82	4,962.81	5,384.94	6,772.84	6,105.68	5,515.34
Net Worth	15,476.04	15,609.82	13,918.04	10,146.30	7,688.67	6,096.66	6,518.79	7,906.69	7,394.98	6,804.64
Fixed Assets (Net)	14,758.28	15,541.25	13,970.66	10,448.77	9,649.21	10,141.13	10,114.89	9,589.37	8,979.56	7,878.04
Gross Income	25,442.27	33,611.64	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59
Gross Profit	2,280.74	5,000.54	10,555.24	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39
Depreciation	1,059.37	1,001.49	743.45	619.97	626.02	611.21	575.87	531.30	428.73	368.96
Interest	459.93	351.56	420.53	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60
Profit / (Loss) before Tax	761.44	3,647.49	9,391.26	6,498.84	1,023.43	-577.63	536.17	1,668.16	1,183.57	1,246.83
Profit / (Loss) after Tax	710.97	2,355.05	5,711.05	4,065.21	1,911.79	-422.13	340.19	1,368.16	983.57	946.83
Earnings per Share (Rs.)	**0.63	**2.08	**5.04	35.85	16.86	-3.72	3.00	*10.79	7.63	7.34
Cash Earnings per Share (Rs.)	**1.56	**2.96	**5.69	41.32	22.38	1.67	8.08	*14.97	10.95	10.21
Book Value per Share (Rs.)	**13.65	**13.77	**12.28	89.49	67.81	53.77	57.49	69.73	57.36	52.78
Dividends on Equity %	50.00	50.00	150.00	100.00	25.00	—	25.00	25.00	25.00	25.00
Long term Debt Equity Ratio (excluding working capital borrowings)	0.22	0.12	0.16	0.30	0.49	0.58	0.70	0.73	0.75	0.77

* During the year 2000-01, the Company bought back 15,54,511 shares and hence EPS & CEPS have been calculated on the weighted average of Capital held during the year.

** Face value of each equity share of Rs.10/- has been sub-divided into 10 equity shares of Face Value of Re.1/- each w.e.f. 17.03.2006.

SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY

SEASON	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
SUGAR UNIT, VUYURU										
Cane Crushed in MTS	8,46,674	12,21,209	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052
Sugar bagged in QTLS	9,19,000	13,19,880	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540	9,62,300
Recovery (%)	10.85	10.83	11.15	11.46	10.47	10.07	10.48	10.38	10.20	10.33
SUGAR UNIT, LAKSHMIPURAM										
Cane Crushed in MTS	2,74,193	4,53,307	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010	4,50,431
Sugar bagged in QTLS	2,68,948	4,67,905	4,61,679	4,13,580	3,14,879	2,09,638	68,658	1,75,071	4,51,700	4,41,310
Recovery (%)	9.80	10.32	10.63	11.10	10.05	9.07	9.40	9.36	9.65	9.80

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall" Narada Gana Sabha, 314, T.T.K.Road, Alwarpet, Chennai 600018, on Thursday, the 11TH day of September 2008 at 10.45 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2008 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares
3. To appoint a Director in the place of Dr.Vithal Rajan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri M.S.V.M.Rao who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as shall be fixed by the Board of Directors.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to paragraphs (B) of Section II (1) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company be and is hereby authorized to pay minimum remuneration, as detailed in the Explanatory Statement, to Smt. Irmgard Velagapudi M. Rao, Managing Director, for the financial year 2007-08 and in the financial years in which there is inadequacy or absence of profits during the balance period of her tenure ending on 28.03.2010."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to paragraphs (B) of Section II (1) of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals as may be necessary, the Company be and is hereby authorized to pay minimum remuneration, as detailed in the Explanatory Statement, to Smt. V. Kiran Rao, Executive Director, for the financial year 2007-08 and in any two financial years in which there is inadequacy or absence of profits during the balance period of her tenure ending on 28.07.2012."

// **BY ORDER OF THE BOARD** //

Place : Chennai
Date : 25.06.2008

VINOD R. SETHI
CHAIRMAN

NOTES:

- a. **An Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set out in item No. 6 and 7 are annexed hereto.
- b. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

The **proxy form**, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

- c. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 2nd day of September 2008 to 11th day of September 2008, both days inclusive, **for the purpose of payment of dividend.**

- d. Dividend on equity shares**, as recommended by the Board, on approval by the shareholders at the AGM, will be paid on or after 13.09.2008, but within the stipulated time, subject however to the provisions of Section 206A of the Companies Act, 1956:
- i. to those Members whose names appear on the Register of Members of the Company as on 01.09.2008, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before the close of business hours of 01.09.2008, and
 - ii. in respect of shares held in electronic form, to those “Deemed Members” whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Ltd (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 01.09.2008.
- e. M/s. Integrated Enterprises (India) Ltd**, Kences Towers, II Floor, No.1 Ramakrishna Street, off: North Usman Road, T.Nagar, Chennai 600 017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
- f.** Securities and Exchange Board of India has made **trading** in the shares of the company **compulsory in dematerialized form** for all investors. Members are requested to open a Beneficiary owner account with a Depository Participant, if not done so far.
- g.** Members are requested to **quote their Registered Folio number** in all correspondence with the Company/ Registrar and are requested to notify to the Registrar change, if any, in the Registered Address and/or of their mandates. In case your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to **kindly inform your PIN CODE** immediately to the Registrar.
- h. Members holding shares in dematerialized form**, may please note that while opening a depository account with participants they might have given **their bank account details**, which will be printed on their dividend warrants. However, if Members want to change/correct the Bank details, they should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for addition/deletion/change in bank account details furnished by Depository Participants to the Company.**
- i. Members holding shares in physical form** are requested to note that in order to avoid any loss/interruption in postal transit and also to get prompt credit of **dividend through Electronic Clearing Service (ECS)**, they should submit their ECS details to the Company’s Registrar and Transfer Agents latest by 02.09.2008. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 02.09.2008. Alternatively, Members may provide details of their Bank Accounts quoting their folio numbers by the said date, to the Company’s Registrar and Transfer Agents to enable them print such details on the dividend warrants. Please ensure that the details submitted by you to our Registrars / your Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account. Payment of dividend through ECS and / or to the designated Bank Account which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.
- j.** Members who are holding shares in identical order of names in more than one folio are requested to send to the Registrar the details of all such folios together with the Share Certificates for **consolidation of their holdings into a single folio.**
- k. Members who hold shares in the physical form** can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility** by filling **Form 2B printed with this Annual Report**. Members holding shares in dematerialized form may please contact their Depository Participants for recording nomination in respect of their shares.
- l.** As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2001 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Education and Protection Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE (CONTD..)

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial year ended	Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.2001	23.07.2001	27.07.2008	25.08.2008
31.03.2002	11.09.2002	16.09.2009	15.10.2009
31.03.2003.	No Dividend declared for the year		
31.03.2004	02.09.2004	09.09.2011	08.10.2011
31.03.2005	(interim)	10.11.2004	22.11.2011
	(Final)	31.08.2005	04.08.2012
31.03.2006	(interim)	27.10.2005	07.11.2012
	(Final)	12.10.2006	17.10.2013
31.03.2007	27.09.2007	02.09.2014	01.10.2014

- m. Shareholders are requested to **encash their Dividend Warrants on receipt** as Dividend remaining **unclaimed for seven years**, are required to be **transferred to the Investor Education and Protection Fund** established by the Central Government under Section 205C of the Companies Act, 1956. **Once** unclaimed dividends are **transferred** to this fund, shareholders will **not be entitled to claim** these dividends.

[The Unclaimed Dividend for the above year(s), 2000-01, 2001-02, 2003-04, and 2004 – 05 (interim & final), 2005-06 (interim & final), and 2006-07 are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are in their own interest advised to write to the Registrar immediately with complete details. Shareholders are requested to note that no claim shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claim.]

- n. Shareholders who have **not lodged their old share certificates of “The K.C.P.Ltd”** for exchange of new share certificates of both the Companies in terms of the approved Scheme of Arrangement are requested to surrender the same to The K.C.P.Ltd, No.2, Dr.PV.Chcrian Crescent, Egmore, Chennai – 600 008 at the earliest with a copy marked to the Registrar. New share certificates of this Company will be despatched after receipt of confirmation from The K.C.P.Ltd.
- o. Members/Proxy holders must bring the **Attendance Slip duly signed to the meeting** and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to **bring their copy of the Annual Report to the Meeting**, as copies will not be distributed at the Meeting hall.
- p. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the Secretarial Division **at least two weeks before the Meeting** so that the information may be made available at the Meeting.

- (i) Additional information on Directors seeking reappointment at the Thirteenth Annual General Meeting

As per Section 255 read with 256 of the Companies Act, 1956 and in pursuance of Article 119 and 120 of Articles of Association of the Company, at least two thirds of the Board should consist of retiring Directors. Of these, one-third of the retiring Directors are required to retire every year. Dr. Vithal Rajan and Shri. M.S.V.M. Rao retire by rotation at this Annual General Meeting, and being eligible offer themselves for reappointment.

Dr. Vithal Rajan:

Dr Vithal Rajan aged 72 years holds a Doctorate from the London School of Economics and is the Chairman of the Confederation of Voluntary Associations. He has been involved in many humanitarian activities internationally and in India. The Governor General of Canada has appointed him an Officer of the “Order of Canada”, the country’s highest honor for a lifetime of achievement for voluntary service and merit of a high degree, especially in service to Canada and to humanity at large. He was co-opted on the Board of the Company on 26.10.2005 as an Independent Additional Director and appointed as Director liable to retire by rotation at the Eleventh Annual General Meeting held on 12.10.2006. He retires by rotation at this Annual General Meeting, and being eligible, offer himself for reappointment.

Companies in which Dr. Vithal Rajan holds Directorship → NIL

Shareholding in the company → NIL

Shri. M.S.V.M.Rao:

Shri.M.S.V.M.Rao aged 53 years is an Agriculturist and a Postgraduate in Political Science. He holds Directorship in Varsha Hill Fort Resorts and is also the Chairman of the Raichur Group of Temples etc. He was coopted on the Board as an Independent Additional Director on 17.12.2005 and appointed as a Director liable to retire by rotation at the Eleventh Annual General Meeting held on 12.10.2006. He retires by rotation at this Annual General Meeting, and being eligible, offer himself for reappointment.

Companies in which Shri.M.S.V.M. Rao holds Directorship:

1. Varsha Hill Fort Resorts

Shareholding in the company

10 Equity Shares of face value Re. 1/- each

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No.6:

Smt. Irmgard Velagapudi M.Rao was appointed as Managing Director of your Company, not liable to retire by rotation, at the Seventh Annual General Meeting held on 11.09.2002 for a period of three years from 29.03.2002 to 28.03.2005, and was reappointed as Managing Director of your Company, not liable to retire by rotation at the Tenth Annual General Meeting held on 31.08.2005, for a period of five years from 29.03.2005 to 28.03.2010, on the following terms and conditions as recommended and approved by the Remuneration Committee at its meeting held on 27.01.2005:

- | | | |
|---------------------------------|---|--|
| i. Salary | : | Rs.4,00,000/- (Rs.Four Lakhs only) per month. |
| ii. Perquisites | : | Provision of car(s) with driver(s) for use on Company's business and telephone at the residence and cell phone (including payment for local calls and long distance official calls) Personal long distance calls on telephone and use of car for private purposes shall be charged to the Managing Director. |
| iii. Commission: | : | Remuneration by way of commission on net profits in addition to salary and perquisites such that the amount of salary, perquisites and commission in aggregate is subject to an overall ceiling of 3% of the net profits of the Company in a particular financial year as laid down in Section 198 and 309 read with Section 349 of the Companies Act, 1956. |
| iv. Minimum remuneration | : | Notwithstanding anything to the contrary herein contained, where in any financial year during currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay to her as minimum monthly remuneration, salary and perquisites, as stated above, however not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956, and she shall not be entitled to any commission. Further however, such minimum remuneration may be paid only in any of the three financial years during the aforesaid term of her appointment |

In view of the inadequate profits in the financial year 2007-08 the Board of Directors has proposed to pay only the minimum remuneration to Smt. Irmgard Velagapudi M. Rao, Managing Director as set out in the resolution approved by the shareholders at the Tenth Annual General Meeting held on 31.08.2005 and she is not entitled for any commission for the financial year 2007- 08.

Pursuant to Section II of Part II of Schedule XIII of the Companies Act, 1956, payment of remuneration to managerial personnel in excess of Rs.2,00,000/- but not exceeding Rs.4,00,000/-, for a Company having an effective capital of Rs.100.00 crores or more in a financial year during the currency of tenure of managerial personnel in the event of loss or inadequacy of profits, requires the approval of shareholders through Special Resolution.

The resolution set out in Item No.6 in the Notice along with this Explanatory Statement may be treated as an abstract of the terms and conditions of Remuneration and compliance of the provisions under Section 302 of the Companies Act, 1956.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE (CONTD..)

Memorandum of Interest: No Director other than Smt. Irmgard Velagapudi M.Rao is concerned or interested in this Resolution. Smt. V. Kiran Rao and Shri. Vinod R. Sethi, being relatives of Smt. Irmgard Velagapudi M.Rao, may be deemed to be concerned or interested in this Resolution.

The Board recommends the resolution for your approval.

A statement containing prescribed information for this purpose is furnished herein below:

Statement containing required information under Schedule XIII Part II of Section II (I)(B) (iv) to the Companies Act, 1956:

1. General Information:

- i. **Nature of Industry:** Manufacture of sugar and its by-products, Industrial Chemicals, Cogeneration, Biotech, CO2 and Calcium Lactate.
- ii. **Date of Commencement of commercial production:** Not Applicable (The Company is an existing Company.)
- iii. **In case of new Companies, expected date of commencement of activities :** Not Applicable.
- iv. **Financial performance based on given indicators:**

(Rs. in Lakhs)

Particulars	2007-08	2006-07	2005-06
Total Income (incl. Other Income)	31371.01	40286.49	40986.03
Profit before Interest, Depreciation & Tax	2280.74	5000.54	10555.24
Profit Before Tax	761.44	3647.49	9391.26
Profit After Tax	710.97	2355.05	5711.05
Net worth	15476.04	15609.82	13918.04
Dividend (%)	*50%	50%	150%

* Recommended by the Board of Directors

v. Export Performance and Net Foreign Exchange Collaborations:

(Rs.in Lakhs)

Particulars	2007-08	2006-07	2005-06
FOB value of Exports	Nil	Nil	Nil
CIF value of Imports	Nil	Nil	Nil
Expenditure in foreign currency	5.67	2.98	2.66
Net foreign exchange earnings	-5.67	-2.98	-2.66

Foreign Investments or Collaborators, if any: NIL

2. (i) Information about Smt. Irmgard Velagapudi M. Rao, Managing Director for whom payment of minimum remuneration is proposed

Smt. Irmgard Velagapudi M.Rao, is wife of Shri.V.M.Rao, the late Chairman and Managing Director of your Company. She holds a German Diploma in Commerce. She had been instrumental in managing the Company through the most difficult times for the industry and the Company on account of great volatility in sugar prices and her untiring efforts had resulted in sustained growth.

(ii) Past remuneration:

(Rs. in Lakhs)

Particulars	2006-07	2005-06	2004-05
Salaries	48.00	48.00	48.00
Contribution to Provident Fund	Nil	Nil	Nil
Gratuity	Nil	Nil	Nil
Commission	63.11	251.94	160.68
Other Perquisites	Nil	Nil	Nil
Total	111.11	299.94	208.68

(iii) Job profile and her suitability:

Smt. Irmgard Velagapudi M.Rao is well experienced in sugar industry. She provides leadership and strategic guidance to the Company. She has proven experience in business planning and decision-making. The Company is trekking a path of sustained growth under her stewardship.

(iv) Minimum Remuneration proposed: As set out in the Explanatory Statement above.

(v) Comparative Remuneration profile with respect to industry, size of the Company, profile of the position and the person:

Considering the profile of Smt. Irmgard Velagapudi M.Rao, Managing Director, and the current trend of compensation package in Corporate, the minimum remuneration proposed is moderate. It is broadly in line with comparable remunerative levels in the industry. Hence it is imperative that she draws the minimum remuneration as proposed.

(vi) Pecuniary relationship directly or indirectly with the Company or the relationship with Managerial personnel, if any:

Smt. Irmgard Velagapudi M.Rao, Managing Director, holds 14,78,280 equity shares in the Company. Other than the remuneration stated above, she has no other pecuniary relationship directly or indirectly with the Company. She is related to Smt. V. Kiran Rao, Executive Director and Shri.Vinod R. Sethi, Chairman of the Company.

3. Other Information:

a. Reasons for inadequate profits:

Steep fall in the realization of free sugar and molasses and drop in sales volume of sugar and industrial alcohol are the major factors for inadequacy of profits during the financial year 2007-08, despite the best efforts taken by the Company to maintain a better bottom-line.

The Directors Report and Management Discussion and Analysis Report incorporated in the Thirteenth Annual Report contain a detailed coverage on the contributing factors leading to inadequacy of profits.

b. Steps taken or proposed to be taken for improvement:

Though the inadequacy of profits during the financial year 2007-08 was entirely due to external factors like decline in sugar and molasses prices, the Company is taking adequate steps to augment value addition of the by-products and to improve the overall profitability for the financial year 2008-09 and subsequent financial years.

c. Expected increase in productivity and profit in measurable terms :

The Company maintains optimal efficiency at all levels and constant efforts are taken to improve productivity of all cost centers. Adequate steps are taken to conserve energy and for optimum capacity utilization. The company leaves no stone unturned in sustaining and improving the overall performance.

Item No.7:

Smt. V. Kiran Rao was appointed as Executive Director of your Company not liable to retire by rotation, at the Seventh Annual General Meeting held on 11.09.2002 for a period of five years from 29.07.2002 to 28.07.2007, and was reappointed as Executive Director of your Company, not liable to retire by rotation at the Twelfth Annual General Meeting held on 27.09.2007, for a period of five years from 29.07.2007 to 28.07.2012, on the following terms and conditions as recommended and approved by the Remuneration Committee at its meeting held on 29.06.2007:

- i. Salary : Rs.3,00,000/- with an authority to the Remuneration Committee / Board of Directors to grant one or more suitable increments at the appropriate time within the ceiling prescribed under Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.

- ii. Perquisites : Provision of car with driver for use on Company's business and telephone at the residence and cell phone (including payment for local calls and long distance official calls). Personal long distance calls on telephone and use of car for private purposes shall be charged to the Executive Director; Rent free furnished residential accommodation; Personal accident insurance; Contribution to provident fund and gratuity; Electricity to be valued as per Income Tax Rules. These perquisites shall be in accordance with the Company's practice, rules and regulations in force, from time to time as may be applicable to her.
- iii. Commission : Remuneration by way of commission on net profits in addition to salary such that the amount of salary and commission in aggregate is subject to an overall ceiling of 2 % of the net profits of the Company in a particular financial year as laid down in Section 198 and 309 read with Section 349 of the Companies Act, 1956.
- iv. Minimum Remuneration : Notwithstanding anything to the contrary herein contained, where in any financial year during her said tenure, the Company has no profits or its profits are inadequate, the Company will pay to her as minimum monthly remuneration the salary mentioned in (i) and the perquisites mentioned in (ii) above, however not exceeding the limits specified under Section II of Part II of Schedule XIII of the Companies Act, 1956. and she shall not be entitled to any commission.

In view of the inadequate profits in the financial year 2007-08 the Board of Directors has proposed to pay only the minimum remuneration to Smt. V. Kiran Rao, Executive Director as set out in the resolution approved by the shareholders at the Tenth Annual General Meeting held on 31.08.2005 and she is not entitled for any commission for the financial year 2007-08.

Pursuant to Section II of Part II of Schedule XIII of the Companies Act, 1956, payment of remuneration to managerial personnel in excess of Rs.2,00,000/- but not exceeding Rs.4,00,000/-, for a Company having an effective capital of Rs.100.00 crores or more in a financial year during the currency of tenure of managerial personnel in the event of loss or inadequacy of profits, requires the approval of shareholders through Special Resolution.

The resolution set out in Item No.7 in the Notice along with this Explanatory Statement may be treated as an abstract of the terms and conditions of Remuneration and compliance of the provisions under Section 302 of the Companies Act, 1956.

Memorandum of Interest: No Director other than Smt. V. Kiran Rao is concerned or interested in this Resolution. Smt. Irmgard Velagapudi M.Rao and Shri. Vinod R. Sethi, being relatives of Smt. V. Kiran Rao, may be deemed to be concerned or interested in this Resolution.

The Board recommends the resolution for your approval.

A statement containing prescribed information for this purpose is furnished hereinbelow.

Statement containing required information under Schedule XIII Part II of Section II (I)(B) (iv) to the Companies Act, 1956:

1. General Information:

- i. Nature of Industry: Manufacture of sugar and its by-products, Industrial Chemicals, Cogeneration, Biotech, CO2 and Calcium Lactate.
- ii. Date of Commencement of commercial production: Not Applicable (The Company is an existing Company).
- iii. In case of new Companies, expected date of commencement of activities : Not Applicable.

iv. Financial performance based on given indicators:

(Rs. in Lakhs)

Particulars	2007-08	2006-07	2005-06
Total Income (incl. Other Income)	31371.01	40286.49	40986.03
Profit before Interest, Depreciation & Tax	2280.74	5000.54	10555.24
Profit Before Tax	761.44	3647.49	9391.26
Profit After Tax	710.97	2355.05	5711.05
Net worth	15476.04	15609.82	13918.04
Dividend (%)	*50%	50%	150%

* Recommended by the Board of Directors

v. Export Performance and Net Foreign Exchange Collaborations:

(Rs. in Lakhs)

Particulars	2007-08	2006-07	2005-06
FOB value of Exports	Nil	Nil	Nil
CIF value of Imports	Nil	Nil	Nil
Expenditure in foreign currency	5.67	2.98	2.66
Net foreign exchange earnings	-5.67	-2.98	-2.66

vi. Foreign Investments or Collaborators, if any: *NIL*

2. (i) Information about Smt. V. Kiran Rao, Executive Director for whom payment of minimum remuneration is proposed.

Smt. V. Kiran Rao, is daughter of Shri.V.M.Rao, the late Chairman and Managing Director of your Company. She is an Anthropologist, Historian, and a graduate from the University of London. She had been instrumental in maintaining cordial relationship with the cane growers and ensuring their continued support to the Company. She has made noteworthy contribution to the Company through her varied experience, in-depth knowledge in corporate affairs and functioning, innovative ideas and strategic decision-making.

(ii) Past remuneration:

(Rs. In Lakhs)

Particulars	2006-07	2005-06	2004-05
Salaries	27.50	24.50	14.00
Contribution to Provident Fund	3.30	2.94	1.68
Gratuity	2.02	1.73	2.31
Commission	40.19	169.72	120.03
Other Perquisites	1.06	1.07	1.10
Total	74.07	199.96	139.12

(iii) Job profile and her suitability.

Smt. V. Kiran Rao gained rich experience through her various assignments in Europe and United Kingdom and during her tenure as Executive Assistant to our Late Chairman and Managing Director, Shri.V.M.Rao, from 01.07.1997 to 30.06.2000. The Company made steady progress under her able and dynamic leadership as Executive Director.

(iv) Minimum Remuneration proposed: As set out in the Explanatory Statement above.

(v) Comparative Remuneration profile with respect to industry, size of the Company, profile of the position and the person:

Considering the profile of Smt. V. Kiran Rao, Executive Director, and the current trend of compensation package in Corporate, the minimum remuneration proposed is moderate. It is broadly in line with

comparable remunerative levels in the industry. Hence it is imperative that she draws the minimum remuneration as proposed.

- (vi) Pecuniary relationship directly or indirectly with the Company or the relationship with Managerial personnel, if any:

Smt. V. Kiran Rao, Executive Director, holds 2,55,020 equity shares in the Company. Other than the remuneration stated above, she has no other pecuniary relationship directly or indirectly with the Company. She is related to Smt. Irmgard Velagapudi M.Rao, Managing Director and Shri.Vinod R. Sethi, Chairman of the Company.

3. Other Information:

i. Reasons for inadequate profits:

Steep fall in the realization of free sugar and molasses and drop in sales volume of sugar and industrial alcohol are the major factors for inadequacy of profits during the financial year 2007-08, despite the best efforts taken by the Company to maintain a better bottom-line.

The Directors Report and Management Discussion and Analysis Report incorporated in the Thirteenth Annual Report contain a detailed coverage on the contributing factors leading to inadequacy of profits.

ii. Steps taken or proposed to be taken for improvement:

Though the inadequacy of profits during the financial year 2007-08 was entirely due to external factors like decline in sugar and molasses prices, the Company is taking adequate steps to augment value addition of the by-products and to improve the overall profitability for the financial year 2008-09 and subsequent financial years.

iii. Expected increase in productivity and profit in measurable terms :

The Company maintains optimal efficiency at all levels and constant efforts are taken to improve productivity of all cost centers. Adequate steps are taken to conserve energy and for optimum capacity utilization. The company leaves no stone unturned in sustaining and improving the overall performance.

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 25.06.2008

VINOD R. SETHI
CHAIRMAN

DIRECTORS' REPORT

Your Directors present their 13th Annual Report and the audited statement of accounts for the year ended 31st March 2008.

I. FINANCIAL RESULTS:

	For the Year ended 31.03.2008	For the Year ended 31.03.2007
Physical Performance		
Cane crushed – in Tonnes	13,34,589	15,25,976
Sugar bagged – In Quintals	14,15,553	16,36,123
Financial Performance – Rs. Crores		
Turnover	309.98	397.25
Other Income	3.73	5.62
Profit Before Tax	7.61	36.47
Profit After Tax	7.11	23.55
Surplus from Previous Year	40.25	25.83
Amount available for appropriation	47.36	49.38
Appropriations		
Transfer to General Reserve	0.82	2.50
Proposed Dividend	5.67	5.67
Tax on proposed Dividend	0.96	0.96
Carried forward	39.91	40.25

II. PERFORMANCE:

During the financial year under review your Company has achieved a Turnover of Rs.234.85 crores nett of Excise Duty and Inter-divisional transfers, as against Rs.313.35 crores in the previous financial year. The reduction in turnover is mainly attributable to fall in off-take coupled with drop in average realisation of free sugar, reduction in quantum of sale of Molasses associated with fall in average realisation and drop in sale of Rectified Spirit.

III. DIVIDEND:

The Board of Directors recommends a dividend of 50% on the Paid-up Equity Capital for the year ended 31.03.2008 as against 50% approved for the previous year ended 31.03.2007. The dividend recommended by your Directors, if approved at the ensuing Annual General Meeting by the Shareholders will be paid on or after 13.09.2008.

IV. SHARE CAPITAL AND RESERVES:

The Share Capital of the Company is Rs.11.33 crores. The General Reserves & Surplus as at 01.04.2007 was Rs.102.50 crores and after adjusting a sum of Rs.1.81 crores towards transitional liability for Gratuity as per Revised Accounting Standard 15 (AS 15) and transferring from Net Profits a sum of Rs. 0.81 crores to the General Reserve for the year ended 31.03.2008, the General Reserve stood at Rs. 101.50 crores as on 31.03.2008. The total Reserves and Surplus has decreased to Rs.143.42 crores as on 31.03.2008 as against Rs. 144.76 crores as on 31.03.2007.

V. MANAGEMENT DISCUSSION AND ANALYSIS:

a. Sugar Industry - Opportunities, Threats and Future Outlook Opportunities:

Opportunities:

The long term outlook for sugar remains positive and promising on account of:

- Factoring in domestic consumption of about 220 lakh tonnes and exports of about 30 lakh tonnes, sugar inventories are expected to shrink .It is hoped that sugar prices may receive support from these lower inventories.

- Growing energy consumption in India allowing the sugar industry to play a vital role.
- Environmental friendly power generated by Cogeneration Units equipped with high pressure boilers and turbines that intelligently use the fuel to get optimum energy output.
- With more emphasize on Bio-composting process, efforts are on to convert organic and inorganic matter into bio-manure to ensure zero discharge from the distillery combining with press mud to generate spent wash.
- Clearly defined Clean Development Mechanism and the expected flow of Carbon Credits.
- Implementation of Kyoto Protocol by India requiring fuel Ethanol blending with petrol.
- Potential for value addition to the Bagasse residue if put to use in manufacture of Medium Density Fibre (MDF) and particle Boards as substitute for wood , curtailing the impact on Indian exchequer on account of import of MDF and preventing felling of millions of mature trees.
- Growing demand for bio manure, which works as the perfect soil conditioner. Bio manure made from distillery and organic matter does not allow leaching of chemicals and hence can offer a solution to the problem of depletion of soil productivity.

Threats:

Sugar industry is at present confronted by the following threats:

- With expected depletion in sugar inventory and upward spiralling in domestic sugar prices, price regulatory mechanism is expected to be more rigorous.
- Dearth in availability of farm labour for harvesting and transportation, loading and unloading of sugar cane, poses a grave threat to the sugar industry.
- Switching over of cane growers to more remunerative cash crops may adversely affect the availability of sugar cane.
- The spurt in cane procurement prices is expected to remain volatile for a couple of years.
- The large labour turnover with more farm labour migrating to towns and suburban areas coupled with exorbitant labour cost, continues to pose threat to sugar industry.
- Continued impact on the industry on account of various controls and administrative measures by the Central and State Governments.
- Cyclical nature of industry and local climatic conditions over the crop affecting both the quantity and quality of cane available.
- Sugar weightage in WPI.
- Short crushing season. With the present inflation rate of 8.25+ and the strong indications of further escalation

Future Outlook:

The sugar industry is looking forward to better comfort from the Government in the following forms:

- Increased emphasis on "Green Power" generated by Cogeneration Unit.
- Decontrol of sugar, Review of price mechanism, Pro-active National policy on Ethanol.
- Proper linkage between cane price and sugar price realizations.
- Removal of Sugar from WPI.
- Subsidy for promotion of Ethanol as a fuel, in view of economic feasibility and environmental friendly nature.
- Your Company, on its part, has taken the following measures to insulate it against the price risks and other threats:
- Supplementing revenue from sugar business by extracting more values from co-products.

