

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

*Eleventh Annual Report
2005 - 2006*

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BOARD OF DIRECTORS

(as on 08.09.2006)

Chairman	Shri. Vinod R. Sethi
Managing Director	Smt. Irmgard Velagapudi M.Rao
Executive Director	Smt. V. Kiran Rao
Directors	Shri. K.A. Rangaswamy Shri. K. Subramanian Shri. P. Subramani Shri.Ranvir Shah Shri. Prathap K. Moturi Shri.P. Sudhir Rao Dr. Vithal Rajan Shri. Raghu Cidambi Shri. M.S.V.M.Rao
General Manager (Finance) and Secretary	Shri.V.C.Unnikrishnan, FCA, FICWA, FCS.
Auditors	Messrs. Brahmayya & Co. Chartered Accountants, Vijayawada
Legal Advisor	Shri.T.Raghavan
Bankers	State Bank of India Punjab National Bank ICICI Bank Ltd ING Vysya Bank Ltd UTI Bank Ltd
Registered & Corporate Office	“Ramakrishna Buildings” 239, Anna Salai, Chennai - 600 006.
Units	Vuyyuru - Sugar Industrial Chemicals Biotech Research and Development Lakshmipuram - Sugar Tada - Workshop
Registrars to Deposits	M/s. Trident Investment Portfolio Services Pvt. Limited, Guna Complex, Annex-2, 4th Floor, No.443 (Old No.304) Anna Salai, Teynampet, Chennai 600 018. Ph: 24328296 / 24328297 Fax : 24328299 E-mail ID : tips@vsnl.com
Registrars & Share Transfer Agent & Depository Registrars	M/s Integrated Enterprises (India) Limited, 2nd Floor, “Kences Towers”, No.1,Ramakrishna Street, 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									
	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999	31.03.1998	31.03.1997
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30	1,289.30	1,289.30
Reserves and Surplus	12,784.19	9,012.45	6,554.82	4,962.81	5,384.93	6,772.84	6,105.68	5,515.34	4,926.30	3,875.85
Net Worth	13,918.04	10,146.30	7,688.67	6,802.25	6,802.25	7,906.69	7,394.98	6,804.64	6,215.60	4,955.24
Fixed Assets (Nett)	13,970.66	10,448.77	9,649.21	10,114.89	10,114.89	9,589.37	8,979.56	7,878.04	6,341.50	6,598.96
Gross Income	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59	20,579.09	18,853.87
Gross Profit	10,493.99	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39	3,823.65	2,713.07
Depreciation	743.45	619.97	626.02	611.21	575.87	531.30	428.73	368.96	350.29	335.44
Interest	359.28	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60	1,458.44	1,404.16
Profit / Loss before Tax	9,391.26	6,498.84	1,023.43	-577.63	536.17	1,668.16	1,183.57	1,246.83	2,014.92	973.47
Profit After Tax	5,711.05	4,065.21	1,911.79	-422.13	340.19	1,368.16	983.57	946.83	1,614.92	673.47
Earnings per Share (Rs.)	5.04**	35.85	16.86	-3.72	3.00	*10.79	7.63	7.34	10.90	4.68
Cash Earnings per Share (Rs.)	5.69**	41.32	22.38	1.67	8.08	*14.97	10.95	10.21	15.24	7.83
Book Value per Share (Rs.)	12.28**	89.49	67.81	53.77	57.49	69.73	57.36	52.78	48.21	38.43
Dividends on Equity (%)	150.00	100.00	25.00	-	25.00	25.00	25.00	25.00	25.00	25.00
Debt Equity Ratio <small>(includes deposits but excludes working capital borrowings)</small>	0.16	0.30	0.49	0.58	0.70	0.73	0.75	0.77	0.48	0.61

* During the year 2001-01, 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	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
SUGAR UNIT, VUYYURU										
Cane Crushed in MTS	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052	8,91,340	9,00,781
Sugar bagged in OTLS	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540	9,62,300	8,63,146	9,47,253
Recovery (%)	11.15	11.46	10.47	10.07	10.48	10.38	10.20	10.33	9.68	10.52
SUGAR UNIT, LAKSHMIPURAM										
Cane Crushed in MTS	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010	4,50,431	3,30,772	4,10,949
Sugar bagged in OTLS	4,61,679	4,13,580	3,14,879	2,09,638	68,658	1,75,071	4,51,700	4,41,310	3,04,238	4,34,208
Recovery (%)	10.63	11.10	10.05	9.07	9.40	9.36	9.65	9.80	9.20	10.57

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall" Narada Gana Sabha, No.314, T.T.K. Road, Chennai 600018 on Thursday, the 12th day of October 2006 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 2006 and Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend, and confirm the interim dividend already paid for the year ended March 31, 2006, on the equity shares of the Company.
3. To resolve not to fill the vacancy, for the time being, caused by the retirement of Shri.K.Subramanian, who retires by rotation in terms of Article 107 of the Company's Articles of Association and does not seek reappointment.

WITH SPECIAL NOTICE:

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

"RESOLVED THAT subject to the provisions of Section 224,225 and other applicable provisions, if any, of the Companies Act, 1956, M/s.B Purushottam & Co, Chartered Accountants, Chennai, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring Auditors, Messrs.Brahmayya and Co, Chartered Accountants, Vijayawada, to examine and audit the accounts of the Company for the Financial Year 2006-07, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses."

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri.P.Subramani, who was appointed as a Director in the casual vacancy caused by the resignation of Dr.N.B.Prasad, and holds Office upto the date upto which Dr.N.B.Prasad would have held office if it had not been vacated under Section 262 of the Companies Act, 1956, (the "Act") read with Article 109 of the Articles of Association of the Company, but being eligible, offers himself for reappointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act along with the requisite deposit of money from a Shareholder signifying his intention to propose Shri.P.Subramani as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company, subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri.Ranvir Shah who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of the next Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Shri.Ranvir Shah as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

“RESOLVED that Shri.Vinod R Sethi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the “Act”) read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri.Vinod R Sethi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company.”

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

“RESOLVED that Shri Prathap K Moturi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the “Act”) read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri. Prathap K Moturi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company.”

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

“RESOLVED that Dr.Vithal Rajan who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the “Act”) read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Dr.Vithal Rajan as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company.”

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

“RESOLVED that Shri.Raghu Cidambi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the “Act”) read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri. Raghu Cidambi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company.”

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

“RESOLVED that Shri.M.S.V.M.Rao who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the “Act”) read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Shri. M.S.V.M. Rao as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company.”

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12. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

“**RESOLVED** that, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company (‘the Board’) or any Committee / person(s) authorized by the Board, consent be and is hereby accorded to delist the Equity Shares of the Company from Madras Stock Exchange Ltd.

RESOLVED FURTHER that authority be and is hereby accorded to the Board or any Committee/ person(s) authorized by the Board, to settle all questions, issues, or compliances that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution.”

13. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution:**

“**RESOLVED THAT** pursuant to Article 148 of the Articles of Association of the Company and the provisions of Section 309 and other applicable provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof and subject to such approvals as may be necessary, the Non Whole time Directors of the Company (other than the Wholetime Directors and Nominee Directors) be paid as remuneration for each of the five financial years beginning from 2006 – 07 to 2010 - 11, an amount not exceeding one percent of the net profits of the Company and computed in the manner laid down in Section 198, 349, and 350 of the Companies Act, 1956 and to be divided amongst the said Non Wholetime Directors in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination equally, provided that none of the Directors aforesaid shall receive individually in a financial year a sum exceeding Rs.1.75 lakhs (Rupees One lakh seventy five thousand only) and further that the payment of the sum in the above manner shall be in addition to the sitting fee per meeting of the Board/Committee which each such Director is entitled to receive under the Articles of Association and the approval of the Board of Directors from time to time.”

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be deemed expedient or desirable to give effect to this resolution.”

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 08.09. 2006

VINOD R SETHI
CHAIRMAN

NOTES:

- a. An **Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 4 – 13 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 Company has **obtained permission for extension of time** to hold the Annual General Meeting under the applicable provisions of the Companies Act, 1956 from the Registrar of Companies, Chennai.
- d. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 4th day of October 2006 to 12th day of October 2006, both days inclusive, **for the purpose of payment of final dividend as approved at the Eleventh Annual General Meeting.**
- e. **The Final Dividend on the equity shares**, as recommended by the Board, when declared at the Meeting will be paid on or after 12th October, 2006, 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 4th October 2006, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before 3rd October 2006, 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 4th October 2006.
- f. **M/s. Integrated Enterprises (India) Ltd**, Kences Towers, II Floor, No.1 Ramakrishna Street, 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.
- g. 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 an account with a Depository Participant, if not done so far.
- h. 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.
- i. **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 deletion/change in bank account details furnished by Depository Participants to the Company.**

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NOTICE (CONTD.)

- j. **Members holding shares in physical form** are requested to note that in order to avoid any loss/interception 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 4th October 2006. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 4th October 2006. 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 is 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.
- k. 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**.
- l. **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.
- m. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1999 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Protection and Education Fund (IEPF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

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
31.03.1999	30.07.1999	27.08.2006	25.09.2006
31.03.2000	11.09.2000	16.09.2007	15.10.2007
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	06.12.2012

- n. Shareholders are requested to **encash their Dividend Warrants on receipt** as the 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 either from the said Fund or the Company.

The **Unclaimed Dividend** for the above year(s), 1998-99, 1999-00, 2000-01, 2001-02, 2003-04, 2004 – 05 (interim & final) and 2005 – 06 (interim) 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.**

- o. The **Face value of the Equity shares** of the Company **has been subdivided** from one equity share of Rs.10/- each to 10 equity shares of Re.1/- each **w.e.f 17th March, 2006**. All Shareholders holding shares in physical form on the said date and who have the old share certificates issued by the Company have been issued new Share certificates of Re.1/- each. In respect of all Shareholders, holding shares in a dematerialized form on the said date, the new shares of Re. 1/- each have been credited to the respective beneficiary accounts with the Depositories. Other Shareholders who have not surrendered the old Share Certificates of “The K.C.P.Ltd” are requested to surrender the same as stated in Note “p.” below to enable the Company take necessary action.
- p. 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.P.V.Chерian Crescent, 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.
- q. 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.
- r. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the General Manager (Finance) and Secretary **at least ten days before the Meeting** so that the information may be made available at the Meeting.

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

ITEM NO.4:

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, are retiring at the ensuing Annual General Meeting of the Company and are not seeking reappointment. The Company has received a Special Notice from a Member of the Company, in terms of the provisions of the Act, signifying her intention to propose the appointment of M/s.B Purushottam & Co, Chartered Accountants, Chennai as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. M/s.B Purushottam & Co have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act. In view of the above and based on the recommendations of the Audit Committee, the Board of Directors at its Meeting held on 8th September, 2006 has proposed the appointment of M/s.B Purushottam & Co as the Statutory Auditors for the financial year, 2006 – 07 in place of the retiring Auditors, M/s. Brahmayya & Co,. The Members' approval is being sought to the appointment of M/s.B Purushottam & Co as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

The Board of Directors recommends the resolution for approval of the Members.

ITEM NO.5:

Shri.P.Subramani aged 49 years is a Chemical Engineer with a Masters in Environmental Engineering and has been in the field of Waste Management for the past 25 years and has been involved in several new technologies in areas of renewable energy like wind, biomass, bio-ethanol, bio-diesel and wasteland

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development. He is currently the Managing Director of G.K.Bioenergy Pvt. Ltd and holds Directorship in Asia Bio Energy India Ltd., and Enkem Engineers Pvt. Ltd. He was co-opted on the Board of the Company on 26th Oct' 05 as an Independent Additional Director in the casual vacancy caused by the resignation of Dr.N.B.Prasad, and holds Office upto the date upto which Dr.N.B.Prasad would have held office if it had not been vacated under Section 262 of the Companies Act, 1956, (the "Act") read with Article 109 of the Articles of Association of the Company, i.e., upto this Annual General Meeting. The Company has received notice in writing from a Member alongwith a deposit of Rs.500/- proposing the candidature of Shri.P.Subramani for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

The Directors recommend the appointment of Shri.P.Subramani as a Director.

None of the Directors other than Shri.P.Subramani may be deemed to be concerned or interested in this resolution.

ITEM NO.6:

Shri.Ranvir Shah aged 44 years has a Masters Degree in Political Science and is a businessman with over two decades of experience in the domestic and international markets in garment exports. He is currently the Director of Eagle Apparels Pvt. Ltd., A.R. Gherkins Pvt. Ltd., and P.S.A. Textile Processors Pvt. Ltd. He was co-opted on the Board of the Company on 26th Oct' 05 as an Independent Additional Director and holds Office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. The Company has received notice in writing from a Member alongwith a deposit of Rs.500/- proposing the candidature of Shri.Ranvir Shah for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting.

The Directors recommend the appointment of Shri.Ranvir Shah as a Director.

No other Director other than Shri.Ranvir Shah may be deemed to be concerned or interested in this resolution

ITEM NO.7:

Shri.Vinod R Sethi aged 44 years is a Chemical Engineer from IIT, Mumbai, and an MBA (Finance) and a Beta Gamma Sigma Graduate from New York University. Shri. Vinod R Sethi as the former Managing Director of Morgan Stanley Investment Management, Inc., New York established the Indian business for Morgan Stanley and was its Chief Investment Officer for 12 years, during which time the Indian business grew in excess of USD 2 billion in assets. Shri.Vinod R Sethi is an investor and assets under his management had been consistently ranked in the top-tier in the performance and in risk control. He holds Directorship in several Indian Public Companies, viz., GTL Ltd, Chandamama India Ltd., Subex Azure Ltd., Axsys Health Tech Ltd., Mount Everest Bottling Company Ltd, United Phosphorous Ltd and Geodesic Information Systems Ltd and some other private limited Companies. He is also a member of the Audit and Nomination and Remuneration Committees of Subex Azure Ltd, Geodesic Information Systems Ltd, Axsys Health Tech Ltd, GTL Ltd. He was co-opted on the Board of the Company on 26th Oct' 05 as an Additional Director and holds Office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. He has also been elected as the Chairman of the Board of Directors. The Company has received notice in writing from a Member alongwith a deposit of Rs.500/- proposing the candidature of Shri.Vinod R Sethi for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting.

The Directors recommend the appointment of Shri.Vinod R Sethi as a Director.

None of the Directors other than Shri.Vinod R Sethi and Smt V.Kiran Rao and Smt.Irmgard Velagapudi M Rao being related to Shri.Vinod R Sethi may be deemed to be concerned or interested in this resolution.

ITEM NO.8:

Shri.Prathap K Moturi aged 57 years is a practicing Chartered Accountant with over three decades of rich experience in handling the accounts/audits of various public limited companies and is a Director in a Private Limited Company. He was associated with Central Leather Research Institute (CLRI) for preparation of Financial Feasibility report for the Institute for a Soft Loan from World Bank. Further he was also associated with CLRI for preparation of a comprehensive financial feasibility reports for submission to the Government of West Bengal for setting up a Leather Complex near Calcutta. He was co-opted on the Board of the Company on 26th Oct' 05 as an Independent Additional Director and holds Office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. The Company has received notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Shri.Prathap K Moturi for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting. Hence this resolution.

The Directors recommend the appointment of Shri.Prathap K Moturi as a Director.