- Exploring the possibilities of increasing the production capacity of Mycorrhiza from 350 MT per annum to 3000 MT per annum, in a phased manner and increasing the licensed capacity of Calcium Lactate from 400 MT to 500 MT per annum.
- Entering into agreements with oil companies for continued supply of Ethanol and taking efforts to increase the capacity utilisation.

b. REVIEW OF OPERATIONS:

i. SUGAR UNITS AT VUYYURU AND LAKSHMIPURAM:

The summary of cane crushed, sugar bagged, etc. of both the Sugar Units for the last two seasons and financial year wise are presented herein below:

SEASONWISE

UNIT / SEASON PARTICULARS	VUYYURU		LAKSHMIPURAM	
	2007-08	2006-07	2007-08	2006-07
Crushing commenced on	25.11.2007	16.11.2006	29.11.2007	26.11.2006
Crushing completed on	16.04.2008	08.05.2007	13.03.2008	16.04.2007
No. of days	144	174	106	142
Cane crushed (in MT)	8,46,674	12,21,209	2,74,193	4,53,307
Sugar Bagged (in qtls)	9,19,000	13,19,880	2,68,948	4,67,905
Recovery (%)	10.85	10.83	9.80	10.32
Cane Price paid -Rs. per MT	1,100.00	1,100.00	1060.00	1060.00

FINANCIAL YEARWISE

UNIT/YEAR ENDED DETAILS	VUYYURU		LAKSHMIPURAM	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
2006-07 Season - From / To	01.04.2007 to 08.05.2007	01.04.2006 to 24.04.2006	01.04.2007 to 16.04.2007	01.04.2006 to 05.04.2006
2007-08 Season - From / To	25.11.2007 to 31.03.2008	16.11.2006 to 31.03.2007	29.11.2007 to 31.03.2008	26.11.2006 to 31.03.2007
No. of days	166	160	122	131
Cane crushed (in MT)	10,18,749	11,08,755	3,15,840	4,17,221
Sugar Bagged (in qtls)	11,02,299	12,05,581	3,13,254	4,30,542
Recovery (%)	10.82	10.87	9.92	10.32

ii. INDUSTRIAL CHEMICALS / COGENERATION / OTHER UNITS:

Vuyyuru Distillery Unit produced 51.99 lakh BL during the year ended 31.03.2008 as against 92.58 lakh BL during the previous financial year. As against this, the said Unit sold 48.80 lakh BL valued at Rs. 10.02 crores during the year under review as against 98.68 lakh BL valued at Rs. 23.08 crores during the previous year.

The Bio-fertilizer unit at Vuyyuru sold about 1.01 lakh Qtls valued at Rs. 3.04 crores as against 0.96 lakh qtls valued at Rs. 3.15 crores during the previous year. Efforts are on to increase the quantum of sales in the coming years.

Cogeneration Unit at Vuyyuru produced 40,198 MW of power during the financial year under review as against 39,902 MW in the previous year, and the Lakshmpuram Unit produced 8,418 MW of power as against 12,994 MW in the previous year. In all, total export of electrical energy was 21,521 MW resulting in a turnover of

Rs. 6.78 crores as against 23,573 MW at a turnover of Rs. 5.83 crores during the previous year. The Carbon dioxide and Calcium Lactate plants together contributed Rs.1.47 crores towards its turnover of the Company as against a turnover of Rs.0.03 crores during the previous year.

c. Long Term Financial Assistance to Sugar Undertakings, 2007:

The Central Government has notified a Scheme called "Scheme for Extending Financial Assistance to Sugar Undertakings, 2007" (SEFASU) with a view to improve the liquidity position of sugar factories, for enabling them to clear cane price arrears of 2006-07 sugar season and cane price of 2007-08 sugar season relatable to Statutory Minimum Price. Under this scheme, all Banks that are extending Working Capital facilities to the sugar mills have to sanction and disburse financial assistance by way of a Term Loan. Your Company has availed such facility through its Consortium of Banks to the tune of Rs.15.60 crores. The interest on the said loan will be reimbursed by the Central Government and the said loan is repayable in 24 monthly instalments after a moratorium of 2 years. In a distress period where the sugar price was falling very steeply to unremunerative levels, this facility was of immense help to your Company in easing financial position and settling its cane dues to the cane growers on time. Your Company places on record its appreciation to the Central Government and to the Banks for the speedy disbursement of the said loan.

d. INTERNAL CONTROL SYSTEMS:

The Board of Directors and Audit Committee periodically review the internal control systems and procedures to ensure optimum efficiency in all the operations. The Internal Auditor who also conducts routine checks of the various controls, procedures and systems supplements the Management's efforts.

e. HUMAN RESOURCES:

The Company had 1,129 employees including non-seasonal employees at the sugar units as on 31.03.2008. The Company ensures high standards of safety for its employees and periodically conducts meetings to minimize operational hazards.

f. AWARDS:

During the year under review, your Company had received Awards for the following performance:

1. Awarded 1st prize among all the sugar plants in India by National Council of Energy Conservation for outstanding performance in implementation of energy conservation measures for the year 2007.
2. Outstanding performance in Industrial Safety for the year 2006.
3. Winner under Scheme I – National Safety Awards - for Lowest Average Frequency Rate in Industry (Sugar Factory) for the year 2006.
4. Runner under Scheme II – National Safety Awards - for Longest Accident-free period (Sugar Factory) for the year 2006.
5. 2007 Runner under Scheme III– National Safety Awards - for Lowest average frequency rate in Industry.
6. 2007 Runner under Scheme IV – National Safety Awards – for Longest Accident Free Year.
7. Winner under Scheme VII – National Safety Awards - for Lowest Average Frequency Rate in Industry (Distillery).
8. Winner under Scheme VIII – National Safety Awards - for Longest Accident-free period (Distillery)

g. OTHERS:

- The gross block of Fixed Assets has increased to Rs.216.25 crores from Rs. 207.89 crores, mainly on account of additional buildings at Sugar Unit, Lakshmipuram and sugar godowns, construction of bio-compost area in Distillery Unit, Vuyyuru, in addition to purchase of Gen set, computers/ systems, vehicles, etc.
- The Company has valid Pollution Control clearances in respect of both Air and Water for sugar units at Vuyyuru and Lakshmipuram and also for Distillery unit at Vuyyuru. The Company also takes adequate steps to safeguard the environment.

h. CAUTIONARY NOTE:

It is explicitly stated that some of the statements in this Management Discussion and Analysis report may be "forward looking" within the meaning of applicable laws and regulations. It may so happen that the actual events or results may be different from what the Board of Directors / Management perceives in terms of the future performance and outlook due to factors having a bearing on them and which are unforeseeable.

VI. FUTURE PLANS:

The Company is focussed on supplementing the sugar revenue through value addition to its co-products. Efforts are on to augment the sale of Ethanol and bio-fertilizers. Adequate steps are taken to increase the production capacity of Calcium Lactate, Mycorrizha to meet the growing demand. Marketing tie-ups are entered with big corporates to increase the sales of Mycorrizha. Possibilities are explored to introduce mechanization in harvesting of sugarcane and loading and unloading operations thereof. Consistent efforts are taken to help cane growers with technical know-how and developmental strategies to ensure the quality of cane and higher recovery percentage.

VII. PERSONNEL AND INDUSTRIAL RELATIONS:

Harmonious industrial relations continued to prevail at all the Units of the Company. The Company has reached out to the employees in building stronger bonds and ensuring better communication. Your Directors also take this opportunity to acknowledge the dedicated efforts of the employees at all levels culminating in the company excelling in operational performance.

VIII. DIRECTORS:

Shri.Raghu Cidambi, Director, resigned from the Board as on 03.10.2007 on account of personal reasons. Your Board of Directors places on record its appreciation of his support and contribution to the Company during his tenure.

As per Article 119 and Article 120 of the Articles of Association read with Section 255 and 256 of the Companies Act, 1956, Dr. Vithal Rajan, Director, and Shri. M.S.V.M. Rao, Director, retire by rotation and being eligible, offer themselves for re-appointment. Your Directors recommend their reappointment as Directors of your Company.

IX. STATUTORY COMPLIANCES:

- i. Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 is annexed to and forms part of this Report.
- ii. Information as per Section 217(2A) of the Companies Act, 1956 read with the Company (Particulars of Employees) Rules, 1975 is annexed and forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders of the Company, excluding the said annexure. Any Shareholder interested in obtaining a copy of the said statement may write to the Secretary at the Registered Office of the Company.
- iii. As required by the Listing Agreements and Accounting Standards of the Institute of Chartered Accountants of India, the additional disclosures in respect of related party transactions have been made.

X. DIRECTORS' RESPONSIBILITY STATEMENT:

As required by Section 217 (2AA) of the Companies Act, 1956, your Directors certify as follows:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there were no material departures therefrom;
- ii. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2007-2008 and of the Profit of the Company for that year;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors had prepared the annual accounts on a going concern basis.

XI. CORPORATE GOVERNANCE:

The Management Discussion and Analysis and the Report on Corporate Governance are included as a part of the DIRECTORS' Report. A certificate from the Statutory Auditors of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is attached to this Report.

XII. FIXED DEPOSITS:

As on 31.03.2008 your Company had accepted deposits of Rs. 18.89 crores as against Rs. 18.19 crores as on 31.03.2007. As at 31.03.2008, there were matured and unclaimed deposits amounting to Rs.0.49 crores in respect of 76 depositors. However, of these as on the date of Report, 30 deposits amounting to Rs.0.19 crores have since been repaid / renewed resulting in the balance of 46 deposits amounting to Rs. 0.30 Crores yet to be claimed.

In compliance with the provisions of Investors Education and Protection Fund constituted under Section 205C of the Companies Act, 1956, the Company has transferred two (2) deposit(s) amounting to Rs.17,000/- which remained unclaimed beyond the period of seven years from the date of maturity to the Investor Education and Protection Fund.

XIII. SUBSIDIARY COMPANIES:

The income from the sale of products, services and other income of your wholly owned subsidiary "The Eimco-K.C.P.Ltd" was higher at Rs.18.38 crores (P.Y. Rs. 16.41 crores) with a profit of Rs. 0.55 crores (P.Y. Rs. 0.88 crores) for the year ended 31.03.2008.

The other wholly owned subsidiary, KCP Sugars Agricultural Research Farms Ltd, has reported an increase in turnover of about Rs.0.15 crores for the financial year ended 31.03.2008 as against Rs. 0.09 crores for the previous year ended 31.03.2007. The Company earned a profit of about Rs.0.03 crores as against the profit of Rs. 0.03 crores in the previous financial year.

The Statement as required under Section 212(3) of the Companies Act, 1956 in respect of the subsidiary companies is separately annexed.

XIV. AUDITORS:

The Statutory Auditors, M/s. B.Purushottam & Co., Chartered Accountants, Chennai, will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Board, on the recommendation of the Audit Committee, has proposed that M/s. B.Purushottam & Co., Chartered Accountants, Chennai, be reappointed as Statutory Auditors of the Company for the financial year ending March 31, 2009 and to hold office till the conclusion of the next Annual General Meeting of the Company. M/s. B.Purushottam & Co., Chartered Accountants, Chennai, have forwarded their Certificate to the Company stating that their reappointment, if made, will be within the limits specified under Section 224 (1B) of the Companies Act, 1956.

XV. COST AUDIT:

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have with the approval of the Central Government, appointed Shri. G.Suryanarayanan, Cost Accountant, Chennai, as the Cost Auditor to conduct the Cost Audit of Sugar and Industrial Alcohol for the financial year ended 31st March 2008.

XVI. ACKNOWLEDGEMENT:

The Directors would like to thank the Cane growers, the Shareholders, Banks, Institutions, Central and State Governments, Depositors, Sugar Dealers, Business Associates, as also other regulatory authorities for their continued support.

Your Directors commend the committed performance of all the employees in ensuring excellent all-round performance of the Company.

For and on behalf of the Board of Directors

Place : Chennai
Date : 25.06.2008

VINOD R. SETHI
CHAIRMAN

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES 1988**A. CONSERVATION OF ENERGY:****Measures taken, additional proposals and impact on reduction of energy consumption:**

Measures taken towards conservation of energy include:

1. Installation of flash recovery system, in Exhaust Bodies to utilize waste heat from condensate, and achieved Bagasse saving.
2. DM water is heated through heat exchangers instead of using exhaust steam, and achieved Bagasse saving.
3. Utilisation of Methane gas along with Bagasse as feed to boiler, and achieved Bagasse saving.
4. By reconfiguration of loads of sugar and auxiliary units, saving of steam consumption is achieved
5. Elimination of pug mill drives.
6. Reduction in pol % was possible by close monitoring of mill assembly, mill settings, good operating methods, maintenance, etc.
7. By using consistent dosing systems and continuous monitoring, drastic reduction in consumption of heavy chemicals was possible.
8. Auto control system for injection water pumps.
9. Reduction of power consumption at cane cutter by installation of low HP (300 HP) motor at Mill Station.
10. Installation of VFD in various system in place of Star Delta Starter to achieve power saving.

ANNEXURE – FORM A

(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	SUGAR UNITS AT			
	VUYYURU		LAKSHMIPURAM	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
A) Power and Fuel Consumption				
Electricity				
a. Purchased				
Units KWH	11,65,118	11,88,728	5,20,518	5,38,625
Total Amount Rs.	49,91,405	47,77,551	24,49,592	24,91,524
Rate / Unit Rs.	4.28	4.02	4.71	4.63
b. Own Generation				
i. Through Diesel Generator :				
Units KWH	48,590	3,75,470	27,249	22,233
Unit per ltr. Of Diesel Oil	3.09	3.17	3.20	3.42
Cost / Unit Rs.	10.83	10.81	10.33	9.97
ii. Through SteamTurbine/ Generator :				
Unit KWH	4,01,97,978	3,99,02,646	84,17,710	1,29,94,104
KWH per tonne of bagasse	306.06	281.54	219.07	219.22
Cost / Unit	1.85	1.80	1.23	0.89
B. Consumption per unit of production				
Electricity KWH (per tonne)	119.16	112.05	194.68	175.60

B. TECHNOLOGY ABSORPTION:**FORM 'B' – FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO RESEARCH AND DEVELOPMENT (R & D)****1 & 2 SPECIFIC AREA IN WHICH RESEARCH AND DEVELOPMENT IS CARRIED OUT BY THE COMPANY AND BENEFITS DERIVED THEREFROM:**

- a. Successfully commercialized pharma grade Calcium Lactate with 3 Production Fermentors.
- b. Improved Calcium Lactate recovery from 1:1.20 to 1:1.30.
- c. Increased production capacity of Calcium Lactate from 250 MT to 400 MT per annum.
- d. Planning to increase the Calcium Lactate Licensed Capacity to 500 MT per annum.
- e. Production capacity of Mycorrizha was enhanced to 350 MT per annum.
- f. Cultures of Bio-compost and growth promoting hormones are of good quality.
- g. Basal application of DAP and Bio-fertilizers for better root development and early bulking.
- h. Significant soil health improvement is recorded in the applied area.

3. FUTURE PLAN:

1. To develop process know-how for manufacture of Lactic Acid from Calcium Lactate for pharmaceuticals, cosmetics, food and leather industries.
2. To develop process know-how of Lactate based micronutrients from lactic acid to improve the soil fertility and increase micro flora.
3. To develop protocol for amino acid from cheaper source of protein for agriculture, horticulture and floriculture to increase the productivity.
4. To increase the capacity of Mycorrizha production from 350 MT per annum to 3000 MT per annum in a phased manner – in the first phase, to increase to 1400 MT p.a. – to meet the growing demand.

4. EXPENDITURE ON R & D:

					Amt. in Rs.
a. Capital	..	..	..	..	..
b. Recurring	..	..	..	..	30,199
c. Total	..	..	..	..	<u>30,199</u>
Total R & D expenditure as a percentage of total turnover:					0.001%

In addition to the above, the Company also spent Rs. 2,86,13,100/- as cane development expenditure, etc. This constitutes 0.92 % of the total turnover of the Company.

5. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings	..	..	..	Nil
Foreign Exchange outgo	..	..	..	Rs.5,66,680/-

For and on behalf of the Board of Directors

Place : Chennai
Date : 25.06.2008

VINOD R. SETHI
CHAIRMAN

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance encompasses the moral, ethical and legal framework within which an Organization functions. It is based on the principles of transparency, accountability, fairness and integrity. The traditional values of honesty, integrity, customer orientation and abiding commitment to service have struck deep roots across the Organization.

Your Company has strengthened good Corporate Governance practices over the years. For implementing the Corporate Governance practices, your Company has well defined policy framework consisting of the following:

- Well defined code of Ethics
- Fair business policies
- Clearly defined policy for prohibition of Insider Trading
- Values and Commitments policy

Your Company continuously reviews its policies and practices of Corporate Governance beyond just the letter of law, but reaching out to the true spirit of the law. Your Company in compliance with all the regulations stipulated by SEBI in the Listing Agreement. Your Company's policies and effective implementation underpin the commitment of the Company to uphold the highest principles of Corporate Governance consistent with the Company's goal to enhance the shareholder value.

2. Board of Directors

The composition of the Board of Directors and related information as on 31st March 2008 is as follows:

Name of Director	Category of Directorship	No. of Board Mtgs. attended	Attend-ance at the last AGM On 27.09.07	**Particulars of other Directorships, Committee Membership / Chairmanship		
				Director ship	Committee Member ship	Committee Chairman ship
Shri.Vinod R.Sethi DIN 00106598	Chairman & Non-Executive Director	6	Yes	10	6	--
Smt.Irmgard Velagapudi M.Rao DIN 00091370	Promoter and Managing Director	5	Yes	2	--	--
Smt.V.Kiran Rao DIN 00091466	Promoter and Executive Director	6	Yes	1	--	--
Shri.K.A.Rangaswamy DIN 00091844	Independent Non-Executive Director	6	Yes	--	--	--
Shri.Ranvir Shah DIN 00041398	Independent Non-Executive Director	5	Yes	--	--	--
Shri.Prathap K. Moturi DIN 00020630	Independent Non-Executive Director	6	Yes	--	--	--
Dr.Vithal Rajan DIN 00021571	Independent Non-Executive Director	5	Yes	--	--	--
Shri.Raghu Cidambi DIN 00030865 (Resigned from the Board w.e.f. 03.10.2007)	Independent Non-Executive Director	--	No	--	--	--
Shri.M.S.V.M.Rao DIN 00432640	Independent Non-Executive Director	6	Yes	--	--	--

** The Directorships held by Directors as mentioned above, do not include Alternate Directors and Directorships of foreign companies, Sec. 25 Companies and Private Limited Companies.

** In accordance with Clause 49 of the Listing Agreement, Memberships / Chairmanships of only the Audit Committees & Shareholders / Investors Grievance Committees of all Public Limited Companies (except this Company) have been considered.

❖ **Board Meetings held during the year :**

There were six Board Meetings held during the financial year 2007 - 08 on the following dates:

1.	4 th May 2007	4.	27 th Sept 2007
2.	29 th June 2007	5.	31 st October 2007
3.	27 th July 2007	6.	28 th January 2008

❖ **Details of Directors seeking re-election :**

In accordance with the provision of the Companies Act, 1956 and the Articles of Association of the Company, Dr. Vithal Rajan and Shri.M.S.V.M.Rao, Directors, retire by rotation and being eligible offer themselves for reappointment.

The additional information relating to the aforesaid Directors as required under Clause 49 of the Listing Agreement with the Stock Exchanges is furnished as part of the Notice convening the Annual General Meeting.

3. AUDIT COMMITTEE❖ **Composition and Terms of Reference :**

The Audit Committee comprises of three members, two Non-Executive Directors and one Whole-time Director. The Chairman of the Audit Committee is Shri.K.A. Rangaswamy, a Non-Executive Director, a senior Chartered Accountant and Company Secretary. Smt.V.Kiran Rao, Executive Director and Dr Vithal Rajan, Director, are presently its other members.

The Terms of Reference of this Committee cover the matters specified for Audit Committees under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act, 1956 and broadly comprise the following:

- Supervision and evaluation of the financial reporting process and reviewing with the Management, the quarterly, half yearly and annual results before placement to the Board, Related Party transactions, Risk Assessment and Minimization procedure.
- Review of performance of Statutory Auditors, recommending the appointment and removal of external and internal auditors, recommending audit fees and also payment for other services.
- Reviewing of adequacy of internal controls in the Company including the scope and structure of internal audit function.

❖ **Meetings and attendance during the year:**

There were four meetings of the Audit Committee during the year, viz., on 29.06.2007, 27.07.2007, 31.10.2007 and 28.01.2008. The attendance of each Member of the Committee is given below:

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	4
Smt.V.Kiran Rao	4
Dr Vithal Rajan	4

4. REMUNERATION COMMITTEE :

The Remuneration Committee consists of three Non Executive Directors as its Members, viz., Shri. K.A.Rangaswamy, Dr.Vithal Rajan and Shri.Vinod R.Sethi. The terms of reference broadly include:

- To review, recommend and approve the remuneration for the Wholetime Directors of the Company.
- To discharge such other function (s) or exercise such powers as may be delegated to the Committee by the Board from time to time.

The Whole-time Directors are paid salaries, allowances/perquisites, and in addition, commission if it arises, within the limits under the Companies Act, 1956 and subject to the further limits, if any as approved by the Shareholders. The remuneration paid to the Whole-time Directors during 2007-08 is as below

(Rs. in Lakhs)

Directors	Salary & Allowance	Contribution to PF	Perquisites	Commission	Total
Smt.Irmgard Velagapudi M.Rao	48.00	--	--	--	48.00
Smt.V.Kiran Rao	34.13	3.43	12.13	--	49.69
Total	82.13	3.43	12.13	--	97.69

The Committee met only once on 29th June 2007 during the financial year 2007 – 08 and recommended the revision in the remuneration of the Executive Director, Smt.V.Kiran Rao in terms of her appointment. The details of attendance of each member of the Committee is given below:

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	1
Dr.Vithal Rajan	1
Shri. Vinod R. Sethi	1

The Non Executive Directors are paid a sitting fees of Rs.20,000/- per Meeting of the Board / Committee attended by them apart from daily allowance and out of pocket expenses. In addition, pursuant to Section 309 of the Companies Act, 1956, they are paid remuneration by way of Commission not exceeding in aggregate, 1% of the net profits of the Company, subject to a maximum limit of Rs.1,75,000/- (Rupees One lakh and seventy five thousand only) per Director, for each of the financial years from 2006 - 07 to 2010-11, in terms of the approval granted by the Shareholders at the Eleventh Annual General Meeting held on 12.10.2006. The details of the remuneration paid to the Non- Executive Directors during the year 2007 - 08 are given below:

(Rs. in Lakhs)

Directors	Commission	Sitting Fees	Total
Shri.K.A.Rangaswamy	1.33	4.40	5.73
Shri. Ranvir Shah	1.33	1.00	2.33
Shri. Vinod R.Sethi	1.33	1.40	2.73
Shri. Prathap K. Moturi	1.33	1.20	2.53
Dr.Vithal Rajan	1.33	2.00	3.33
Shri.Raghu Cidambi (resigned from the Board w.e.f.03.10.2007)	0.67	0.00	0.67
Shri.M.S.V.M.Rao	1.33	1.20	2.53
Total	8.65	11.20	19.85

Pursuant to Section II of Part II of Schedule XIII of the Companies Act, 1956, payment of remuneration to managerial personnel in excess of Rs.2,00,000/- but not exceeding Rs.4,00,000/-, for a Company having an effective capital of Rs.100.00 crores or more in a financial year during the currency of tenure of managerial personnel in the event of loss or inadequacy of profits, requires the approval of shareholders through Special Resolution.

In view of the inadequacy of profits in the financial year 2007-08, the Board of Directors at its meeting held on 25.06.2008 had recommended the payment of minimum remuneration to the Managing Director and the Executive Director as per the terms of their respective appointment and they are not entitled for any commission for the financial year 2007-08. The Company is also seeking the approval of the shareholders through special resolutions at the ensuing Annual General Meeting.

5. SHAREHOLDINGS OF NON EXECUTIVE DIRECTORS:

The Shareholdings of the Non-Executive Directors are as below:

Directors	No. of shares held (F.V.of Re.1/-each)
Shri.K.A.Rangaswamy	2,260
Shri. Ranvir Shah	10
Shri. Vinod R.Sethi	10
Shri. Prathap K. Moturi	5000
Dr.Vithal Rajan	Nil
Shri.M.S.V.M.Rao	10
Shri.Raghu Cidambi (Resigned from the Board w.e.f. 03.10.07)	Nil

6. SHARE TRANSFER & Investors / Shareholders Grievance Committee :

The Share Transfer Committee is vested with the powers to look into the problems / grievances of Shareholders/Investors as per SEBI norms. The Chairman of the Committee is Shri.K.A.Rangaswamy, a Non-Executive Independent Director with Smt.Irmgard Velagapudi M.Rao, Managing Director, Smt.V.Kiran Rao, Executive Director and Shri.Prathap K. Moturi, Non-Executive Independent Director, as its other Members. The Committee normally meets once/twice a month based on the volume of transfers. The terms of reference encompasses:

- To approve requests for share transfers, transmissions, transpositions, dematerialization, split and duplicate shares.
- To review and take all necessary steps for redressal of investor's grievances and complaints as may be required in the interests of the investors.

There were eleven meetings of the Share Transfer Committee held during the year. The attendance of each Member of the Committee is given below:

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	11
Smt.Irmgard Velagapudi M.Rao	7
Smt.V.Kiran Rao	4
Shri.Prathap K. Moturi	--

Shri.V.C.Unnikrishnan, General Manager (Finance) and Secretary, was the Compliance Officer of the Company till 04.07.2007. Thereafter, Shri.S.Chidambaram, Deputy General Manager (Finance) & Company Secretary, is the Compliance Officer of the Company. M/s. Integrated Enterprises (India) Ltd are the Registrars, Transfer Agents of the Company for physical / electronic shares. All transfer of shares received by the Company/Registrars during the year have been processed. During the year, 654 queries / complaints were received from the shareholders, all of which have been resolved.

Nature of Queries / Complaints	During the year ended 31.03.2008	
	Received	Attended to
Non-receipt of Certificates	67	67
Non-receipt of Dividend Warrants/ Cheques / Drafts	85	85
Issue of Duplicate Share Cert.	9	9
Issuance of Duplicate Dividend Warrant / Cheque / Drafts	43	43
Correction in Share Cert./Dividend Warrant / Cheque / Drafts	62	62
Non-Receipt of Annual Report	3	3
General queries-request for change of address, procedure for transmission of shares/procedure for loss of share certificates/ Nomination	385	385
TOTAL	654	654

7. VENUE AND TIME OF LAST THREE ANNUAL GENERAL MEETINGS:

AGM for the financial year ended	Date / Time	No of Special resolutions	Members Present	
			Person	Proxy
31.03.2005	31.08.2005 / 10.15 a.m.	2	617	19
31.03.2006	12.10.2006 / 10.00 a.m.	2	347	22
31.03.2007	27.09.2007 / 10.00 a.m.	--	308	23

- a. The three AGMs were held at “Sathguru Gnanananda Hall”, Narada Gana Sabha, 314, TTK Road, Alwarpet, Chennai 600018.
- b. All Special Resolutions set out in the Notice for the AGMs were passed by the Shareholders at the respective meetings with requisite majority.
- c. No postal ballots were required to be used for voting on any of the items of business at the above meetings. At the ensuing AGM, there is no item on the agenda that needs approval by postal ballot.

8. DISCLOSURES:

❖ **CEO and CFO Certification -**

The Managing Director and the General Manager (Finance), have certified the Board / Audit Committee in accordance with Clause 49 of the Listing Agreement pertaining to CEO / CFO Certification.

- ❖ The Financial Statements for the year 2007-08 have been prepared in accordance with the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India and there are no deviations.
- ❖ The Board is of the bona fide belief that there are no materially significant Related Party Transactions made by the Company with its Promoters, Directors or the Management, their Subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large.

Transactions with the Related Parties are disclosed in Note No 20 of Notes to the Accounts in the Annual Report.

- ❖ The Board has constituted a Risk Management Team, which meets and takes cognizance of the various risks and minimization procedures to be taken in relation thereto. Risk Assessment and Evaluation thereof is an on-going process in the Company.

❖ **Compliance:**

The Board considers materially important, show-cause/demand notices received from the statutory authorities and the steps / action taken by the Company in this regard. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.

❖ **Code of Conduct**

The Board of Directors has laid down a Code of Conduct for the Members of the Board members as well as the employees in the Senior Management of the Company. The Managing Director has confirmed and declared that all the Members of the Board as well of the employees in the Senior Management have affirmed compliance with the Code of Conduct. The Codes have been posted on the Company’s website www.kcpsugar.com.

- ❖ The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. The Code is applicable to all the Directors / Officers and Designated Employees. The Code also aims to prevent dealing in the shares by persons having access to unpublished information.

- ❖ During the last three years, there were no strictures for penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the Capital Markets.

- ❖ The Company does not have any material non-listed Indian Subsidiary Company and hence is not required to have an Independent Director of the Company on the Board of such Subsidiary Company. The Audit Committee periodically reviews the financial statements and the minutes of both the Subsidiaries are placed before the Board of Directors of the Company.

9. MEANS OF COMMUNICATION :

- ❖ The quarterly, half yearly and annual results are generally published in widely circulating national & local dailies such as *The Business Line* (in English) and *Dina Malar / Makkal Kural* (in Tamil).
- ❖ The Company has a website, www.kcpsugar.com. There were no presentations made to the institutional investors or analysts.
- ❖ As required under clause 47(f) of the listing agreement the Company has created an exclusive email ID investorservices@kcpsugar.com for registration and redressal of investor’s grievances.
- ❖ The Management Discussion and Analysis Report is provided elsewhere in this Annual Report.
- ❖ As required under Clause 41 of the Listing Agreement, the Company has posted the required documents on the Electronic Data Information Filing And Retrieval (EDIFAR) website maintained by the National Informatics Centre (NIC) from the quarter ending December 2002 onwards.

10. GENERAL SHAREHOLDER INFORMATION :

- ❖ **AGM: Date, Time and Venue :** 13th Annual General Meeting – on 11th day of September 2008 at 10.45 a.m. at “Sathguru Gnanananda Hall”, Narada Gana Sabha, No.314, T.T.K.Road, Alwarpet, Chennai 600018.