None of the Directors other than Shri.Prathap K Moturi may be deemed to be concerned or interested in this resolution

ITEM NO.9:

Dr Vithal Rajan aged 70 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. He was a founder faculty member of the School of Peace Studies, Bradford University, U.K.; Executive Director of the Right Livelihood Award Foundation, Sweden; and Director, World-Wide Fund for Nature International, Switzerland; and many other organizations seeking to elevate the socially poorer sections of society. He is on the Board of several other organizations, and till recently on the Board of the Environment Protection Training & Research Institute of the Government of Andhra Pradesh. He is Honorary Member, Poverty Eradication Mission, of the Andhra Pradesh Government. He was founder President, Permaculture Association of India, and has initiated special projects for ecological management of agricultural pests without resorting to dangerous pesticides; the introduction of solar energy, and LED lamps for the benefit of poor communities etc. He has also written extensively on academic and development-related issues. 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 26th Oct' 05 as an Independent Additional Director and holds Office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. The Company has received notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Dr.Vithal Rajan for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting.

The Directors recommend the appointment of Dr.Vithal Rajan as a Director.

None of the Directors other than Dr.Vithal Rajan may be deemed to be concerned or interested in this resolution.

ITEM NO.10:

Shri.Raghu Cidambi aged 55 years is a Physics graduate with a Post Graduate Diploma in Management from Indian Institute of Management, Kolkata and LLB from Osmania University. He is currently the Advisor to Dr.Reddy's Laboratories and is on the Board of Margadarsi Securities Pvt. Ltd., and Margadarsi Investment Services Pvt. Ltd. He was co-opted on the Board of the Company on 17th Dec' 05 as an Independent Additional Director and holds Office upto this Annual General Meeting under Section 260 of

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. The Company has received notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Shri.Raghu Cidambi for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting.

The Directors recommend the appointment of Shri.Raghu Cidambi as a Director.

None of the Directors other than Shri.Raghu Cidambi may be deemed to be concerned or interested in this resolution.

ITEM NO.11:

Shri.M.S.V.M.Rao aged 51 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 Rachur Group of Temples etc. He was co-opted on the Board of the Company on 17th Dec' 05 as an Independent Additional Director and holds Office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company. The Company has received notice in writing from a Member along with a deposit of Rs.500/- proposing the candidature of Shri.M.S.V.M.Rao for the office of Director under the provisions of Section 257 of the Companies Act, 1956, at the ensuing General Meeting.

The Directors recommend the appointment of Shri.M.S.V.M.Rao as a Director.

None of the Directors other than Shri.M.S.V.M.Rao may be deemed to be concerned or interested in this resolution.

ITEM NO.12:

The Equity Shares of your Company are listed on two Stock Exchanges, viz., Madras Stock Exchange Ltd (MSE) and National Stock Exchange of India Ltd. (NSE). The shares of your Company are now traded compulsorily in dematerialized form for all investors and the Company has already signed the necessary agreements with National Securities Depository Limited and Central Depository Services (India) Limited. Over the last few years, there has been no trading of the shares of your Company in the Madras Stock Exchange. In view of the same, your Board of Directors had at their Meeting held on 25.06.2003, recommended for the approval of the Members, the proposal to voluntarily delist the Company's shares from the Regional Stock Exchange, viz., Madras Stock Exchange Ltd, pursuant to the Securities Exchanges Board of India (Delisting of Securities) Guidelines, 2003 and the same was also approved by the Shareholders at the Eighth Annual Meeting held on 25.08.2003. However, in view of the subsequent developments of the proposed corporatisation and demutualisation of the Regional Stock Exchanges as per SEBI guidelines and the initiative to enter into a tie-up with the Mumbai Stock Exchange named as the "Indonext Model" in order to provide liquidity for the securities of the companies listed on the various Regional Stock Exchanges, the Board after a study and review at its meeting held in Jan' 2004 decided to continue the listing of Company's shares in MSE. Accordingly, the Exchanges were informed that the resolutions passed by the Board and Shareholders were to be treated as withdrawn. Even though after a considerable lapse of time, the trading on the Indonext platform had started, due to some operational issues there has been considerable delay in the listing of the shares of your Company's shares as also that of many others and it is unlikely that it may materialize at all. Even now there has been no trading of the shares in the MSE and your Board has therefore reviewed the matter and decided to recommend the delisting of the Equity Shares of the Company from the Madras Stock Exchange after compliance of all related formalities. The Shareholders are informed that the National Stock Exchange is extensively networked across the country and the trading volumes also being considerable will continue to provide sufficient liquidity and opportunities for extensive trading in the shares of the Company and the investors including those residing in the said region are not likely to be adversely affected by the proposed delisting.

As per the said guidelines, since the shares of the Company are listed and will continue to be on NSE, no exit option needs to be given to the Shareholders. Further, the consent of the Shareholders has to be obtained by a Special Resolution for the said delisting.

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

The Board of Directors recommends this Special resolution for your approval.

ITEM NO.13:

At the Sixth Annual General Meeting held on 23rd July, 2001 the Shareholders had approved the payment of remuneration to the Non-Whole Time Directors by way of commission on the profits of the Company not exceeding one per cent subject to a limit of Rs.1,75,000/- (Rs. One Lakh and Seventy five thousand) per Director for each of the five financial years ending with 31st March,2006, in addition to sitting fees paid for the meetings of the Board/Committee. Your Board of Directors consists of senior seasoned professionals in their respective fields who with their knowledge and exposure are guiding the growth of this Company. With the increasing thrust on good Corporate Governance your Board has inducted professionals from different walks of life and functional areas so that they can contribute to the success of the Company. There is a need for the compensation to be commensurate with the responsibilities shouldered by the Non Wholetime Directors. In appreciation of their valuable continuing guidance for the growth of the Company and also considering the attention devoted and responsibilities undertaken by these Non-Whole Time Directors in the activities of the Company, the Board of Directors at their Meeting held on 31st July'2006, has recommended the payment of commission not exceeding one per cent of the profits of the Company to be divided amongst the said Non Whole time Directors aforesaid in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination equally subject to a maximum of Rs.1,75,000/- (Rs. One lakh and Seventy five thousand only) per Director for each of the five financial years from 2006 – 07 to 2010 -11, in addition to sitting fees paid for the meetings of the Board/Committee. Section 309 of the Companies Act, 1956 stipulates inter alia that the payment of remuneration to the Non-Whole Time Directors not exceeding one per cent of the profits of the Company could be made if authorized by a Special Resolution.

The Directors, therefore recommend the Special Resolution for the approval of the Shareholders.

Shri.K.A.Rangaswamy, Shri.K.Subramanian, Shri.P.Subramani, Shri.Ranvir Shah, Shri.Vinod R Sethi, Shri. Prathap K Moturi, Shri.P.Sudhir Rao, Dr.Vithal Rajan, Shri.Raghu Cidambi and Shri.M.S.V.M.Rao being Non Wholetime Directors and Smt.Irmgard Velagapudi M Rao and Smt.V.Kiran Rao as relatives of Shri.Vinod R Sethi may be deemed to be concerned or interested in this resolution.

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 08.09. 2006

VINOD R SETHI
CHAIRMAN

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

TO THE SHAREHOLDERS OF K.C.P.SUGAR AND INDUSTRIES CORPORATION LIMITED

The Directors are pleased to present the Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2006.

I. FINANCIAL HIGHLIGHTS

(Rs.in crores)

	For the Year ended	
	31.03.2006	31.03.2005
Sales & Other Income (incl. interdivisional transfers)	409.86	314.40
Increase / (Decrease) in stocks	-0.49	-0.41
	<u>409.37</u>	<u>313.99</u>
Profit before interest, depreciation & tax	104.93	80.34
Less : Interest	3.59	9.15
Depreciation	7.43	6.20
Profit before tax	93.91	64.99
Less : Provision for taxation - current	-29.25	-22.00
Deferred taxation (nett)	-7.55	-2.34
PROFIT FOR THE YEAR AFTER TAX	57.11	40.65
Add : Balance brought forward from previous year	13.12	13.54
SURPLUS AVAILABLE FOR APPROPRIATION	70.23	54.19
APPROPRIATIONS :		
General Reserve	25.00	28.17
Dividend - Interim already paid	5.67	2.83
Proposed Final Dividend	11.34	8.50
Corporate tax on interim/proposed final dividend	2.39	1.57
BALANCE CARRIED TO BALANCE SHEET	25.83	13.12
	<u>70.23</u>	<u>54.19</u>
Earnings per Share in Rs.	5.04	*3.59
Cash earnings per share in Rs.	5.69	*4.13
Book value per share in Rs.	12.28	*8.95

* The 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 and accordingly, the Earnings per share / Cash Earnings per share / Book Value per share for the corresponding previous year have been restated in order to facilitate comparison with that of the current financial year.

II. PERFORMANCE:

The continued buoyancy in the sugar sector enabled the Company in achieving peak performance in the primary financial numbers and in crossing significant milestones. During the financial year under review, the gross sales and other income crossed the Rs.400-crore mark, by registering an increase of about 30.36% at Rs.409.86 crores as against Rs.314.40 crores in the previous year. With the implementation of the incidental cogeneration plants at both the units during the third / fourth quarter of the year under review, and the new distillery also during the same period, the inter-divisional transfers accounted for Rs.48.01 crores as against Rs.14.62 crores in the previous year. After adjusting the inter-divisional transfers, the growth in the turnover was Rs.62.07 crores at Rs.361.85 crores, registering an increase of about 21% over the previous financial year at Rs.299.78 crores. The trend in the increase of sugar realizations that had started off in the previous financial year reached its peak out during February 2006. Thereafter it had been range-bound between Rs.1700 – 1800 per quintal and more recently even declining to slightly lower levels. The realizations from the other by-products, viz., Molasses and Industrial Alcohol, were lower when compared to the previous year on account of increased availability and lower off-take.

Aimed at stabilizing its long term profitability and with the progressiveness to share profits in the good years and to strengthen its relationship with the cane growers who are the backbone of the Company, your Board of Directors have paid an amount of Rs.10.77 crores as additional cane price liability for the 2004-05 season and adjustable under the Clause 5-A of the Sugarcane Control Order 1966, in the year of announcement. (Rs.8.07 crores paid for the 2003-04 season during year ended 31.03.2005). This will insure the Company against any major outgo on account of the additional cane price liability for the said season, both in terms of profitability and cash flow.

Your Company achieved yet another milestone when the Profit before interest, depreciation and tax (PBIDT) crossed the Rs.100-crore levels, at Rs.104.93 crores, registering a growth of about 31% over the corresponding period at Rs.80.34 crores. The improved cash flows supported the Company in closing all its long-term debt as on 31.03.2006. This had its impact on the drop in the interest costs by over 61% to Rs.3.59 crores as against Rs.9.15 crores in the previous year. On account of the new projects implemented there was a marginal increase in depreciation to Rs.7.43 crores as against Rs.6.20 crores in the previous year.

The Profit before tax was at its highest ever at Rs.93.91 crores, registering a growth of 45% over the previous year's figure of Rs.64.99 crores. The improved profitability coupled with the incremental liability for deferred taxation on account of new projects had its toll on the overall provision for taxation increasing by over 51% to Rs.36.80 crores as against Rs.24.34 crores in the previous year. On account of this, the Profit after tax accounted for a growth of about 41% at Rs.57.11 crores in comparison to Rs.40.65 crores achieved for the previous year.

The Earnings per share and Cash Earnings per share also accounted for increase of about 41% at Rs.5.04 and Rs.5.69 respectively on a paid up face value of Re. 1/- per share.

III. DIVIDEND:

During the year under review, considering the Company's profitable performance, your Board of Directors at their meeting held in October 2005, had declared and paid an higher interim dividend of 50%, i.e., Rs.5.00 per equity share of face value of Rs.10/- (P.Y.: Rs.2.50). This involved an outlay of Rs.6.46 crores (P.Y.: Rs.2.83 crores). The improved year-end results also reflected in your Board of Directors announcing a higher final dividend of Re.1/- per equity share on a face value of Re.1/- including a special dividend of Re.0.25 per equity share of face value of Re.1/- to mark the completion of ten years of operations. In all, the total dividend for the financial year ended 31.03.2006 has been the highest ever at 150% as against 100% during the year ended 31.03.2005. The total quantum of interim and final dividend including taxes would be Rs.19.39 crores (P.Y.: Rs.12.90 crores). As per the extant tax provisions, the company will be paying corporate tax of 14.025% on the dividend amount and the said dividend would be tax-free in the hands of the shareholders. The final dividend, if approved, will be paid to those shareholders whose names appear on the Register of Members determined with reference to the Book Closure from 4th October 2006.

IV. SHARE CAPITAL AND RESERVES:

On March 17, 2006, the paid up face value of the shares of your Company was sub-divided to Re.1/- from Rs.10/- after necessary approvals of the Board of Directors and subsequent confirmation by the Shareholders at the Extraordinary General Meeting held on January 18, 2006 and the paid up share capital of the Company now consists of 11,33,85,050 shares of Re.1/- each. Consequently, the shares of your Company are now traded based on the said face value of Re.1/-. Further, as stated elsewhere in this report, the Earnings and Book Value per share have been calculated for the year under review and the previous year based on the face value of Re.1/-.

The excellent performance during the financial year under review enabled your Board to transfer Rs.25.00 crores to the General Reserves, taking the same to a record sum of Rs.100 crores as on 31st March 2006 (Rs.75 crores as on 31.03.2005). The Reserves and Surplus have registered a growth of about 42% to Rs.127.84 crores as against Rs.90.12 crores in the previous year.

V. MANAGEMENT AND DISCUSSION ANALYSIS:**a. Sugar Industry, opportunities, threats and future outlook:**

After a long time sugar has come to be accepted as a commodity of interest to both the Commodity and Stock market players. The sugar as a commodity peaked out in its performance during the financial year 2005 - 06 and touched the highest-ever historical realization of over Rs.2000/- per quintal, However, with the reasoning that it affects the common man and spurts the cost of living index, while almost all other commodities like wheat, rice, pulses and oil, vegetables moved in unstoppable frenzied manner, despite the positive factors like the demand-supply position and the buoyancy in the international markets, the continued intervention of the Government had its impact in taming the prices to lower levels. Many players in the sugar industry have announced and implemented large expansion plans which would result in a quantum leap in the sugar production in the years to come which, if not well supported by demands internationally, is likely to have dampening effect on the growth of the industry and on the prices as well in the period after 2007 - 08. All said and done, it is expected that the prices of sugar per quintal would remain range-bound between Rs.1600 – 1700 per quintal in the medium term, barring any unforeseen changes in the government policies. The recent government's move to ban further exports and delay in permitting the units that have obligations under advance licensing scheme is likely to affect the prices in the short term. In addition, the international scenario also witnessed a major turbulence so much so that the CIF rate of sugar per MT reached unforeseen levels of USD 480 in comparison to levels of USD 270 – 280/- during the preceding 15 - 18 months and has come down to lower levels of USD 340/- very recently. It is interesting to note that European Union, which had been subsidizing sugar at fancy levels of USD 700 – 740 per MT, has, in consonance with the agreements reached during WTO talks, taken up reduction of the said subsidy in a phased manner from 2006 onwards. All these factors have and will ensure a continued steady trend in the sugar prices both internationally and on the domestic front.

The Ethanol programme initiated by the Government two years ago and then deferred, is now being reconsidered and is to be implemented from 2006 - 07 season despite the factor of reasonable pricing and the industry expects that the government/ oil companies would agree to a reasonable increase in the prices thereof. As is the case of many countries, our Country's burden on account of oil imports, is causing a major concern with the rising oil costs and if the Ethanol Project is implemented across the country at 10%, it would augur well to bring down the deficit in general and support and stabilize the operations of the sugar industry in particular. It is expected that Brazil, which presently converts almost 50% of its cane production directly into ethanol to cater to the international markets, will continue to be an influencing factor in the international scene in the years to come by shifting between production of sugar and ethanol based on the demand-supply and prices of the respective products.

b. REVIEW OF OPERATIONS:**i. SUGAR UNITS:**

VUYYURU: This unit has started its crushing operations for 2005-06 season from 14.11.2005 and after 162 days of operation for the season (till 24.04.2006), the Unit had crushed 10.72 lakh MT of cane as against 9.97 lakh MT crushed in 142 days during the previous season. Though this Unit was expected to crush about 12.00 lakh MT of cane during 2005-06 season, on account of the excessive rains and water-logging in the period (August / September 2005) immediately preceding the start of the season there was a considerable loss of quantity which resulted in crushing of only 10.72 lakh MT and also the recovery reduced from 11.46% to 11.15%, resulting in bagging of 11.99 lakh Qtls of sugar as against 11.49 lakh Qtls in the previous season. During the year under review, this Unit sold a higher quantum of 13.59 lakh Qtls valued at Rs.226.95 crores in comparison to 11.59 lakh Qtls valued at Rs.180.40 crores during the previous year, resulting in an average realization of Rs.1670/- per Qtl (excluding Excise Duty) (P.Y.: Rs.1556.51). The incremental realization of over Rs.100/- per Qtl coupled with the additional quantity sold considerably added to the increased turnover and profitability of this unit and that of the company.

The year also saw the Vuyyuru unit selling 40,693 MT of Molasses valued at Rs.12.44 crores as against 45,519 MT valued at Rs.18.12 crores sold during the previous year ended 31.03.2005. It may be noted that the average realization of Molasses came down by about 23% to Rs.3056.96 as against the previous year average realization of Rs.3979.81.

Taking into account the improved realizations on 2004-05 produce, as has been stated in the report elsewhere, this Unit has paid an amount of Rs.7.98 crores for the 2004-05 season as advance additional cane price adjustable under clause 5A of Sugarcane Control Order 1966. As against the crushing of 10.72 lakh MT during 2005-06 season this Unit expects to crush a higher quantum of more than 11.75 lakh MT of cane during the ensuing 2006-07 season.

LAKSHMIPURAM: This unit which started its crushing operations for 2005-06 season on 21.11.2005, had crushed 4.35 lakh MT for a longer duration of 136 days (till 05.04.2006), as against 3.72 lakh MT crushed in 118 days during the previous season and was able to bag 4.62 lakh Qtls of sugar at an average recovery of 10.63%. Though the cane crushed during 2005-06 season was higher at 4.35 lakh MT, the recovery was down at 10.63% (P.Y: 11.10%) due to unexpected excessive rains and waterlogging in the period (August / September 2005) immediately preceding the start of the season. However in the ensuing 2006-07 season the unit expects to crush higher quantum of 5.00 lakh MT. This unit sold a higher quantity of sugar at 4.75 lakh Qtls valued at Rs.78.71 crores (excluding Excise Duty) resulting in an average realization of Rs.1657.06 per Qtls, (excluding Excise Duty) as against 3.60 lakh Qtls valued at Rs.54.98 crores during the previous year. The molasses sold by this unit during the year under review was lower at 17,216 MT valued at Rs 6.52 crores at an average realization of Rs 3,788.55 as against 20,668 MT valued at Rs.9.04 crores with an average realization of Rs 4,373.54 per MT during the previous year. This unit also, considering the improved profitability and the likely liability on additional cane price for the 2004-05 sugar stocks, paid an amount of Rs 2.79 crores as advance additional cane price adjustable against clause 5A of Sugarcane Control Order 1966.

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	
	2005-06	2004-05	2005-06	2004-05
Crushing commenced on	14.11.2005	27.11.2004	21.11.2005	06.12.2004
Crushing completed on	24.04.2006	17.04.2005	05.04.2006	02.04.2005
No. of days	162	142	136	118
Cane crushed (in MT)	10,72,145	9,97,945	4,35,534	3,72,153
Sugar Bagged (in qtls)	11,97,470	11,44,442	4,61,679	4,13,580
Recovery (%)	11.15	11.46	10.63	11.10
Cane Price paid -Rs. per MT	1,015.00	921.00	979.80	885.80

FINANCIAL YEARWISE

UNIT / YEAR ENDED DETAILS	VUYYURU		LAKSHMIPURAM	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
2004-05 Season - From / To	01.04.2005 to 17.04.2005	27.11.2004 to 31.03.2005	01.04.2005 to 02.04.2005	06.12.2004 to 31.03.2005
2005-06 Season - From / To	14.11.2005 to 31.03.2006	----	21.11.2005 to 31.03.2006	----
No. of days	155	145	133	125
Cane crushed (in MT)	10,67,329	10,22,375	4,31,259	3,92,498
Sugar Bagged (in qtls)	11,97,461	11,70,054	4,58,859	4,36,320
Recovery (%)	11.22	11.45	10.64	11.12

ii. INDUSTRIAL CHEMICALS UNIT:

Your Board is happy to inform you that the new distillery plant of 50 KLPD capacity has been commissioned in Dec'05 and is fully operational and has got the facility to manufacture Industrial Alcohol, Extra Neutral Alcohol and Anhydrous Alcohol (also known as Ethanol) based on the prevailing market conditions. The process of implementation of the new project resulted in the partial drop in the production from the old 25 KLPD distillery plant and the incremental turnover from the new distillery was partially set off by the old distillery having been shut down during the transition period. However with the distillery in full operation it is expected to add to the turnover and the profitability in the coming years. The old distillery has been dismantled and scrapped.

The implementation of Ethanol policy initiated by the government two years ago, continued to be lacklustre due to the poor pricing policy at Rs 18.75 per litre as a result of which the distillery unit concentrated in production of industrial alcohol only. The unit produced 77.11 lakh BL of industrial alcohol during the financial year under review as against 73.36 lakh BL during the previous year. However the sale of industrial alcohol was reduced marginally to 69.80 lakh BL valued at Rs 17.30 crores at an average realization of Rs 24.78 per litre in comparison to 73.35 lakh BL valued at Rs 20 Crores, sold at an average realization of Rs 27.27 per litre during previous year.

A small quantity of 0.03 lakh litres of Ethanol was sold valued at Rs 0.01 crore during the year ended 31.03.2006 as against 18.05 lakh BL valued at Rs 3.85 crores during the previous financial year. As the price offered for Ethanol at Rs 18.75 per litre was not competitive vis-à-vis industrial alcohol, coupled with poor off-take by the oil companies, the contribution by Ethanol as a product to reduce the pollution in the country has taken a setback. However with the global warming and overall concern on account of rising oil prices, it is expected that the Ethanol program will receive much needed support from the Government from Oct 2006 onwards and is likely to add to the profitability of the unit.

iii. OTHER UNITS:

The turnover of the Bio fertilizer unit was lower at Rs 3.95 crores as against Rs 4.74 crores during the previous financial year on account of reduced off-take. Your company is continuing to increase its variety of products in the Bio fertilizer range.

The 12 MW incidental Cogeneration plant at Vuyyuru sugar unit commenced commercial production in Dec.2005 and during the season which ended on 24.04.2006, this unit produced 24497 MW of power of which 13231 MW was captively consumed and 11266 MW exported to the grid. The turnover from this unit for the year under review was Rs 17.72 crores. At Lakshmpuram, the MW incidental cogeneration plant was commissioned In Jan'06 and during the season, which ended on 05.04.2006, this unit produced 7855 MW of power of which 4838 MW was captively consumed and 3017 MW exported to the grid. The turnover from this unit for the year under review was Rs 7.06 crores.

Your Company has filed necessary application with the appropriate authorities for registration of both these projects under the Clean Development Mechanism with the United Nations Framework Convention on Climatic Change (UNFCCC) for availing Carbon credits. On a conservative estimate, this is expected to earn about Rs. 1.00 crore annually for the next 10 years.

c. 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 compliments the Management's efforts.

d. HUMAN RESOURCES:

The Company had 1142 employees including non-seasonal employees at the sugar units as on 31.03.2006. The Company ensures high standards of safety for its employees and periodically conducts meetings to minimize operational hazards.

e. OTHERS:

- The gross block of Fixed Assets has increased to Rs.185.32 crores from Rs. 132.20 crores, primarily from capitalization of the new projects, viz., 50KLPD distillery at Vuyyuru, 12MW incidental Cogeneration plant at Vuyyuru and 5 MW incidental Cogeneration plant at Lakshmipuram and also from purchase of land, furniture and fixtures, vehicles and modernization of computers/systems etc. The Capital Work-in-Progress of Rs.4.58 crores is mainly related towards construction of sugar godowns; employee quarters; biocompost yard,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.
- During the year under review, the Company has fully repaid high cost long-term borrowings from banks/financial institutions aggregating Rs.5.90 crores, and has no long term debts as on 31.03.2006.
- The overall performance in terms of the various ratios has also improved primarily on account of the improved cash flows and profitability during the year.

f. CAUTIONARY NOTE:

It is explicitly stated that some of the statements in this Management Discussion and Analysis report are likely to be forward looking and are stated as required by the applicable legislations in force. 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 beyond precise perception.

VI. FUTURE PLANS:

Your Company is predominantly a sugar manufacturing Company with almost 89 % of the turnover from one product, viz.,sugar and the remaining from other sugar related avenues. Your Board is cognizant of this and a conscious effort is on to change the appearance of the Company from a sugar / sugar related products to a more diversified product mix that will sustain the Company and also benefit the Shareholders and all other Stakeholders in the long run. However, as an immediate measure, your Company is setting up a 250 TPA Calcium Lactate plant, which is primarily used in pharmaceutical industry. The Company has also setup a 5 MT Co₂ plant and also initiated measures for expanding its capacity during the current financial year. The implementation of the Neem project is pending compliance of certain procedural formalities.

VII. PERSONNEL AND INDUSTRIAL RELATIONS:

The relations with the employees continued to be cordial. Your Directors are happy to place on record their admiration of the employees for their sustained support in achieving the best results till date in the history of the Company till date.

VIII. DIRECTORS:

Dr N.B.Prasad resigned from the Board of Directors w.e.f. 27.09.2005 on account of ill health. Your Board of Directors places on record its appreciation of his support and contribution to the Company during his tenure.

Smt.Rajeswary Ramakrishnan ceased to be the Executive Chairman, w.e.f. 26.10.2005 and also ceased to hold Directorship on the Board w.e.f. 31.10.2005, pursuant to the Board's retirement policy. The cessation of her Directorship was also approved at the Extraordinary General Meeting held on 18.01.2006. Your Board places on record its appreciation of her efforts during her tenure.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri.K.Subramanian, Director, retires by rotation and is eligible for re-appointment but is not seeking re-appointment.

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Shri.P.Subramani was co-opted as a Director on 26th October, 2005 in the casual vacancy caused by the resignation of Dr.N.B.Prasad and holds office upto the ensuing Annual General Meeting and seeks appointment under the provisions of the Companies Act,1956. In line with the requirements of Corporate Governance to broad base the Board, seven Additional Directors were inducted into the Board during the year, viz., Shri.Ranvir Shah; Shri.Vinod R.Sethi; Shri.Prathap K. Moturi; Shri.P.Sudhir Rao; and Dr.Vithal Rajan on 26th October, 2005 and Shri.Raghu Cidambi and Shri.M.S.V.M.Rao, on 17th December, 2005 and all these Directors hold office upto the ensuing Annual General Meeting. However, due to personal pre-occupation, Shri.P.Sudhir Rao is not seeking re-appointment. The Board places on record its appreciation of his support to the Company during the period of office. All the other Directors, being eligible offer themselves for appointment pursuant to Section 257 of the Companies Act, 1956. The Company has received the notices in writing from Shareholders under Section 257 of the Companies Act, 1956, proposing the candidature of the aforesaid new Directors for the Office of Directors of the Company. In respect of the Directors inducted into the Board on 26th October, 2005, in view of certain legal proceedings during the period ended 31.03.2006, the said Directors did not participate in some of the Board Meetings. However, the Hon'ble High Court of Madras has subsequently upheld the validity of their appointments.

Attention of the Members is invited to the relevant items of the Notice of the Annual General Meeting and the Explanatory Statement thereto.

IX. STATUTORY COMPLIANCES:

- i. The Company has obtained permission for extension of time to hold the Annual General Meeting under the applicable provisions of the Companies Act, 1956 from the Registrar of Companies, Chennai.
- ii. 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.
- iii. 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 shareholders of the Company, excluding the Statement of Particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the said statement may write to the Secretary at the Registered Office of the Company.
- iv. 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. DIRECTOR'S 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 ended 31st March 2006 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 and Discussion Analysis and the Report on Corporate Governance are included as a part of the Director's 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 31.03.2006 your Company had accepted deposits of Rs.22.24 crores as against Rs. 24.78 crores as on 31.03.2006. As at 31.03.2006, there were matured and unclaimed deposits amounting to Rs. 0.28 crores in respect of 87 depositors. However, of these as on the date of Report, 42 deposits amounting to Rs. 0.14 crores have since been repaid / renewed resulting in the balance of 45 deposits amounting to Rs. 0.14 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 2 deposits amounting to Rs.13,000/- 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.15.76 crores for the year ended 31.03.2006 as against Rs. 12.50 crores for the previous year ended 31.03.2005, resulting in a profit of Rs.0.44 crores as also for the year ended 31.03.2005.

The other wholly owned subsidiary, KCP Sugars Agricultural Research Farms Ltd, has reported a decrease in turnover to about Rs.0.01 crores as against Rs. 0.04 crores for the previous year ended 31.03.2005. The Company suffered a loss of about Rs.0.02 crores as also in the previous financial year. Your Board of Directors has initiated steps to convert this subsidiary Company into an Investment Company and improve its operational performance and make it profitable.

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

XIV. AUDITORS:

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, are retiring at the ensuing Annual General Meeting of the Company and are not seeking re-appointment. The Company has received a Special Notice from a Member of the Company, in terms of the provisions of the Act, signifying her intention to propose the appointment of M/s. B Purushottam & Co, Chartered Accountants, Chennai as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. M/s. B Purushottam & Co, Chartered Accountants, Chennai have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Act. The Board of Directors based on the recommendations of the Audit Committee has proposed the appointment of M/s. B Purushottam & Co as the Statutory Auditors for the financial year, 2006 – 07 in place of the retiring Auditors, M/s. Brahmayya & Co,. The Members' approval is being sought to the appointment of M/s. B Purushottam & Co as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

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 year ended 31st March 2006.