❖ **Date of Book Closure**

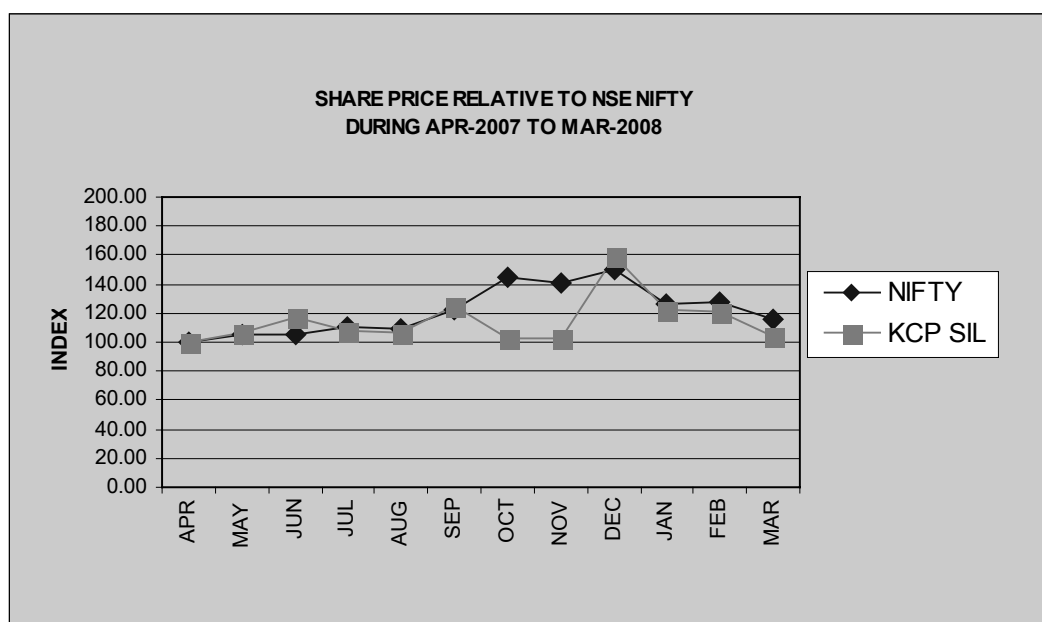
For the year ended 31.03.2008	Book Closure Date (s)	Dividend payable
Dividend	2nd September 2008 to 11th September 2008 (both dates inclusive)	The Board of Directors at their Meeting held on 25.06.2008 have recommended a dividend of 50% per equity share of face value Re.1/-, subject to the approval of Shareholders at the ensuing Annual General Meeting
Payment date		On approval thereat, this dividend will be paid to the Shareholders on or after 13th September 2008 but within the statutory time limit.

- ❖ **Tentative Financial calendar :**
 - Financial Year – 1st April to 31st March.
 - First Quarter Results by July 2008.
 - Half-yearly Results by October 2008.
 - Third Quarter Results by January 2009.
 - Results for the year ending 31.03.2009 by June, 2009.
- ❖ **Listing on Stock Exchanges :** National Stock Exchange of India Ltd and The Bombay Stock Exchange Ltd {w.e.f 28.12.06 under “permitted securities category- B 1”}. Annual listing fees have been paid to the National Stock Exchange and there is no amount outstanding as on date.
- ❖ **Stock Code :** “KCPSUGIND” on both the National Stock Exchange and Bombay Stock Exchange (Scrip No. 590067)
- ❖ **De-mat ISIN Number :** INE790B01024.
- ❖ **CIN :** L15421TN1995PLC033198

- ❖ **High / Low of market price of the Company's shares (Face Value Re.1/-) traded on the National Stock Exchange and Bombay Stock Exchange Ltd., during the financial year 2007 - 08 is furnished below:**
(Rs. per share)

Period	High		Low		Period	High		Low	
	NSE	BSE	NSE	BSE		NSE	BSE	NSE	BSE
April '07	20.75	20.60	16.70	16.50	October '07	22.45	22.95	16.00	16.10
May '07	20.85	20.85	16.00	16.00	November '07	19.50	19.45	16.00	16.40
June '07	21.50	20.50	17.10	17.15	December '07	30.05	29.50	17.30	17.30
July '07	20.00	20.30	17.35	17.00	January '08	35.10	35.05	20.10	20.20
August '07	20.50	19.30	15.65	15.05	February '08	23.40	23.15	17.80	17.70
Sept '07	22.95	22.80	17.35	17.15	March '08	20.50	20.90	15.80	15.55

Source : Stock Exchange Website



- ❖ **AGM: Date, Time and Venue :** 13th Annual General Meeting – on 11th .day of September 2008 at 10.45 a.m. at "Sathguru Gnanananda Hall", Narada Gana Sabha, No.314, T.T.K.Road, Chennai 600018.
- ❖ **Registrar /Transfer Agents/ :** Integrated Enterprises (India) Ltd
Kences Towers, 2nd Floor,
1,Ramakrishna Street, North Usman Road,
T.Nagar, Chennai 600017.
Tel : 28140801 to 03 : Fax : 28142479
Website : www.iepindia.com
- ❖ **Share Transfer System :** The shares of the Company are included in the list of shares under the compulsory dematerialization and are transferable through the depository system. All documents received for physical transfer of shares are processed by the Registrar and Transfer Agents and are approved by the Share Transfer Committee which normally meets once/twice in a month depending on the volume of transfers. Share transfers are registered and returned within a maximum period of 30 days from the date of lodgment, if documents are complete in all respects.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

❖ Distribution of Shareholding and shareholding pattern as on 31.03.2008:

a. By number of Shares held:

No of shares held	No. of Shareholders	% of Shareholders	Aggregate shares held	% of Shareholding
Upto - 100	8,036	27.358	5,28,296	0.466
101 - 200	4,032	13.727	7,39,202	0.652
201 - 300	2,363	8.045	6,51,414	0.575
301 - 400	1,203	4.096	4,57,641	0.404
401 - 500	3,280	11.167	16,23,892	1.432
501 - 1000	4,615	15.712	38,97,531	3.437
1001 - 2000	2,517	8.569	38,76,213	3.419
2001 - 3000	905	3.081	23,44,468	2.068
3001 - 4000	451	1.535	16,28,219	1.436
4001 - 5000	459	1.563	21,81,775	1.924
5001 - 10000	705	2.400	51,45,340	4.538
10001 and above	807	2.747	9,03,11,059	79.650
TOTAL	29,373	100.000	11,33,85,050	100.000

b. By ownership:

Category Code	Category of Shareholder	No. of share holders	Total No. of Shares [Face Value: Re.1/- per Share]	No. of Shares held in Dematerialised Form	Total No. of shareholding as a percentage of Total No. of Shares As a % of (A+B+C)
A Shareholding of Promoter and Promoter Group:					
1	INDIAN				
a.	Individual / Hindu Undivided Family	4	17,33,300	17,12,180	1.529
b.	Central Government / State Govt.	-	-	-	-
c.	Bodies Corporate	1	3,91,50,000	3,91,50,000	34.528
d.	Financial Institutions / Banks	-	-	-	-
e.	Any other (specify)	-	-	-	-
	SUB TOTAL A (1)	5	4,08,83,300	4,08,62,180	36.057
2	FOREIGN				
a.	Individual (Non-Resident / Foreign)	-	-	-	-
b.	Bodies Corporate	-	-	-	-
c.	Institutions	-	-	-	-
d.	Any other (Specify)	-	-	-	-
	SUB-TOTAL A (2)	-	-	-	-
	Total shareholding of Promoter and Promoter Group (A) = A(1)+A(2)	5	4,08,83,300	4,08,62,180	36.057
B PUBLIC SHAREHOLDING					
1	Institutions				
a.	Mutual Funds / UTI	6	11,220	4,750	0.010
b.	Financial Institutions / Banks	15	41,340	14,500	0.036
c.	Central Government / State Govt.	-	-	-	0.000
d.	Venture Capital Funds	-	-	-	0.000
e.	Insurance Companies	2	11,49,430	11,49,430	1.014
f.	Foreign Institutional Investors	8	20,10,742	20,10,242	1.773
g.	Foreign Venture Capital Investors	-	-	-	-
h.	Any Other (specify)	-	-	-	-
	SUB TOTAL B (1)	31	32,12,732	31,78,922	2.833

Category Code	Category of Shareholder	No. of shareholders	Total No. of Shares [Face Value: Re.1/- per Share]	No. of Shares held in Dematerialised Form	Total No. of shareholding as a percentage of Total No. of Shares
					As a % of (A+B+C)
2	Non-Institutions				
a.	Bodies Corporate (Indian / Foreign / Overseas)	635	52,24,295	50,90,195	4.608
b.	Individuals (Resident / NRI / Foreign National)				
(i).	Individual shareholders holding Nominal Share Capital upto Rs.1 lakh	28,514	3,80,34,527	2,88,52,946	33.545
(ii).	Individual shareholders holding Nominal Share Capital above Rs.1 lakh.	65	2,54,73,289	1,14,11,059	22.466
c.	Any other				
(i).	Clearing Member	122	5,54,387	5,54,387	0.489
(ii).	Trust	1	2520	2,520	0.002
	SUB TOTAL B (2)	29,337	6,92,89,018	4,59,11,107	61.109
	Total Public shareholding (B) = B(1)+B(2)	29,368	7,25,01,750	4,90,90,029	63.943
	TOTAL (A) + (B)	29,373	11,33,85,050	8,99,52,209	100.000
C.	Shares held by Custodians and against which Depository Receipts have been issued:	NOT APPLICABLE			
	GRAND TOTAL (A) + (B) + (C)	29,373	11,33,85,050	8,99,52,209	100.000

❖ Shares in Physical and Electronic form:

Shareholders in	No. of Shareholders	%	No. of Shares	%
Physical Mode	4,851	16.51	2,34,32,841	20.67
- Sub-Total	4,851	16.51	2,34,32,841	20.67
Electronic Mode:				
- NSDL	18,913	64.39	8,34,01,326	73.55
- CDSL	5,609	19.10	65,50,883	5.78
- Sub-Total	24,522	83.49	8,99,52,209	79.33
GRAND TOTAL	29,373	100.00	11,33,85,050	100.00

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

- ❖ The Company has not so far issued any GDRs/ADRs/Warrants or any other convertible instruments.
- ❖ Top ten shareholders of the Company other than Promoter category as on 31.03.2008:

Sl. No	Name of the Shareholder (Indian public only)	Shares	% to Capital
1	HAROON MAHMUD ADAM	8,79,000	0.775
2	SAKUNTHALA DEVI BOPPANA	8,70,100	0.767
3	PADMINI RAJAN,	8,67,790	0.765
4	BOPPANA VINAY KUMAR	8,55,250	0.754
5	RANI S B	5,09,060	0.449
6	DIWAN BAHADUR P.S.G. RANGASWAMY NAIDU	4,68,270	0.413
7	SUMANTH KOORAPATI	4,39,000	0.387
8	P NAGESWARA DAS	4,24,620	0.374
9	ANUMOLU SHANTA DEVI	3,64,190	0.321
10	MALINI L NARASIMHAN	3,10,120	0.274
	Total	59,87,400	5.281

- ❖ **Plant Locations** : The Company has got sugar, distillery, ethanol, Biotech, Incidental Cogeneration, CO₂, Calcium Lactate units at Vuyyuru; sugar and Incidental Cogeneration units at Lakshmpuram, both in Krishna District all of them in Andhra Pradesh.
- ❖ **Address for Correspondence** : Shareholders correspondence should be addressed to Registrar and Share Transfer Agents at the address mentioned above. Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant. Shareholders may also contact Shri.S.Chidambaram, Deputy General Manager (Finance) & Company Secretary at the Registered Office of the Company for any assistance. Tel.Nos. 28555171 – 76 Extn: 117 E-mail id: kcpsugar@vsnl.com. An exclusive e-mail ID investorservices@kcpsugar.com has been created for registering investors complaints.

For and on behalf of the Board of Directors

Place : Chennai
Date : 25.06.2008

VINOD R. SETHI
CHAIRMAN

DECLARATION

As provided under clause 49 of the Listing Agreement with Stock Exchanges, this is to confirm that the Members of the Directors as well as the Employees in the Senior Management personnel have affirmed compliance with the Code of Conduct for the financial year ended 31.03.2008.

For K.C.P.Sugar and Industries Corporation Limited

Place : Chennai
Date : 25.06.2008

IRMGARD VELAGAPUDI M. RAO
MANAGING DIRECTOR

CERTIFICATE

To the Members of
K.C.P.SUGAR AND INSUTRIES CORPORATION LIMITED,
CHENNAI.

We have examined the compliance of the conditions of Corporate Governance by K.C.P. Sugar and Industries Corporation Ltd, for the year ended 31st March, 2008 as stipulated in clause 49 of the Listing Agreement of the said company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the 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 the 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, we certify that the Company has, during the aforesaid year, complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that, as at 31st March, 2008, no investor grievances were pending for a period exceeding one month against the Company as per the records maintained by the Company and produced for our verification.

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.

Place : Chennai
Date : 25th June, 2008.

For B Purushottam & Co.
Chartered Accountants,

B.S. Purshotham
(M. No. 26785)
Partner

To,

THE MEMBERS OF K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED

- 1) We have audited the attached Balance Sheet of K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED, as at 31st March, 2008, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (Auditors' Report) order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4) Further to our comments in the Annexure referred to above, we report that :
 - i) 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;
 - ii) 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 those books;
 - iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors of the company as at 31st March, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes and Accounting Policies give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2008 and
 - b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date. and
 - c) In the case of the Cash Flow Statements, of the Cash Flows for the year ended on that date.

Place : Chennai
Date : 25th June, 2008.

For B Purushottam & Co.
Chartered Accountants,

B.S. Purshotham
(M. No. 26785)
Partner

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i) In respect of Fixed assets:
 - a) The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets.
 - b) All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Material discrepancy noticed between book balance and physical assets of fixed assets have been properly dealt with in the books of accounts.
 - c) During the year, the Company has not disposed off any substantial part of Fixed Assets.
- ii) In respect of inventory:
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) In respect of Loans:
 - a) According to the information and explanations given to us, the Company has granted loan to two companies, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,55,38,785 and the year-end balance of the loans granted to such parties was Rs.1,18,32,838.
 - b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie, prejudicial to the interest of the company.
 - c) The companies have repaid the principal amount as stipulated and have also been regular in the payment of interest to the company.
 - d) There is no overdue amount in excess of Rs.1 lakh in respect of the above loans.
 - e) The Company has not taken any loans, from companies, firms or other parties, covered in the register maintained u/s 301 of the companies Act, 1956, except an amount of Rs.3.00 Crores (Rupees Three crores only) from a Director of the company in accordance with the companies (Acceptance of Deposits) Rules 1975.
In our opinion, the rate of interest and other terms and conditions on which loans (deposits) have been taken by the company from the parties covered in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets, for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v)
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) 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 Tribunal or Reserve Bank of India or any court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the company at its Sugar, Distillery, and 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.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

- ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Sales tax, Service tax, Custom duty, Excise Duty, cess and other material statutory dues applicable to it except the following:

	Name of the statute	Nature of the dues	Amount Rs.	Period to which the amount relates	Due date	Date of payment
1.	Andhra Pradesh Agri Lands Assessment Act	Non Agri Land Assessment Tax	10,42,933	FY 1993-94 to 1999-2000, 2002-03 and 2005-06.	On 30th September of each year, on receipt of demand	Not paid at the date of our report

- b) According to the information and explanation given to us no undisputed amounts payable in respect of Income tax, Sales tax, wealth tax, Service tax, Customs Duty and Excise Duty and Cess were in arrears, as at 31-03-2008 for a period of more than six months from the date they became payable.
- c) According to the information given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, Customs duty and Cess which have not been deposited on account of dispute except in respect of Excise duty which have not been deposited on account of dispute. The details are given as under

Nature of the dues	Name of the Statute	Amount Rs.	Pending before
Central Excise Duty	Central Excise Act 1994	1,91,12,314	Andhra Pradesh High court

- x) The company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) Based on our audit procedures and on the basis of information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.
- xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion, the company is not a Chit Fund or a Nidhi /Mutual Benefit Fund/Society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
- xiv) The nature of Company's business/activities during the year does not include dealing in shares, securities, debentures or other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (AUDITORS' Report) Order, 2003 are not applicable to the company.
- xv) According to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions, except in respect of its wholly owned subsidiary.
- xvi) According to the information and explanations given to us the company did not avail of any term loans during the year under report.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year under report.
- xx) The Company has not raised any money by way public issue during the year and hence the question of disclosure and verification of end use of such moneys does not arise during the year.
- xxi) Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Place : Chennai
Date : 25th June, 2008.

For B Purushottam & Co.
Chartered Accountants,

B.S. Purshotham
(M. No. 26785)
Partner

		AMT IN RS.	
Schedule		As at 31.03.2008	As at 31.03.2007
I SOURCES OF FUNDS:			
1. Shareholders' Funds			
Share Capital	A	11,33,85,050	11,33,85,050
Reserves & Surplus	B	<u>143,42,19,392</u>	<u>144,75,96,744</u>
		154,76,04,442	156,09,81,794
2. Loan Funds			
Secured Loans	C	43,88,86,979	19,36,77,300
Unsecured Loans	D	<u>18,40,00,000</u>	<u>17,99,22,000</u>
		62,28,86,979	37,35,99,300
3. Deferred Tax Liability (Net) (See Note 7)			
Deferred Tax Liability		30,13,40,523	29,58,16,139
Less: Deferred Tax Asset		<u>4,74,62,323</u>	<u>3,85,87,149</u>
		25,38,78,200	25,72,28,990
TOTAL		<u>242,43,69,621</u>	<u>219,18,10,084</u>
II APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross Block	E	216,25,26,621	207,88,63,416
(b) Less: Depreciation		<u>70,11,93,785</u>	<u>59,75,83,948</u>
(c) Net Block		146,13,32,836	148,12,79,468
(d) Capital Work-in-Progress		<u>1,44,95,594</u>	<u>7,28,45,659</u>
		147,58,28,430	155,41,25,127
2. Investments	F	5,36,53,134	12,65,92,017
3. Current Assets, Loans and Advances			
(a) Inventories	G	126,77,78,839	132,75,07,945
(b) Sundry Debtors	H	6,09,19,428	11,45,09,441
(c) Cash and Bank Balances	I	20,84,05,389	17,67,30,095
(d) Other Current Assets	J	23,12,881	28,08,246
(e) Loans and Advances	K	<u>20,23,86,069</u>	<u>14,02,58,734</u>
		174,18,02,606	176,18,14,461
Less: Current Liabilities and Provisions			
(a) Liabilities	L	73,47,84,951	1,16,87,78,350
(b) Provisions		<u>11,21,29,598</u>	<u>8,19,43,171</u>
		84,69,14,549	125,07,21,521
Net Current Assets		<u>89,48,88,057</u>	51,10,92,940
TOTAL		<u>242,43,69,621</u>	<u>219,18,10,084</u>

Schedules A - L , Statement of Accounting Policies & Notes form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board

For **B.PURUSHOTTAM & CO.**

Chartered Accountants

B.S.PURSHOTHAM

Partner

Chennai
25.06.2008

R.GANESAN
General Manager
(Finance)

S.CHIDAMBARAM
Dy.General Manager (Finance) &
Company Secretary

IRMGARD VELAGAPUDI M. RAO

Managing Director

V.KIRAN RAO

Executive Director

K.A.RANGASWAMY
Director

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

	Schedule	AMT IN RS	
		2007 - 2008	2006 - 2007
I INCOME:			
Sale of Products and Services		309,97,71,437	397,24,59,539
Less: Excise Duty collected		(15,83,99,121)	(17,14,71,202)
		294,13,72,316	380,09,88,337
Less: Inter Divisional Transfers		(59,28,73,924)	(66,74,84,692)
Net Sale of Products and Services		234,84,98,392	313,35,03,645
Other Income	M	3,73,30,085	5,61,89,465
		238,58,28,477	318,96,93,110
II EXPENDITURE:			
Raw Materials Consumed		150,05,70,393	197,22,31,528
Less: Inter Divisional Transfers		(3,03,20,980)	(8,35,59,175)
Net Raw Materials Consumed		147,02,49,413	188,86,72,353
Decrease in Stocks	N	3,23,06,646	2,74,43,156
Payments and Benefits to Employees	O	20,72,61,231	22,47,23,373
Manufacturing, Selling, Administrative and other expenses	p	44,79,37,964	54,88,00,623
Interest		4,59,92,640	3,51,55,795
Depreciation		10,59,36,783	10,01,49,144
		230,96,84,677	282,49,44,444
PROFIT BEFORE TAXATION		7,61,43,800	36,47,48,666
Less: Provision for taxation - Current Tax		(2,50,00,000)	(8,25,00,000)
Deferred Tax		(59,93,399)	(4,49,43,218)
Fringe Benefit Tax		(15,00,000)	(18,00,000)
Add: Reversal of excess provision for taxation relating to earlier years		2,74,46,473	-
PROFIT AFTER TAX		7,10,96,874	23,55,05,448
Balance brought forward from previous year		40,24,83,230	25,83,05,202
		47,35,80,104	49,38,10,650
III APPROPRIATIONS			
Transfer to General Reserve	81,46,806		2,50,00,000
Proposed Dividend	5,66,92,525		5,66,92,525
Tax on Proposed Dividend	96,34,895		96,34,895
		7,44,74,226	9,13,27,420
Balance Carried to Balance Sheet		39,91,05,878	40,24,83,230
Basic and Diluted Earnings Per Share (See Note 21)		0.63	2.08

Schedules M - P, Statement on Accounting Policies & Notes form an integral part of the Profit & Loss Account.

As per our report of even date

For and on behalf of the Board

For B.PURUSHOTTAM & CO.
Chartered Accountants

IRMGARD VELAGAPUDI M. RAO
Managing Director

B.S.PURSHOTHAM
Partner

V.KIRAN RAO
Executive Director

Chennai
25.06.2008

R.GANESAN
General Manager
(Finance)

S.CHIDAMBARAM
Dy.General Manager (Finance) &
Company Secretary

K.A.RANGASWAMY
Director

	AMT IN RS	
	As at 31.03.2008	As at 31.03.2007
A . SHARE CAPITAL		
Authorised :		
25,00,00,000 Equity Shares of Re.1/- each	25,00,00,000	25,00,00,000
Issued, Subscribed and Paid-up:		
11,33,85,050 Equity Shares of Re.1/- each	11,33,85,050	11,33,85,050

Note: Of the above shares, 11,33,76,050 shares of Re.1/- each, have been allotted as fully paid-up shares without payment being received in cash by the erstwhile Company.

	AMT IN RS			
	As at 01.04.2007	Added during the Year	Withdrawn during the Year	As at 31.03.2008
B . RESERVES & SURPLUS				
Investment Allowance Reserve (Utilised)	45,05,000	—	—	45,05,000
Effluent Disposal Facilities Reserve	63,404	—	—	63,404
Capital Redemption Reserve - Shares Buy Back	1,55,45,110	—	—	1,55,45,110
General Reserve	102,50,00,000	81,46,806	1,81,46,806*	101,50,00,000
Surplus (i.e.) Balance in Profit and Loss A/c	40,24,83,230	—	—	39,91,05,878
	144,75,96,744			143,42,19,392

* Transitional effect on account of AS 15 (Revised 2005) "Employee benefits" (Refer Note No.5)

C . SECURED LOANS

From Banks

a) Working capital borrowings **28,28,86,979** 19,36,77,300

(Secured by hypothecation of work-in-progress, finished goods, raw materials, stores and spares, book debts, all other current assets and further secured by a third charge created on movable fixed assets of the Sugar Units at Vuyyuru and Lakshmipuram and guaranteed by the Managing Director.)

b) Term Loans **15,60,00,000** —

(Secured by pari passu second charge on the movable fixed assets at Vuyyuru and Lakshmipuram units and guaranteed by the Managing Director.)

43,88,86,979 19,36,77,300

D . UNSECURED LOANS

Fixed Deposits **18,88,99,000** 18,19,33,000

Less: Unclaimed Fixed deposits shown under Current Liabilities **(48,99,000)** (20,11,000)

18,40,00,000 17,99,22,000

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (CONTD.)

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK		
	Cost up to 31.03.2007	Additions during the Year	Deductions during the Year	Cost up to 31.03.2008	Up to 31.03.2007	For the Year	On Deductions	Up to 31.03.2008	As at 31.03.2008	As at 31.03.2007	
Lands	8,52,40,744			8,52,40,744	—			—	8,52,40,744	8,52,40,744	
Buildings											
- Own Buildings	22,29,46,936	4,19,24,509		26,48,71,445	2,98,49,922	54,54,378		3,53,04,300	22,95,67,145	19,30,97,014	
- Leasehold Buildings	1,12,189			1,12,189	48,376	3,190		51,566	60,623	63,813	
Plant & Machinery	163,35,15,629	4,11,46,781	5,31,175	167,41,31,235	51,19,90,282	8,59,54,503	2,75,078	59,76,69,707	107,64,61,528	112,15,25,347	
Tramways & Railways Sidings	2,30,97,526			2,30,97,526	54,87,702	11,66,516		66,54,218	1,64,43,308	1,76,09,824	
Computers, Office Equipments & Furniture	6,89,60,828	33,17,286	20,17,268	7,02,60,846	3,24,25,281	89,29,263	14,83,347	3,98,71,197	3,03,89,649	3,65,35,547	
Vehicles	4,49,89,564	7,06,233	8,83,161	4,48,12,636	1,77,82,385	44,28,933	5,68,521	2,16,42,797	2,31,69,839	2,72,07,179	
Total	207,88,63,416	8,70,94,609	34,31,604	216,25,26,621	59,75,83,948	10,59,36,763	23,26,946	70,11,93,785	146,13,32,836	148,12,79,468	
Previous year	185,31,65,250	23,33,14,409	76,16,243	207,88,63,416	50,19,41,957	10,01,49,144	45,07,153	59,75,83,948	148,12,79,468	135,12,23,293	
NOTE: 1) Titles in Land and other immovable Properties acquired from The K.C.P. Limited pursuant to the Scheme of Arrangement, are in the process of endorsement in the name of the Company. 2) Land measuring 6.55 acres acquired at a cost of Rs.12,95,880/— is pending formal transfer of title in the name of the Company.											
Acetic Acid Unit, Vuyyuru	1,79,70,270	—	—	1,79,70,270	1,68,50,270			1,68,50,270	11,20,000	11,20,000	
Registered Office, Chennai	3,98,38,517	23,04,561	13,33,742	4,08,09,336	1,93,10,869	57,14,434	8,27,094	2,41,98,209	1,66,11,127	2,05,27,648	
Sugar Unit, Vuyyuru	56,75,87,709	29,79,369	5,83,133	56,99,83,945	15,95,60,308	2,53,11,568	4,17,053	18,44,54,823	38,55,29,122	40,80,27,401	
Distillery Unit, Vuyyuru	19,08,46,467	2,32,62,913	13,100	21,40,96,280	1,58,87,056	1,10,65,471	11,218	2,69,41,309	18,71,54,971	17,49,59,411	
Sugar Unit, Lakshimpuram	43,99,78,315	4,74,84,509	38,29,498	48,36,33,326	18,26,76,405	2,07,55,016	12,72,764	20,21,58,657	28,14,74,669	25,73,01,910	
Research & Development Unit, Vuyyuru	5,35,41,861	—	1,91,700	5,33,50,161	1,95,55,487	25,42,637	1,87,616	2,19,10,508	3,14,39,653	3,39,86,374	
Bio Tech unit, Vuyyuru	4,62,03,943	10,92,015	—	4,72,95,958	79,42,686	25,64,906	—	1,05,07,592	3,67,88,366	3,82,61,257	
Workshop unit, Tada	1,13,85,481	—	—	1,13,85,481	18,12,488	3,58,930	—	21,71,398	92,14,083	95,73,013	
Cogen unit, Vuyyuru	51,27,51,737	21,245	—	51,27,72,982	12,36,12,895	2,68,91,815	—	15,05,04,710	36,22,68,272	38,91,38,842	
Cogen unit, Lakshimpuram	13,16,97,011	25,19,569	—	13,42,16,580	4,05,34,058	72,33,053	—	4,77,67,111	8,64,49,469	9,15,51,752	
1MW Power Plant, Vuyyuru	3,01,95,242	—	—	3,01,95,242	91,58,245	15,61,388	—	1,07,19,633	1,94,75,609	2,10,36,997	
Calcium Lactate Plant, Vuyyuru	2,57,65,227	29,44,325	—	2,87,09,552	8,36,572	11,80,595	—	20,17,167	2,66,92,385	2,49,28,655	
C02 Unit, Vuyyuru	1,11,01,636	70,05,872	—	1,81,07,508	2,35,428	7,56,970	—	9,92,398	1,71,15,110	1,08,66,208	
Total	207,88,63,416	8,96,14,378	59,51,173	216,25,26,621	59,79,72,747	10,59,36,783	27,15,745	70,11,93,785	146,13,32,836	148,12,79,468	
Less: Internal Transfers		25,19,569	25,19,569		3,88,799		3,88,799				
Grand total	207,88,63,416	8,70,94,609	34,31,604	216,25,26,621	59,75,83,948	10,59,36,763	23,26,946	70,11,93,785	146,13,32,836	148,12,79,468	

E. FIXED ASSETS

AMT IN RUPEES

		AMT IN RS.	
		As at 31.03.2008	As at 31.03.2007
F. INVESTMENTS :			
I. SHARES OF COMPANIES:			
	<i>No. of Shares</i>		
Long Term			
A. Trade Investments:			
Unquoted Equity Shares - Fully paid			
In subsidiary companies:			
(1) The EIMCO-K.C.P. Limited	60,000	60,00,000	60,00,000
<i>(including 10 Shares held by the nominees of the Company)</i>			
(2) KCP Sugars Agricultural Research Farms Limited	22,50,000	2,25,00,000	2,25,00,000
<i>(including 6 Shares held by the nominees of the Company and 1800000 shares purchased during 2006-07)</i>			
B. Non- Trade Investments:			
(i) Quoted Equity Shares - Fully Paid:			
(1) The Jeypore Sugar Company Limited	16,580	8,21,936	8,21,936
(2) Krishna Industrial Corporation Limited	52,501	5,00,010	5,00,010
(3) Sri Sarvaraya Sugars Limited	1,50,000	17,00,000	17,00,000
(4) Nava Bharat Ventures Ltd	68,040	3,47,934	3,47,934
<i>(Face value of Rs.2/- each)</i>			
(5) Balrampur Chini Mills Ltd	1,000	9,146	9,146
<i>(Face value of Re.1/- each)</i>			
(6) Bannari Amman Sugars Ltd	50	2,547	2,547
(7) The Dhampur Sugar Mills Ltd	100	6,013	6,013
(8) Sakthi Sugars Ltd	50	815	815
(9) Bajaj Hindustan Limited	1000	5,601	5,601
<i>(Face value of Re.1/- each)</i>			
(10) Kothari Sugars and Chemicals Limited	5	50	50
(11) Oswal Sugars Limited	100	404	404
(12) Thiru Arooran Sugars Limited	100	7,326	7,326
(13) Simbholi Sugars Limited	100	1,026	1,026
(14) EID Parry (India) Ltd	500	7,486	7,486
<i>(Face value of Rs.2/- each)</i>			
(15) Coromandel Fertilizers Ltd <i>(Face value of Rs.2/- each)</i>	165	—	—
<i>(Allotted one share for every 3 shares of EID Parry (I) Ltd as per demerger)</i>			
(16) The Andhra Sugars Ltd	100	2,348	2,348
(17) Avon Organics Ltd	100	5,580	5,580
(18) Indian Sucrose Ltd	100	680	680
(19) Citric (I) Ltd <i>(Pending registration of transfer)</i>	100	790	790
(20) Jubilant Organosys Ltd <i>(formerly Vam Organic Chemicals Ltd) (Face value of Re.1/- each)</i>	1,600	11,268	11,268
(ii) Unquoted Equity Shares - Fully paid			
Agri Business Finance (AP) Ltd	50,000	5,00,000	5,00,000

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (CONTD.)