XVI. DELISTING OF COMPANY'S SHARES FROM MADRAS STOCK EXCHANGE:

The Equity Shares of your Company are listed on two Stock Exchanges, viz., Madras Stock Exchange Ltd (MSE) and National Stock Exchange of India Ltd. (NSE). The shares of your Company are now traded compulsorily in dematerialized form for all investors and the Company has already signed the necessary agreements with National Securities Depository Limited and Central Depository Services (India) Limited. Over the last few years, there has been no trading of the shares of your Company's in the Madras Stock Exchange. In view of the same, your Board of Directors had in June 2003 recommended for the approval of the Members, the proposal to voluntarily delist the Company's shares from the Regional Stock Exchange, viz., Madras Stock Exchange Ltd, pursuant to the Securities Exchanges Board of India (Delisting of Securities) Guidelines, 2003 and the same was also approved by the Shareholders at the Eighth Annual Meeting. However, in view of the subsequent developments of the proposed corporatisation and demutualisation of the Regional Stock Exchanges as per SEBI guidelines and the initiative to enter into a tie-up with the Mumbai Stock Exchange named as the "Indonext Model" in order to provide liquidity for the securities of the companies listed on the various Regional Stock Exchanges, the Board after a study and review at its meeting held in Jan' 2004 decided to continue the listing of Company's shares in MSE. Accordingly, the Exchanges were informed that the resolutions passed by the Board and Shareholders were to be treated as withdrawn. Even though after a considerable lapse of time, the trading on the Indonext platform had started, due to some operational issues there has been considerable delay in the listing of the shares of your Company's shares as also that of many others and it is unlikely that it may materialize at all. Even now there has been no trading of the shares in the MSE and your Board has therefore reviewed the matter and decided to recommend the delisting of the Equity Shares of the Company from the Madras Stock Exchange after compliance of all related formalities. The Shareholders are informed that the National Stock Exchange is extensively networked across the country and the trading volumes also being considerable will continue to provide sufficient liquidity and opportunities for extensive trading in the shares of the Company and the investors including those residing in the said region are not likely to be adversely affected by the proposed delisting.

As per the said guidelines, since the shares of the Company are listed and will continue to be on NSE, no exit option needs to be given to the Shareholders. Further, the consent of the Shareholders has to be obtained by a Special Resolution for the said delisting as stated in the Notice to the Eleventh Annual General Meeting.

XVII. ACKNOWLEDGEMENT:

The Directors would like to thank all the stakeholders, namely the cane growers, the shareholders, banks, institutions, central and state governments, depositors, sugar dealers, business associates, as also other regulatory authorities for their continuous support given by them to the Company during the year.

Your Directors wish to place on record their appreciation of the unstinting efforts made by all the employees in ensuring excellent all-round performance

For and on behalf of the Board of Directors

Place: Chennai
Date : 08.09. 2006

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 include:

1. Installed 12 MW incidental Cogeneration project, generated more power and exported about 6 MW per hour of power to grid.
2. Existing boilers were upgraded from 21 kg/cm² to 42 kg/cm² steam pressure and doubled the Power production.
3. Provided Variable Frequency Drives for various equipment to reduce the power consumption.
4. Installed Planetary Gears to reduce the power consumption and maintenance cost.
5. Mill Turbines were upgraded to work at 42 kg/cm² steam pressure to reduce the specific steam consumption.

Additional proposals and impact on reduction of energy consumption:

1. Increasing the installation of Variable Frequency Drives in order to achieve reduction of power consumption.
2. Installation of Planetary Gears for Pug Mills and Crystallizer to reduce the power consumption and maintenance cost.
3. Installation of 10' x 20' vacuum filter to reduce the filter cake 'pol'.
4. Using only 8 RPM speed (removing 11 rpm speed level) for GRPF hydraulic oil pump.

ANNEXURE – FORM A

(See Rule 2)

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

	SUGAR UNITS AT			
	VUYYURU		LAKSHMIPURAM	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
A. Power and Fuel Consumption				
1. Electricity				
a. Purchased				
Units KWH	16,26,027	13,62,339	5,31,608	4,27,350
Total Amount Rs.	67,37,857	59,83,260	24,43,185	21,14,065
Rate / Unit Rs.	4.14	4.39	4.60	4.95
b. Own Generation				
i. Through Diesel Generator:				
Units KWH	2,55,490	1,29,730	39,390	32,010
Unit per ltr. of Diesel Oil	3.62	3.63	3.46	3.32
Cost / Unit Rs.	8.13	6.62	8.61	7.54
ii. Through Steam Turbine/Generator :				
Unit KWH	3,21,63,179	1,77,21,406	1,13,34,744	73,15,194
KWH per tonne of bagasse	251.12	160.03	187.15	172.47
Cost / Unit	0.88	0.60	1.13	1.05
2. Furnace Oil				
Quantity (Ltrs)	--	--	2,000	--
Total Cost Rs.	--	--	18,840	--
Average Rate Rs.	--	--	9.42	--
B. Consumption per unit of production				
Electricity KWH (per Tonne)	129.35	126.69	177.89	165.76

* Includes power generated by Co-gen Units.

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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. The Calcium Lactate technology absorption is under progress from R&D to Calcium Lactate production unit to make value addition to sugar industry.
- b. Mass multiplication of Multispecies of Mycorrhiza to increase yield of sugar cane and paddy is under progress.
- c. To control root rot disease and white flies of sugar cane crops with the help of biocontrol agents Trichoderma viridi and Metarhizium found very effective.

3. FUTURE PLAN OF ACTION:

1. Development of process know how for Consortium of microorganisms and Glucono acetobacter to improve the soil fertility and thereby crop yield of sugar cane.
2. Development of process know how of organic based micronutrient to conserve the soil and improve the sugar cane crop productivity.
3. Development of process know-how for Lactobacillus sporogens in powder form for aqua, poultry and cattle Industry.
4. Taking up bio-efficacy trials of organic based micronutrients on different crops under different geoclimatic conditions.

4. EXPENDITURE ON R & D:

				Amt. in Rs.
a. Capital	..	..	..	12,500
b. Recurring	..	..	..	<u>4,35,220</u>
c. Total	..	..	..	<u>4,47,720</u>
Total R & D expenditure as a % age of total turnover:				0.01 %

In addition to the above, the Company also spent Rs. 4,82,91,077/- as cane development expenditure. This constitutes 1.19 % of the total turnover of the Company.

5. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings	..	..	Nil
Foreign Exchange outgo	..	..	Rs.2,65,925/-

For and on behalf of the Board of Directors

Place : Chennai
Date : 08.09. 2006

VINOD R SETHI
CHAIRMAN

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance requires transparency of operations at all levels of Management which leads to not only an effective compliance of the laws of the land but also ultimately results in enhancing the long term shareholder value and protecting the interest of all the stake holders. Your Company has been consistently following the principles of good Corporate Governance, which the Company looks at as the corner stone for achieving sustained superior financial performance aimed at optimizing the benefits to all its stakeholders. The corporate values and beliefs, which are vigorously pursued, include ensuring high standards of corporate governance as one of its values. The Code of Conduct adopted by the Company also stresses the need of following fair and ethical business practice. The Board has also empowered responsible persons to implement its broad policies and has set up adequate review processes.

2. BOARD OF DIRECTORS

The composition of the Board of Directors and related information as on 31st March 2006 is as follows:

Name of Director	Category of Directorship	No. of Board Mtgs. Attended	Attendance at the last AGM on 31.08.2005	Particulars of other Directorships, Committee Membership/ Chairmanship (excluding Directorship in Pvt Ltd. Companies)		
				Directorship	Committee Membership	Committee Chairmanship
Shri.Vinod R.Sethi** <i>(Appointed on 26.10.05)</i>	Chairman & Non-Executive Director	4	N.A.	8	3	—
Smt.Irmgard Velagapudi M.Rao	Promoter and Managing Director	8	Yes	2	—	—
Smt.V.Kiran Rao	Promoter and Executive Director	8	Yes	1	—	—
Shri.K.A.Rangaswamy	Independent Non-Executive Director	9	Yes	—	—	—
Shri.K.Subramanian	Independent Non-Executive Director	7	Yes	3	3	1
Shri.P.Subramani ** <i>(Appointed on 26.10.05)</i>	Independent Non-Executive Director	4	N.A.	1	—	—
Shri.Ranvir Shah** <i>(Appointed on 26.10.05)</i>	Independent Non-Executive Director	4	N.A.	—	—	—
Shri.Prathap K.Moturi** <i>(Appointed on 26.10.05)</i>	Independent Non-Executive Director	4	N.A.	—	—	—
Shri.P.Sudhir Rao** <i>(Appointed on 26.10.05)</i>	Independent Non-Executive Director	2	N.A.	3	1	—
Dr.Vithal Rajan** <i>(Appointed on 26.10.05)</i>	Independent Non-Executive Director	3	N.A.	—	—	—
Shri.Raghu Cidambi <i>(Appointed on 17.12.05)</i>	Independent Non-Executive Director	1	N.A.	—	—	—
Shri.M.S.V.M.Rao <i>(Appointed on 17.12.05)</i>	Independent Non-Executive Director	2	N.A.	—	—	—

Notes : 1. Dr N B Prasad resigned from the Board w.e.f 27.09.2005 on account of ill health.

2. Smt.Rajeswary Ramakrishnan ceased to be the Executive Chairman and Member of Committees, w.e.f. 26.10.2005 and also ceased to hold Directorship on the Board w.e.f. 31.10.2005, pursuant to the Board's retirement policy. The cessation of her Directorship was also approved at the Extraordinary General Meeting held on 18.01.2006.

3. **Appointed as Director on 26.10.2005. However, in view of certain legal proceedings during the period ended 31.03.2006, the said Directors did not participate in some of the Board Meetings. The Hon'ble High Court of Madras has subsequently upheld the validity of their appointments.

Wherever the names of the said Director(s) finds a mention in this Report, the same may kindly be read with reference to the notes cited above.

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

There were nine Board Meetings held during the financial year 2005 - 06 on the following dates:

1.	24th June 2005	4.	26th October 2005	7.	17th December 2005
2.	27th July 2005	5.	27th October 2005	8.	18th January 2006
3.	31st August 2005	6.	8th December 2005	9.	30th January 2006

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

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri.K.Subramanian, Director, retires by rotation and is eligible for re-appointment but is not seeking re-appointment.

During the year, in line with the requirements of Corporate Governance to broad base the Board, eight Additional Directors were inducted into the Board, viz., 1.Shri.P.Subramani; (in casual vacancy) 2. Shri.Ranvir Shah; 3. Shri.Vinod R.Sethi; 4. Shri.Prathap K. Moturi; 5. Shri.P.Sudhir Rao; and 6. Dr.Vithal Rajan were inducted into the Board on 26th October,2005 and Shri.Raghu Cidambi and Shri.M.S.V.M.Rao, were inducted into the Board on 17th December,2005 and all these Directors hold office upto the ensuing Annual General Meeting. However, due to personal pre-occupation, Shri.P.Sudhir Rao is not seeking re-appointment. All the other Directors, being eligible offer themselves for appointment pursuant to Section 257 of the Companies Act, 1956.

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 four members, three Non-Executive Directors and one Whole-time Director. The Chairman of the Audit Committee is Shri.K.A. Rangaswamy, a Non-Executive Director, a very senior Chartered Accountant and Company Secretary. Shri.K.Subramanian and Shri.P.Sudhir Rao (w.e.f..26.10.2005), Non - Executive Directors and Smt.V.Kiran Rao, Executive Director, are its other Members. During the year, Dr.N.B.Prasad and Smt.Rajeswary Ramakrishnan ceased to be Members of this Committee.

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 23.06.2005; 26.07.2005; 26.10.2005; and 30.01.2006. The attendance of each Member of the Committee is given below:

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	4
Dr.N.B.Prasad (Resigned w.e.f. 27.09.05)	2
Shri.K.Subramanian	4
Smt.V.Kiran Rao	4
Shri. P. Sudhir Rao (Appointed w.e.f. 26.10.05)	—

4. REMUNERATION COMMITTEE:

The Remuneration Committee consists of five Non Executive Directors as its Members, viz., Shri.K.A.Rangaswamy, Shri. K. Subramanian, Shri.P.Sudhir Rao, Dr.Vithal Rajan and Shri.Vinod R.Sethi. During the year, Dr.N.B.Prasad, Chairman of the Committee ceased to be a Member of this Committee. The terms of reference broadly include:

- To review, recommend and approve the remuneration for the Executive 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 Wholetime 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 said Directors during 2005-06 is as below:

(Rs. in Lakhs)

Directors	Salary & Allowances	Contribution to PF	Perqui-sites	Commi-ssion	Total
Smt.Rajeswary Ramakrishnan	3.50	---	---	90.22	93.72
Smt.Irmgard Velagapudi M.Rao	48.00	---	---	251.94	299.94
Smt.V.Kiran Rao	24.50	2.94	2.80	169.72	199.96
Total	76.00	2.94	2.80	511.88	593.62

The Committee met only once on 27th February 2006 during the financial year 2005 - 06 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.N.B.Prasad	N.A. <i>(Resigned w.e.f. 27.09.05)</i>
Shri.K.Subramanian	1
Shri. P.Sudhir Rao	---
Dr.Vithal Rajan	---
Shri.Vinod R. Sethi	---

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 2001-02 to 2005 -06, in terms of the approval granted by the Shareholders at the Sixth Annual General Meeting held on 23.07.2001 and also approved by the Central Government. A Special Resolution for payment of Commission on the net profits to the Non Wholetime Directors for each of the financial years from 2006- 07 ending with 2010 - 11 is being placed before the Shareholders at the ensuing Annual General Meeting for their approval. In view of certain legal proceedings pending during the financial year, no commission has been provided in respect of the six Non Executive Directors appointed on 26.10.2005. The details of the remuneration paid to the Non Executive Directors during the year 2005-06 are given below:

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(Rs. in Lakhs)

Directors	Commission	Sitting Fees	Total
Dr.N.B.Prasad (Resigned w.e.f. 27.09.05)	0.86	1.00	1.86
Shri.K.A.Rangaswamy	1.75	5.40	7.15
Shri. K.Subramanian	1.75	2.40	4.15
Shri. P.Subramani	—	0.80	0.80
Shri. Ranvir Shah	—	0.80	0.80
Shri. Vinod R.Sethi	—	0.80	0.80
Shri. Prathap K. Moturi	—	0.80	0.80
Shri.P.Sudhir Rao	—	0.40	0.40
Dr.Vithal Rajan	—	0.60	0.60
Shri.Raghu Cidambi	0.50	0.20	0.70
Shri.M.S.V.M.Rao	0.50	0.40	0.90
Total	5.36	13.60	18.96

5. SHAREHOLDINGS OF NON EXECUTIVE DIRECTORS:

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

Director	No. of shares held (Face value of Re.1/- each)
Shri.K.A.Rangaswamy	2260
Shri. K.Subramanian	Nil
Shri. P.Subramani	Nil
Shri. Ranvir Shah	10
Shri. Vinod R.Sethi	10
Shri. Prathap K. Moturi	5000
Shri. P.Sudhir Rao	10
Dr.Vithal Rajan	Nil
Shri.M.S.V.M.Rao	Nil
Shri.Raghu Cidambi	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.K.Subramanian, Shri.P.Sudhir Rao and Shri.Prathap K. Moturi, Non-Executive Independent Directors, as its other Members. During the year, Smt.Rajeswary Ramakrishnan ceased to be a Member of this Committee. 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, rematerialization, split and duplicate shares.

- b. 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 fifteen meetings of the Share Transfer Committee 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	13
Smt.Rajeswary Ramakrishnan	1
Smt.Irmgard Velagapudi M.Rao	14
Smt.V.Kiran Rao	3
Shri.K.Subramanian	—
Shri.P.Sudhir Rao	—
Shri.Prathap K. Moturi	—

Shri.V.C.Unnikrishnan, General Manager (Finance) and Secretary, is the Compliance Officer of the Company. M/s. Integrated Enterprises (India) Ltd are the Registrars & Transfer Agents and Depository Registrars 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, 347 queries/complaints were received from the shareholders, all of which have been resolved.

Nature of Queries / Complaint	During the year ended 31.03.2006	
	Received	Attended to
Non-receipt of Certificates	64	64
Non-receipt of Interest / Dividend Warrants/ Cheques / Drafts	92	92
Indemnity received for Issue of Duplicate Share Certificates	32	32
Issuance of Duplicate Share Certificates / Dividend Warrants/ Cheques / Drafts	25	25
Correction in Share Certificates / Dividend Warrants/ Cheques / Drafts	133	133
Non-Receipt of Annual Report	1	1
TOTAL	347	347

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
31.03.2003	25.08.2003 / 10.15 a.m.	1	493	22
31.03.2004	02.09.2004 / 10.30 a.m.	Nil	730	33
31.03.2005	31.08.2005 / 10.15 a.m.	2	617	19
Extraordinary General Meeting	18.01.2006 / 10.00 a.m.	2	126	422

- a. The three AGMs and the EGM were held at "Sathguru Gnanananda Hall", Narada Gana Sabha, 314, TTK Road, Alwarpet, Chennai 600018.
- b. 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) and Secretary, have certified to the Board/Audit Committee in accordance with Clause 49 of the Listing Agreement pertaining to the CEO/CFO certification.

- ❖ The financial statements for the year 2005 – 06 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 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.19 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 ongoing process in the Company.

❖ **Compliance**

At every Board Meeting a statement of compliance with all laws and regulations as certified by the Managing Director and the General Manager (Finance) and Secretary is placed before the Board. The Board considers materially important show cause / demand notices received from the statutory authorities and 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 as well as for 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 as 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. This 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 or 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, it 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 Financial Express / The Business Line (in English) and Malai Murasu / Makkal Kural (in Tamil). The unaudited (Provisional) results for the quarter and half-year ended 30.09.2005 were sent to the shareholders individually.

- ❖ The Company has a website, www.kcpsugar.com. There were no presentations made to the institutional investors or analysts.

- ❖ 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 ended December 2002 onwards.

10. GENERAL SHAREHOLDER INFORMATION:

- ❖ **AGM: Date, Time and Venue :** 11th Annual General Meeting – on Thursday, 12th day of October' 2006 at 10.00 a.m. at Sathguru Gnanananda Hall, Narada Gana Sabha, No.314, T.T.K. Road, Chennai 600 018.
- ❖ **Date of Book Closure / Interim Dividend Payment date:**

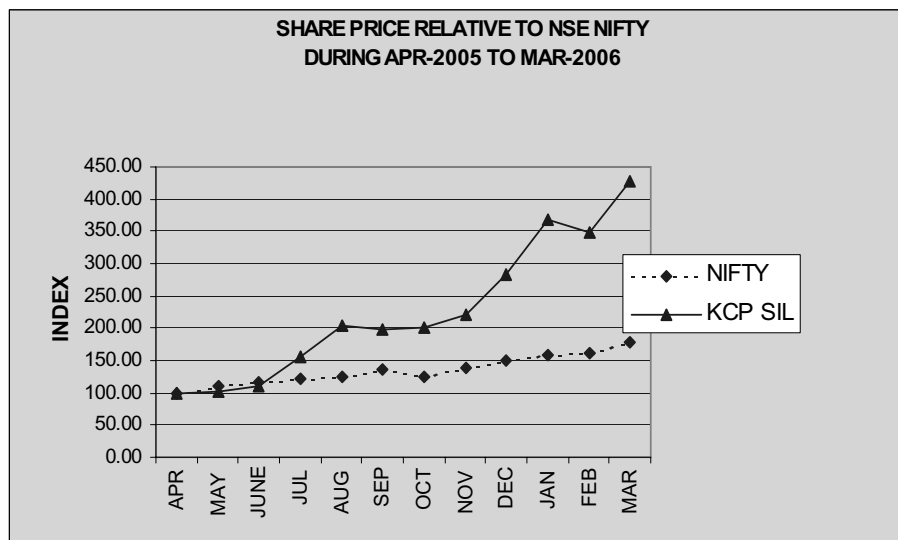
For the year ended 31.03.2006	Record Date / Book Closure Date	Dividend paid / payable
Interim Dividend	3rd November, 2005	The Board of Directors at their meeting held on 27.10.2005 declared an interim dividend of Rs.5.00 per equity share on a face value of Rs.10/- each and it was paid on 08.11.2005.
Final Dividend	4th October, 2006	The Board of Directors at their meeting held on 28.06.2006 have recommended a final dividend of Re.1/- per equity share on a face value of Re.1/- including a special dividend of Re.0.25 per equity share of face value of Re.1/- on the completion of ten years of operations, subject to approval of the Shareholders at the ensuing Annual General Meeting.
Payment Date		On approval thereat, this dividend will be paid to the Shareholders on or after 12 th October, 2006 but within the statutory limit.

- ❖ **Tentative Financial calendar :**
 - i. Financial Year – 1st April to 31st March.
 - ii. First Quarter Results by July 2006.
 - iii. Half-yearly Results by October 2006.
 - iv. Third Quarter Results by January 2007.
 - v. Results for the year ending 31.03.2006 by June, 2007.
- ❖ **Listing on Stock Exchanges :** Madras Stock Exchange Ltd., and the National Stock Exchange of India Ltd.
The Annual Listing fees have been paid to both the Stock Exchanges and there is no amount outstanding as on date.
- ❖ **Stock Code - Physical :** "KCPS" on Madras Stock Exchange Ltd.
"KCPSUGIND-EQ" on the National Stock Exchange of India Ltd.
- ❖ **Demat ISIN Number :** INE790B01024
- ❖ **High / Low of market price of the Company's shares traded on the National Stock Exchange, during the financial year 2005-06 is furnished below:**

Rs. Per Share					
Period	High	Low	Period	High	Low
April '05	225.00	170.10	October '05	366.90	320.00
May '05	190.00	163.95	November '05	422.50	353.00
June '05	206.50	169.05	December '05	508.90	384.00
July '05	287.50	192.20	January '06	769.95	499.00
August '05	385.00	265.25	February '06	707.00	596.40
September '05	421.00	325.50	March '06		
			- FV Rs.10/-	701.00	613.20
			- FV Re. 1/-	76.50	57.10

Note : The 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. Accordingly, for the period upto 17.03.2006 the market prices are based on face value of Rs.10/- and on a Face value of Re.1/- thereafter.

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No Transaction of the Company's equity shares had taken place in Madras Stock Exchange Ltd., during the period from 01.04.2005 to 31.03.2006.

- ❖ **Registrar /Transfer Agents/ Depository Registrars** : Integrated Enterprises (India) Ltd
Kences Towers, 2nd Floor, 1,Ramakrishna Road, North Usman Road, T.Nagar, Chennai 600017.
Tel : 28140801 to 03 : Fax : 28142479
- ❖ **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 twice / once in a month depending on the volume of transfers. Share transfers are registered and returned within a maximum of 30 days from the date of lodgment, if documents are complete in all respects.

❖ **Distribution of Shareholding and Shareholding pattern as on 31.03.2006:**

No of shares held	No. of Shareholders	% of Shareholders	Aggregate shares held	% of Shareholding
Upto - 100	2,280	16.97	1,29,681	0.11
101 - 200	922	6.86	1,56,229	0.14
201 - 300	998	7.43	2,58,813	0.23
301 - 400	444	3.31	1,63,881	0.15
401 - 500	1,535	11.43	7,58,502	0.67
501 - 1000	2,660	19.80	22,28,257	1.97
1001 - 2000	1,646	12.26	24,75,971	2.18
2001 - 3000	668	4.97	17,22,187	1.52
3001 - 4000	329	2.45	11,94,885	1.05
4001 - 5000	358	2.67	17,15,526	1.51
5001 - 10000	708	5.27	52,75,704	4.65
10001 and above	884	6.58	9,73,05,414	85.82
TOTAL	13,432	100.00	11,33,85,050	100.00

The Shareholding pattern as on March 31st 2006 and 31st March 2005 are as follows:

Category	As on March 31 2006 (Face Value Re. 1/-)			As on March 31 2005 (Face Value Re. 10/-)		
	No. of Share holders holding	Percentage of Share	No. of Shares Held	No. of Share holders holding	Percentage of Share	No. of Shares Held
PROMOTER'S HOLDING:						
Indian Promoters	4	36.00	4,08,20,800	16	44.91	50,91,999
Total of Promoter holding	4	36.00	4,08,20,800	16	44.91	50,91,999
NON-PROMOTERS HOLDING						
Institutional Investors						
Mutual Funds and UTI Banks,	6	0.09	1,01,720	6	0.52	58,672
Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions), Foreign Banks	18	1.28	14,55,760	18	2.80	3,18,086
Foreign Institutional Investors	10	1.61	18,24,413	2	0.03	3,550
OTHERS						
Private Corporate Bodies	480	15.37	1,74,27,755	252	5.56	6,30,696
Indian Public	12,626	41.82	4,74,09,521	10,199	43.18	48,95,408
NRIs / OCBs	101	3.15	35,73,312	33	2.87	3,25,054
Any others-Clearing Member/Trust	187	0.68	7,71,769	28	0.13	15,040
Total of Non Promoter holding	13,428	64.00	7,25,64,250	10,538	55.09	62,46,506
GRAND TOTAL	13,432	100.00	1,13,38,5050	10,554	100.00	1,13,38,505

Note : Consequent to the cessation of Directorship of Smt. Rajeswary Ramakrishnan in the Company in Oct'05, the names of Smt. Rajeswary Ramakrishnan and her family members, and her associate Companies, viz., The Jeypore Sugar Co. Ltd., and V.R.K. Grandsons Investment Pvt. Ltd., in all holding about 9.03% of equity capital were deleted from the "Promoters" category and included under "Others" category in the Shareholding Pattern.

- ❖ **Dematerialization of shares liquidity and** : The shares of the Company are compulsorily traded in dematerialized form by all categories of investors w.e.f. 26th March'2001. As on 31st March, 2006, 76.03 % of the paid-up share capital has been dematerialized.
- ❖ **The Company has not so far issued any GDRs/ADRs/Warrants or any other convertible instruments.**
- ❖ **Plant Locations** : The Company has got sugar, distillery, ethanol and biotech units at Vuyyuru; a sugar unit at Lakshmpuram, both in Krishna District and a workshop at Tada, Nellore district; all of them in Andhra Pradesh.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

- ❖ **Address for Correspondence** : Shareholders correspondence should be addressed to Registrars & 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.V.C.Unnikrishnan, General Manager (Finance) & Secretary at the Registered Office of the Company for any assistance.
Tel.Nos.28555171-76 Extn:103
E-mail id: kcpsugar@vsnl.com

For and on behalf of the Board of Directors

Place : Chennai
Date : 08.09. 2006

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 Board as well as the employees in the Senior Management have affirmed compliance with the Code of Conduct for the financial year ended 31.03.2006.

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

Place : Chennai
Date : 08.09. 2006

IRMGARD VELAGAPUDI M RAO
MANAGING DIRECTOR

CERTIFICATE

To the Members of
K.C.P.SUGAR AND INDUSTRIES CORPORATION LTD.
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 2006 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 2006, 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 : 8th September 2006

for **BRAHMAYYA & CO**
Chartered Accountants

C. Murali Krishna
(ICAI Memb. No 20884)
Partner

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

TO
THE SHAREHOLDERS OF K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

We have audited the attached Balance Sheet of K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED, as at 31st March 2006, its Profit and Loss Account for the year ended on that date annexed thereto, and its cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet and Profit and Loss account and the Cash-flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date,
 - iii. In the case of the cash-flow statement, of the cash-flows of the company for the year ended on that date

for **BRAHMAYYA & CO**
Chartered Accountants

C. Murali Krishna
(ICAI Memb. No 20884)
Partner

PLACE : Chennai
DATE : 28th June 2006

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

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets, except furniture and fixtures.
- 1.2 According to the information and explanations furnished to us, the company has physically verified some of its fixed assets during the year. The company has informed us that it has adopted a phased programme of verification of its fixed assets other than furniture and fixtures which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. The discrepancies noticed on such verification carried out during the year have been properly dealt with in the books of account during the year.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has physically verified its inventories during the year. In our opinion, the frequency of such verification is reasonable.
- 2.2 In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- 2.3 According to the information furnished to us, the company is maintaining proper records of its inventory and the discrepancies, noticed on verification, between the physical stocks and the book records were not material, and have been properly dealt with in the books of account.
- 3.1 According to the information and explanations furnished to us, the company has not granted any loans to companies, firms or other parties covered by the register maintained under Section 301 of the Companies Act 1956, at the beginning of the year or during the year, and consequently reporting under sub-clauses b, c and d of clause 4(iii) of the Order does not arise during the year.
- 3.2 According to the information and explanations furnished to us, the company has not taken any loans, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956, except 9 (nine) deposits for an amount of Rs.2,00,00,000 (Rupees Two crores only) from Directors of the company in accordance with the Companies (Acceptance of Deposits) Rules 1975.
- 3.3 In our opinion, the rate of interest and other terms and conditions on which loans (deposits) have been taken by the company from 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.
- 3.4 According to the information and explanations furnished to us, the company has been regular in repaying the principal and interest amounts as stipulated on the loans taken by it from the persons listed in the register maintained under Section 301 of the Companies Act 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA and other applicable provisions of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no Order has been passed on the company by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal for non-compliance with the provisions of Sections 58A and 58AA of the Companies Act 1956.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account and records maintained by the company at its 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. However, we are not required to and have not carried out a detailed audit of the same.
- 9.1 According to the information furnished to us, the company has been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it, except for the following amounts which were outstanding, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable except the following:

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

	Name of the statute	Nature of the dues	Amount Rs.	Period to which the amount relates	Due date	Date of payment
1	Andhra Pradesh Panchayatraj Act 1994	Panchayat Tax	1,66,224	2002 - 03 to 2005 - 06	on 30 th Sept each year, on receipt of demand	Not paid at the date of our report
2	Andhra Pradesh Agrl Lands Assessment Act	Non Agri land Assessment Tax	8,76,709	1993 - 94 to 1999 - 2000 and 2005 - 06.	On 30 th June of each year, on receipt of demand	Not paid at the date of our report

- 9.2 According to the information furnished to us, the following amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, Service Tax, have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report

Sl.No.	Nature of the dues	Name of the Statute	Amount Rs.	Pending before
1.	Central Excise duty	Central Excise Act 1944	1,91,50,926	Various appellate authorities / Courts
2.	Interest on Excise establishment Charges	Andhra Pradesh State Excise Act	9,39,605	Concerned appellate authorities