		AMT IN RS.	
		As at 31.03.2008	As at 31.03.2007
F. INVESTMENTS (Continued)			
B. Non- Trade Investments Current			
(i) Quoted Equity Shares - Fully Paid:			
(1)	Automotive Stampings and Assemblies Ltd.	2,000	2,08,814
(2)	Blue Star Ltd. <i>(Includes 1850 shares purchased during the year for Rs.5,20,987/-) (Face value of Rs.2/- each)</i>	6,368	8,83,733
(3)	Gujarat Gas Company Ltd. <i>(Face value of Rs.10/- each split into Rs. 2/- each during the year)</i>	2,250	4,76,137
(4)	Indraprastha Gas Ltd. <i>(Includes 19500 shares purchased during the year for Rs.25,54,252/-)</i>	52,284	61,46,789
(5)	ISMT Ltd. <i>(Includes 3000 shares purchased during the year for Rs.2,75,748/-)</i>	12,000	6,61,917
(6)	Subex Azure Ltd. <i>(Includes 2100 shares purchased during the year for Rs.10,53,092/-)</i>	4,268	15,26,151
(7)	Yuken India Ltd.	715	1,22,009
(8)	Container Corporation of India Ltd. <i>(Includes 370 shares purchased during the year for Rs.6,82,284/-)</i>	1,564	27,03,468
(9)	Marico Ltd. <i>(Includes 9000 shares purchased during the year for Rs.5,23,965/-) (Face value of Re.1/- each)</i>	24,000	12,43,982
(10)	Bank of Baroda	370	1,00,191
(11)	Bharat Petroleum Corporation Ltd. <i>(Sold 225 shares for Rs.95,787/- out of 255 shares during the year)</i>	30	11,732
(12)	Bank of India	650	1,00,095
(13)	Hero Honda Motors Ltd. <i>(Face value of Rs.2/- each)</i>	125	96,910
(14)	Hindustan Petroleum Corporation Ltd. <i>(Sold 340 shares for Rs.1,05,181/- during the year)</i>	340	1,00,151
(15)	Union Bank of India	775	99,540
(16)	Zee Entertainment Enterprises Ltd., <i>(Sold 310 shares for Rs.92,227/- during the year) (Face value of Re.1/- each)</i>	310	1,00,815
(17)	Petronet LNG Ltd. <i>(Sold 5000 shares for Rs.5,56,228/- during the year)</i>	5,000	2,37,314
(18)	Precision Wires India Ltd.	2,600	4,48,027
(19)	Apar Industries Ltd <i>(Includes 700 shares purchased during the year for Rs.109041/-)</i>	2,078	3,69,636
(18)	Asian Paints Ltd. <i>(Includes 1500 shares purchased during the year for Rs.13,44,407/-)</i>	1,645	14,42,950
(19)	Savitha chemicals Ltd. <i>(Includes 500 shares purchased during the year for Rs.1,35,678/-)</i>	845	2,16,884
(20)	Voltas Ltd. <i>(Sold 1200 shares for Rs.2,95,197/- during the year) (Face value of Re.1/- each)</i>	1,200	1,00,277
(21)	Axys health	50,000	32,50,000
(22)	Chandamama India Ltd. <i>(Taken over by Geodesic Information Systems Ltd)</i>	50,000	6,25,000
Purchased during the year:			
(23)	Geodesic Information Systems Ltd <i>(Face value of Rs.2/- each) (Includes 3774 shares allotted for the shares held in Chandamama India Ltd partially. 2012 bonus shares allotted by Geodesic Information Systems Ltd; 350 shares purchased during the year for Rs.80,816)</i>	6,136	4,55,816
(24)	Global Telesystems Ltd	2,000	3,84,368
(25)	Tata Motors Ltd.	200	1,32,466
(26)	Tata Tea Ltd.	200	1,40,559
Mutual Funds:			
(27)	Prudential ICICI Mutual Fund-FMP-Series 37		5,00,00,000
(28)	Reliance Mutual -Monthly Interval Fund		3,00,00,000
(29)	ING Vysya Mutual Fund-Liquid Fund-Institutional-Daily Dividend Option <i>(1,01,23,019.50 units purchased and sold during the year)</i>		
		5,36,53,134	12,65,92,017

	AMT IN RS.	
	As at 31.03.2008	As at 31.03.2007
NOTE:		
1. The Face value of the above Equity Shares is Rs.10/- each unless otherwise mentioned.		
2. Aggregate of Quoted Investments - At cost	2,46,53,134	1,75,92,017
- At market value	5,43,86,725	3,21,19,280
3. Aggregate of Unquoted Investments at Cost	2,90,00,000	2,90,00,000
4. Aggregate of Investments in Mutual Funds - At Cost	—	8,00,00,000
G. INVENTORIES		
(As Certified by the Management)		
Stores and Spares	6,05,13,548	8,77,27,871
Raw Materials	45,179	2,53,316
Crops under cultivation	20,02,454	13,52,754
Work-in-progress	2,09,91,208	2,59,80,824
Finished Goods	118,42,26,450	121,21,93,180
	<u>126,77,78,839</u>	<u>132,75,07,945</u>
H. SUNDRY DEBTORS		
Sundry Debtors - Unsecured :		
Debts outstanding for a period exceeding six months considered good	68,11,748	1,01,47,344
Other Debts - Considered Good	5,41,07,680	10,43,62,097
	<u>6,09,19,428</u>	<u>11,45,09,441</u>
I. CASH AND BANK BALANCES		
Cash on hand	8,85,294	4,41,238
Balances at Scheduled Banks :		
In Fixed Deposits	16,47,04,740	12,56,57,850
In Current Accounts	4,28,15,355	5,06,31,007
	<u>20,84,05,389</u>	<u>17,67,30,095</u>
J. OTHER CURRENT ASSETS		
Interest and Dividend accrued on Deposits and Investments	23,12,881	28,08,246
K. LOANS AND ADVANCES		
Advances		
(unsecured, recoverable in cash or in kind or for value to be received)		
Considered Good:		
To Subsidiary Companies	1,21,20,005	77,60,236
To others	11,91,46,613	5,13,12,321
	<u>13,12,66,618</u>	<u>5,90,72,557</u>
Considered doubtful	4,19,925	4,19,925
	<u>13,16,86,543</u>	<u>5,94,92,482</u>
Less: Provision	4,19,925	4,19,925
	<u>13,12,66,618</u>	<u>5,90,72,557</u>
Prepaid expenses	47,64,088	70,52,136
Excise duty paid in advance	52,03,292	82,56,111
Advance Income-tax paid (including FBT) (Net)	4,84,64,773	2,50,52,000
Income Tax deducted at source	20,73,102	23,51,136
Deposits with the Government Departments etc. recoverable	61,74,242	3,52,58,342
Claims receivable	44,39,954	32,16,452
	<u>20,23,86,069</u>	<u>14,02,58,734</u>

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

	AMT IN RS.	
	As at 31.03.2008	As at 31.03.2007
L CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
Sundry Creditors		
- Due to micro,small and medium enterprises (Refer note No.4) <i>(Previous year pertaining to small scale industrial undertakings)</i>	—	16,90,822
- Due to others <i>(including Rs.8,64,490/- due to Directors. P.Y. Rs.1,18,77,804/- & Rs.2,87,168 due to Subsidiary Companies P.Y. Rs.7,68,958/-.)</i>	69,56,89,493	113,83,01,596
Unclaimed Fixed Deposits *	52,89,134	24,01,471
Unclaimed Dividends	1,04,46,954	95,21,505
Unclaimed Interest on Fixed Deposits	3,20,527	4,12,903
Advances received against sales	1,48,01,087	43,30,187
Trade Deposits	1,23,300	1,23,650
Staff Security Deposits	60,000	1,10,000
Interest accrued but not due on loans	80,54,456	1,18,86,216
	73,47,84,951	116,87,78,350
B. Provisions :		
Provision for Leave encashment	1,12,54,660	94,72,747
Provision for Gratuity	3,45,47,518	61,43,004
Proposed Dividend <i>(See Directors' Report)</i>	5,66,92,525	5,66,92,525
Tax on Distributed Profits	96,34,895	96,34,895
	11,21,29,598	8,19,43,171
	84,69,14,549	125,07,21,521

*There is no unclaimed deposit for more than 7 years which is required to be transferred to Investor Education and Protection Fund.

	AMT IN RS.	
	2007-2008	2006-2007
M. OTHER INCOME		
Interest received from Banks and others	38,93,274	21,96,014
<i>(Tax deducted on above Rs.7,13,456/- P.Y. Rs.5,11,542/-)</i>		
Dividends Received		
i) On Trade Investments	—	—
ii) On other Investments	37,80,090	36,76,768
Rent received	31,19,405	28,62,858
<i>(Tax deducted on above Rs.1,74,809/- P.Y. Rs.1,93,942/-)</i>		
Miscellaneous Receipts	2,30,51,811	2,26,09,763
Profit on sale of Assets	6,90,519	1,62,97,747
Profit on sale of Investments	5,67,955	77,869
Unclaimed balances credited back	3,04,883	2,34,757
Claims received	17,03,020	15,16,423
Provision for expenses no longer required credited back	2,19,128	64,14,423
Prior period adjustments	-	3,02,843
	3,73,30,085	5,61,89,465
N. INCREASE/(DECREASE) IN STOCKS		
Opening Stocks :		
Crops under cultivation	13,52,754	39,600
Work-in-Progress	2,59,80,824	1,97,58,742
Finished goods	121,21,93,180	124,71,71,572
	123,95,26,758	126,69,69,914
Closing Stocks :		
Crops under cultivation	20,02,454	13,52,754
Work-in-Progress	2,09,91,208	2,59,80,824
Finished goods	118,42,26,450	121,21,93,180
	120,72,20,112	123,95,26,758
Increase/(Decrease) in stocks	(3,23,06,646)	(2,74,43,156)
O. PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	17,57,12,198	18,89,04,118
Payments under Voluntary Retirement Scheme	—	7,08,205
Contribution to Provident Fund and Pension Scheme	1,21,90,664	1,15,30,723
Contribution to Superannuation Fund	9,51,260	8,54,408
Contribution to Gratuity Fund & Gratuity paid including provision	50,14,311	71,45,401
Workmen and Staff Welfare expenses	1,33,92,798	1,55,80,518
	20,72,61,231	22,47,23,373

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT (CONTD.)

		AMT IN RS.	
		2007-2008	2006-2007
P. MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES			
MANUFACTURING			
Process Chemicals		3,58,53,574	3,66,44,914
Packing Materials		6,00,54,927	7,17,70,724
Cultivation Expenses		27,64,567	27,58,166
Power and Fuel	Rs.57,99,87,889/- P.Y.Rs.60,85,65,913/-		
Less: Inter Divisional Transfers	Rs.56,25,52,944/- P.Y. Rs.58,39,25,517/-		
Net Power and Fuel		1,74,34,945	2,46,40,396
Insurance		74,71,131	1,03,19,692
Research & Development		2,86,43,299	4,61,81,660
Repairs to Buildings		79,34,381	1,12,61,823
Repairs to Machinery		10,64,83,356	13,23,15,871
Repairs to Other Assets		78,31,149	70,62,740
		27,44,71,329	34,29,55,986
SELLING			
Loading, Unloading, Transport etc.		1,62,89,505	1,61,62,090
Royalty		3,10,340	2,76,274
		1,65,99,845	1,64,38,364
ADMINISTRATIVE			
Rent		3,46,150	3,47,425
Payments to Auditors (See Note No 14)		6,11,126	5,63,525
Directors Sitting fees		11,20,000	12,60,000
Remuneration to Whole time and other Directors (See Note No 15)		98,79,556	2,00,66,253
Miscellaneous expenses		4,79,33,431	6,95,78,937
		5,98,90,263	9,18,16,140
OTHERS			
Loss on Sale of assets		1,11,320	6,64,993
Loss on Sale of investments		8,589	1,847
Loss on sale of stores / raw materials		56,667	—
Net value of discarded assets written off		5,55,138	—
Bad debts and Debit balances written off		8,78,102	4,03,602
Excises Duty and Taxes		9,53,66,711	9,65,19,691
		9,69,76,527	9,75,90,133
		44,79,37,964	54,88,00,623

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the said Act.

2. FIXED ASSETS

- a. Fixed assets are stated at the values at which they are acquired, less accumulated depreciation. The value at which fixed assets are acquired includes all related expenses upto the date of putting them to use.
- b. Modvat Credit availed on acquisition of Fixed Assets is reduced from the cost of the concerned assets.

3. DEPRECIATION

Depreciation is provided under straight line method except in respect of assets appearing in the books of the Registered Office of the Company, which are depreciated under written down value method, in accordance with the rates and rules prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5000/- depreciated within the year of acquisition.

4. INVESTMENTS

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost or market value.

5. INVENTORIES

- a) Finished goods are valued as follows and increased by Excise Duty thereon as applicable.
 - All finished goods are valued at lower of weighted average cost or market value except Levy Sugar which is valued at lower of weighted average cost or levy rate.
 - Molasses, a by product is valued at estimated net realisable value.
- b) Stock of Scrap is not valued and therefore not recognised in the accounts. Sale of Scrap, as and when made, is accounted for.
- c) Crops under cultivation are valued at cost.
- d) Work in progress is valued at lower of weighted average cost or net realisable value of the finished goods duly adjusted according to the percentage of progress.
- e) Raw materials, stores, spares, materials in transit are valued at weighted average cost, except when the net realisable value of the finished goods they are used in is less than the cost of the finished goods and if in such an event the replacement cost of such materials etc. is less than their holding cost, they are valued at replacement cost.

6. SALES AND OTHER EARNINGS

- a) Sales are inclusive of excise duty, freight, insurance etc. recovered thereon.
- b) Power generated in Power Plant Units and supplied to the other units of the Company is accounted for at the rate at which the Company purchases power from other power producers.

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. RESEARCH AND DEVELOPMENT EXPENDITURE

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

9. EMPLOYEE BENEFITS

Long-term Employee Benefits

(a) Defined Contribution Plans

The Company has Defined Contribution Plans for post employment benefits for certain employees in the form of Superannuation Fund which is recognised by the Income Tax authorities and administered through Trustees and Life Insurance Corporation of India (LIC) and Provident Fund for all employees. These plans constitute insured benefits, as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

(b) Defined Benefit Plans

- (i) Gratuity - The Company has Defined Benefit Plan for post employment benefit for all employees in the form of Gratuity. For certain employees the post employment benefits in the form of Gratuity Fund, which is recognised by the Income Tax authorities and administered through Trustees and Life Insurance Corporation of India (LIC). Liability for Defined Benefit Plan is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent Actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit Method.
- (ii) Leave Encashment – Entitlement to annual leave and sick leave are recognised when they accrue to employees. The Company determines the liability for such accumulated leaves at each Balance Sheet date and the same is charged to revenue accordingly.

10. 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.

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 recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized. Deferred tax assets arising on other temporary timing differences are recognized only if there is a reasonable certainty of realization.

11. BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing cost are charged to revenue.

12. IMPAIRMENT OF ASSETS

At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

BALANCE SHEET

1. Contingent liabilities and Capital Commitments:

a) Contingent Liabilities:

i) Claims against the company not acknowledged as debts:

Particulars	31.03.2008	31.03.2007
	Amount – Rs.	
Labour Cases	3,84,495	49,15,317
Central Excise Cases	1,91,12,314	1,91,12,314
Differential Statutory Minimum Cane Price for the financial year 2002-03.	1,85,23,712	1,85,23,712
Case on Duty relating to Captive Power Generation	2,61,69,375	---
Disputed Property Tax & Water Tax	22,74,230	---
TOTAL	6,64,64,126	4,25,51,343

ii) Guarantee for an amount of Rs.6,75,00,000/- (P.Y. Rs. 6,75,00,000/-) has been provided on behalf of THE EIMCO-K.C.P. LTD., a subsidiary, for moneys borrowed by it from Banks.

b) Capital Commitments:

Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. "NIL" /- (P.Y. Rs. 4,93,74,867 /-).

2. Cash and Bank Balances include:

i) Rs.2,29,271/- (P.Y. Rs. 1,20,000/-) on account of staff security deposits.

ii) Rs.9,48,469/- (P.Y. Rs. 19,93,850/-) representing Fixed Deposit receipts lodged with bankers as margin money against guarantees issued by them.

iii) Rs.1,35,27,000/- (P.Y. Rs. 1,35,44,000/-) in Fixed Deposit in accordance with the Companies (Acceptance of deposits) Rules 1975.

iv) Rs.1,04,46,954/- (P.Y. Rs. 95,21,504/-) towards unclaimed dividends in accordance with Section 205 of the Companies Act, 1956

3. "Unsecured Loans" - include: Fixed Deposits of Rs. 3,00,00,000/- (P.Y. Rs. 3,00,00,000/-) received from a Whole-time Director of the Company.

4. The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

5. Disclosure under Accounting standard 15 (AS 15):

Employee Benefits:

The Company has, with effect from April 1, 2007, adopted Accounting Standard 15, Employee Benefits (Revised 2005), issued by the Institute of Chartered Accountants of India. In pursuance of the said AS 15(Revised), the company has adjusted the transitional liability of Rs. 1, 81,46,806/- (net of Deferred tax credit of Rs.93,44,189/-) against the opening balance of General Reserves.

Defined benefit plans		Amt in Rs.
	Gratuity	
(I)	Change in Benefit Obligation	
	Liability at the beginning of the year	2,54,87,348
	Transitional liability	2,74,90,995
	Interest Cost	41,65,059
	Current Service Cost	30,64,192
	Benefit Paid	(18,66,099)
	Actuarial (gain)/loss on obligations	15,92,374
	Liability at the end of the year	5,99,33,869
(II)	Fair value of Plan Assets	
	Fair value of plan assets at the beginning of the year	2,13,21,243
	Expected Return on Plan Assets	20,69,381
	Contributions	34,37,144
	Benefit Paid	(12,88,739)
	Actuarial gain /(loss) on Plan Assets	(1,52,678)
	Fair Value of plan assets at the end of the year	2,53,86,351
(III)	Actual Return on Plan Assets	
	Expected Return on Plan Assets	20,69,381
	Actuarial gain/(loss) on plan Assets	(1,52,678)
	Actual Return on Plan Assets	19,16,703
(IV)	Amount Recognised in the Balance Sheet	
	Liability at the end of the year	5,99,33,869
	Fair value of Plan Assets at the end of the year	2,53,86,351
	Difference (Unfunded)	3,45,47,518
	Amount Recognised in the Balance Sheet	3,45,47,518
(V)	Expenses Recognised in the Income Statement	
	Current Service Cost	30,64,192
	Interest Cost	41,65,059
	Expected Return on Plan Assets	(20,69,381)
	Net Actuarial (Gain)/ loss to be recognised	1,71,748
	Expenses Recognised in P & L	53,31,618
(VI)	Actuarial Assumptions: For the Year	
	Discount Rate Current	8%
	Salary Escalation Current	5%
	Expected rate of return on plan assets	8 & 9.25%
	L I C Mortality rate 1994 - 1996 ultimate	

Provident Fund:

The Company manages Provident Fund plan through a Provident Fund Trust for its employees, which is permitted under The Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by the employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer & employee, together with interest, are payable at the time of separation from service or retirement, whichever is earlier. The benefit under this plan vests immediately on rendering of service.

The Guidance Note on implementing AS-15, Employee Benefits(revised 2005) issued by the Accounting Standard Board (ASB) states that provident fund set up by employers, which require interest shortfall to be met by the employer, need to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed inability to reliably measure the Provident fund liability. However, there is no deficit in the fund in this regard.

6. Details of provisions made in the accounts are:

Description	At the beginning of the year	Addition.	Used	At the end of the year
	Rs.	Rs.	Rs.	Rs.
Provision for leave encashment	94,72,747	56,53,526	38,71,613	1,12,54,660
Provision for gratuity	3,36,33,999*	53,31,618	44,18,099	3,45,47,518
Provision for Income Tax	39,75,10,139	2,50,00,000	39,39,22,137	2,85,88,002
Provision for FBT	43,00,000	15,00,000	37,50,058	20,49,942
Proposed Dividend	5,66,92,525	5,66,92,525	5,66,92,525	5,66,92,525
Tax on Proposed Dividend	96,34,895	96,34,895	96,34,895	96,34,895
Total	51,12,44,305	10,38,12,564	47,22,89,327	14,27,67,542

*Includes Rs.2,74,90,995/- adjusted in the General Reserve as on 01-04-2007

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

	Particulars	Assets Rs.	Liabilities Rs.
a)	Depreciation	—	30,13,40,523
b)	Unamortized Voluntary Retirement Compensation	8,18,203	—
c)	Excise Duty on Closing Stock	2,86,24,355	—
d)	Other deferred tax assets	1,80,19,765	—
	Total	4,74,62,323	30,13,40,523

8. Disclosure required by Clause 32 of the Listing Agreement:

Loans and Advances to Subsidiary Companies	Outstanding as at 31.03.2008 Rs.	Maximum amount outstanding during the year - Rs.
The Eimco-K.C.P.Ltd.	1,18,12,838	1,38,10,085
KCP Sugars Agricultural Research Farms Ltd.	20,000	17,28,700

PROFIT AND LOSS ACCOUNT:

9. Sale of Products and Services (including Excise Duty)

Products / Services	Units	2007-2008		2006-2007	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	15,25,882	214,07,15,857	16,62,290	284,87,76,809
Molasses	MTs	23,071	4,06,83,612	38,652	9,23,16,571
Bagasse	MTs	72,298	6,34,71,105	55,874	4,13,86,010
Industrial Alcohol	BLs	48,79,828	10,01,60,436	98,68,928	23,07,70,504
Bio Fertiliser	Qtls	1,00,847	3,03,69,019	95,483	3,15,32,677
Electrical Energy	Kwh	2,15,20,700	6,78,42,130	2,35,72,600	5,82,93,200
Others	—	—	6,36,55,354	—	18,99,076
TOTAL			250,68,97,513		330,49,74,847

Note: Sale of Products does not include the following inter unit transfers:

Products / Services	Units	2007-2008		2006-2007	
		Quantity	Value in Rs	Quantity	Value in Rs
Molasses	MTs.	33,216	2,87,21,565	45,339	8,33,28,496
Bagasse	MTs.	3,26,943	25,44,93,073	3,75,900	25,37,72,534
Electrical energy	Kwh	1,88,87,014	6,22,62,614	2,00,45,864	6,61,51,351
Steam	MTs.	5,58,301	24,57,97,257	6,58,003	26,40,01,632
Filter Cake	MTs.	30,000	3,00,000	23,068	2,30,679
Sugarcane - Agricultural Produce	MTs.	1,223	12,99,415	—	—
TOTAL			59,28,73,924		66,74,84,692

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTES FORMING PART OF THE ACCOUNTS (CONTD.)

10. Raw Materials Consumed

Particulars	Units	2007-2008		2006-2007	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar - Sugarcane	MTs	13,34,589	145,40,64,954	15,25,976	185,86,91,775
Distillery - Molasses	MTs	33,216	4,24,35,397	45,340	11,09,01,098
Others			40,70,042		26,38,655
TOTAL			150,05,70,393		197,22,31,528
Less: Inter Divisional Transfers			3,03,20,980		8,35,59,175
Net Consumption			147,02,49,413		188,86,72,353

11. Opening Stock of Finished Goods

Particulars	Units	As at 01.04.2008		As at 01.04.2007	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	8,72,909	117,34,39,521	8,99,076	113,43,52,614
Molasses	MTs	39,147	2,96,32,561	53,646	9,61,05,674
Industrial Alcohol	BLs	2,43,502	39,10,482	8,54,274	1,49,71,499
Bio Fertiliser	Qtls	48,529	24,10,995	43,417	15,28,018
Others		—	27,99,621	—	2,13,767
TOTAL			121,21,93,180		124,71,71,572

12. Closing Stock of Finished Goods

Particulars	Units	As at 31.03.2008		As at 31.03.2007	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	7,62,580	107,69,51,310	8,72,909	117,34,39,521
Molasses	MTs	46,339	9,29,93,308	39,147	2,96,32,561
Industrial Alcohol	BLs	5,62,766	65,90,428	2,43,502	39,10,482
Bio Fertiliser	Qtls	85,129	26,09,417	48,529	24,10,995
Others			50,81,987	—	27,99,621
TOTAL			118,42,26,450		121,21,93,180

13. Particulars regarding Capacity and Production

Class of Goods	Capacity		Units	Actual Production	
	Licensed	Installed		2007-2008	2006-2007
	(as certified by the management)				
a. Sugar					
(i) Vuyyuru Unit	7,500	7,500	Qtls	11,02,299	12,05,581
	(Tonnes of Cane crushed per day)				
(ii) Lakshmipuram	4,000	4,000	Qtls	3,13,254	4,30,542
	(Tonnes of Cane crushed per day)				
b. Molasses (By-Product)			MT's	63,479	69,492
c. Industrial Alcohol / Anhydrous Alcohol	50,000	50,000	BL per day	51,99,092	92,58,156
d. Bio Fertiliser			Qtls	1,37,447	1,00,596
e. Electrical Power					
(i) Incidental Co - Generation Power Plant. Vuyyuru	15 MW	15 MW	Kwh	4,01,97,978	3,99,02,646
(ii) Incidental Co - Generation Power Plant. Lakshmipuram	5 MW	5 MW	Kwh	84,17,710	1,29,94,140

14. Payments to Auditors comprise:

Particulars	2007-2008	2006-2007
	Rs.	Rs.
For Statutory audit	2,52,810	2,52,810
For Certification and other Services	2,13,484	2,13,256
Out of Pocket Expenses	32,472	1,000
	4,98,766	4,67,066
Fees to Cost Auditor	1,12,360	96,459
Total	6,11,126	5,63,525

15. REMUNERATION TO DIRECTORS:

- (i) Computation of Net Profit in accordance with sec 349 of the Companies Act, 1956 for the year ended 31.03.2008

	Rs.
Net Profit As per Profit and Loss Account	7,61,43,800
ADD:	
Directors' sitting fees	11,20,000
Remuneration to Directors	98,79,556
Profit on Sale of Fixed assets allowable in accordance with the proviso to sub section (3)(d) of Section 349	5,64,078
	<u>1,15,63,634</u>
LESS:	
Profit on sale of Investments	5,67,955
Profit on sale of fixed assets considered separately	6,90,519
	<u>12,58,474</u>
Adjusted Net Profit for the year Under section 349	<u>8,64,48,960</u>

(ii) Details of Remuneration to Directors

Particulars	Managing Director	Executive Director
Salaries	48,00,000	34,13,333
Contribution to Provident Fund	—	4,09,600
Gratuity	—	3,17,308
Other Perquisites	—	74,825
Commission	—	—
Total	48,00,000	42,15,066

Note:

- (i) In addition to above, the cost to the company charged in its accounts for the year on account of the perquisites allowed to the Executive Director, works out to Rs.12,007/- and Rs.11,25,439/- as per Income Tax rules respectively.
- (ii) In the absence of adequate profit, only minimum remuneration has been paid to Wholetime Directors as per the terms of their appointment.
- (iii) Aggregate Commission @ 1% of the above Profits, payable to the Non-wholetime Directors for the period they were in office subject to a ceiling of Rs.1,75,000/- to each of them, works out to Rs.8,64,490/-.

	2007-2008	2006-2007
	Rs.	Rs.
16. a) Miscellaneous Expenses include - Donations	—	75,65,000
b) Interest paid includes:		
On Fixed Loans	1,65,53,911	1,89,84,881
On Deposits from Wholetime Director	27,65,757	21,69,863

PROFIT AND LOSS ACCOUNT:

17. Value of Imports made by the Company during the financial year calculated on C.I.F. basis:

Particulars	2007 – 2008 (Rs.)	2006 – 2007 (Rs.)
i) Raw Materials	Nil	Nil
(ii) Components and Spare parts	Nil	Nil
(iii) Capital Goods	Nil	Nil

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

(i) Foreign Travel	4,96,757	Nil
(ii) Others	69,923	2,97,875

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

	Particulars	2007 – 2008 Rs.	%	2006 – 2007 Rs.	%
a)	Raw Materials:				
	i) Imported	Nil	—	Nil	—
	ii) Indigenous	147,02,49,413	100.00	188,86,72,353	100.00
b)	Spare parts and Components: (debited to respective heads)				
	i) Imported	Nil	—	Nil	—
	ii) Indigenous	18,95,83,020	100.00	23,09,66,587	100.00

20. Related party disclosures:

(As required under paragraphs 23 and 26 of accounting standard 18)

Amt. In Rs.

Particulars	Subsidiaries	Key Management Personnel
Interest received	12,15,862	
Rent received	2,70,000	
Remuneration paid to key management personnel		92,87,897
Share capital held in	2,85,00,000	
Sundry creditors	2,87,167	
Advances	1,21,20,005	
Share capital of the company held by		17,33,310
Guarantees given on behalf of	6,75,00,000	
Fixed deposits held by		3,00,00,000
Interest on fixed deposits paid to		27,65,757

Note: Names of related parties and description of relationship:

1. Subsidiaries

- The Eimco-K.C.P.Ltd., Chennai, India.
- KCP Sugars Agricultural Research Farms Ltd. Chennai, India.

2. Key Management Personnel

- Shri. Vinod R. Sethi, Chairman
- Smt. Irmgard Velagapudi M Rao, Managing Director.
- Smt. V. Kiran Rao, Executive Director.