10. According to the information and explanations furnished to us the company had no accumulated losses at the end of the year under report and it did not incur cash losses during the said year or the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of its dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
12. According to the information furnished to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information furnished to us, the company has not given any guarantees for loans taken by others from any banks or financial institutions, except in respect of its wholly owned subsidiary.
16. In our opinion, and according to the information and explanations furnished to us, the term loans obtained by the company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment.
18. According to the information and explanations furnished to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any moneys through public issue of its securities during the year, and the question of end use of such moneys does not arise during the year.
21. During the course of our examination of the accounts of the company in accordance with generally accepted auditing practices, we have not come across any instances of fraud on or by the company, nor have we been informed by the management, of any such instance being noticed or reported during the year.

for **BRAHMAYYA & CO**
Chartered Accountants

C. Murali Krishna
(ICAI Memb. No 20884)
Partner

PLACE : Chennai
DATE : 28th June 2006

Schedule	AMT IN RS.	
	As at 31.03.2006	As at 31.03.2005
I SOURCES OF FUNDS:		
1. Shareholders Funds		
Share Capital	A 11,33,85,050	11,33,85,050
Reserves & Surplus	B <u>127,84,18,716</u>	<u>90,12,44,947</u>
	139,18,03,766	101,46,29,997
2. Loan Funds		
Secured Loans	C 28,15,50,102	29,64,92,947
Unsecured Loans	D <u>21,96,22,000</u>	<u>24,46,95,000</u>
	50,11,72,102	54,11,87,947
3. Deferred Tax Liability (Net) (see note 6)		
Deferred Tax Liability	25,03,97,136	20,99,52,818
Less : Deferred Tax Asset	<u>3,81,11,364</u>	<u>7,31,87,934</u>
	21,22,85,772	13,67,64,884
TOTAL	<u>210,52,61,640</u>	<u>169,25,82,828</u>
II APPLICATION OF FUNDS:		
1. Fixed Assets		
(a) Gross Block	E 185,31,65,250	132,20,20,234
(b) Less: Depreciation	<u>50,19,41,957</u>	<u>44,14,75,638</u>
(c) Net Block	135,12,23,293	88,05,44,596
(d) Capital Work-in-Progress	<u>4,58,43,001</u>	<u>16,43,32,340</u>
	139,70,66,294	104,48,76,936
2. Investments	F 1,63,63,918	1,44,30,960
3. Current Assets, Loans and Advances		
(a) Inventories	G 135,93,30,982	143,18,24,825
(b) Sundry Debtors	H 10,80,11,642	11,21,33,122
(c) Cash and Bank Balances	I 6,81,47,393	5,02,62,789
(d) Other Current Assets	J 15,13,709	10,21,849
(e) Loans and Advances	K <u>46,65,45,285</u>	<u>38,99,83,272</u>
	200,35,49,011	198,52,25,857
Less: Current Liabilities and Provisions	L <u>131,17,17,583</u>	<u>135,19,50,925</u>
Net Current Assets	69,18,31,428	63,32,74,932
TOTAL	<u>2,10,52,61,640</u>	<u>1,69,25,82,828</u>

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

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For BRAHMAYYA & CO.
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule	AMT IN RS.	
		2005-2006	2004-2005
I INCOME			
Sale of Products and Services <small>(Including Excise duty of Rs.17,46,10,218/- Previous Year Rs. 14,81,88,193/-)</small>		407,14,44,781	310,49,48,667
Less : Inter divisional transfers		(48,01,34,841)	(14,62,23,745)
Net Sale of Products and Services		359,13,09,940	295,87,24,922
Other Income	M	2,71,58,172	3,90,55,806
		361,84,68,112	299,77,80,728
II EXPENDITURE			
Raw Materials Consumed		172,35,75,904	152,24,48,602
Less : Inter divisional transfers		(10,03,75,094)	(14,18,04,846)
Net Raw Materials Consumed		162,32,00,810	138,06,43,756
Decrease in Stocks	N	49,04,042	41,08,431
Payments and Benefits to Employees	O	20,83,66,029	16,85,05,052
Manufacturing, Selling, Administrative & Other Expenses	P	47,41,10,437	38,97,81,816
Excise Duty and Taxes	Q	25,84,87,569	25,13,59,303
Interest		3,59,28,397	9,15,01,054
Depreciation		7,43,45,214	6,19,97,166
		267,93,42,498	234,78,96,578
Profit before taxation		93,91,25,614	64,98,84,150
Less : Provision for taxation - Current Tax		(29,00,00,000)	(22,00,00,000)
Deferred Tax		(7,55,20,888)	(2,33,62,888)
Fringe Benefit Tax		(25,00,000)	-
Profit after taxation		57,11,04,726	40,65,21,262
Balance brought forward from previous year		13,11,31,433	13,53,68,023
		70,22,36,159	54,18,89,285
III APPROPRIATIONS			
Transfer to General Reserve	25,00,00,000		28,16,68,973
Interim Dividend paid	5,66,92,525		2,83,46,263
Tax on Intermim Dividend	79,51,128		37,77,139
Proposed Dividend	11,33,85,050		8,50,38,787
Tax on Proposed Dividend	1,59,02,254		1,19,26,690
		44,39,30,957	41,07,57,852
Balance carried to Balance Sheet		25,83,05,202	13,11,31,433
Basic and Diluted Earnings per share (See Note 19)		5.04	3.59

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

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For **BRAHMAYYA & CO.**
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner

		AMT IN RS.	
		As at 31.03.2006	As at 31.03.2005
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*	<u>11,33,85,050</u>	<u>11,33,85,050</u>
	<i>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.</i>		
	<i>* Face value of Rs. 10/- each upto the previous year split into Re. 1/- each during the year</i>		
B	RESERVES & SURPLUS		
		As at 01.04.2005	As at 31.03.2006
	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	75,00,00,000	100,00,00,000
	Surplus (i.e) Balance in Profit and Loss A/c.	13,11,31,433	25,83,05,202
		<u>90,12,44,947</u>	<u>127,84,18,716</u>
C	SECURED LOANS		
	1. From Banks		
	Working Capital Borrowings	28,15,50,102	23,75,00,021
	<i>(Secured by hypothecation of work-in-progress, finished goods, raw materials, stores and spares, book debts and further secured by a third charge created under joint mortgage by deposit of title deeds in respect of immovable properties of the Sugar Units at Vuyyuru and Lakshmpuram and guaranteed by the Managing Director.)</i>		
	2. Term Loans		
	- From ING Vysya Bank Ltd.	---	4,87,00,000
	<i>(Secured under a first pari passu charge by deposit of title deeds in respect of immovable properties of sugar unit at Vuyyuru and Lakshmpuram and also secured by hypothecation of movable properties of the Company except such movables over which charge has been created in favour of the Company's bankers, for its working capital borrowings.)</i>		
	3. From Sugar Development Fund.	---	92,00,000
	<i>(Secured by second charge on the assets mentioned in (2) above.)</i>		
	4. From Other Companies.	---	10,92,926
	<i>(Secured by hypothecation of assets under hire purchase agreements.)</i>		
		<u>28,15,50,102</u>	<u>29,64,92,947</u>
D	UNSECURED LOANS		
	Fixed Deposits	22,23,77,000	24,77,56,000
	Less : Unclaimed Fixed Deposits considered under Current Liabilities	<u>(27,55,000)</u>	<u>(30,61,000)</u>
	Total	<u>21,96,22,000</u>	<u>24,46,95,000</u>

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

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

E FIXED ASSETS

AMT IN RS.

Description	GROSS BLOCK AT COST			DEPRECIATION				NET BLOCK			
	Cost upto 31.03.2005	Additions during the Year	Deductions during the Year	Cost upto 31.03.2006	Upto 31.03.2005	For the year	Impairment Loss	On Deductions	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Lands	5,81,14,476	1,68,32,770	--	7,49,47,246	--	--	--	--	--	7,49,47,246	5,81,14,476
Buildings											
- Own Buildings	13,37,72,079	3,02,94,818	151,439	16,39,15,458	2,25,27,465	33,83,714	--	24,015	2,58,87,164	13,80,28,294	11,12,44,614
- Leasehold Buildings	112,189	--	--	112,189	41,481	3,536	--	--	45,017	67,172	70,708
Plant & Machinery	1,06,49,48,634	47,12,56,668	3,03,01,963	1,50,59,03,339	38,24,01,086	6,14,66,268	--	1,08,59,497	43,30,07,857	1,07,28,95,482	68,25,47,547
Tramways & Railway Sidings	1,00,06,232	--	--	1,00,06,232	42,77,666	4,75,296	--	--	47,52,962	52,53,270	57,28,566
Computers, Office Equipments & Furniture	2,75,84,909	3,13,75,801	12,90,987	5,76,69,723	1,85,43,965	53,69,300	--	10,70,701	2,28,42,564	3,48,27,159	90,40,945
Vehicles	2,74,81,715	1,59,58,600	28,29,252	4,06,11,063	1,36,83,975	36,47,100	--	19,24,682	1,54,06,393	2,52,04,670	1,37,97,740
Total	1,32,20,20,234	56,57,18,657	3,45,73,641	1,85,31,65,250	44,14,75,638	7,43,45,214	--	1,38,78,895	50,19,41,957	1,35,12,23,293	88,05,44,596
Previous year	1,27,66,39,656	6,02,60,416	1,48,79,838	1,32,20,20,234	37,32,40,318	6,19,97,166	1,13,64,973	51,26,819	44,14,75,638	88,05,44,596	90,33,99,338
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.											
Acetic Acid Unit, Vuyyuru	2,87,44,045	--	1,07,73,775	1,79,70,270	2,15,73,784	--	--	47,23,514	1,68,50,270	11,20,000	71,70,261
Registered Office, Chennai	2,18,89,187	1,46,99,051	23,03,546	3,42,84,692	1,37,14,006	25,74,076	--	19,49,912	1,43,38,170	1,99,46,522	81,75,181
Sugar Unit, Vuyyuru	68,78,38,328	9,40,89,068	27,11,28,178	51,07,99,218	19,44,98,506	3,06,30,843	--	8,27,60,356	14,23,68,993	36,84,30,225	49,33,39,822
Distillery Unit, Vuyyuru	3,91,49,427	10,50,32,151	2,12,62,617	12,29,18,961	1,18,32,812	28,69,431	--	65,98,324	81,03,919	11,48,15,042	2,82,97,903
Sugar Unit, Lakshimpuram	42,75,78,577	5,04,52,897	6,48,76,236	41,31,55,238	17,56,04,096	2,11,85,426	--	3,31,25,573	16,36,63,949	24,94,91,289	25,19,74,482
R & D Unit, Vuyyuru	5,35,29,361	12,500	--	5,35,41,861	1,44,06,029	26,50,859	--	--	1,70,56,888	3,64,84,973	3,91,23,332
Bio Tech unit, Vuyyuru	2,15,08,783	2,09,16,973	--	4,24,25,756	36,78,990	17,27,514	--	--	54,06,504	37,01,9252	1,78,29,792
Work shop unit, Tada	1,13,85,481	--	--	1,13,85,481	10,94,608	3,58,930	--	--	14,53,538	99,31,943	1,02,90,873
Cogen unit, Vuyyuru	--	49,30,70,356	--	49,30,70,356	8,22,32,958	94,66,715	--	--	9,16,99,673	40,13,70,683	--
Cogen unit, Lakshimpuram	--	12,34,18,175	--	12,34,18,175	3,20,83,164	13,20,032	--	--	3,34,03,196	9,00,14,979	--
1MW Power Plant, Vuyyuru	3,03,97,045	--	201,803	3,01,95,242	60,54,095	15,61,388	--	18,626	75,96,857	2,25,98,385	2,43,42,950
Total	132,20,20,234	90,16,91,171	37,05,46,155	1,85,31,65,250	55,67,73,048	7,43,45,214	--	12,91,76,305	50,19,41,957	1,35,12,23,293	88,05,44,596
Less : Internal Transfers	--	33,59,72,514	33,59,72,514	--	11,52,97,410	--	--	11,52,97,410	--	--	--
Grand Total	132,20,20,234	56,57,18,657	3,45,73,641	1,85,31,65,250	44,14,75,638	7,43,45,214	--	1,38,78,895	50,19,41,957	1,35,12,23,293	88,05,44,596

		AMT IN RS.	
		As at 31.03.2006	As at 31.03.2005
F INVESTMENTS:			
I. SHARES OF COMPANIES:			
A. Trade Investments:		No. of Shares	
(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
(ii) Unquoted Equity Shares - Fully paid			
(a) In Subsidiary Companies:			
(1) The EIMCO-K.C.P. Limited <small>(including 10 Shares held by the Nominees of the Company)</small>	6,00,000	60,00,000	60,00,000
(2) KCP Sugars Agricultural Research Farms Limited <small>(including 6 Shares held by the Nominees of the Company)</small>	4,50,000	45,00,000	45,00,000
B. Non-Trade Investments:			
(i) Quoted Equity Shares - Fully Paid			
(1) Sri Sarvaraya Sugars Limited	1,50,000	17,00,000	17,00,000
(2) Nava Bharat Ferro Alloys Ltd. <small>(Face value of Rs. 10/- each split into Rs. 2/- each during the year)</small>	68,040	3,47,934	3,47,934
(3) Balrampur Chini Mills Ltd. <small>(Face value of Rs. 10/- each split into Re. 1/- each during the year)</small>	1,000	9,146	9,146
(4) Bannari Amman Sugars Ltd.	50	2,547	2,547
(5) The Dhampur Sugar Mills Ltd.	100	6,013	6,013
(6) Sakthi Sugars Ltd.	50	815	815
(7) Bajaj Hindustan Ltd. <small>(Face value of Rs. 10/- each split into Re. 1/- each during the year)</small>	1,000	5,601	5,601
(8) Kothari Sugars and Chemicals Ltd.	5	50	50
(9) Oswal Sugars Ltd.	100	404	404
(10) Thiru Arooran Sugars Ltd.	100	7,326	7,326
(11) Simbholi Sugars Ltd.	100	1,026	1,026
(12) EID Parry (India) Ltd. <small>(Face value of Rs. 10/- each split into Rs. 2/- each during the year)</small>	500	7,486	7,486
(13) Coromandel Fertilizers Ltd <small>(Face value of Rs. 10/- each split into Rs. 2/- each during the year)</small>	165	--	--
(14) Andhra Sugars Ltd.	100	2,348	2,348
(15) Avon Organics Ltd.	100	5,580	5,580
(16) Indian Sucrose Ltd	100	680	680
(17) Citric (I) Ltd. <small>(Pending registration of transfer)</small>	100	790	790
(18) Jubilant Organosys Ltd (formerly Vam Organic Chemicals Ltd) <small>(Face value of Rs. 5/- each split into Re. 1/- each during the year)</small>	320	11,268	11,268
Purchased during the year :			
(19) Automotive Stamping Ltd	2,000	2,08,814	--
(20) Blue Star Ltd	800	2,61,394	--
(21) Gujarat Gas Company Ltd	250	2,36,530	--
(22) Indraprastha Gas Ltd	2,500	2,46,534	--
(23) ISMT Ltd	7,000	2,31,326	--
(24) Subex Systems Ltd <small>(includes 1:1 bonus shares issued during the year)</small>	2,000	3,72,785	--
(25) Tata Tea Ltd	500	2,53,566	--
(26) Yuken India Ltd <small>(285 Equity Shares purchased and sold during the year)</small>	715	1,22,009	--
(27) Franklin Templeton Mutual Fund - Regular Plan - Weekly Dividend Reinvestment <small>(12,17,36,043 units purchased and sold during the year)</small>		--	--
(ii) Unquoted Equity Shares - Fully Paid-up			
Agri Business Finance (AP) Ltd	50,000	5,00,000	5,00,000
		1,63,63,918	1,44,30,960

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

		AMT IN RS.	
		As at 31.03.2006	As at 31.03.2005
NOTE:			
1.	All the above Investments are Long Term Investments. and Face Value of Equity Shares is Rs. 10/- each except otherwise mentioned)		
2.	Aggregate of Quoted Investments - At Cost	Rs. 53,63,918	34,30,960
	- At Market value	Rs. 2,48,98,190	98,18,839
3.	Aggregate of Unquoted Investments at Cost	Rs. 1,10,00,000	1,10,00,000
G	INVENTORIES		
	(As Certified by the Management)		
	Stores and Spares	9,14,89,039	7,30,97,552
	Stocks-in-trade		
	a) Raw Materials	8,72,029	8,68,53,317
	b) Crops under cultivation	39,600	46,797
	c) Work-in-progress	1,97,58,742	2,16,81,873
	d) Finished Goods	124,71,71,572	125,01,45,286
		<u>135,93,30,982</u>	<u>143,18,24,825</u>
H	SUNDRY DEBTORS		
	Sundry Debtors - Unsecured:		
	Debts outstanding for a period exceeding six months considered good	69,25,568	3,90,31,367
	(Including Rs. Nil due from Subsidiary Companies previous year Rs.81,28,483/-)		
	Other Debts - Considered Good	10,10,86,074	7,31,01,755
	(including Rs.1,58,782/- due from Subsidiary Companies previous year Rs.48,95,672/-)		
		<u>10,80,11,642</u>	<u>11,21,33,122</u>
I	CASH AND BANK BALANCES		
	Cash on hand	936,254	5,55,198
	Balances at Scheduled Banks:		
	In Fixed Deposits	134,75,980	1,23,98,095
	In Current Accounts	537,35,159	3,73,09,496
		<u>6,81,47,393</u>	<u>5,02,62,789</u>
J	OTHER CURRENT ASSETS		
	Interest and Dividend accrued on Deposits and Investments	15,13,709	10,21,849
K	LOANS AND ADVANCES		
	Advances		
	(unsecured recoverable in cash or in kind or for value to be received)		
	Considered Good	10,43,93,020	12,07,74,696
	Considered Doubtful	419,925	4,19,925
		<u>10,48,12,945</u>	<u>12,11,94,621</u>
	Less : Provision	419,925	4,19,925
	(including Rs.18,89,044/- due from Subsidiary Companies previous year Rs.19,03,191/-)	<u>10,43,93,020</u>	<u>12,07,74,696</u>
	Prepaid expenses	61,91,789	59,37,011
	Excise duty paid in advance	2,11,30,010	98,72,999
	Advance Income-tax paid (Including FBT)	32,46,12,139	22,26,00,000
	Income Tax deducted at source	16,45,652	13,24,358
	Deposits with the Government Departments etc. recoverable	55,09,034	55,12,774
	Claims receivable	30,63,641	2,39,61,434
		<u>46,65,45,285</u>	<u>38,99,83,272</u>

	AMT IN RS.	
	As at 31.03.2006	As at 31.03.2005
L CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
Sundry Creditors		
- Due to small scale industrial undertakings	11,37,550	8,76,853
- Due to others	80,63,25,224	97,97,65,806
<i>[including Rs.5,17,24,027/- due to Directors P.Y Rs.3,78,76,472/-]</i>		
Unclaimed Fixed Deposits *	54,90,698	41,39,318
Unclaimed Dividends *	95,70,022	62,68,411
Unclaimed Interest on Fixed Deposits *	42,87,307	54,93,211
Advances received against sales	1,13,97,166	17,03,313
Trade Deposits	4,50,175	75,500
Staff Security Deposits	1,50,000	1,45,000
Interest accrued but not due on loans	137,09,008	1,80,81,254
	85,25,17,150	1,01,65,48,666
(* These figures do not include any amounts, due and outstanding to be credited to Investor Education and Protection Fund)		
B. Provisions :		
Provision for Leave Encashment	73,52,286	69,56,422
Provision for Gratuity	50,50,704	14,80,360
Provision for Income Tax	31,50,10,139	23,00,00,000
Provision for Fringe Benefit Tax	25,00,000	--
Proposed Dividend (see Directors' Report)	11,33,85,050	8,50,38,787
Tax on Distributed Profits	1,59,02,254	1,19,26,690
Total	45,92,00,433	33,54,02,259
	1,31,17,17,583	1,35,19,50,925

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

	AMT IN RS.	
	2005-06	2004-05
M OTHER INCOME		
Interest received from Banks and others <i>(Tax deducted on above Rs.2,51,383/- P.Y. Rs. 2,79,885/-)</i>	10,92,946	13,50,862
Dividends Received		
i) On Trade Investments	2,44,552	1,31,253
ii) On other Investments	11,24,525	8,27,910
Rent received <i>(Tax deducted on above Rs.2,03,741/- P.Y. Rs.77,763/-)</i>	18,26,027	6,53,899
Miscellaneous receipts	1,37,98,004	1,29,35,200
Profit on sale of assets	5,79,408	11,16,659
Profit on sale of Investments	31,753	--
Unclaimed balances credited back	10,522	11,354
Claims received	66,16,458	1,42,41,655
Provision for expenses no longer required credited back	18,33,977	77,87,014
	2,71,58,172	3,90,55,806
N INCREASE/(DECREASE) IN STOCKS		
Opening Stocks:		
Crops under cultivation	46,797	32,266
Work-in-Progress	216,81,873	2,68,23,575
Finished goods	1,25,01,45,286	1,24,91,26,546
	1,27,18,73,956	1,27,59,82,387
Closing Stocks:		
Crops under cultivation	39,600	46,797
Work-in-Progress	197,58,742	2,16,81,873
Finished goods	124,71,71,572	125,01,45,286
	126,69,69,914	127,18,73,956
Increase / (Decrease) in stocks	(49,04,042)	(41,08,431)
O PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	16,72,39,906	14,52,69,315
Payment under Voluntary Retirement Scheme	49,55,664	--
Contribution to Provident Fund and Pension Scheme	98,47,963	83,08,692
Contribution to Superannuation Fund	852,021	17,75,373
Contribution to Gratuity Fund and Gratuity Paid incl.provision	96,12,547	51,35,024
Workmen and Staff Welfare expenses	1,58,57,928	80,16,648
	20,83,66,029	16,85,05,052

		AMT IN RS.	
		2005-06	2004-05
P	MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES		
	MANUFACTURING		
	Process Chemicals	3,19,00,665	2,90,25,431
	Packing Materials	6,91,20,870	5,94,75,288
	Cultivation Expenses	298,180	4,08,702
	Power and Fuel	40,45,52,655/-	P.Y. 2,89,60,389/-
	Less: Inter Divisional Transfers	37,97,59,747/-	P.Y. 44,18,899/-
	Net Power and Fuel	2,47,92,908	2,45,41,490
	Insurance	88,77,711	90,25,810
	Research & Development	4,87,26,297	2,68,66,464
	Repairs to Buildings	70,57,934	83,43,384
	Repairs to Machinery	11,22,79,706	10,84,07,196
	Repairs to Other Assets	87,33,530	1,39,83,959
		<u>31,17,87,801</u>	<u>28,00,77,724</u>
	SELLING		
	Loading, Unloading, Transport etc.	1,47,30,938	1,46,34,021
	Commission on Sales	--	16,460
	Royalty	2,77,767	2,78,539
		<u>1,50,08,705</u>	<u>1,49,29,020</u>
	ADMINISTRATIVE		
	Rent	3,04,434	2,88,400
	Payments to Auditors (See Note No. 11)	6,63,128	5,93,810
	Directors Sitting fee	13,60,000	6,00,000
	Remuneration to Whole time and other Directors (See Note No. 12)	5,98,98,197	4,51,85,049
	Miscellaneous expenses	5,18,00,698	3,72,41,470
		<u>11,40,26,457</u>	<u>8,39,08,729</u>
	OTHERS		
	Loss on sale of assets (Including Capital Work in Progress)	6,02,388	14,93,987
	Value of Investments written off	--	1,816
	Loss on sale of stores / raw materials	52,81,281	6,06,621
	Net Value of discarded assets written off	1,89,44,025	77,78,769
	Bad debts and Debit balances written off	84,59,780	9,80,452
	Unserviceable stores written off	--	4,698
		<u>3,32,87,474</u>	<u>1,08,66,343</u>
		<u>47,41,10,437</u>	<u>38,97,81,816</u>
Q	EXCISE DUTY & TAXES (excluding income tax)		
	Excise Duty and Cess	16,43,61,007	16,26,14,296
	Purchase Tax and Cess on Sugarcane	8,99,02,431	8,48,58,578
	Rates and Taxes	42,24,131	38,86,429
		<u>25,84,87,569</u>	<u>25,13,59,303</u>

1. GENERAL

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

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.

4. INVESTMENTS

Investments are stated at cost and are all long term in nature unless otherwise stated. Income thereon is accounted on accrual basis.

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 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.
- 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.
- 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. 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. RETIREMENT BENEFITS

- a. All the Employees of the Company are entitled to retirement benefits of Provident Fund, Gratuity and some of the Employees are covered under a Superannuation scheme. Provident Fund contributions by the Company are accounted for on accrual each month. Contributions to Gratuity and Superannuation Fund is made on the basis of demands raised by L.I.C. in respect of staff covered by it and in respect of others the liability is computed as if they retire on the Balance sheet date and charged to revenue accordingly. Any gratuity payable to retiring employees over and above the amount reimbursed by the LIC, if any, is also charged to revenue in the respective years.
- b. The above Liabilities are funded with Trusts, duly approved by Income Tax authorities.
- c. Provision is made in the accounts for the estimated liability on the Balance sheet date towards leave encashment on retirement/cessation of the services of the employees, as per the rules of the Company.

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. 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.

12. CONTINGENT LIABILITIES

Contingent Liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

BALANCE SHEET :

1. Contingent liabilities not provided for :

a) Claims against the company not acknowledged as debts:

Particulars	31.03.2006	31.03.2005
	Amount - Rs.	
Labour Cases	1,33,17,023	1,51,44,776
Central Excise Cases	1,91,12,314	38,612
Differential Statutory Minimum Cane Price for the financial year 2002-03	1,85,23,712	1,85,23,712
Total	5,09,53,049	3,37,07,100

b) Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs.3,35,11,492/- (Rs.12,56,90,004/-.)

c) Guarantee for an amount of Rs. 6,75,00,000/- (Rs. 3,37,00,000/-) has been provided on behalf of The Eimco-K.C.P.Ltd., a subsidiary for moneys borrowed by it from a Bank.

2. Cash and Bank Balances include :

i) Rs.1,51,442/- (Rs.1,48,973/-) on account of staff security deposits.

ii) Rs.14,14,538/- (Rs.12,60,599/-) representing Fixed Deposit receipts lodged with bankers as margin money against guarantees issued by them.

iii) Rs.1,19,10,000/- (Rs.1,09,21,000/-) in Fixed Deposit in accordance with the Companies (Acceptance of Deposits) Rules, 1975.

iv) Rs.95,70,022/- (Rs.62,68,411/-) towards unclaimed dividends in accordance with Section 205 of the Companies Act.

3. "Unsecured Loans" - include Fixed Deposits of Rs.2,00,00,000/- (Rs.1,70,00,000/-) received from a Wholetime Director of the Company.

4. Small Scale Industrial Undertakings to which amounts are outstanding for more than 30 days as on the date of Balance Sheet:

Name of the Small Scale Industrial Undertakings	Amount in Rs.
Anco India Chemicals P Ltd., Chennai	4,469
Eagle Poonawala Industries Ltd., Vizag	2,04,157
Express Engineers, Vijayawada	42,902
Jakes 'M' Coimbatore	1,82,000
Keymer Bagshawe Marketing Co. Kolkata	28,000
Indian Conveyor Systems, Chennai	50,966
PSP Pumps Private Ltd., Chennai	32,438
S.R. Metering Pumps & Systems, Nasik	236
SRV Engineering Private Ltd, Chennai	36,980
Sureka Equipment Private Ltd, Kolkata	1,68,000
Vishwa Systems Private Limited, Nasik	1,42,422
Dinco Wirenetting Products, Rewari, Rajasthan	36,423
Hanuman Rubber Products Hanuman Junction	2,903
Kistna Engineering Works, Vijayawada	41,080
Maddala Industries, Vijayawada	56,850
Prathap Industries, Vijayawada	1,07,724

5. Details of provisions made in the accounts are :

Description	At the beginning of the year Rs.	Addition Rs.	Used Rs.	At the end of the year Rs.
Provision for leave encashment	69,56,422	35,19,975	31,24,111	73,52,286
Provision for gratuity	14,80,360	36,62,868	92,524	50,50,704
Provision for Income Tax	23,00,00,000	29,00,00,000	20,49,89,861	31,50,10,139
Provision fo FBT	--	25,00,000	--	25,00,000
Proposed Dividend	8,50,38,787	11,33,85,050	8,50,38,787	11,33,85,050
Tax on Proposed Dividend	1,19,26,690	1,59,02,254	1,19,26,690	1,59,02,254
Total	33,54,02,259	42,89,70,147	30,51,71,973	45,92,00,433

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

	Assets Rs.	Liabilities Rs.
a) Depreciation	--	25,03,97,136
b) Unamortized Voluntary Retirement Compensation	18,11,565	--
c) Excise Duty on Closing Stock	3,03,67,375	--
d) Other deferred tax assets	59,32,424	--
TOTAL	3,81,11,364	25,03,97,136

PROFIT AND LOSS ACCOUNT :

7. Sale of Products and Services (including Excise Duty):

Products / Service	Units	2005-2006		2004-2005	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Sugar	Qtls	18,35,149	320,89,57,772	15,19,064	2,47,81,73,945
Molasses	MTs	25,269	10,92,96,524	31,562	14,70,36,193
Industrial Alcohol	BLs	69,80,213	17,30,05,881	73,35,144	20,00,60,697
Anhydrous Alcohol	BLs	2,750	1,10,921	18,05,066	3,84,95,774
Bio Fertilizer	Qtls	1,36,682	3,95,86,802	1,81,416	4,74,38,528
Electrical Energy	Kwh	1,42,83,600	3,25,07,800	--	--
Others	—		2,78,44,240		4,75,19,785
TOTAL			3,59,13,09,940		2,95,87,24,922

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

Products / Service	Units	2005-2006		2004-2005	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Molasses	MTs	32,640	9,98,99,850	34,625	14,14,55,385
Bagasse	MTs	2,43,121	16,44,87,599	4,353	40,39,130
Electrical Energy	Kwh	1,38,54,539	4,69,01,431	107,503	3,79,769
Bio Gas		--	--	--	65,334
Filter Cake	MTs	9,781	2,73,358	--	2,14,400
Sugarcane - Agricultural Produce	MTs	206	201,886	79	69,727
Steam	MTs	4,43,177	16,83,70,717	--	--
TOTAL			48,01,34,841		14,62,23,745