21. Earnings per share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earnings per share

Particulars		2007-2008 Rs.	2006-2007 Rs.
Profit attributable to the Shareholders	A	7,10,96,874	23,55,05,448
Basic / Weighted average number of Equity Shares outstanding during the year	B	11,33,85,050	11,33,85,050
Nominal value of Equity Shares		1.00	1.00
Basic / Diluted Earnings per share	A/B	0.63	2.08

22. General :

Sundry debtors, creditors and loans and advances are subject to confirmation

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

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

Signature to Schedules A to P, Statement of Significant Accounting policies and Notes

As per our report of even date

For and on behalf of the Board

For B.PURUSHOTTAM & CO.

Chartered Accountants

IRMGARD VELAGAPUDI M. RAO

Managing Director

B.S.PURSHOTHAM

Partner

V. KIRAN RAO

Executive Director

Chennai
25.06.2008

R.GANESAN
General Manager
(Finance)

S.CHIDAMBARAM
Dy.General Manager (Finance) &
Company Secretary

K.A.RANGASWAMY
Director

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS
Pursuant to Clause 32 of the Listing Agreement

Amt. in Rs.

	2007 - 08	2006 - 07
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and Extraordinary Items	7,61,43,800	36,47,48,666
Adjustments for:		
Depreciation	10,59,36,783	10,01,49,144
Loss/(Profit) on Sale of Assets	(5,79,199)	(1,56,32,754)
Assets written off	5,55,138	—
Loss/Profit on sale of Investments	(5,59,366)	(76,022)
Dividend Income	(37,80,090)	(36,76,768)
Interest paid	4,59,92,640	3,51,55,795
Interest received	(38,93,274)	(21,96,014)
	14,36,72,632	11,37,23,381
Operating Profit before Working Capital Changes	21,98,16,432	47,84,72,047
Adjustments for :		
Trade and other Receivables	(1,50,92,782)	(1,96,39,560)
Inventories	(5,97,29,106)	(3,18,23,037)
Trade Payables	43,12,97,967	(31,94,73,961)
	35,64,76,079	(37,09,36,558)
Cash Generated from Operation	(13,66,59,647)	84,94,08,605
Direct Taxes Paid	2,21,88,265	10,29,55,484
Cash Flow Before Extraordinary Items	(15,88,47,912)	74,64,53,121
Extra ordinary items	—	—
NET CASH FROM OPERATING ACTIVITIES	(15,88,47,912)	74,64,53,121
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	8,70,94,809	23,33,14,409
Investments purchased	79,37,663	11,10,98,516
Increase in Capital Work in Progress	(5,83,50,065)	2,70,02,658
Sale of Investments	(8,14,35,911)	(9,46,439)
Sale of Fixed Assets	(11,28,719)	(1,87,41,844)
Interest Received	(38,93,274)	(21,96,014)
Dividend Received	(37,80,090)	(36,76,768)
NET CASH USED IN INVESTING ACTIVITIES	(5,35,55,587)	34,58,54,518

	Amt. in Rs.	
	2007 - 08	2006 - 07
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	(24,92,87,679)	12,75,72,802
Interest Paid	4,59,92,640	3,51,55,795
Repayment of Finance Lease Liabilities	—	—
Dividends and Tax on dividend Paid (Including Interim)	6,63,27,420	12,92,87,304
NET CASH USED IN FINANCING ACTIVITIES	(13,69,67,619)	29,20,15,901
Net Increase in Cash and Cash Equivalents (A+B+C)	3,16,75,294	10,85,82,702
Cash and Cash Equivalents as at 01.04.2007	17,67,30,095	6,81,47,393
Cash and Cash Equivalents as at 31.03.2008	20,84,05,389	17,67,30,095

As per our report of even date

For and on behalf of the Board

For **B.PURUSHOTTAM & CO.****IRMGARD VELAGAPUDI M. RAO**

Chartered Accountants

Managing Director

B.S.PURSHOTHAM**V. KIRAN RAO**

Partner

Executive Director

Chennai

R.GANESAN**S.CHIDAMBARAM****K.A.RANGASWAMY**

25.06.2008

General Manager (Finance)

Dy.General Manager (Finance) & Company

Director

Secretary

CERTIFICATE

To

The Members of

K.C.P. Sugar and Industries Corporation Limited

Chennai.

We have examined the attached Cash Flow Statement of **K.C.P.Sugar and Industries Corporation Limited**, for the year ended 31st March, 2008. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the National Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report of 25th June, 2008 to the Members of the Company.

Place : Chennai

Date : 25th June, 2008.For **B Purushottam & Co.**

Chartered Accountants,

B.S. Purshotham

(M. No. 26785)

Partner

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

I. Registration Details

Registration No. State Code Balance Sheet dated

II. Capital raised during the Year (Amount in Rs.Thousands)

Public Issue	Rights Issue	Bonus Issue	Private Placement	Others
<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>	<input type="text" value="NIL"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Assets

Total Liabilities

Sources of Funds

Application of Funds

Paid-up Capital	1,13,385	Net Fixed Assets	14,75,828
Reserves & Surplus	14,34,219	Investments	53,653
Secured Loans	4,38,887	Net Current Assets	8,94,888
Unsecured Loans	1,84,000	Misc. Expenditure	-
Deferred Tax Liability	2,53,878		
Total	24,24,369	Total	24,24,369

IV. Performance of Company for the year ended 31st March 2008 (Amount in Rs.Thousands)

Turnover	Other Income	Increase in stocks	Total Expenditure
<input type="text" value="30,99,771"/>	<input type="text" value="37,330"/>	<input type="text" value="(32,307)"/>	<input type="text" value="30,28,650"/>
Profit/(Loss) for the year before tax	Profit/Loss after tax	E.P.S. in Rs.	Dividend Rate %
<input type="text" value="76,144"/>	<input type="text" value="71,097"/>	<input type="text" value="0.63"/>	<input type="text" value="50%"/>

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Product Description	Item Code No. ITC Code
<input type="text" value="Sugar"/>	<input type="text" value="170111.09"/>
<input type="text" value="Industrial Alcohol"/>	<input type="text" value="29.05"/>

As per our report of even date

For and on behalf of the Board

For B.PURUSHOTTAM & CO.

Chartered Accountants

B.S.PURSHOTHAM

Partner

IRMGARD VELAGAPUDI M. RAO

Managing Director

V. KIRAN RAO

Executive Director

Chennai

25.06.2008

R.GANESAN

General Manager (Finance)

S.CHIDAMBARAM

Dy.General Manager (Finance) & Company Secretary

K.A.RANGASWAMY

Director

I. THE EIMCO-KCP LIMITED:

1. The above Company is a wholly owned subsidiary of 'K.C.P. Sugar and Industries Corporation Limited', in which the Company holds the entire 6,00,000 shares of Rs.10/- each fully paid up (including 10 shares held by its Nominees).
2. The EIMCO-KCP Limited has earned a Net Profit of Rs.88,11,476/- (P.Y: Rs. 1,39,13,233/-) for the year ended 31.03.2008. After providing for current taxation of Rs.34,00,000/- (P.Y.Rs. 53,50,000) and deferred taxation of Rs. NIL (P.Y.:Rs. NIL), and adding thereto, reversal of excess provision of Income Tax for earlier years of NIL (P.Y.: Rs.1,17,235/-), reversal of Deferred Tax provision of Rs.1,29,209/- (P.Y.:Rs.82,183/-) and the balance brought forward from previous year of Rs.1,97,84,420/- (P.Y.:Rs. 1,10,21,769/-) there remained a surplus of Rs.2,53,25,105/- (Rs. 1,97,84,420/-) which is carried forward to next year.
3. The accumulated reserves as on 31.03.2008 stood at Rs.3,73,29,293/-.
4. The Eimco-KCP limited has not proposed any dividend for the year-ended 31.03.2008. (Previous year: Nil).
5. No part of the above profits or reserves have been dealt with in the Company's Accounts.

II. KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED:

1. The above Company is a wholly owned subsidiary of 'K.C.P. Sugar and Industries Corporation Limited', in which the Company holds the entire 22,50,000 shares (P:Y.:22,50,000) of Rs.10/- each fully paid up (including 6 shares held by its Nominees) as on 31st March 2008.
2. For the year ended 31.03.2008, KCP Sugars Agricultural Research Farms Limited earned a Profit of Rs.5,50,493/- (P.Y:- Loss: Rs. 4,11,491/-). After making a provision of Rs.56,700/- for Income Tax (P.Y.: Rs. 15,736/-) and a provision of Rs.1,71,725- (P.Y. Rs. 1,12,932/-) for Deferred Tax, and adding thereto the balance of Loss brought forward from previous year of Rs.9,62,280/- (P.Y.: Rs. 12,45,103/-), the net cumulative loss of Rs.6,40,212/- (P.Y.: Loss: Rs. 9,62,280/-) is carried forward to next year.
3. KCP Sugars Agricultural Research Farms Limited has not proposed any dividend for the year ended 31.03.2008.
4. No part of the above profits or reserves have been dealt with in the Company's Accounts.

For and on behalf of the Board

IRMGARD VELAGAPUDI M.RAO
Managing Director

V. KIRAN RAO
Executive Director

K.A.RANGASWAMY
Director

Chennai
25.06.2008

R. GANESAN
General Manager (Finance)

S. CHIDAMBARAM
Dy.General Manager (Fin) and
Company Secretary



THE EIMCO-K.C.P. LTD

Fortieth Annual Report

2007 – 2008

BOARD OF DIRECTORS

Chairperson	Smt. Irmgard Velagapudi M.Rao
Vice Chairperson	Smt. V. Kiran Rao
Directors	Shri. J. Satyanarayana Shri. K.Kalyanaraman Shri. V.C. Unnikrishnan (till 04.07.2007)
Auditors	B. Purushottam & Co., Chartered Accountants, Flat No.3-D, "Pioneer Homes" 23/A, North Boag Road, T.Nagar, Chennai 600017.
Bankers	Axis Bank Limited Canara Bank
Registered and Corporate Office	"Ramakrishna Buildings", 239, Anna Salai, Chennai 600 006.
Works	11-A, 3 rd Main Road, Industrial Estate, Ambattur, Chennai 600 058.



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fortieth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at No.239, Anna Salai, Chennai 600006, on Wednesday, 10th day of September 2008 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the period ended on that date and consider the Reports of the Directors and Auditors.
- 2 To appoint a Director in place of Shri J. Satyanarayana, who retires by rotation and is eligible for reappointment.
- 3 To appoint the Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

// By Order of the Board //

For THE EIMCO-K.C.P. LIMITED

Place : Chennai
Date : 24.06.2008

**IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON**

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

// By Order of the Board //

For THE EIMCO-K.C.P. LIMITED

Place : Chennai
Date : 24.06.2008

**IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON**

TO THE SHAREHOLDERS

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

REVIEW OF OPERATIONS

During the period under review the Company has received Orders totaling to Rs. 2578.30 lakhs as compared to Rs.1513.00 lakhs during the previous year. The backlog as on 31/3/2008 is Rs. 1735.83 lakhs. From the enclosed Annual Accounts it may be noted that the income earned from the sale of product and services by the Company for the year ended 31st March 2008 was Rs.1811.44 lakhs as against Rs.1622.03 lakhs in the previous year. The Profit was at Rs. 88.11 lakhs for the year under review as against profit of Rs. 139.13 lakhs for the previous year. After providing for current and deferred taxation and adjusting for excess provision of previous year, the net profit for the year was Rs. 55.41 lakhs to which after adding the brought forward surplus of Rs.197.84 lakhs, the carry forward surplus to the next year amounted to Rs.253.25 lakhs.

DIVIDEND

Your Directors have not recommended any dividend for the Financial Year under review with a view to conserve profits.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION

This Industry is not energy intensive with maximum demand being much below 250 KVA. Consequently there is very little scope of conservation of energy.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of employees) Rule 1975 and forming a part of DIRECTORS' Report for the year ended 31st March 2008 is not applicable as there was no employee covered by the same.

EXPORTS & FOREIGN EXCHANGE EARNINGS & OUTGO

Our Exports earnings during 2007- 2008 was Rs.6.26 lakhs (PY.- Rs.12.15 lakhs). During the period under review the Company has incurred expenditure in foreign currency amounting to Rs. 25.96 lakhs towards foreign travel and import of components & sugar process chemicals. There are no specific areas in which Research and Development has been carried out by the Company.

DIRECTORS

Mr. V.C.Unnikrishnan resigned from the Board w.e.f. 04.07.2007. Your Directors wish to place on record their appreciation for the contribution made by him during his tenure as Director. At the forthcoming Annual General Meeting Shri. J. Satyanarayana retires by rotation and are eligible for re-appointment,

STAFF RELATIONS

Industrial Relations with Staff and Workers continue to be Cordial.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act 1956, your Directors certify as follows:

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there were no material departures there from;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2008 and of the profit of the Company for that year.
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

SECRETARIAL COMPLIANCE CERTIFICATE

The Secretarial Compliance certificate in terms of the Amended Section 383 A of the Companies Act, 1956 is attached with this Report.

AUDITORS

M/s. B.Purushottam & Co., Chartered Accountants, Chennai, retire at the conclusion of this Annual General Meeting and are eligible for reappointment. The Members approval is being sought to the reappointment of M/s.B. Purushottam & Co., as the Statutory Auditors and to authorize the Board of Directors, to determine the remuneration payable to the Auditors.

For and on behalf of the Board of Directors

SMT. IRMGARD VELAGAPUDI M.RAO
CHAIRPERSON

Place : Chennai
Date : 24.06.2008



Registration No : CIN U27209TN1967PLC005550
Nominal Capital : Rs. 100.00 Lakhs

To,
The Members
M/s. The Eimco KCP Limited
"Ramakrishna Buildings"
239, (Old 183), Anna Salai, Chennai: 600 006.

I have examined the registers, records, books and papers of M/s. **THE EIMCO KCP LIMITED** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended **31st March, 2008**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

- The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
- The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
- The Company is a Public Limited Company with a Paid -up Capital of Rs. 60,00,000/- (Rupees Sixty Lakhs only) as on 31st March 2008 and hence no comments.
- The Board of Directors duly met **8** (Eight) times respectively on 20.04.2007, 02.05.2007, 27.06.2007, 25.07.2007, 10.08.2007, 29.10.2007, 10.12.2007, and 25.01.2008 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- The Company has not closed its Register of Members.
- The Annual General Meeting for the financial year ended **31st March 2007** was held on **26th September 2007** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
- The Company has not advanced any loans to its directors and/or persons or firms or companies referred to under Section 295 of the Act.
- According to the Register of Contracts, the Company has not entered into any contracts falling within the purview of Section 297 of the Act during the financial year.
- The Company has made necessary entries in the register maintained under section 301 of the Act.
- As there were no instances falling within the purview of Section 314 of the Act the Company was not required to obtain any approvals from the Board of Directors, members or Central Government, as the case may be.
- The Company has not issued any duplicate certificates during the financial year.
- The Company has :
 - not made any allotment / Transmission / transfer of securities during the financial year.
 - not declared any dividend for the financial year.
 - Payment/Posting of dividend warrants to all the members within a period of 30 days from the date of declaration and transfer of unclaimed/unpaid dividend to unpaid dividend Account of the Company is not applicable since the Company has not declared any dividend for the year under review.
 - Transfer of amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund is not applicable to the Company.
 - As per the information/explanation provided by management, the company has complied with the requirements of Section 217 of the Act.
- The Board of Directors of the Company is duly constituted and the appointment / cessation of Directors has been duly made in accordance with the provisions of the Act.
- The Company's Paid -up Capital being less than the prescribed Rs.5.00 crores, it is not required to appoint the Managing Director / Whole-time Director / Manager and accordingly the provisions of Section 269 of the Act to that extent are not applicable.
- The Company has not appointed any sole-selling agents during the financial year.
- During the said year, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
- The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
- The Company has not issued any shares, debentures or other securities during the year under review.
- The Company has not bought back any shares during the year under review.
- The Company has not issued any Redeemable Preference Shares / Debentures.
- There were no transaction necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares

- pending registration of transfer of shares.
- The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the year under review.
- The Company has not made any borrowings during the financial year ended **31st March 2008**, however the company had renewed its credit facilities availed from the bank during the financial year.
- The Company has not made any loans or advances, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
- The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
- The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
- The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
- The Company has not altered the provisions of the memorandum with respect to Share Capital of the Company during the year under scrutiny.
- The Company has not altered its Articles of Association during the year under scrutiny.
- There was no prosecution initiated against or show cause notices received by the company, and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
- The Company has not received any money as security from its employees during the financial year.
- The Provisions of Section 418 of the Companies Act 1956 are not applicable to the company.

Place: Chennai
Date : 17.06.2008

For V.MAHESH & ASSOCIATES
V.MAHESH
COMPANY SECRETARY
C.P.No : 2473

ANNEXURE A
Registers as maintained by the Company

- Register of Members u/s.150 and Index of Members u/s. 151.
- Minutes of General Meetings and Board meetings u/s 193.
- Register of Directors u/s 303.
- Register of Directors' Shareholding u/s 307.
- Register of Transfers.
- Register of Charges u/s.143.
- Register of Investments.
- Register of Contracts, Companies and firms in which Directors of the Company are interested u/s. 297,299,301 and 301 (3).
- Register of Common Seal.
- Books of Accounts u/s.209.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2008.

S. No	eForm No/Return	Filed U/s	For	Date of Filing & SRN	Whether filed within prescribed time Yes/ No	If delay in filing whether requisite additional fee paid Yes/No
1	Balance Sheet -23AC	220	the year ended 31.03.2007	25-10-2007 P11218237	Yes	NA
2	Annual Return -20B	159	As on 26-09-2007	07-11-2007 P12433611	Yes	NA
3	Secretarial Compliance Certificate - 66	383A	the year ended 31.03.2007	25-10-2007 P11217858	Yes	NA
4	22B	187 (C)	Declaration of beneficial interest/ holding	30-07-2007 A19085257	Yes	NA
5	32	303	Appointment of Director	07-09-2007 A21743950	Yes	NA
6	17	135	Satisfaction of Charge	26-12-2007 A28674224	Yes	NA
7	8	125	Modification of Charge	25-02-2008 A32564643	Yes	NA
8	32	303	Cessation of Director	12-07-2007 A18069443	Yes	NA

Place: Chennai
Date : 17.06.2008

For V.MAHESH & ASSOCIATES
V.MAHESH
COMPANY SECRETARY
C.P.No : 2473

TO THE MEMBERS OF THE EIMCO-K.C.P.LIMITED

- 1) We have audited the attached Balance Sheet of THE EIMCO-K.C.P.LIMITED, as at 31st March, 2008, and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) As required by the Companies (AUDITORS' Report) order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
- 4) Further to our comments in the Annexure referred to above, we report that:
 - i) 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;
 - ii) 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;
 - iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors of the company as at 31st March, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of under clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes and Accounting Policies give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008 and
 - b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date. and
 - c) In the case of the Cash Flow Statements, of the Cash Flows for the year ended on that date

Place : Chennai.
Date : 24-06-2008.

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i) In respect of Fixed assets:
 - a) The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets.
 - b) The assets have not been physically verified by the Management during the year under report.
 - c) During the year, the Assets has not disposed off any substantial part of Fixed Assets.
- ii) In respect of inventory:
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) In respect of Loans:
 - a) According to the information and explanations given to us, the Company has not granted Loans to companies, Firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Accordingly, clauses iii(b), iii(c), iii(d) of Para 4 of the Order, are not applicable. The Company has taken loan from one party, covered in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.138.10 Lakhs and the year-end balance of the loan taken from such party was Rs.118.13 Lakhs. In our opinion, the rate of interest and other terms and conditions on which loan has been taken are not, prima facie, prejudicial to the interest of the company. According to the information and explanations furnished to us, the company has been regular in paying the principal and interest amounts as stipulated on the loans taken by it from the persons listed in the register maintained under Section 301 of the Companies Act 1956.
 - iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets, for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
 - v) a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
 - vi) In our opinion and according to the information and explanations given to us, the company has not accepted public deposits covered under the provisions of section 58A and 58AA and other applicable provisions of the Companies Act, 1956.
 - vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
 - viii) The Provisions of Section 209(1)(d) of the Companies Act 1956, relating to maintenance of cost records, do not apply to the company, during the year under report.
 - ix) a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Sales tax, Service tax, Customs duty, Excise Duty, and other material statutory dues applicable to it.
b) According to the information and explanation given to us no undisputed amounts payable in respect of Income tax, Sales tax, wealth tax, Service tax, Customs Duty and Excise Duty and Cess were in arrears, as at 31-03-2008 for a period of more than six months from the date they became payable.
c) According to the information given to us, there are no dues of Income tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited on account of any dispute except in respect of Sales tax which have not been deposited. The details are given as under

Sl.No.	Nature of the dues	Name of the Statute	Amount Rs.	Pending before
1	Sales Tax and related demands	Sales Tax	9,21,111	Various Appellate Tribunals

- x) The company has no accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) Based on our audit procedures and on the basis of information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions or banks.
- xii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion, the company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (AUDITORS' Report) Order, 2003 are not applicable to the company.
- xiv) The nature of Company's business/activities during the year does not include dealing in shares, securities, debentures or other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company during the year under report.
- xv) According to the information and explanations given to us and records made available to us, the company has not given any guarantees for loans taken by others from any banks or financial institution
- xvi) In our opinion, the company did not avail of any term loans during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) During the period covered by our audit report, the Company has not issued any debentures requiring report under the clause.
- xx) The Company has not raised any money by way public issue during the year and hence the question of disclosure and verification of end use of such moneys does not arise during the year.
- xxi) Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR B. PURUSHOTTAM & CO
Chartered Accountants

K.V.N.S. KISHORE
Partner

Place : Chennai
Date : 24.06.2008



Particulars	Schedule	As at 31.03.2008		As at 31.03.2007	
		Rs.	Rs.	Rs.	Rs.
(I) SOURCES OF FUNDS:					
1.Shareholder's Funds:					
(a) Share Capital	A	60,00,000		60,00,000	
(b) Reserves & Surplus	B	3,73,29,293	4,33,29,293	3,17,88,608	3,77,88,608
2. Loan Funds:					
(a) Secured Loans	C		4,45,99,066		2,74,54,551
(b) Unsecured Loans	D		1,21,00,000		74,00,000
3.Deferred Tax Liability (Net) (See note 16)					
Deferred Tax Liability		—		2,63,533	
Less:Deferred Tax Asset		—	—	1,47,672	1,15,861
Total			10,00,28,359		7,27,59,020
(II) APPLICATION OF FUNDS:					
1.Fixed Assets:					
(a) Gross Block	E	3,05,96,171		2,95,28,202	
(b) Less:Depreciation		2,51,34,063		2,47,93,401	
(c) Net Block		54,62,108		47,34,801	
(d)Capital Work-in-progress		1,54,93,024	2,09,55,132	88,07,801	1,35,42,602
2.Investments:					
3.Deferred Tax Asset (Net)(See note 16)					
Deferred Tax Asset		4,67,175		—	—
Less:Deferred Tax Liability		4,53,826	13,349	—	—
4.Current Assets, Loans & Advances:					
(a) Inventories	G	5,01,63,856		3,06,27,736	
(b) Sundry Debtors	H	8,92,37,846		7,12,45,964	
(c) Cash & Bank balances	I	48,26,359		30,29,029	
(d)Loans & Advances	J	2,31,81,812		1,59,30,253	
		16,74,09,873		12,08,32,982	
Less:Current Liabilities & Provisions					
(a) Liabilities	K	7,51,54,506		5,30,71,123	
(b) Provisions	L	1,32,06,330		85,56,497	
		8,83,60,836	7,90,49,037	6,16,27,620	5,92,05,362
Total			10,00,28,359		7,27,59,020

Notes,Schedules and Statement on Accounting policies form an integral part of the Balance Sheet

As per our report of even date

For and on Behalf of the Board

For B. Purushottam & Co.
Chartered Accountants

IRMGARD VELAGAPUDI M.RAO
Chairperson

Chennai
24.06.2008

K.V.N.S.KISHORE
Partner

V.KIRAN RAO
Vice-Chairperson

Particulars	Schedule	2007-2008	2006-2007
		Rs.	Rs.
INCOME			
Sale of Products and Services (including Excise Duty Recovered Rs.1,79,12,912/-P.Y.Rs.1,73,65,452/-)		18,11,43,871	16,22,03,060
Other Income	1	26,42,249	18,94,185
		18,37,86,120	16,40,97,245
EXPENDITURE			
Material Consumed	2	8,77,14,812	8,05,05,965
Purchase of Finished goods		9,44,771	5,62,651
Payments and Benefits to Employees	3	2,08,58,477	1,69,90,583
Manufacturing, Selling, Administrative and Other expenses	4	4,20,59,521	3,13,66,665
Taxes and Licenses (Excluding Income Tax)	5	1,86,31,088	1,73,88,675
Interest		36,84,883	23,58,310
Depreciation		10,81,092	10,11,163
		17,49,74,644	15,01,84,012
PROFIT/LOSS FOR THE YEAR BEFORE TAXATION		88,11,476	1,39,13,233
Less: Provision for Taxation Current		30,00,000	50,00,000
Add: Reversal of Deferred Tax(Net)		1,29,209	82,183
Less: Fringe Benefit tax		4,00,000	3,50,000
Add: Rev. of Excess Provision for Income tax for earlier years		—	1,17,235
PROFIT AFTER TAX		55,40,685	87,62,651
Add: Balance brought forward from last year		1,97,84,420	1,10,21,769
Surplus carried over to Balance Sheet		2,53,25,105	1,97,84,420
Basic and Diluted Earnings per Share (See Note no.18)		9.23	14.60

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

As per our report of even date

For B. Purushottam & Co.
Chartered Accountants

Chennai
24.06.2008

K.V.N.S.KISHORE
Partner

For and on Behalf of the Board

IRMGARD VELAGAPUDI M.RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson



Share Capital		SCHEDULE - A	
PARTICULARS		31-03-2008 Rs.	31-03-2007 Rs.
Authorised:			
10,00,000 equity shares of Rs.10/- each		1,00,00,000	1,00,00,000
Issued, Subscribed and Paid-Up: 6,00,000 equity shares of Rs.10/- each fully paid (All the shares are held by the holding company, K.C.P Sugars & Industries Corporation Ltd.,and its Nominees)		1,00,00,000	1,00,00,000
		60,00,000	60,00,000
		60,00,000	60,00,000

Reserves & Surplus		Schedule - B		
PARTICULARS	As at 31-3-2007	Additions During The Year	Withdrawal During The Year	As at 31-03-2008
	Rs.	Rs.	Rs.	Rs.
General Reserve	1,20,04,188	—	—	1,20,04,188
Surplus (i.e) Balance In Profit And Loss Account	1,97,84,420	55,40,685	—	2,53,25,105
	3,17,88,608	55,40,685	—	3,73,29,293

Secured Loans		Schedule - C	
Particulars		31-03-2008 Rs.	31-03-2007 Rs.
a) From a Bank <i>(secured by exclusive charge on the entire current assets of the company & collaterally by hypothecation of entire movable fixed assets of the company and against the corporate guarantee from The KCP Sugar and Industries Coporation Limited, its holding company)</i>		4,45,99,066	2,74,54,551
		4,45,99,066	2,74,54,551

b) Unsecured Loan		Schedule - D	
Particulars		31-03-2008 Rs.	31-03-2007 Rs.
a) From Holding Company- KCP Sugar and Industries Corporation Ltd.,		1,21,00,000	74,00,000
		1,21,00,000	74,00,000

Fixed Assets									Schedule - E	
DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	COST AS ON 1-4-2007	ADDITONS DURING THE YEAR	DEDUCTIONS DURING THE YEAR	COST AS ON 31-03-2008	DEPRECIATION UP TO 31-03-2007	DEPRECIATION FOR THE YEAR	DEPRECIATION ON DEDUCTIONS	DEPRECIATION UP TO 31-03-2008	WDV AS ON 31-03-2008	WDV AS ON 31-3-2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	6,32,110	—	—	6,32,110	—	—	—	—	6,32,110	6,32,110
Buildings	41,10,235	—	—	41,10,235	25,55,845	1,06,838	—	26,62,683	14,47,552	15,54,390
Plant & Machinery	1,41,99,477	32,245	1,40,272	1,40,91,450	1,31,09,074	2,31,315	1,39,854	1,32,00,535	8,90,915	10,90,403
Furniture & Fittings	35,99,100	6,19,647	—	42,18,747	28,56,209	1,75,156	—	30,31,365	11,87,382	7,42,891
Computers	67,26,735	10,32,349	6,16,000	71,43,084	60,23,900	5,31,406	6,00,576	59,54,730	11,88,354	7,02,835
Knowhow and Designs	2,35,000	—	—	2,35,000	2,35,000	—	—	2,35,000	—	—
Vehicles	25,545	1,40,000	—	1,65,545	13,373	36,377	—	49,750	1,15,795	12,172
Total	2,95,28,202	18,24,241	7,56,272	3,05,96,171	2,47,93,401	10,81,092	7,40,430	2,51,34,063	54,62,108	47,34,801
Previous Year	2,78,55,070	16,73,132	—	2,95,28,202	2,37,82,238	10,11,163	—	2,47,93,401	47,34,801	40,72,832

Investments		SCHEDULE - F			
Particulars		31-03-2008 Rs.	31-03-2007 Rs.		
(I) Shares in Companies -(Quoted - Non-Trade)					
120 Equity Shares of Rs.10/- each in Hindustan Dorr Oliver Ltd., fully paid-up (Market value:Rs.11526/- Previous year Rs.7230/-)	4,841	4,841	4,841		
Less:Provision for shortfall in market value	—				
100 Equity Shares of Rs.10/- each in Jorde Engineers India Ltd., fully paid-up (Market value:Rs.215/- Previous year Rs.215/-)	1,571	—	215		
Less:Provision for shortfall in market value	1,571				
(II) Other Investments:					
7-year National Savings Certificates (Lodged as Security with A.P Sales Tax Department)		6,000	6,000		
		10,841	11,056		
Note:All the above are long term investments and are valued at cost as adjusted by the shortfall other than temporary ,in their market value					
Current Assets		SCHEDULE - G			
Particulars		31-03-2008 Rs.	31-03-2007 Rs.		
INVENTORIES :					
<i>(As certified by the management)</i>					
1. Raw materials,stores & components [includes stock of Raw Mateials Rs.10373436 /- (P.Y. Rs.7230239/-)]		2,04,27,528	1,43,98,003		
2. Loose tools		2,56,741	2,39,082		
3. Work-in-progress		2,63,40,124	1,58,30,561		
4. Stock of finished goods		31,39,463	1,60,090		
		5,01,63,856	3,06,27,736		
SUNDRY DEBTORS					
(Unsecured and considered good)					
(a) Debts outstanding for a period exceeding six months		2,25,22,472	1,39,89,346		
(b) Other Debts		6,67,15,374	5,72,56,618		
		8,92,37,846	7,12,45,964		
CASH AND BANK BALANCES					
(i) Cash on Hand					
		40,143	56,129		
(ii) Balances with Scheduled Banks; in Current Accounts in Fixed Deposit Accounts					
		4,56,117	3,26,443		
		43,30,099	26,46,457		
		48,26,359	30,29,029		
LOANS AND ADVANCES					
1. Advances,unsecured,considered good (recoverable in cash or in kind or for value to be received)		56,35,669	41,64,190		
2.Prepaid expenses		54,492	44,400		
3.Deposits Recoverable		12,96,585	13,32,875		
4 Advance excise duty(including unutilised Cenvat Credit)		29,67,968	32,54,338		
5.Income Tax paid in Advance		1,17,63,327	62,83,200		
6.Advance Fringe Benefit Tax		10,41,975	6,17,100		
7.Income Tax deducted at source		4,21,796	2,34,150		
		2,31,81,812	1,59,30,253		
CURRENT LIABILITIES					
(1) Sundry Creditors					
Due to Micro,Small & Medium Scale Industries-(Refer Notes on Accounts Sl.No:14)		—	81,53,010		
Due to others		5,56,99,855	3,67,39,885		
(2) Advances received against Sales		1,94,54,651	81,78,228		
		7,51,54,506	5,30,71,123		
PROVISIONS		SCHEDULE - L			
Description	As at 31.3.2007	Additions During The year	Used During The year	Reversed During The year	As at 31.03.2008
	Rs.	Rs.	Rs.	Rs.	Rs.
Provision for Taxation	79,00,000	30,00,000	—	—	1,09,00,000
Provision for FBT	6,50,000	4,00,000	—	—	10,50,000
Provision for Leave encashment on Retirement	6,497	9,10,214	6,497	—	9,10,214
Provision for Bonus	—	3,46,116	—	—	3,46,116
	85,56,497	46,56,330	6,497	—	1,32,06,330



PARTICULARS	31.3.2008 Rs.	31.3.2007 Rs.
1. OTHER INCOME		SCHEDULE - 1
Interest on Bank Deposits Etc., [IT deducted at Source Rs.57064/- P.Y.Rs.70517/-]	3,15,345	2,87,138
Miscellaneous receipts	88,120	3,78,034
Profit on sale of assets	4,08,811	—
Packing and Forwarding Charges	5,22,633	4,73,755
Difference in Foreign Exchange	3,974	64,379
Excess provision credited back	12,95,472	6,90,879
Credit Balance Written Back	7,894	—
	26,42,249	18,94,185
2. MATERIALS CONSUMED		Schedule - 2
Opening Stocks:		
Work-in-progress	1,58,30,561	65,70,830
Finished Goods	160,090	44,18,734
	1,59,90,651	1,09,89,564
Raw materials, Stores and Spares Consumed [including Raw materials consumed Rs.3,14,13,013/- (P.Y.Rs.1,75,41,513)]	10,12,03,748	8,55,07,052
	11,71,94,399	9,64,96,616
Less: Closing Stocks		
Work-in-progress	2,63,40,124	1,58,30,561
Finished Goods	31,39,463	1,60,090
	2,94,79,587	1,59,90,651
	8,77,14,812	8,05,05,965
3. PAYMENT AND BENEFITS TO EMPLOYEES		Schedule - 3
Salaries,Wages and Bonus	1,79,62,868	1,36,71,260
Voluntary retirement benefits	—	4,95,744
Company's Contribution to Provident fund and family pension	11,61,082	11,42,494
Company's Contribution to Employees State Insurance	2,03,547	2,23,398
Company's Contribution to Gratuity fund	2,33,343	4,00,000
Staff Welfare Expenses	12,97,637	10,57,687
	2,08,58,477	1,69,90,583
4. MANUFACTURING ,SELLING,ADMINISTRATIVE AND OTHER EXPENSES:		Schedule - 4
Manufacturing:		
Machining and fabrication charges	1,64,21,654	1,13,05,370
Drawing office stationery	2,95,698	2,28,458
Research, Inspection and Testing charges	1,08,792	88,012
Power and Fuel	17,38,327	20,85,773
Rent	2,70,000	2,70,000
Insurance	1,68,124	1,73,959
Tools written off	55,653	23,237
Repairs and Maintenance:		
Machinery	5,17,299	1,29,743
Buildings	10,67,774	6,89,492
Other assets	69,034	1,26,173
	16,54,107	1,26,173
	(A) 2,07,12,355	1,51,20,217

PARTICULARS	31.3.2008 Rs.	31.3.2007 Rs.
Selling:		
Advertisement and Business Development expenses	5,21,955	2,08,412
Selling expenses(comprising Tendering,Packing & Forwarding)	46,67,715	36,82,767
Commission on Sales	—	11,70,975
(B)	51,89,670	50,62,154
Administrative :		
Miscellaneous expenses	1,23,86,421	86,36,077
Payment to Auditors:		
For Statutory Audit	22,472	22,448
Fees for Certification	11,236	5,612
Out of pocket expenses	27,646	61,354
(C)	1,24,47,775	86,82,760
Other items:		
Performance and Delivery Guarantee Claims	28,08,195	24,92,685
Shortfall in the value of investments	215	—
Bad debts written off	8,27,785	—
Short Provision made in the Earlier Years	3,732	8,849
Debit balances written off	12,597	—
Prior year adjustments	57,197	—
(D)	37,09,721	25,01,534
(A+B+C+D)	4,20,59,521	3,13,66,665
5. TAXES AND LICENCES(excluding income tax)		SCHEDULE - 5
Excise duty paid(including Rs.486283/- payable on Finished Goods)	1,83,19,515	1,72,69,546
Other taxes	3,11,573	1,19,129
	1,86,31,088	1,73,88,675

**ACCOUNTING POLICIES****i Basis of Preparation of Financial Statements**

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the said Act.

ii. Fixed Assets:

(a) Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of all freight, duties, taxes, incidental expenses relating to the cost of acquisition and the cost of installation/erection as applicable.

(b) Modvat availed, if any, during the year on Fixed Assets, is not included in the cost of such Fixed Assets capitalized during the year.

iii. Depreciation:

Depreciation is written-off under the written down value method in accordance with Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5000/- depreciated within the year of acquisition.

iv Investments:

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current Investments are stated at the lower of cost or market value.

v Inventories:

a. Finished Goods are valued at cost or net realizable value, whichever is lower as increased by excise duty thereon as applicable.

b. Scrap is valued at net realizable value.

c. Work in progress is valued at lower of cost or net realizable value of the finished goods duly adjusted according to the percentage of progress.

d. Raw materials, Stores, Spare parts, Material in Transit, etc., are valued at cost, except when the net realizable value of the finished goods they are used in is less than the cost of the finished goods and if in such an event the replacement cost of such materials etc., is less than their holding cost, in which case they are valued at replacement cost.

e. Cost is determined on the basis of weighted average method.

vi Sales and other earnings:

Sales are inclusive of excise duty recovered and net of discount and rebates.

vii Foreign Currency Transactions:

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

b. At each Balance Sheet Date

i. Foreign currency monetary items are reported using the rate of exchange on that date

ii. 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 natures of hedges

i. Premium or discount on the contract is amortized over the term of contract

ii Exchange differences on the contract are recognized as profit or loss in the period in which they arise.

viii Research and Development Expenditure:

In respect of approved Research and Development programmes, expenditure of capital nature is included in the Fixed Assets and the other expenditure is charged off to revenue, in the year in which such expenditure is incurred

xi Employee Benefits:

a. Defined Contribution Plans: Fixed Contribution to Provident Fund and Employees State Insurance made on monthly basis with relevant authorities are absorbed in Profit and Loss Account.

b. Defined Benefit Plans(Long term employee benefits):

Gratuity: Contributions to Gratuity Fund are made on the basis of Actuarial Valuation made by L.I.C using Projected Unit Credit Method. Gratuity Benefit is funded with LIC .

Leave Encashment: Provision is made in the accounts for the estimated liability towards leave encashment on retirement / cessation of the services of the Staff, as per the rules of the Company. In respect of workmen, un-availed leave wages is paid during the end of the calendar year and accounted on accrual basis.

Short Term employee benefits: Short term employee benefits are absorbed as an expense as per the Company's scheme based on expected obligation on undiscounted basis.

x 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.

- 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 recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized. Deferred tax assets arising on other temporary timing differences are recognized only if there is a reasonable certainty of realization.

xi Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that takes necessarily substantial period of time to get ready for its intended use. All other borrowing costs are charges to revenue.

xii Impairment of Assets:

At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

xiii Provisions, Contingent Liabilities, Contingent Assets, Warranty and Guarantee Claims:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

Company's liability for performance warranties is recognized in the accounts in the year of claim by the customers. Liability in respect of delivery guarantees is recognized in accounts in the year in which delay occurs as per the contract.

1. The Guarantees issued by the Company's Bankers in favour of the customers against advances from them and other obligations amounting to Rs.4,24,82,164/- (Rs.2,52,83,771/-) are secured by stores and spares (including those lying with subcontractors), Work in progress and Finished goods.
2. **Fixed deposits Rs.43,30,099/- (Rs.26,46,457/-) are held by the Company's Bankers as margin money against the Guarantees issued by them on behalf of the company.**
3. **No provision has been made towards:-**
 - A. Disputed Sales Tax demands raised by the Sales Tax Authorities under TNGST and CST for the years 1989-90, 1991-92 & 1992-93 amounting to Rs.13,19,731/- for which company preferred appeals before Appellate authorities. Pending decision in appeals an amount of Rs.3,98,620/- has been paid under protest and the same is grouped under Loans and Advances.
 - B. Disputed ESI demand raised by ESI authorities under ESI Act for the years 1990-91 to 1993-94 amounting to Rs.68233/-. Pending disposal of its appeal against the said demands the company paid Rs.15,000/- under protest, and the same is grouped under Loans and Advances.
Disputed ESI demand raised by ESI authorities under ESI Act for the years 2000- 2004 amounting to Rs.106256/-. Pending disposal of its appeal against the said demands the company paid Rs.26,564 /- under protest, and the same is grouped under Loans and Advances

4. Sale of Products and services (including Excise Duty recovered).

	2007-2008		2006-2007	
	Qty.	Value Rs.	Qty.	Value Rs.
(I) SALES:				
Filters (in Nos)	9 Nos	3,32,38,107	15 Nos	4,23,40,018
Thickeners, Components, Spares, Bar screens, etc. (Unit quantification not possible)		14,35,05,047		11,23,70,463
Scrap	93,229 Kgs	17,11,787	58,759 Kgs	11,63,547
Chemicals	6,000 Kgs	13,03,418	10,000 Kgs	19,31,491
TOTAL		17,97,58,359		15,78,05,519
(II) SERVICES:				
Service Charges		4,67,800		5,08,800
Design, Erection & Fabrication		9,17,712		38,88,741
TOTAL		18,11,43,871		16,22,03,060

5. Raw Materials Consumed (in MT)

	MT	Rs.	MT	Rs.
Stainless Steel	44.20	1,53,49,906	26.34	42,99,786
Iron and Steel	543.75	1,60,63,107	454.51	1,32,41,727
TOTAL	480.85	3,14,13,013	480.85	1,75,41,513

Note : The above does not include of Rs.6,97,90,735/- (P.Y.Rs. 6,79,65,539/-) being the cost of Motors, Components, Pipes, Spares etc., consumed.

6. Opening and Closing Stock of Finished Goods.

	OPENING STOCK				CLOSING STOCK			
	This Year		Previous Year		This Year		Previous Year	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Filters	—	—	1 No.	5,29,736	—	—	—	—
Washers, Classifiers, Clarifiers, Components Spares etc (Unit Quantification not Possible)	—	1,60,090	—	33,74,017	—	28,54,508	—	1,60,090
Chemicals	—	—	5,000 Kgs	5,14,981	—	2,84,956	—	—
Total		1,60,090		44,18,734		31,39,464		1,60,090

7. Purchase of Finished Goods Chemicals	2007-2008		2006-2007	
	Qty	Value(Rs.)	Qty	Value(Rs.)
	6900 Kgs	9,44,771	5,000 Kgs	5,62,651

8. Particulars regarding Capacity and Production : The Business carried on by the company does not require any Industrial Licence. Owing to the nature of the company's Business the installed Capacity cannot be quantified.
Actual Production : 9(15) Filters, besides Washers, Classifiers, Clarifiers, Components, Spares etc.

9. Miscellaneous Expenses include, interalia

	2007-2008	2006-2007
(1) Traveling Expenses	Rs.35,01,786/-	Rs.27,55,623/-



10. Comparison between consumption of imported and indigenous raw materials, spares and components during the financial year (debited to various accounts)

	2007-2008		2006-2007	
	Value Rs	%	Value Rs	%
Raw materials:				
Imported	NIL	NIL	NIL	NIL
Indigenous	3,14,13,013	100.00	1,75,41,513	100.00
Spares and Components:				
Imported	11,19,835	1.60	17,44,700	2.57
Indigenous	6,86,70,900	98.40	6,62,20,839	97.43
TOTAL	6,97,90,735	100.00	6,79,65,539	100.00

11. Expenditure incurred in Foreign Currency during the year.

	2007-2008 Rs.	2006-2007 Rs.
Foreign Travel Expenses	4,50,347	83,990
TOTAL	4,50,347	83,990

12. Value of imports made by the company during the year calculated on CIF Basis.

	2007-2008 Rs.	2006-2007 Rs.
Components	11,19,835	17,44,700
Finished Goods- Chemicals	10,26,132	5,75,840
TOTAL	21,45,967	23,20,540

13. Earnings in Foreign Exchange from Export of Goods & Services, on FOB basis

	2007-2008 Rs.	2006-2007 Rs.
Export of Goods- FOB Value*	4,58,535	12,15,192
Export of Services	1,67,713	—
Total	6,26,248	12,15,192

* Excluding Rs.21,50,000. /-(Rs. 27,60,000/-) exported through others.

14. The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

15. Borrowing Cost: Company had borrowed a sum of Rs.91,00,000/- from Holding Company in addition to Rs.74,00,000/- received during the previous year for construction of additional working bay at our Ambattur Works. Company has paid an interest amount of Rs.1045874/- towards the borrowings from Holding Company and the same was capitalized.

16. Major Components of deferred tax assets and liabilities arising on account of timing differences are:

Sl.No.	Particulars	Assets	Liabilities
1.	Depreciation	—	3,95,186
2.	Amounts disallowed u/s 43B of I.T Act	3,65,572	—
3.	VRS Payments amortized as per I.T Act	1,01,603	—
4.	Gratuity	—	58,640
	TOTAL	4,67,175	4,53,826

17. Related Party Disclosures:

Particulars	Holding Company		Key Management Personnel
	Rs.		Rs
Sales and Services(incl. Sales Tax and Service Tax)	—	(P.Y. 65,08,591)	NIL
Rent Paid	2,70,000	(P.Y. 2,70,000)	NIL
Share Capital held by	60,00,000	(P.Y. 60,00,000)	NIL
Interest Paid	12,15,862	(P.Y. 3,90,971)	NIL
Receivables	—	(P.Y. 7,68,959)	NIL
Loan Payable	12100000	(P.Y. 74,00,000)	NIL
Guarantees given by	6,75,00,000	(P.Y. 6,75,00,000)	NIL

Note: Name of related parties and description of relationship:

1. Holding Company: KCP Sugar and Industries Corporation Ltd.,
2. Key Management Personnel: Smt. Irmgard Velagapudi M.Rao, Smt. V. Kiran Rao

18. Earning per Share (EPS):

Particulars	2007-2008	2006-2007
	Rs.	Rs.
Profit attributable to the Shareholders (A)	55,40,686	87,62,651
Basic / Weighted average number of Equity shares outstanding during the year (B)	6,00,000	6,00,000
Nominal Value of Equity Shares	10	10
Basic/ Diluted Earnings per Share (A / B)	9.23	14.60

19. Disclosure under Accounting Standard 15-Employee Benefits**GRATUITY :**

1. Assumptions	31/03/2008
Discount Rate	8.0%
Salary Escalation	4.50%
Attrition Rate	1-3%
Expected return on plan assets	8%

2. Table showing changes in present value of obligations

Present value of obligations as at beginning of year	23,19,686
Interest cost	1,52,845
Current Service Cost	2,38,988
Benefits Paid	5,63,504
Actuarial loss on obligation	2,26,573
Present value of obligations as at end of year	23,74,588

3. Table showing changes in the fair value of Plan assets LIC Fund

Fair value of plan assets at beginning of year	25,22,925
Expected return on plan assets	1,82,955
Contributions	3,96,457
Benefits paid	5,63,504
Actuarial gain on plan assets	25,529
Fair value of plan assets at the end of year	25,64,362

4. Table showing fair value of plan assets

Fair value of plan assets at beginning of year	25,22,925
Actual return of plan assets	2,08,484
Contributions	3,96,457
Benefits Paid	5,63,504
Fair value of plan assets at the end of year	25,64,362
Funded status (Asset)	1,89,774
Excess of Actual over estimated return on plan assets	25,529

5. The amounts to be recognized in the balance sheet and statement of profit and loss

Present value of obligations as at the end of year	23,74,588
Fair value of plan assets as at the end of the year	25,64,362
Funded status (Asset)	1,89,774
NET ASSET RECOGNIZED IN THE BALANCESHEET	1,89,774

6. Expenses Recognized in statement of Profit & Loss

Current Service Cost	2,38,988
Interest Cost	1,52,845
Expected return on plan assets	1,82,955
Net Actuarial loss recognized in the year	24,465
Expenses recognized in the profit & loss	2,33,343

20. Balances due to or from various parties are subject to confirmation by and reconciliation with such parties.

21. All figures in brackets indicate those of previous year.

22. Previous year figures have been regrouped wherever necessary.

23. Paise have been rounded off.

Signature to Schedules A to L, and 1 to 5 and Accounting Policies and Notes on Accounts.

As per our report of even date

For and on Behalf of the Board

For B. Purushottam & Co.
Chartered Accountants

IRMGARD VELAGAPUDI M.RAO
Chairperson

Chennai
24.06.2008

K.V.N.S.KISHORE
Partner

V. KIRAN RAO
Vice-Chairperson



Cash Flow Statement Annexed To Financial Statement For The Year Ended 31.3.2008

PARTICULARS	AMOUNT IN Rs.			
	2007-2008		2006-2007	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		88,11,476		1,39,13,233
Adjustment for				
Depreciation	10,81,092		10,11,163	
Reversal of Diminution in the Value of Invst.	215			
(Profit)/Loss on Sale of Assets(Net)	(4,08,811)		—	
Interest Paid	36,84,883		23,58,310	
Interest Received	(3,15,345)	40,42,034	(2,87,138)	30,82,335
Operating Profit before Working Capital Change		1,28,53,510		1,69,95,568
Adjustments for				
Trade and other Receivables	(1,91,50,793)		(2,11,51,591)	
Inventories	(1,95,36,120)		(64,81,302)	
Trade Payables	2,33,33,216	(1,53,53,697)	1,18,77,181	(1,57,55,712)
Cash generated from Operations		(25,00,187)		12,39,856
Direct Taxes Paid(Net Off Refunds)		(60,92,648)		(63,80,969)
Cash Flow before extraordinary items		(85,92,835)		(51,41,113)
Extraordinary items:		—		—
NET CASH USED IN OPERATING ACTIVITIES		(85,92,835)		(51,41,113)
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Purchase of Fixed Assets	(18,24,241)		(16,73,132)	
Increase in Captial Work-in-progress	(66,85,223)		(75,56,677)	
Sale of Fixed Assets	4,24,653		—	
Interest Received	3,15,345		2,87,138	
NET CASH USED IN INVESTING ACTIVITIES		(77,69,466)		(89,42,671)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Secured Loan	1,71,44,515		42,42,513	
Unsecured loan	47,00,000		74,00,000	
Interest Paid	(36,84,883)		(23,58,310)	
NET CASH FROM IN FINANCING ACTIVITIES		1,81,59,632		92,84,203
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		17,97,331		(47,99,581)
Cash and Cash equivalents as at 01.04.2007		30,29,029		78,28,610
Cash and Cash equivalents as at 31.03.2008		48,26,359		30,29,029

As per our report of even date

For B. Purushottam & Co.
Chartered Accountants

K.V.N.S.KISHORE
Partner

Chennai
24.06.2008

For and on Behalf of the Board

IRMGARD VELAGAPUDI M.RAO
Chairperson

V. KIRAN RAO
Vice-Chairperson

		(Amount In Thousands)
		31.3.2008
I	Registration Details	
	a). Registration No.	5,550
	b). State Code	18
	c). Balance Sheet Date	31.3.2008
II	Capital Raised During The Year	
	a). Public Issue	Nil
	b). Rights Issue	Nil
	c). Bonus Issue	Nil
	d). Private Placement	Nil
III	Position Of Mobilisation & Development Of Funds	
	a). Total Assets	1,88,389
	b). Total Liabilities	1,88,389
	Sources Of Funds	
	a). Paid Up Capital	6,000
	b). Reserves And Surplus	37,329
	c). Secured Loans	44,599
	d). Unsecured Loans	12,100
	Total	<u>1,00,028</u>
	Application Of Funds	
	a). Net Fixed Assets	20,955
	b). Investments	11
	c). Net Current Assets	79,049
	d). Deferred Tax Assets(Net)	13
	Total	<u>1,00,028</u>
IV	Performance Of The Company	
	a). Turnover	1,81,143
	b). Other Income	2,642
	c). Total Expenditure	1,74,974
	d). Profit / (Loss) Before Tax	8,811
	e). Profit / (Loss) After Tax	5,541
	f). Earnings Per Share In Rupees	9.23
	(Profit Of Rs55.41lakhs/600000 Equity Shares Of Rs.10- Each)	
	g). Dividend Rate %	
V	Generic Names Of Three Principal Products / Services Of Company	
	(As Per Monetary Terms)	
	Item Code No.	842110
	(ITC Code)	
	Product Description	Solid Liquid Separation Equipment

As per our report of even date

For B. Purushottam & Co.
Chartered Accountants

K.V.N.S.KISHORE
Partner

For and on Behalf of the Board

IRMGARD VELAGAPUDI M.RAO
Chairperson

V. KIRAN RAO
Vice-Chairperson

KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED

Ninth Annual Report 2007 - 2008

BOARD OF DIRECTORS

Chairperson	Smt. Irmgard Velagapudi M. Rao
Directors	Shri. Vinod R. Sethi Shri V.C.Unnikrishnan (till 04.07.2007) Shri. R. Ganesan
Auditors	Venkat & Rangaa., Chartered Accountants, NO.29, Krishnapuri II Street R.A.Puram, Chennai 600028.
Bankers	Corporation Bank
Registered and Corporate Office	“Ramakrishna Buildings” 239, Anna Salai, Chennai 600 006.
Farm	Thirupukuzhi and Melambi Villages Kanchipuram Dist, Tamil Nadu

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at No.239, Anna Salai, Chennai 600006, on Wednesday, 10h day of September 2008 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 and the Profit and Loss Account for the period ended on that date and consider the Reports of the Directors and Auditors.
- 2 To appoint a Director in place of Smt. Irmgard Velagapudi M.Rao, who retires by rotation and is eligible for reappointment.
- 3 To appoint Auditors and to authorise the Board of Directors and to authorize the Board to fix their remuneration.

NOTES :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The proxy form, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.

// By Order of the Board //

For **KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD.**

Place : Chennai

IRMGARD VELAGAPUDI M. RAO

Date : 24.06.2008

CHAIRPERSON

Your Directors have pleasure in presenting the Ninth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2008.

REVIEW OF OPERATIONS:

During the year ended 31.03.2008, the turnover and other income increased to Rs.14.73 lakhs from Rs. 9.58 lakhs primarily on account of the interest earned on deposits. This resulted in profit of Rs.5.50 lakhs as against the loss of Rs. 4.11 lakhs in the previous year. After providing for taxation of Rs.2.28 lakhs, the profit was Rs.3.22 lakhs. After set off against brought forward loss of Rs.9.62 lakhs, the balance loss carried to the Balance Sheet was Rs.6.40 lakhs.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits during the period under review.

DIRECTORS:

Mr. V.C.Unnikrishnan resigned from the Board w.e.f. 04.07.2007. Your Directors wish to place on record their appreciation for the contribution made by him during his tenure as Director. In accordance with the Companies Act 1956 and the Articles of the Association of the Company, Smt. Irmgard Velagapudi M.Rao, Director, retires by rotation and is eligible for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT :

Your Directors confirm:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period ended 31st March 2008 and of the profit of the Company for that period ;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

STATUTORY STATEMENTS:

The Statement containing Particulars of Employees required in terms of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder have not been appended herewith as there is no employee covered by the same.

The Statement pursuant to Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is not enclosed as the same does not apply to the Company.

SECRETARIAL COMPLIANCE CERTIFICATE:

The Secretarial Compliance Certificate in terms of the amended Section 383A of the Companies Act 1956 is attached with this report.

AUDITORS:

M/s.Venkat & Rangaa, Chartered Accountants, Chennai 600028, who were appointed as the Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment and to authorize the Board to fix their remuneration.

For and on behalf of the Board of Directors

**IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON**

Place : Chennai
Date : 24.06.2008

Registration No : CIN – U73100TN1978PTC041501
 Nominal Capital : Rs. 500.00 Lakhs

To,
 The Members

M/s. KCP Sugars Agricultural Research Farms Limited

"Ramakrishna Buildings, 239, Old 183, Anna Salai, Chennai: 600 006.

I have examined the registers, records, books and papers of M/s. KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company is a Public Limited Company with a Paid-up Capital of Rs.2,25,00,000/- (Rupees Two Crores and Twenty five Lakhs only) as on 31st March 2008 and hence no comments.
4. The Board of Directors duly met 4 (Four) times respectively on 27.06.2007, 25.07.2007, 29.10.2007 and 25.01.2008, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members.
6. The Annual General Meeting for the financial year ended on 31st March 2007 was held on 26TH September 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. The Company has not advanced any loans to its directors and/or persons or firms or companies referred to under Section 295 of the Act.
8. According to the Register of Contracts, the Company has not entered into any contracts falling within the purview of Section 297 of the Act during the financial year.
9. The Company has made necessary entries in the register maintained under section 301 of the Act.
10. As there were no instances falling within the purview of Section 314 of the Act, the Company was not required to obtain any approvals from the Board of Directors, members or Central Government, as the case may be.
11. The Company has not issued any duplicate share certificate during the year under review.
12. The Company has :
 - i. not made any allotment / Transmission / transfer of securities during the financial year
 - ii. not declared any dividend for the financial year.
 - iii. Payment/Posting of dividend warrants to all the members within a period of 30 days from the date of declaration and transfer of unclaimed/unpaid dividend to unpaid dividend Account of the Company is not applicable since the Company has not declared any dividend for the year under review.
 - iv. Transfer of amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund is not applicable to the Company.
 - v. As per the information/explanation provided by management, the company has complied with the requirements of Section 217 of the Act.
13. The Board of Directors of the Company is duly constituted and the appointment / cessation of a Director have been duly made in accordance with the provisions of the Act.
14. The Company's Paid-up Capital being less than the prescribed Rs.5.00 crores, it is not required to appoint the Managing Director / Whole-time Director / Manager and accordingly the provisions of Section 269 of the Act to that extent are not applicable.
15. The Company has not appointed any sole-selling agents during the financial year.
16. During the said year, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
17. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
18. The Company has not issued any shares, debentures or other securities during the year under review.

19. The Company has not bought back any shares during the year under review.
20. The Company has not issued any Redeemable Preference Shares / Debentures.
21. There were no transaction necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
22. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act, during the year under review.
23. The Company has not made any borrowings during the financial year ended 31st March 2008.
24. The Company has not made any loans or advances, or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
25. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
26. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to Share Capital of the Company during the year under scrutiny.
29. The Company has not altered its Articles of Association during the year under scrutiny.
30. There was no prosecution initiated against or show cause notices received by the company, and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
31. The Company has not received any money as security from its employees during the financial year.
32. The Provisions of Section 418 of the Companies Act 1956 are not applicable to the company.

For **V.MAHESH & ASSOCIATES**
V. MAHESH
 COMPANY SECRETARY
 C.P.No : 2473

Place : Chennai
 Date : 17.06.2008

ANNEXURE A

Registers as maintained by the Company

1. Register of Members u/s.150 and Index of Members u/s. 151.
2. Minutes of General Meetings and Board meetings u/s 193.
3. Register of Directors u/s 303.
4. Register of Directors' Shareholding u/s 307.
5. Register of Transfers.
6. Register of Charges u/s.143.
7. Register of Investments.
8. Register of Contracts, Companies and firms in which Directors of the Company are interested u/s. 297,299,301 and 301 (3).
9. Register of Common Seal.
10. Books of Accounts u/s.209.

ANNEXURE B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31st March, 2008.