8. Raw Materials Consumed

Particulars	Units	2005-2006		2004-2005	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Sugar - Sugarcane	MTs	14,98,573	1,60,64,16,305	14,14,873	1,36,59,29,221
Distillery - Molasses	MTs	32,640	11,21,63,730	34,625	15,32,53,637
Others			49,95,869		32,65,744
TOTAL			1,72,35,75,904		1,52,24,48,602
Less : Inter Divisional Transfers			10,03,75,094		14,18,04,846
Net Consumption			1,62,32,00,810		1,38,06,43,756

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9 a. Opening Stock of Finished Goods

Particulars	Units	As at 01.04.2005		As at 01.04.2004	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	10,77,905	103,21,46,301	9,90,595	113,33,79,336
Molasses	MTs	40,854	21,46,72,334	41,468	11,19,93,813
Industrial Alcohol	BLS	1,23,237	23,64,549	1,21,657	10,66,543
Anhydrous Alcohol	BLs	8,234	2,60,183	31,100	4,02,416
Bio Fertiliser	Qtls	12,315	7,01,919	67,247	22,68,755
Others	Qtls	-	-	676	15,683
TOTAL			125,01,45,286		124,91,26,546

9 b. Closing Stock of Finished Goods

Particulars	Units	As at 31.03.2006		As at 31.03.2005	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	8,99,076	113,43,52,614	10,77,905	103,21,46,301
Molasses	MTs	53,646	9,61,05,674	40,854	21,46,72,334
Industrial Alcohol	BLS	8,54,274	1,49,71,499	1,23,237	23,64,549
Anhydrous Alcohol	BLS	5,484	1,41,067	8,234	2,60,183
Bio Fertiliser	Qtls	43,417	15,28,018	12,315	7,01,919
Others	Qtls	2,500	72,700	-	-
TOTAL			124,71,71,572		125,01,45,286

10. Particulars regarding Capacity and Production

Class of Goods	Capacity		Actual Production	
	Licenced	Installed	2005-2006	2004-2005
	(as certified by the Management)			
a. Sugar				
i. Vuyyuru Unit MTs	7,500 <small>(Tonnes of Cane crushed per day)</small>	7,500	11,97,461 Qtls	11,70,054 Qtls
ii. Lakshampuram Unit MTs	4,000 <small>(Tonnes of Cane crushed per day)</small>	4,000	4,58,859 Qtls	4,36,320 Qtls
b. Molasses (By-Product)	—	—	70,702 MTs	65,573 MTs
c. Industrial Alcohol/Anhydrous Alcohol BL per day	50,000	50,000		
i. Industrial Alcohol	—	—	77,11,250 BLs	73,36,724 Bls
ii. Anhydrous Alcohol	—	—	—	17,82,200 Bls
d. Bio Fertiliser	—	—	1,44,173 Qtls	1,30,832 Qtls
e. Electrical Power				
i. Bio Gas Power Plant	1 MW	1 MW	—	1,55,423 Kwh
ii. Incidental Co-Generation Power Plant, Vuyyuru	15 MW	15 MW	2,44,97,179 Kwh	—
iii. Incidental Co-Generation Power Plant, Lakshampuram	5 MW	5 MW	78,55,344 Kwh	—

11. Payments to Auditors comprise :

	2005-2006 Rs.	2004-2005 Rs.
For Statutory audit	2,52,540	2,47,950
For Certification and Other Services	3,11,185	2,53,360
Out of Pocket Expenses	21,890	15,360
	<u>5,85,615</u>	<u>5,16,670</u>
Fees to Cost Auditor	77,513	77,140
	<u>77,513</u>	<u>77,140</u>
Total	6,63,128	5,93,810

12. REMUNERATION TO DIRECTORS

(i) Computation of Net Profit in accordance with Sec 349 of the Companies Act, 1956 for the year ended 31.03.2006.

	Rs.
Net Profit as per Profit and Loss Account	93,91,25,614
ADD :	
Director's Sitting Fees	13,60,000
Remuneration to Directors	5,98,98,197
Profit on sale of Fixed Assets allowable in accordance with the proviso to sub section (3) (d) of Section 349	27,486
	<u>6,12,85,683</u>
LESS :	
Profit on sale of Investments	31,753
Profit on sale of fixed assets considered separately	<u>5,79,408</u>
	<u>6,11,161</u>
Adjusted Net Profit for the year under Section 349	<u>99,98,00,136</u>

(ii) Details of Remuneration to Directors

	Executive Chairman	Managing Director	Executive Director
Salaries	3,50,000	48,00,000	24,50,000
Contribution to Provident Fund	--	--	2,94,000
Gratuity	--	--	1,73,077
Other Perquisites	--	--	1,07,093
Commission	90,21,684	2,51,94,004	1,69,71,833
Sub Total	93,71,684	2,99,94,004	1,99,96,003
Salaries paid by The Jeypore Sugar Company Ltd.	23,52,000	--	--
TOTAL	1,17,23,684	2,99,94,004	1,99,96,003

Note :

- i) In addition to the 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.23,942/- and Rs. 4,95,391/- as per Income Tax rules respectively.
- (ii) Commission provided to the Whole - time directors represents the balance amount of aggregate remuneration payable to the Executive Chairman, Managing Director and Executive Director for the period they were in office during the year not exceeding 2%, 3% and 2% respectively of the profits computed in accordance with Sec 349 of the Companies Act, 1956.
- (iii) Smt. Rajeswary Ramakrishnan, Executive Chairman of this Company for part of the year is also the Managing Director of The Jeypore Sugar Company Limited. Remuneration paid / provided above to her is in accordance with the conditions specified in Section III of Part II of Schedule XIII of the Companies Act, 1956, considering the information available with the Company, about the remuneration paid to her by The Jeypore Sugar Company Ltd.
- (iv) Aggregate Commission @ 1% of the above profits, payable to 5 Non-whole-time 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.5,36,506/-. However, in respect of six additional Directors co-opted during the year, no provision has been made towards commission on account of certain legal proceedings and court orders.

	2005-2006	2004-2005
	Rs.	Rs.
13. a) Miscellaneous Expenses include - Donations	22,13,800	35,25,000
b) Interest paid includes :		
On Fixed Loans	2,55,62,674	5,31,96,742
On Deposits from Wholetime Director	18,43,205	19,69,672

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

	2005-2006		2004-2005	
i) Raw Materials	Rs.	Nil	(Rs.	Nil)
ii) Components and Spare Parts	Rs.	Nil	(Rs.	Nil)
ii) Capital Goods	Rs.	Nil	(Rs.	Nil)

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

i) Foreign Travel	Rs. 2,65,925	Rs. 2,50,167
ii) Others	Rs. Nil	(Rs. Nil)

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

	2005-2006		2004-2005	
	Value Rs.	%	Value Rs.	%
a) Raw Materials				
i. Imported	Nil	0.00	Nil	Nil
ii. Indigenous	1,62,32,00,810	100.00	138,06,43,756	100.00
b) Spare parts and Components <i>(debited to respective heads)</i>				
i. Imported	Nil	0.00	2,90,161	0.12
ii. Indigenous	45,83,81,616	100.00	24,31,82,561	99.88

17. The diminution in the market value of some of the investments compared to their cost of acquisition, is not material and is in the opinion of the Board of Directors, a temporary phenomenon. The Board is also of the opinion that considering various indicators like the results of the investee companies and the relationship of the Company with those Companies, there is no potential loss therein. Hence, no provision is considered necessary.

18. Related Party Disclosures:

(As required under paragraphs 23 and 26 of Accounting Standard 18) Amount in Rs.

Particulars	Subsidiaries	Key Management Personnel	Companies Managed by a Key Management Personnel
Sale of Materials	--	--	54,989
Sale of Goods & Services	--	--	42,500
Sale of Fixed Assets	20,518	--	--
Purchase of Fixed Assets	1,04,00,423	--	--
Rent Received	2,70,000	--	--
Remuneration paid	--	5,93,61,691	--
Share Capital held in	1,05,00,000	--	6,90,810
Receivables	1,58,782	--	2,35,098
Advances	18,89,044	--	--
Share Capital of the Company held by	--	18,95,490	2,78,370
Guarantees given on behalf of	6,75,00,000	--	--
Fixed Deposits held by	--	2,00,00,000	--
Interest on Fixed Deposits paid to	--	18,43,205	--

Note :

Names of related parties and description of relationship :

1. Subsidiaries
 - a) The Eimco-K.C.P. Ltd., Chennai, India.
 - b) KCP Sugars Agricultural Research Farms Ltd. Chennai, India.
2. Key Management Personnel
 - a) Smt. Rajeswary Ramakrishnan, Executive Chairman for part of the year
 - b) Smt. Irmgard Velagapudi M.Rao, Managing Director
 - c) Smt. V. Kiran Rao, Executive Director
3. Companies Managed by a key Management Personnel
 - a) The Jeypore Sugar Company Ltd, Chennai.
 - b) Krishna Industrial Corporation Ltd, Chennai.

19. **Earnings per Share (EPS)** - The numerators and denominators used to calculate Basic and Diluted Earnings per Share.

Particular	2005-2006 Rs.	2004-2005 Rs.
Profit attributable to the Shareholders (A)	57,11,04,726	40,65,21,262
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)	5.04	3.59

Notes : Consequent to the split during the year of shares of Rs.10/- each into shares of Re.1/- each, the EPS for the year 2004-2005 has also been restated on the basis of an adjusted value of Re.1/- per share in order to facilitate comparison with that of the current financial year.

20. General :

Paise have been rounded off.

Figures in brackets indicate those for the previous year.

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

Signature to Schedules A to Q, Statement of Significant Accounting Policies and Notes.

For and on behalf of the Board		As per our report of even date
IRMGARD VELAGAPUDI M. RAO Managing Director	V.KIRAN RAO Executive Director	For BRAHMAYYA & CO. Chartered Accountants,
Chennai 28.06.2006	K.A.RANGASWAMY Director	C. MURALI KRISHNA Partner
	V.C.UNNIKRISHNAN General Manager (Finance) and Secretary	

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement

Amt. in Rs.

	2005 - 2006	2004-2005
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	93,91,25,614	64,98,84,150
Adjustments for :		
Depreciation	7,43,45,214	6,19,97,166
Loss/(Profit) on Sale of Assets	22,980	3,77,328
Assets written off	1,89,44,025	77,78,769
Investment written off	—	1,816
Profit on sale of Investments	(31,753)	—
Dividend Income	(13,69,077)	(9,59,163)
Interest paid	3,59,28,397	9,15,01,054
Interest received	(10,92,946)	(13,50,862)
Operating Profit before Working Capital Changes	106,58,72,454	80,92,30,258
Adjustments for:		
Trade and other Receivables	(2,94,01,040)	(10,24,55,538)
Inventories	(7,24,93,843)	(7,88,40,326)
Trade payables	16,00,65,308	24,41,80,782
Cash generated from Operations	1,00,77,02,029	87,21,15,176
Direct Taxes Paid	30,73,23,294	21,46,66,060
Cash Flow before extraordinary items	70,03,78,735	65,74,49,116
Extraordinary items	—	—
NET CASH FROM OPERATING ACTIVITIES	70,03,78,735	65,74,49,116
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	56,57,18,657	6,02,60,416
Investments Purchased	19,81,590	30,00,000
Increase in Capital Work in Progress	(11,84,89,339)	12,48,54,002
Sale of Investments	(80,385)	—
Sale of Fixed Assets	(17,27,741)	(33,36,177)
Interest Received	(10,92,946)	(13,50,862)
Dividend Received	(13,69,077)	(9,59,163)
NET CASH USED IN INVESTING ACTIVITIES	44,49,40,759	18,24,68,216

	Amt. in Rs.	
	<u>2005 - 2006</u>	<u>2004-2005</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long term Borrowings	3,89,22,919	32,44,88,483
Interest paid	3,59,28,397	9,15,01,054
Repayment of Finance Lease Liabilities	10,92,926	(1,14,997)
Dividends and Tax on dividends paid (incl.interim)	16,16,09,130	6,41,01,530
NET CASH USED IN FINANCING ACTIVITIES	23,75,53,372	47,99,76,070
Net Increase in Cash and Cash Equivalents (A+B+C)	1,78,84,604	(49,95,170)
Cash and Cash equivalents as at 01.04.2005	5,02,62,789	5,52,57,959
Cash and Cash equivalents as at 31.03.2006	6,81,47,393	5,02,62,789

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For **BRAHMAYYA & CO.**
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner

CERTIFICATE

To the Members of
K.C.P.SUGAR AND INDUSTRIES CORPORATION LTD.
Chennai.

We have examined the attached Cash Flow Statement of K.C.P. Sugar and Industries Corporation Limited. for the year ended 31st March 2006. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Madras 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 28th June, 2006 to the Members of the Company.

for **BRAHMAYYA & CO**
Chartered Accountants

PLACE : Chennai
DATE : 28th June 2006

C. Murali Krishna
(ICAI Memb. No 20884)
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.)

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

Paid up Capital	1,13,385
Reserves & Surplus	12,78,419
Secured Loans	2,81,550
Unsecured Loans	2,19,622
Deferred Tax Liability	2,12,286
Total	21,05,262

Application of Funds

Net Fixed Assets	13,97,066
Investments	16,364
Net Current Assets	6,91,832
Misc. Expenditure	--
Total	21,05,262

IV. Performance of Company for the year ended 31st March 2006 (Amount in Rs. Thousands)

Turnover	Other Income	Increase in stocks	Total Expenditure
<input type="text" value="35,91,310"/>	<input type="text" value="27,158"/>	<input type="text" value="---"/>	<input type="text" value="26,79,342"/>
Profit/(Loss) for the year before tax	Profit/(Loss) After Tax	E.P.S. in Rs.	Final Dividend Rate %
<input type="text" value="9,39,126"/>	<input type="text" value="5,71,105"/>	<input type="text" value="5.04"/>	<input type="text" value="100.00"/>

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"/>

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For **BRAHMAYYA & CO.**
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner



II. 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.76,88,041/- (P.Y: Rs. 53,51,738/-) for the year ended 31.03.2006. After providing for current taxation of Rs.32,00,000/- (P.Y.Rs. 5,00,000/-) and deferred taxation of Rs.1,06,574/- (P.Y.:Rs.4,03,707), and adding thereto, reversal of excess provision of Income Tax for earlier years of Rs.80,000/- (P.Y.: NIL), and the balance brought forward from previous year of Rs.65,60,302/- (Rs. 21,12,271/-) there remained a surplus of Rs.1,10,21,769/- (Rs. 65,60,302/-) which is carried forward to next year.
3. The accumulated reserves as on 31.03.2006 stood at Rs.2,30,25,957/-.
4. The Eimco-KCP limited has not proposed any dividend for the year ended 31.03.2006. (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 4,50,000 shares of Rs.10/- each fully paid up (including 6 shares held by its Nominees) as on 31st March 2006.
2. For the year ended 31.03.2006, KCP Sugars Agricultural Research Farms Limited incurred a Net Loss of Rs.1,75,072/- (P.Y:- Loss: Rs. 2,36,626/-). After adding back the reversal of provision of Deferred Tax of Rs.1,306/- (P.Y. Rs. 1,219/-) and adding thereto the balance of Loss brought forward from previous year of Rs.10,71,337/- (P.Y.: Rs. 8,33,492/-), the net cumulative loss of