S. No	eForm No/ Return	Filed U/s	For	Date of Filing & SRN	Whether filed within prescribed time Yes/No	If delay in filing whether requisite additional fee paid Yes/No
1	Balance Sheet -23AC	220	the year ended 31.03.2007	P11218658 25-10-2007	Yes	NA
2	Annual Return -20B	159	As on 26-09-2007	P12437265 07-11-2007	Yes	NA
3	Secretarial Compliance Certificate-66	383A	the year ended 31.03.2007	P11218989 25-10-2007	Yes	NA
4.	22B	187(C)	Declaration of Beneficial interest/holding	A19088426 30-07-2007	Yes	NA
5.	32	303	Cessation of Director	12-07-2007 A18071233	Yes	NA

For **V.MAHESH & ASSOCIATES**
V. MAHESH
 COMPANY SECRETARY
 C.P.No : 2473

Place : Chennai
 Date : 17.06.2008

To the Members of KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED

1. We have audited the attached Balance Sheet of KCP AGRICULTURAL & RESEARCH FARMS LIMITED No.239 (Old No 183), Ramakrishna Buildings, Anna Salai, Chennai 600 006 as at 31st March, 2008, the Profit and loss account and also the 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.
2. 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.
3. As required by the Companies (AUDITORS' Report) Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, 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, Profit and Loss account and Cash flow statement dealt with by this report comply with the accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956
 - e) On the basis of written representations received from the Directors, as on 31st March, 2008, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2008 and
 - ii) in the case of the Profit and loss account of the profit for the year ended on that date; and
 - iii) in the case of cash flow statement, of the cash flows for the year ended on that date

For Venkat & Rangaa
Chartered Accountants

K.R. Adivarahan
Partner

Place : Chennai
Date : 24.06.2008

ANNEXURE TO THE AUDITORS' REPORT**Annexure referred to in Para 3 above, as required under Section 227(4A) of the Companies Act, 1956.**

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) All the assets have been physically verified by the management during the year, and in our opinion, is reasonable, having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.
(c) Substantial part of the assets has not been disposed during the year to affect the going concern.
- ii. Physical verification of stock of finished goods, stores and raw materials are not applicable to this Company as it is in the business of agriculture.
- iii. (a) The Company has not taken or granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clauses (b) and (c) not applicable.
- iv. As the Company is in the business of agriculture research the requirement of an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and for the sale of goods does not apply.
- v. On the basis of the verification of the register maintained under Section 301 of the Act, we are of the opinion that all transactions that need be entered in the register have been so entered.
- vi. The Company has not accepted deposits from the public and the provisions of Section 58A of the Companies Act, 1956 and the rules framed there under are not applicable to the Company for the year under review.
- vii. According to the information and explanations given to us and on the basis of our verification we are of the opinion that the Company has an internal audit system commensurate with the size and operations of the Company.
- viii. The maintenance of Cost records is not applicable to this Company.
- ix. (a) According to the information and explanation provided to us, Employees Provident Fund Act and ESI Act are not applicable to the Company. Other applicable statutory dues have been remitted in time.
(b) There are no disputed amounts payable in respect of Sales tax/Income Tax/customs duty/excise duty/cess which are outstanding for a period of more than 6 months from the date they became payable.
- x. According to the information and explanations furnished to us, the Company has accumulated losses at the end of the year under report. However, during the current year and previous year, the Company had earned profits.
- xi. The Company has not obtained any loans from a financial institution or bank or issued any debentures and hence this clause is not applicable.
- xii. The Company has not granted any loans and advances against pledge of shares, debentures and other securities.
- xiii. As the Company is in the business of agriculture research Clause 4(xiii) is not applicable.
- xiv. The Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. The Company has not given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interests of the company.
- xvi. No term loans have been obtained by the company from bank or financial institutions.
- xvii. No short term or long term funds in the nature of loans have been raised by the Company.
- xviii. The Company has not made preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Act during the year.
- xix. No debentures have been issued by the Company.
- xx. No issue of shares were made by the Company during the year. The company has not made any issue of shares to the public since inception.
- xxi. No fraud on or by the Company has been noticed or reported during the year.

For Venkat & Rangaa
Chartered Accountants

K.R. Adivarahan
Partner

Place : Chennai
Date : 24.06.2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS			
1. Share Holder's Funds:			
Equity Share Capital	A	<u>2,25,00,000</u>	<u>2,25,00,000</u>
APPLICATION OF FUNDS:			
2. Fixed Assets:	B		
Gross Block		44,70,357	46,54,376
Less: Depreciation		<u>2,48,513</u>	<u>2,71,246</u>
Net Block		42,21,844	43,83,130
3. Investments	C	17,58,590	-
4. Current Assets, Loans and Advances			
Inventories	D	1,14,196	2,78,982
Sundry debtors	E	-	-
Cash and Bank balances	F	1,52,00,674	1,67,19,242
Loans & Advances	G	<u>4,86,249</u>	<u>2,04,512</u>
		1,58,01,119	1,72,02,736
Less: Current Liabilities & Provisions	H	1,05,697	4,06,452
Net Current Assets		1,56,95,422	1,67,96,284
5. Deferred Tax Asset (Net) (see note 6)			
Deferred Tax Asset		3,00,086	5,17,193
Less: Deferred Tax Liability		<u>1,18,802</u>	<u>1,64,184</u>
6. Miscellaneous Expenditure and Losses <i>(to the extent not written off)</i>			
Preliminary Expenses		2,648	5,297
Profit and Loss Account Balance		<u>6,40,212</u>	<u>9,62,280</u>
		<u>2,25,00,000</u>	<u>2,25,00,000</u>
Notes forming part of accounts	L		

	As per our report of even date for VENKAT & RANGAA Chartered Accountants	For and on behalf of the Board IRMGARD VELAGAPUDI M.RAO Chairperson
Chennai 24.06.2008	K.R.ADIVARAHAN Partner	R.GANESAN Director

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

	Schedule	2007 - 2008 Rs.	2006 - 2007 Rs.
Income			
Sale of Products		24,291	51,410
Other Income		<u>14,48,226</u>	<u>9,06,699</u>
		<u>14,72,517</u>	<u>9,58,109</u>
Expenditure			
Payments and Benefits to Employees	J	1,99,600	78,000
Manufacturing, Selling and Administrative Expenses	K	519,968	4,69,653
Depreciation	B	35,365	40,035
Decrease in Stock	I	<u>1,67,091</u>	<u>(41,070)</u>
		<u>9,22,024</u>	<u>5,46,618</u>
Profit/(Loss) before taxation		5,50,493	4,11,491
Less: Provision for taxation		(56,700)	(15,736)
Current			
Deferred		<u>(1,71,725)</u>	<u>(1,12,932)</u>
Profit/(Loss) after taxation		3,22,068	2,82,823
Loss brought forward from previous year		<u>(9,62,280)</u>	<u>(12,45,103)</u>
Balance carried to Balance Sheet		<u>(6,40,212)</u>	<u>(9,62,280)</u>
Basic and Diluted Earnings Per Share		0.14	0.13

	As per our report of even date for VENKAT & RANGAA Chartered Accountants	For and on behalf of the Board IRMGARD VELAGAPUDI M.RAO Chairperson
Chennai 24.06.2008	K.R.ADIVARAHAN Partner	R.GANESAN Director

KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD

SCHEDULES Forming part of the Accounts for the year ended 31.03.2008

Schedule A - Share Capital	31.03.2008	31.03.2007
	Rs.	Rs.
Authorised 50,00,000 equity shares of Rs.10 each	5,00,00,000	5,00,00,000
Issued, Subscribed & Paid Up Capital		
22,50,000 equity shares of Rs.10 each		
(all the shares are held by the Holding Company	2,25,00,000	2,25,00,000
K.C.P. Sugar and Industries Corporation Ltd. and their nominees)	2,25,00,000	2,25,00,000

Schedule B - Fixed Assets										
Name of the Asset	Gross Block at cost				Depreciation				Net Block	
	Cost Upto 31.3.2007	Additions during the year	Deductions during the year	Cost Upto 31.3.2008	Upto 31.3.2007	for the year	On Deductions upto 31.3.2008	As at 31.3.2008	As at 31.3.2007	
Land (including development)	36,86,503	—	—	36,86,503	—	—	—	36,86,503	36,86,503	
Fencing	3,06,424	—	—	3,06,424	73,494	10,235	—	83,729	2,22,695	
Building	1,26,500	—	—	1,26,500	22,873	4,225	—	27,098	99,402	
Plant & Machinery	5,27,474	—	1,84,019	3,43,455	1,70,608	20,385	58,097	1,32,896	2,10,559	
Vehicles	7,475	—	—	7,475	4,270	520	—	4,790	2,685	
Total	46,54,376	—	1,84,019	44,70,357	2,71,245	35,365	58,097	2,48,513	42,21,844	
Previous Year	46,54,376	—	—	46,54,376	2,31,210	40,035	—	2,71,245	43,83,131	

C . INVESTMENTS	As at 31.03.2008		As at 31.03.2007	
	No. of Shares	Amt. in Rs.	No. of Shares	Amt. in Rs.
SHARES OF COMPANIES				
Non- Trade Investments				
Quoted Equity Shares - Fully Paid:				
(1) Asian Paints Ltd	200	2,32,837	--	--
(2) Blue Star Ltd. <i>(Face value of Rs.2/- each)</i>	300	1,20,315	--	--
(3) Container Corporation of India Ltd.	100	1,70,161	--	--
(4) Geodesic Information Systems Ltd. <i>(Face value of Rs.2/- each)</i>	400	80,458	--	--
(5) Gujarat Gas Company Ltd. <i>(Face value of Rs.2/- each)</i>	300	84,681	--	--
(6) Indraprastha Gas Ltd.	3500	4,62,427	--	--
(7) ISMT Ltd.	3800	3,00,380	--	--
(8) Marico Limited <i>(Face value of Re.1/- each)</i>	3500	2,22,814	--	--
(9) Nucleus Soft	200	38,058	--	--
(10) Subex Azure Ltd.	50	26,322	--	--
(11) Yuken India Ltd.	100	20,137	--	--
TOTAL		17,58,590	--	--

NOTE:

- The Face value of the above Equity Shares is Rs.10/- each unless otherwise mentioned.
- Aggregate of Quoted Investments - At cost **17,58,590**
- At market value **16,75,980**

	31.03.2008	31.03.2007
	Rs.	Rs.
Schedule D - Inventories: (as certified by the management)		
Stock in trade a) Pesticides/fertilisers	3,500	1,195
b) Standing crops	1,10,696	2,77,787
	1,14,196	2,78,982
Schedule E - Sundry Debtors:		
Sundry debtors-unsecured	—	—
Debts outstanding for a period exceeding six months - considered good	—	—
Other Debts - considered good	—	—
Schedule F - Cash and Bank Balances:		
Cash on hand	12,283	5,110
Balances at Scheduled Banks:		
in Fixed Deposits	1,51,09,004	1,67,05,584
in Current Accounts	79,387	8,548
	1,52,00,674	1,67,19,242
Schedule G- Loans & Advances:		
Advances,unsecured,considered good		
(recoverable in cash or in kind or for value to be received)	92	1,092
Refund due from Income Tax Department	1,87,684	
Income Tax deducted at source	2,98,473	2,03,420
	4,86,249	2,04,512

	31.03.2008 Rs.	31.03.2007 Rs.
Schedule H- Current Liabilities & Provisions		
Current Liabilities		
Sundry Creditors (K.C.P.Sugar & Ind. Corp. Ltd.)	20,000	3,60,236
Sundry Creditors for expenses	28,971	30,454
Provision for taxation	<u>56,726</u>	<u>15,762</u>
	<u>1,05,697</u>	<u>4,06,452</u>
	2007-08	2006-07
	Rs.	Rs.
Schedule I - Increase/(Decrease) in stock:		
Opening Stock:		
Standing crops	2,77,787	2,36,717
Closing Stock:		
Standing crops	<u>1,10,696</u>	<u>2,77,787</u>
	<u>1,67,091</u>	<u>(41,070)</u>
Schedule J - Payments and Benefits to Employees:		
Salaries, Wages and Bonus	<u>199,600</u>	<u>78,000</u>
Schedule K - Manufacturing, selling and Administrative Expenses		
Manufacturing Expenses:		
Cultivation Expenses	1,59,763	21,198
Labour charges	1,37,673	81,765
Pesticides/fertilisers	43,225	14,162
Repairs	<u>21,901</u>	<u>18,596</u>
	3,62,562	1,35,721
Administrative & Selling Expenses		
Bank Charges	1,324	838
Filing fees	8,625	4,770
Audit fees	12,000	13,483
Professional charges	15,927	20,260
Preliminary expenses	2,648	2,648
Loss on sale of Asset	88,422	-
Miscellaneous Expenses	<u>28,460</u>	<u>2,91,933</u>
	<u>1,57,406</u>	<u>3,33,932</u>
	<u>5,19,968</u>	<u>4,69,653</u>
Schedule L - Notes on Accounts		
1. Major accounting policies:		
i. Basis of Preparation of Financial Statement :		
The Financial Statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the said Act.		
ii. Fixed Assets:		
Fixed Assets are stated at cost less depreciation. Cost of acquisition of fixed assets is inclusive of all freight, duties, taxes, incidental expenses relating to the cost of acquisition and the cost of installation/erection as applicable.		
iii. Depreciation:		
Depreciation is written off under the Straight line method in accordance with the rates and rules prescribed under Schedule XIV to the Companies Act, 1956.		
iv. Inventories:		
Standing crops at the year end is valued at cost. Finished goods at the year end is valued at cost or market value whichever is lower. As the company is engaged in agricultural and research activities quantitative particulars are not furnished.		
2. Payment of gratuity Act, Provident Fund Act are not applicable to the Company.		
3. Previous years figures have been regrouped wherever necessary.		
4. Contingent Liabilities not provided for : NIL		
5. Foreign exchange Income & Outgo : NIL		
6. Major components of deferred tax assets and liabilities arising on account of timing differences are:		
	Assets	Liabilities
	Rs.	Rs.
a) Depreciation		1,17,984
b) Preliminary Expenses		818
c) Unabsorbed losses	<u>3,00,086</u>	
Total	<u>3,00,086</u>	<u>118,802</u>

Signature to Schedules A to L

As per our report of even date
for **VENKAT & RANGAA**
Chartered Accountants

K.R.ADIVARAHAN
Partner

For and on behalf of the Board
IRMGARD VELAGAPUDI M.RAO
Chairperson

R.GANESAN
Director

	AMT IN RS.	
	2007 - 08	2006 - 07
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and Extraordinary Items	5,50,493	4,11,491
Adjustments for:		
Depreciation	35,365	40,035
Loss on sale of Assets	88,422	—
Interest received	(14,48,226)	(9,06,699)
Operating Profit before Working Capital Changes	(7,73,946)	(4,55,173)
Adjustments for :		
Trade and other Receivables	(3,648)	8,713
Inventories	(1,64,786)	(36,855)
Trade Payables	3,41,719	(15,30,766)
	1,73,285	(15,58,908)
Cash Generated from Operation	(9,47,231)	(20,14,081)
Direct Taxes Paid	2,98,473	2,03,420
Cash Flow Before Extraordinary Items	(12,45,704)	(22,17,501)
Extra ordinary items	—	—
Net Cash from Operating Activities	(12,45,704)	(22,17,501)
B. Cash Flow from Investing Activities:		
Interest Received	14,48,226	9,06,699
Investments Purchased	(17,58,590)	
Sale of Fixed Assets	37,500	
Net Cash flow from Investing Activities	(2,72,864)	9,06,699
C. Cash Flow from Financing Activities		
Increase in Equity Share Capital		1,80,00,000
Net Cash flow from Financing Activities	—	1,80,00,000
Net Increase in Cash and Cash Equivalents (A+B+C)	(15,18,568)	1,66,89,198
Cash and Cash Equivalents as at 01.04.2007	1,67,19,242	30,044
Cash and Cash Equivalents as at 31.03.2008	1,52,00,674	1,67,19,242

As per our report of even date
for **VENKAT & RANGAA**
Chartered Accountants

For and on behalf of the Board
IRMGARD VELAGAPUDI M.RAO
Chairperson

Chennai
24.06.2008

K.R.ADIVARAHAN
Partner

R.GANESAN
Director

I. Registration Details		
a) Registration No.		41,501
b) State Code		18
c) Balance Sheet dated		31.03. 2008
		(Amount in Rs.Thousands)
II. Capital raised during the Year		
a) Public Issue		Nil
b) Rights Issue		Nil
c) Bonus Issue		Nil
d) Private Placement		Nil
e) Others		Nil
III. Position of Mobilisation and Deployment of Funds		
a) Total Assets		22,500
b) Total Liabilities		22,500
Sources of Funds		
a) Paid-up Capital		22,500
b) Reserves & Surplus		—
c) Secured Loans		—
d) Unsecured Loans		—
Total		22,500
Application of Funds		
a) Net Fixed Assets		4,222
b) Investments		1,759
c) Net Current Assets		15,695
d) Misc. Expenditure		643
e) Deferred Tax Assets		181
Total		22,500
IV. Performance of Company for the period ended 31st March 2008		
a) Turnover		24
b) Other Income		1,448
c) Increase in stocks		(167)
d) Total Expenditure		755
e) Profit/(Loss) for the period before tax		550
f) Profit/Loss after tax		322
g) E.P.S. in Rs.		0.14
h) Final Dividend Rate %		—
V. Generic Names of Three Principal Products/Services of Company		
(as per monetary terms)		
Item Code No. ITC Code		7.10
Product Description		Agricultural Produce

As per our report of even date
for **VENKAT & RANGAA**
Chartered Accountants
Chennai
24.06.2008
K.R.ADIVARAHAN
Partner

For and on behalf of the Board
IRMGARD VELAGAPUDI M.RAO
Chairperson
R.GANESAN
Director

Consolidated Financial Statements

of

K.C.P. Sugar and Industries Corporation Limited

and

its Subsidiaries

2007 - 2008

CONSOLIDATED ACCOUNTS

**SUGAR
AND
IND COR**

BALANCE SHEET AS AT 31ST MARCH, 2008

		AMT IN RS.	
Schedule		As at 31.03.2008	As at 31.03.2007
I SOURCES OF FUNDS:			
1. Shareholders' Funds			
Share Capital	A	11,33,85,050	11,33,85,050
Reserves & Surplus	B	147,09,08,474	147,84,23,073
		158,42,93,524	159,18,08,123
2. Loan Funds			
Secured Loans	C	48,34,86,045	22,11,31,851
Unsecured Loans	D	18,40,00,000	17,99,22,000
		66,74,86,045	40,10,53,851
3. Deferred Tax Liability (Net)			
Deferred Tax Liability		30,19,13,151	29,62,43,856
Less: Deferred Tax Asset		4,82,29,584	3,92,52,014
		25,36,83,567	25,69,91,842
TOTAL		250,54,63,136	224,98,53,816
II APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross Block	E	219,75,93,149	2,11,30,45,994
(b) Less: Depreciation		72,65,76,361	62,26,48,594
(c) Net Block		147,10,16,788	149,03,97,400
(d) Capital Work-in-Progress		2,99,88,618	8,16,53,460
		150,10,05,406	157,20,50,860
2. Investments	F	2,69,22,565	9,81,03,073
3. Current Assets, Loans and Advances			
(a) Inventories	G	131,80,56,892	135,84,14,663
(b) Sundry Debtors	H	15,01,57,274	18,43,76,159
(c) Cash and Bank Balances	I	22,84,32,422	19,64,78,366
(d) Other Current Assets	J	23,12,881	28,08,246
(e) Loans and Advances	K	20,08,40,058	14,00,67,501
		189,97,99,527	188,21,44,935
Less: Current Liabilities and provisions	L		
(a) Liabilities		80,92,27,198	122,05,00,681
(b) Provisions		11,30,39,812	8,19,49,668
		92,22,67,010	130,24,50,349
Net Current Assets		97,75,32,517	57,96,94,586
4. Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Preliminary Expenses		2,648	5,297
TOTAL		250,54,63,136	224,98,53,816

Schedules A - L , Statement of Accounting Policies & Notes form an integral part of the Balance Sheet

As per our report of even date
For B.PURUSHOTTAM & CO.
Chartered Accountants

B.S.PURSHOTHAM

Partner
Chennai
25.06.2008

R.GANESAN
General Manager
(Finance)

S.CHIDAMBARAM
Dy.General Manager (Finance) &
Company Secretary

For and on behalf of the Board
IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director
K.A.RANGASWAMY
Director

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

	Schedule	AMT IN RS	
		2007 - 2008	2006 - 2007
I INCOME:			
Sale of Products and Services		328,09,19,599	413,47,11,509
Less: Excise Duty collected		<u>(17,63,12,033)</u>	<u>(18,88,36,654)</u>
		310,46,07,566	394,58,74,855
Less: Inter Divisional Transfers		<u>(59,28,73,924)</u>	<u>(66,74,84,692)</u>
		251,17,33,642	327,83,90,163
Other Income	M	3,99,34,698	5,83,20,529
		<u>255,16,68,340</u>	<u>333,67,10,692</u>
II EXPENDITURE:			
Raw Materials Consumed		160,17,74,142	205,77,38,580
Less: Inter Divisional Transfers		<u>(3,03,20,980)</u>	<u>(8,35,59,175)</u>
		157,14,53,162	197,41,79,405
Purchase of Finished Goods		9,44,771	5,62,651
Decrease in Stocks	N	1,89,84,800	2,24,00,999
Payments and Benefits to Employees	O	22,83,19,308	24,17,91,956
Manufacturing, Selling, Administrative and other Expenses	P	49,09,45,629	58,03,78,815
Interest		4,84,61,661	3,71,23,134
Depreciation		<u>10,70,53,240</u>	<u>10,12,00,342</u>
		246,61,62,571	295,76,37,302
PROFIT/(LOSS) BEFORE TAXATION		8,55,05,769	37,90,73,390
Less: Provision for - Current Tax		(2,80,56,700)	(8,75,15,736)
Deferred Tax		(60,35,915)	(4,49,73,967)
Fringe Benefit Tax		(19,00,000)	(21,50,000)
Add: Reversal of excess provision for taxation relating to earlier years		<u>2,74,46,473</u>	<u>1,17,235</u>
PROFIT/(LOSS) AFTER TAX		7,69,59,627	24,45,50,922
Balance brought forward from previous year		<u>42,13,05,371</u>	<u>26,80,81,869</u>
		49,82,64,998	51,26,32,791
III APPROPRIATIONS			
Transfer to General Reserve		81,46,806	2,50,00,000
Proposed Dividend		5,66,92,525	5,66,92,525
Tax on Proposed Dividend		<u>96,34,895</u>	<u>96,34,895</u>
Balance Carried to Balance Sheet		<u>42,37,90,772</u>	<u>42,13,05,371</u>
Basic and Diluted Earnings Per Share (See Note 4)		0.68	2.16

Schedules M - P , Statement of Accounting Policies & Notes form an integral part of the Profit & Loss Account.

As per our report of even date
For B.PURUSHOTTAM & CO.
 Chartered Accountants

B.S.PURSHOTHAM

Partner
 Chennai
 25.06.2008

R.GANESAN
 General Manager
 (Finance)

S.CHIDAMBARAM
 Dy.General Manager (Finance) &
 Company Secretary

For and on behalf of the Board
IRMGARD VELAGAPUDI M. RAO
 Managing Director

V.KIRAN RAO
 Executive Director

K.A.RANGASWAMY
 Director

	AMT. IN RS.	
	As at 31.03.2008	As at 31.03.2007
A . SHARE CAPITAL		
Authorised :		
25,00,00,000 Equity Shares of Re.1/- each	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and Paid-up:		
11,33,85,050 Equity Shares of Re.1/- each fully paid	<u>11,33,85,050</u>	<u>11,33,85,050</u>

B . RESERVES & SURPLUS

	As at 01.04.2007	Added during the Year	Withdrawn during the Year	As at 31.03.2008
Investment Allowance Reserve (Utilised)	45,05,000	—	—	45,05,000
Effluent Disposal Facilities Reserve	63,404	—	—	63,404
Capital Redemption Reserve - Shares Buy Back	1,55,45,110	—	—	1,55,45,110
General Reserve*	103,70,04,188	81,46,806	1,81,46,806*	102,70,04,188
Surplus (i.e.) Balance in Profit and Loss A/c	42,13,05,371	—	—	42,37,90,772
	<u>147,84,23,073</u>	<u>81,46,806</u>	<u>1,81,46,806*</u>	<u>147,09,08,474</u>

* Transitional effect on account of AS 15 (Revised 2005) "Employee benefits" (Refer Note No.3)

C . SECURED LOANS

From Banks		
- Working Capital Borrowings	48,34,86,045	22,11,31,851

D . UNSECURED LOANS

Fixed Deposits	<u>18,40,00,000</u>	<u>17,99,22,000</u>
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CONSOLIDATED ACCOUNTS
K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

E. FIXED ASSETS

Description	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK		AMT. IN Rs.
	Cost up to 31.03.2007	Additions during the Year	Deductions during the Year	Cost up to 31.03.2008	Up to 31.03.2007	For the Year	On Deductions	up to 31.03.2008	As at 31.03.2008	As at 31.03.2007	
Lands	8,95,59,357	—	—	8,95,59,357	—	—	—	—	—	8,95,59,357	8,95,59,357
Buildings											
Own Buildings	22,74,90,096	4,19,24,509	—	26,94,14,605	3,25,02,134	55,75,676	—	3,80,77,810	23,13,36,795	19,49,87,962	19,49,87,962
Leasehold Buildings	1,12,189	—	—	1,12,189	48,376	3,191	—	51,567	60,622	63,813	63,813
Plant & Machinery	164,82,42,580	4,11,79,026	8,55,466	168,85,66,140	52,52,69,964	8,62,06,202	4,73,029	61,10,03,137	107,75,63,003	112,29,72,616	112,29,72,616
Tramways & Railways											
Sidings	2,30,97,526	—	—	2,30,97,526	54,87,702	11,66,516	—	66,54,218	1,64,43,308	1,76,09,824	1,76,09,824
Computers, Office Equipments & Furniture	7,92,86,663	49,69,282	26,33,268	8,16,22,677	4,13,05,390	96,35,825	20,83,923	4,88,57,292	3,27,65,385	3,79,81,273	3,79,81,273
Knowhow and Designs	2,35,000	—	—	2,35,000	2,35,000	—	—	2,35,000	—	—	—
Vehicles	4,50,22,583	8,46,233	8,83,161	4,49,85,655	1,78,00,028	44,65,830	5,68,521	2,16,97,337	2,32,88,318	2,72,22,555	2,72,22,555
Total	211,30,45,994	8,89,19,050	43,71,895	219,75,93,149	62,26,48,594	10,70,53,240	31,25,473	72,65,76,361	147,10,16,788	149,03,97,400	149,03,97,400
Previous year	188,56,74,696	23,49,87,541	76,16,243	211,30,45,994	52,59,55,405	10,12,00,342	45,07,153	62,26,48,594	149,03,97,400	135,97,19,291	135,97,19,291
K.C.P. Sugar and Industries Corporation Ltd.	207,88,63,416	8,70,94,809	34,31,604	216,25,26,621	59,75,83,948	10,59,36,783	23,26,946	70,11,93,785	146,13,32,836	148,12,79,468	148,12,79,468
The EIMCO-K.C.P. Ltd.	2,95,28,202	18,24,241	7,56,272	3,05,96,171	2,47,93,401	10,81,092	7,40,430	2,51,34,063	54,62,108	4,734,801	4,734,801
KCP Sugars Agricultural Research Farms Ltd.	46,54,376	—	1,84,019	44,70,357	2,71,245	35,365	58,097	2,48,513	42,21,844	43,83,131	43,83,131
Total	211,30,45,994	8,89,19,050	43,71,895	219,75,93,149	62,26,48,594	10,70,53,240	31,25,473	72,65,76,361	147,10,16,788	149,03,97,400	149,03,97,400

CONSOLIDATED ACCOUNTS

SUGAR
AND
IND COR

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (CONTD.)

		AMT IN RS.	
		As at 31.03.2008	As at 31.03.2007
F . INVESTMENTS			
I. SHARES OF COMPANIES:			
A. Non- Trade Investments:			
(i) Quoted Equity Shares - Fully Paid:	34,37,372		
Less: Provision for shortfall in value	1,571		
		34,35,801	34,36,016
(ii) Unquoted Equity Shares - Fully paid		5,00,000	5,00,000
. Non- Trade Investments current:			
Quoted Equity Shares - Fully Paid:		2,29,80,764	1,41,61,057
II. OTHER INVESTMENTS:			
Government Securities		6,000	6,000
Mutual Funds		—	8,00,00,000
		2,69,22,565	9,81,03,073
G . INVENTORIES			
Stores and Spares		7,05,71,140	9,48,96,830
Loose Tools		2,56,741	2,39,082
Stocks-in-trade			
a) Raw Materials		1,04,18,615	74,83,555
b) Crops under cultivation		21,13,150	16,30,541
c) Work-in-progress		4,73,31,332	4,18,11,385
d) Finished Goods		118,73,65,914	121,23,53,270
		131,80,56,892	135,84,14,663
H. SUNDRY DEBTORS			
Sundry Debtors, Unsecured :			
Debts outstanding for a period exceeding six months considered good		2,46,43,548	2,40,56,340
Other Debts - Considered Good		12,55,13,726	16,03,19,819
		15,01,57,274	18,43,76,159
I. CASH AND BANK BALANCES			
Cash on hand		9,37,720	5,02,477
Balances at Scheduled Banks :			
In Fixed Deposits		18,41,43,843	14,50,09,891
In Current Accounts		4,33,50,859	509,65,998
		22,84,32,422	19,64,78,366
J. OTHER CURRENT ASSETS			
Interest accrued on Investments and Deposits		23,12,881	28,08,246

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET (CONTD.)

	AMT IN RS.	
	As at 31.03.2008	As at 31.03.2007
K. LOANS AND ADVANCES		
Advances (unsecured recoverable in cash or in kind or for value to be received)		
Considered Good	12,36,95,033	5,54,77,603
Considered doubtful	4,19,925	4,19,925
	12,41,14,958	5,58,97,528
Less: Provision	4,19,925	4,19,925
	12,36,95,033	5,54,77,603
Prepaid expenses	48,18,580	70,96,536
Excise duty paid in advance	81,71,260	1,15,10,449
Advance Income-tax paid (Net)	4,94,51,033	2,33,86,538
Income Tax deducted at source	27,93,371	27,88,706
Deposits with the Government Departments etc. recoverable	74,70,827	3,65,91,217
Claims receivable	44,39,954	32,16,452
	20,08,40,058	14,00,67,501
L. CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES :		
Sundry Creditors		
- Due to small scale industrial undertakings	—	98,43,832
- Due to others	75,06,77,089	117,36,92,689
Unclaimed Fixed Deposits	52,89,134	24,01,471
Unclaimed Dividends	1,04,46,954	95,21,505
Unclaimed Interest on Fixed Deposits	3,20,527	4,12,903
Advances received against sales	3,42,55,738	1,25,08,415
Trade Deposits	1,23,300	1,23,650
Staff Security Deposits	60,000	1,10,000
Interest accrued but not due on loans	80,54,456	1,18,86,216
	A 80,92,27,198	122,05,00,681
B. PROVISIONS :		
Provision for Leave encashment	1,21,64,874	94,79,244
Provision for Gratuity	3,45,47,518	61,43,004
Proposed Dividend	5,66,92,525	5,66,92,525
Tax on Distributed Profits	96,34,895	96,34,895
	B 11,30,39,812	8,19,49,668
	A+B 92,22,67,010	130,24,50,349

	AMT IN RS.	
	2007 - 08	2006 - 07
M . OTHER INCOME		
Interest received from Banks and others	44,40,983	29,98,880
Dividends Received on other Investments	37,80,090	36,76,768
Rent received	28,49,405	25,92,858
Miscellaneous Receipts	2,36,62,564	2,34,61,552
Profit on sale of Assets	10,99,330	1,62,97,747
Profit on sale of Investments	5,67,955	77,869
Unclaimed balances credited back	3,12,777	2,34,757
Claims received	17,03,020	15,16,423
Excess provision credited back	15,14,600	71,05,302
Foreign exchange variation	3,974	64,379
Prior period adjustments (Net)	—	2,93,994
	3,99,34,698	5,83,20,529
N . INCREASE/(DECREASE) IN STOCKS		
Opening Stocks :		
Crops under cultivation	13,52,754	2,76,317
Work-in-Progress	4,20,89,172	2,63,29,572
Finished goods	121,23,53,270	125,15,90,306
	125,57,95,196	127,81,96,195
Closing Stocks :		
Crops under cultivation	21,13,150	16,30,541
Work-in-Progress	4,73,31,332	4,18,11,385
Finished goods	118,73,65,914	121,23,53,270
	123,68,10,396	125,57,95,196
Increase/(Decrease) in stocks	(1,89,84,800)	(2,24,00,999)
O . PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	19,38,74,666	20,26,53,378
Payments under Voluntary Retirement Scheme	-	12,03,949
Contribution to Provident Fund and Pension Scheme	1,33,51,746	1,26,73,217
Contribution to Superannuation Fund	9,51,260	10,77,806
Contribution to Gratuity Fund & Gratuity Paid including provision	52,47,654	75,45,401
Workmen and Staff Welfare expenses	1,48,93,982	1,66,38,205
	22,83,19,308	24,17,91,956

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT (CONTD.)

		AMT IN RS.	
		2007 - 08	2006 - 07
P . MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES			
MANUFACTURING			
Stores and Spares Consumed		9,59,08,501	10,84,15,638
Machining and Fabrication Charges		1,64,21,654	1,13,05,370
Drawing Office Stationery		2,95,698	2,28,458
Testing and Inspection Charges		1,08,792	88,012
Cultivation Expenses		30,85,228	28,75,291
Power and Fuel	Rs.58,17,26,216/- P.Y. Rs.61,06,51,686/-		
Less: Inter Divisional Transfers	Rs.56,25,52,944/- P.Y. Rs.58,39,25,517/-		
Net Power and Fuel		1,91,73,272	2,67,26,169
Insurance		76,39,255	1,04,93,651
Research & Development		2,86,43,299	4,61,81,660
Repairs to Buildings		90,02,155	1,19,51,315
Repairs to Machinery		10,70,56,308	13,24,66,351
Repairs to Other Assets		79,22,084	72,07,509
	(A)	29,52,56,246	35,79,39,424
SELLING			
Loading, Unloading, Transport etc.		2,09,57,220	1,98,44,857
Commission on sales		—	14,47,249
Other Selling Expenses		8,32,295	2,08,412
	(B)	2,17,89,515	2,15,00,518
ADMINISTRATIVE			
Rent		3,46,150	3,47,425
Payments to Auditors		6,84,480	6,68,587
Directors Sitting fees		11,20,000	12,60,000
Remuneration to Whole time and other Directors		98,79,556	2,00,66,253
Miscellaneous expenses		6,03,76,836	7,84,90,567
	(C)	7,24,07,022	10,08,32,832
Others:			
Liquidated damages/Performance guarantee		28,08,195	24,92,685
Loss on sale of assets		1,99,742	6,64,993
Loss on sale of Investments		8,589	1,847
Dimunition in value of investments		215	—
Loss on sale of Stores and Raw materials		56,667	—
Net value of assets written off		5,55,138	—
Prior Period Adjustments		60,929	—
Bad debts written off		17,18,484	4,03,602
Excise duty and Taxes (Net)		9,60,84,887	9,65,42,914
	(D)	10,14,92,846	10,01,06,041
	(A+B+C+D)	49,09,45,629	58,03,78,815

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention, to comply in all the material aspects with applicable accounting principles in India, the Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the said Act.

Basis Of Consolidation:

- The consolidated financial statements relate to K.C.P. Sugar and Industries Corporation Ltd., hereinafter referred to as 'the company', and its wholly-owned subsidiary companies, viz., The Eimco-K.C.P.Ltd., and KCP Sugars Agricultural Research Farms Ltd. The consolidated financial statements have been prepared on the following basis, in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India:
- The financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together the Book Values of like items of Assets, Liabilities, Income and Expenses.
- The intra group balances and intra group transactions resulting in unrealized profits or losses have been fully eliminated from the related Assets, Liabilities, Income and Expenses.
- The investments in the Equity Shares of the Subsidiary Companies have been fully eliminated from the Share Capital of Subsidiary Companies and investments in parent Company.

2. FIXED ASSETS

- a. Fixed assets are stated at the values at which they are acquired, less accumulated depreciation. The value at which fixed assets are acquired includes all related expenses upto the date of putting them to use.
- b. Modvat Credit availed on acquisition of Fixed Assets is reduced from the cost of the concerned assets.

3. DEPRECIATION

Depreciation is provided under straight line method except in respect of assets appearing in the books of the Registered Office of the Company, and The Eimco-K.C.P. Ltd., which are depreciated under written down value method, in accordance with the rates and rules prescribed under Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5000/- depreciated within the year of acquisition.

4. INVESTMENTS

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments are stated at the lower of cost or market value.

5. INVENTORIES

- a) Finished goods are valued as follows and increased by Excise Duty thereon as applicable.
 - All finished goods are valued at lower of cost or market value except Incentive free and Levy Sugar which is valued at lower of cost or levy rate.
 - Molasses, a byproduct is valued at estimated net realisable value.
- b) Stock of Scrap is not valued and therefore not recognised in the accounts. Sale of Scrap, as and when made, is accounted for. In the case of The Eimco-K.C.P.Ltd., the same is valued at net realizable value and recognized in the accounts.

- c) Crops under cultivation are valued at cost.
- d) Work in progress is valued at lower of cost or net realisable value of the finished goods duly adjusted according to the percentage of progress.
- e) Raw materials, stores, spares, materials in transit are valued at cost, except when the net realisable value of the finished goods they are used in, is less than the cost of the finished goods and if in such an event the replacement cost of such materials etc. is less than their holding cost, they are valued at replacement cost.

6. SALES AND OTHER EARNINGS

- a) Sales are inclusive of excise duty, freight, insurance etc. recovered thereon and net of sales tax.
- b) Power generated in Power Plant Units and supplied to the other units of the Company is accounted for at which the Company purchases power from other power producers.

7. WARRANTY AND GUARANTEE CLAIMS

Company's liability for performance warranties is recognized in the accounts in the year of claim by the customers. Liability in respect of delivery guarantees is recognized in accounts in the year in which delay occurs as per the Contract.

8. 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

9. EXPENDITURE ON RESEARCH AND DEVELOPMENT

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

10 EMPLOYEE BENEFITS

- (i) Long-term Employee Benefits
 - (a) Defined Contribution Plans

The Company has Defined Contribution Plans for post employment benefits for certain employees in the form of Superannuation Fund which is recognised by the Income Tax authorities and administered through Trustees and Life Insurance Corporation of India (LIC) and Provident Fund for all employees. These plans constitute insured benefits, as the Company has no further obligation beyond making the contributions. The Company's contributions to Defined Contribution Plans are charged to the Profit and Loss Account as incurred.

(b) Defined Benefit Plans

- (i) Gratuity - The Company has Defined Benefit Plan for post employment benefit for all employees in the form of Gratuity. For certain employees the post employment benefits in the form of Gratuity Fund which is recognised by the Income Tax authorities and administered through Trustees and Life Insurance Corporation of India (LIC). Liability for Defined Benefit Plan is provided on the basis of valuation, as at the Balance Sheet date, carried out by independent Actuary. The actuarial valuation method used by independent actuary for measuring the liability is the Projected Unit Credit Method. In the case of a subsidiary company, such benefit has been recognised based on the valuation carried out by the LIC.
- (ii) Leave Encashment – Entitlement to annual leave and sick leave are recognised when they accrue to employees. The Company determines the liability for such accumulated leaves at each Balance Sheet date and the same is charged to revenue accordingly.

11. 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.

- 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 recognized only when there is virtual certainty supported by convincing evidence that such assets will be realized. Deferred tax assets arising on other temporary timing differences are recognized only if there is a reasonable certainty of realization.

12. IMPAIRMENT OF ASSETS

At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTES FORMING PART OF ACCOUNTS

1. Contingent liabilities and Capital Commitments not provided for:

a) Contingent Liabilities:

Claims against the company not acknowledged as debts:

Amount – Rs.

Particulars	31.03.2008	31.03.2007
Labour Cases	3,84,495	49,15,317
Central Excise Cases	1,91,12,314	1,91,12,314
Sales Tax Cases	13,19,731	20,18,592
ESI Cases	1,74,489	1,74,489
Differential Statutory Minimum Cane Price for the financial year 2002-03	1,85,23,712	1,85,23,712
Case on Captive Power Generation	2,61,69,375	
Disputed Property & Water Tax	22,74,230	
Total	6,79,58,346	4,47,44,424

- b) Capital Commitments: Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs. "NIL"/- (P.Y.: Rs. 4,93,74,867 /-).
- c) The Guarantees issued by one of the subsidiaries' bankers in favour of the customers against advances from them and other obligations amounting to Rs.4,24,82,164/- (P.Y. Rs. 2,52,83,771/-) are secured by stores and spares (including those lying with subcontractors), Work in progress and Finished goods.
- d) Guarantee for an amount of Rs. 6,75,00,000/- (P.Y.: of Rs6,75,00,000/-) has been provided on behalf of THE EIMCO-K.C.P. LTD., a subsidiary for moneys borrowed from its Banks.

2. Related Party Disclosures Pursuant to Accounting Standard 18:

(Amt. In Rs.)

Particulars	Key Management Personnel
Share Capital of the Company held by	17,33,310
Remuneration paid	92,87,897
Fixed Deposits held	3,00,00,000
Interest on Fixed Deposits	27,65,757

Note:

Names of related parties and description of relationship:

Key Management Personnel:

- Shri. Vinod R. Sethi, Chairman
- Smt. Irmgard Velagapudi M Rao, Managing Director.
- Smt. V. Kiran Rao, Executive Director.

3. Employee Benefits

The Company has, with effect from April 1, 2007, adopted Accounting Standard 15, Employee Benefits (Revised 2005), issued by the Institute of Chartered Accountants of India. In pursuance of the said AS 15(Revised), the company has adjusted the transitional liability of Rs.1,81,46,806/- (net of Deferred tax credit of Rs. 93,44,189/-) against the opening balance of General Reserve

Disclosure under Accounting standard 15 (AS 15):		
Defined benefit plans		Amount in Rs.
	Gratuity	TOTAL
(I)	Change in Benefit Obligation	
	Liability at the beginning of the year	2,78,07,034
	Transitional liability	2,74,90,995
	Interest Cost	43,17,904
	Current Service Cost	33,03,180
	Benefit Paid	(24,29,603)
	Actuarial (gain)/loss on obligations	18,18,947
	Liability at the end of the year	6,23,08,457
(II)	Fair value of Plan Assets	
	Fair value of plan assets at the beginning of the year	2,38,44,168
	Expected Return on Plan Assets	22,52,336
	Contributions	38,33,601
	Benefit Paid	(18,52,243)
	Actuarial gain /(loss) on Plan Assets	(1,27,149)
	Fair Value of plan assets at the end of the year	2,79,50,713
III)	Actual Return on Plan Assets	
	Expected Return on Plan Assets	22,52,336
	Actuarial gain/(loss) on plan Assets	(1,27,149)
	Actual Return on Plan Assets	21,25,187
(IV)	Amount Recognised in the Blance Sheet	
	Liability at the end of the year	6,23,08,457
	Fair value of Plan Assets at the end of the year	2,79,50,713
	Difference (Unfunded)	3,43,57,744
	Amount Recognised in the Balance Sheet	3,47,37,292
(V)	Expenses Recognised in the Income Statement	
	Current Service Cost	33,03,180
	Interest Cost	43,17,904
	Expected Return on Plan Assets	(22,52,336)
	Net Actuarial (Gain)/ loss to be recognised	1,96,213
	Expenses Recognised in P & L	55,64,961
(VII)	Actuarial Assumptions : For the Year	
	Discount Rate Current	8%
	Salary Escalation Current	5%
	Expected rate of return on plan assets	8 & 9.25 %
	L I C Mortality rate 1994- 1996 ultimate	

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Provident fund:

The Company manages Provident fund plan through a Provident Fund Trust for certain employees, which is permitted under The Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by the employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer & employee, together with interest, are payable at the time of separation from service or retirement, whichever is earlier. The benefit under this plan vests immediately on rendering of service.

The Guidance Note on implementing AS-15, Employee Benefits(revised 2005) issued by the Accounting Standard Board (ASB) states that provident fund set up by employers, which require interest shortfall to be met by the employer, need to be treated as defined benefit plan. Pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed inability to reliably measure the Provident fund liability. However, there is no deficit in the fund in this regard.

4. Earnings per share (EPS) – The numerators and denominators used to calculate Basic and Diluted Earnings per share

		2007-2008 Rs.	2006-2007 Rs.
Profit attributable to the Shareholders (A)		7,69,59,627	24,45,50,922
Basic / Weighted average number of			
Equity Shares outstanding during the year (B)		11,33,85,050	11,33,85,050
Nominal value of Equity Shares		1.00	1.00
Basic / Diluted Earnings per share (A/B)		0.68	2.16

4a. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH, 2008 - BUSINESS SEGMENTS (PRIMARY SEGMENTS)

Particulars	Sugar		Chemicals		Power & fuel		Others		Eliminations		Consolidated	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue												
External Sales	224,62,28,779	298,38,41,243	16,22,44,838	23,10,98,751	6,78,42,130	5,82,93,200	21,17,49,929	19,39,96,123	20,000	2,500	268,80,45,675	346,72,26,817
Inter-segment Sales	28,48,14,052	33,73,31,709	63,01,816	18,12,802	30,17,58,055	32,83,40,181	—	—	—	—	59,28,73,924	66,74,84,692
Total Revenue	253,10,42,831	332,11,72,952	16,85,46,654	23,29,11,553	36,96,00,185	38,66,33,381	21,17,49,929	19,39,96,123	20,000	2,500	328,09,19,599	413,47,11,509
Result												
Segment Result	2,13,65,403	32,55,71,250	4,02,31,207	3,22,00,255	5,33,46,869	4,43,59,142	1,96,77,472	2,68,33,033	—	—	13,46,20,951	42,89,63,680
Unallocated Corporate Expenses/Income	—	—	—	—	—	—	—	—	—	—	88,74,594	1,18,77,804
Operating Profit	—	—	—	—	—	—	—	—	—	—	12,57,46,357	41,70,85,876
Interest Expense	—	—	—	—	—	—	—	—	—	—	4,84,61,661	3,71,23,134
Interest Income	—	—	—	—	—	—	—	—	—	—	44,40,983	29,98,880
Dividend Income	—	—	—	—	—	—	—	—	—	—	37,80,090	36,76,768
Donations	—	—	—	—	—	—	—	—	—	—	—	75,65,000
Income Taxes	—	—	—	—	—	—	—	—	—	—	85,46,142	13,45,22,468
Net Profit From Ordinary Activities	—	—	—	—	—	—	—	—	—	—	7,69,59,627	24,45,50,922
Other Information												
Segment Assets	205,35,69,515	224,21,17,843	26,29,02,158	25,33,84,781	48,64,22,593	50,41,37,654	27,70,66,424	23,89,10,351	10,87,341	13,79,246	307,88,73,350	323,71,71,383
Un Allocated Corporate Assets	—	—	—	—	—	—	—	—	4,06,20,005	3,62,60,236	39,16,96,098	31,51,32,782
Total Assets	—	—	—	—	—	—	—	—	—	—	347,05,69,448	355,23,04,165
Segment Liabilities	113,69,96,765	132,37,37,331	29,05,354	23,89,021	38,36,534	14,62,357	17,45,57,295	11,75,57,130	4,17,07,347	3,76,39,482	127,65,88,601	140,75,06,357
Un Allocated Corporate Liabilities	—	—	—	—	—	—	—	—	—	—	60,96,87,323	55,29,89,685
Total Liabilities	—	—	—	—	—	—	—	—	—	—	188,62,75,924	196,04,96,042
Capital Expenditure	1,68,84,356	11,34,25,370	89,66,170	12,10,56,173	(4,54,574)	2,08,03,419	1,18,58,256	1,42,61,914	—	—	3,72,54,208	26,95,46,876
Depreciation	4,86,09,222	4,65,38,071	1,30,03,035	88,55,136	3,56,86,256	3,35,10,067	97,54,728	1,22,97,067	—	—	10,70,53,240	10,12,00,342
Non Cash Expenses Other Than Depreciation	5,55,138	1,431	—	—	—	—	2,648	4,04,819	—	—	5,57,786	4,06,250

4b. SECONDARY SEGMENT REPORT FOR THE YEAR ENDED 31.03.2008 - GEOGRAPHICAL SEGMENTS

PARTICULARS	CURRENT YEAR RS.	PREVIOUS YEAR RS.
SALES REVENUE		
IN INDIA	328,02,93,351	413,34,96,317
OUTSIDE INDIA (Export out of India)	6,26,248	12,15,192
TOTAL	328,09,19,599	413,47,11,509

Note: The Group does not own or operate any businesses outside India.

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

CASH FLOW STATEMENT ANNEXED TO ACCOUNTS

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

	2007-08	AMT IN RS. 2006-07
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax and Extraordinary Items	8,55,05,769	37,90,73,390
Adjustments for:		
Depreciation	10,70,53,240	10,12,00,342
Loss/(Profit) on Sale of Assets	(8,99,588)	(1,56,32,754)
Assets/Investment written off	5,55,353	—
Loss/Profit on sale of Investments	(5,59,366)	(76,022)
Dividend Income	(37,80,090)	(36,76,768)
Interest paid	4,84,61,661	3,71,23,134
Interest received	(44,40,983)	(29,98,880)
	<u>14,63,90,227</u>	<u>11,59,39,052</u>
Operating Profit before Working Capital Changes	23,18,95,996	49,50,12,442
Adjustments for :		
Trade and other Receivables	13,501	(55,88,339)
Inventories	4,03,57,771	(2,53,04,880)
Trade Payables	(40,76,74,335)	(33,01,28,720)
	<u>(36,73,03,063)</u>	<u>(36,10,21,939)</u>
Cash Generated from Operation	(13,54,07,067)	85,60,34,381
Direct Taxes Paid / Refunds including interest	2,85,79,386	10,95,39,874
Cash Flow Before Extraordinary Items	(16,39,86,453)	74,64,94,507
Extra ordinary items	—	—
NET CASH FROM OPERATING ACTIVITIES	(16,39,86,453)	74,64,94,507
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(8,89,19,050)	23,49,87,541
Investments purchased	(96,96,253)	9,30,98,515
Decrease in Capital Work in Progress	5,16,64,842	3,45,59,335
Sale of Investments	8,14,35,912	(9,46,438)
Sale of Fixed Assets	15,90,872	(1,87,41,844)
Interest Received	44,40,983	(29,98,880)
Dividend Received	37,80,090	(36,76,768)
	<u>4,42,97,396</u>	<u>33,62,81,461</u>
NET CASH USED IN INVESTING ACTIVITIES	4,42,97,396	33,62,81,461
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	26,64,32,194	12,33,30,289
Interest Paid	(4,84,61,661)	3,71,23,134
Dividends and Tax on dividend Paid (Including Interim)	(6,63,27,420)	12,92,87,304
	<u>15,16,43,113</u>	<u>28,97,40,727</u>
NET CASH USED IN FINANCING ACTIVITIES	15,16,43,113	28,97,40,727
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	3,19,54,056	12,04,72,319
Cash and Cash Equivalents - Opening	19,64,78,366	7,60,06,047
Cash and Cash Equivalents - Closing	22,84,32,422	19,64,78,366

Signature to Schedules A-P, Accounting policies, Notes and Cash Flow Statement.

As per our report of even date
For B.PURUSHOTTAM & CO.
 Chartered Accountants

B.S.PURSHOTHAM

Partner
 Chennai
 25.06.2008

R.GANESAN
 General Manager
 (Finance)

S.CHIDAMBARAM
 Dy.General Manager (Finance) &
 Company Secretary

For and on behalf of the Board
IRMGARD VELAGAPUDI M. RAO
 Managing Director

V.KIRAN RAO

Executive Director

K.A.RANGASWAMY

Director

To
The Board of Directors,
K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED
Chennai.

We have examined the attached consolidated Balance sheet of KCP SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries as at March 31, 2008, and their Consolidated Profit and Loss Account for the year then ended. 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 have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of one of the subsidiaries viz .KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED, whose financial statements have been audited by other auditors, whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included in respect of the said subsidiary, is based solely on the report of the other auditors.

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 financial statements of KCP SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of KCP SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries, we are of the opinion that :

- a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of KCP SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries as at March 31, 2008.
- b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of KCP SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries for the year then ended, and
- c) the cash-flow statement is in agreement with the above Profit and Loss Account and Balance Sheet.

For **B. Purushottam & Co**
Chartered Accountants

B.S. Purushotham
(M. No. 26785)
Partner

Place : Chennai
Date : 25-06-2008

ELECTRONIC CLEARING SERVICE (E C S) MANDATE FORM

From (Please fill name and address of first holder) **Date :**

.....

FOLIO NO :

--

Dear Sir,

Sub: Payment of Dividend thro' Electronic Clearing Service (ECS)

I hereby give my mandate to credit my dividend on the Shares held by me directly to my Bank account through the Electronic Clearing Service (ECS). As desired, I give below the particulars of my Bank account :

1.	NAME OF BANK											
2.	BRANCH NAME AND ADDRESS											
3.	ACCOUNT NO (as appearing on cheque book)											
4.	ACCOUNT TYPE (please tick)	<input type="checkbox"/> 10 - Savings <input type="checkbox"/> 11 - Current Account <input type="checkbox"/> 13 - Cash credit										
5.	LEDGER FOLIO NO OF THE BANK A/C (if appearing on cheque book)											
6.	9-DIGIT CODE NUMBER OF THE BANK & BRANCH APPEARING ON THE MICR CHEQUE ISSUED BY THE BANK <small>(please attach a xerox copy of the cheque or bank cheque of your bank duly cancelled for ensuring the accuracy of the bank's name branch name and code number)</small>	<table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> <td style="width: 12.5%;"></td> </tr> </table>										

I hereby declare that the particulars given above are correct and complete. If any transactions are delayed or not effected at all for reasons of incompleteness or correctness of information supplied as above, the Company will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by the Company, for payment of dividend to me.

I further undertake to inform the Company about any change in my Bank/Branch and account number.

DATE :

.....
 (Signature of First holder)

* * * * FOR OFFICE USE ONLY * * * *	
ECS REF NO.	

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED No.239, Anna Salai, Chennai -600 006.
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(Detail's overleaf)

PAYMENT OF DIVIDEND THRO' ELECTRONIC CLEARING SERVICE (ECS)

The Securities and Exchange Board of India (SEBI) has made it mandatory for all listed company to offer ECS facilities. This facility has **several benefits including :**

1. **Instant credit** of the dividend amount directly to your designated bank account electronically.
2. **Prevents** in-transit interception of the warrant or its fraudulent encashment.
3. **Eliminates** the scop for loss/delay in receipt of the warrant.
4. **No extra** cost to the payee.

Instead of the earlier practice of issue of printed warrants being sent to the Shareholders, this mode of payment provides for direct credit dividend to the existing Bank account of the Shareholder(s) by electronic mode. The concerned Bank branch will credit your account and indicate the entry as " ECS" in your pass book/statement.

This mode of payment is optional and you have a right to withdraw the instructions or change them by giving us an advance notice of atleast eight weeks before the data of payment. The information furnished by you will be kept confidential and utilised only for the purpose of effecting the payment of dividend as may be applicable. The Company will not be liable for any credit/s made to any other account other than the Sharholders account because of the incorrect information given.

The facility of ECS is (RBI Centres) available in 15 cities as follows :

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram,

Though the facility is available only to a limited number of cities, we request all the Shareholders to provide us the details in the enclosed form, which would enable us to serve you better once the facility is extended to your city.

Wo would **request you to avail this facility by completing the relevant details in the ECS Mandate form printed on the reverse and return to us at the earliest alongwith a cancelled or photocopy or your cheque** pertaining to your account to which the dividend amount is to be credited.

In case you are holding shares in demat form, kindly advise your Depository participant directly to take note of your Bank account particulars/ECS mandate.

NOMINATION FORM
(To be filled in by individual(s))

To **INTEGRATED ENTERPRISES (INDIA) LTD.** From

(Unit : K.C.P SUGAR AND INDUSTRIES CORPORATION LIMITED)

II Floor, "Kences Towers", No. 1, Ramakrishna Street, North Usman Road, Folio No

T.Nagar, Chennai - 600 017. No. of Shares

I am/we are holder(s) of Shares of the Company as mentioned above. I/We nominate the following person in whom all rights of transfer and/or amount payable in respect of Equity Shares shall vest in the event of my/our death.

Nominee's Name								Age			
To be furnished in case the nominee is a minor		Date of Birth									
Guardian's Name*											
Occupation of Nominee Tick ()	1	Service		2	Business	3	Student		4	Household	
	5	Professional		6	Famer	7	Others				
Nominee's Address											
		Pin code									
Telephone No.							Fax No.				
Email Address								STD Code			
Specimen Signature of Nominee/ Guardian (in case nominee is minor)											

* To be filled in case nominee is a minor

Kindly take the aforesaid details on record.

Thanking you,
yours faithfully

Date

Name and address of equity shareholder [as appearing on the Certificate (s)]		Signature (as per specimen with Company)
Sole/ 1st holder (address)		
2nd holder		
3rd holder		

Witness (two)

Date

Name and Address		Signature
1.		
2.		

(See overleaf for instructions)

INSTRUCTIONS FOR NOMINATION

1.	PROCEDURE FOR NOMINATION	<ul style="list-style-type: none"> ● Please read the instructions given below very carefully and follow the same to fill the form. If the form is not filled as per instructions, the same will be rejected. ● Nomination will be registered only when the form is submitted to the Company, complete in all respects including the signature of (a) all registered holders (as per specimen lodged with the company), (b) the nominee and (c) two witnesses. ● Individual/joint shareholder can nominate only one person as his/her nominee for the shares held by him/them under a particular folio. ● Upon receipt of a duly executed nomination form, the Registrar and Transfer Agent of the Company will register the form and allot a registration number. This number and folio no. should be quoted by the nominee in all future correspondence.
2.	NOMINATION a) Who can nominate	<ul style="list-style-type: none"> ● The nomination can be made by individuals only. If the shares are held jointly, all joint holders shall sign (as per the specimen registered with the company) the Nomination Form. ● A minor can also nominate a person as his nominee. In that case, the natural/court appointed guardian of the minor has to sign the form on behalf of the minor.
	b) Who cannot nominate	<ul style="list-style-type: none"> ● Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of the power of attorney cannot appoint a nominee.
	c) Who can be nominee	<ul style="list-style-type: none"> ● Any individual can be a nominee. ● A minor can also be a nominee and in that event the name and address of the Guardian shall be given by the holder. ● A non-resident Indian can be a nominee on a repatriable basis subject to the rules prescribed by the Reserve Bank of India.
	d) Who cannot be a nominee	<ul style="list-style-type: none"> ● Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of the power of attorney cannot be a nominee.
	e) Dematerialised Mode	<ul style="list-style-type: none"> ● For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.
3.	CHANGE/CANCELLATION OF NOMINATION	<ul style="list-style-type: none"> ● Shareholder(s) can change/cancel the nominee/appointee at any point of time by executing fresh Nomination Form and in the event of the death of a nominee/appointee, during his/their lifetime after giving due notice to the Company in the prescribed form (The prescribed form will be provided by the Company at the time of request). ● Whenever the shares in the given folio are entirely transferred, transpositioned or dematerialised with some other folio, then this nomination will stand rescinded.
4.	TRANSMISSION PROCEDURES	<ul style="list-style-type: none"> ● In the case of transmission of shares, the nominee can register the shares in his favour upon production of a certified copy of death certificates together with the share certificates of the shareholder and any other document/evidence called for by the Company, at that time. ● Transfer of shares in favour of nominee and repayment of amount to the nominee shall be a valid discharge by the Company against the legal heirs. ● The Company will not entertain any claims other than those of a registered nominee, unless so directed by a Court.

FOR OFFICE USE ONLY

Nomination Registration Number	
Date of Registration	
Checked by (Name and Signature)	



K.C.P Sugar and Industries Corporation Limited

Regd. Office: "Ramakrishna Buildings", 239, Anna Salai, Chennai - 600 006.

ATTENDANCE SLIP

To be handed over at the entrance of Meeting hall

Folio No / Client ID No. Name :	Shares :	S. No.
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THIRTEENTH ANNUAL GENERAL MEETING

Venue : **"Sathguru Gnanananda Hall"**
Narada Gana Saba
314, T.T.K. Road
Alwarpet, Chennai - 600 018.

Date : **Thursday, 11th September, 2008**
Time : **10.45 a.m.**

Proxy's name in Block Letters

I hereby record my presence

Signature of Member/Proxy

Folio No / Client ID No.

Shares :



K.C.P Sugar and Industries Corporation Limited

Regd. Office: "Ramakrishna Buildings", 239, Anna Salai, Chennai - 600 006.

PROXY FORM

I/We _____ of _____
in the district of _____ being a Member/Members of K.C.P. Sugar and Industries Corporation Limited, hereby appoint _____
of _____ in the district of _____ or failing him _____
of _____ in the district of _____ as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf, at the Thirteenth Annual General Meeting of the Company, to be held at **10.45 a.m. on Thursday the 11th day of September 2008** and at any adjournment thereof.

Signed this _____ day of _____ 2008

S.No	Recieved on	Time	Code

Signed by the said

Affix Revenue Stamp

- NOTE :
1. The proxy must be deposited at the Registered Office of the Company at "Ramakrishna Buildings", 239, Anna Salai, Chennai - 600 006 not less than 48 hours before the time of holding the meeting.
 2. The Proxy need not be a member of the Company.
 3. Proxy cannot speak at Meeting or vote on a show of hands.

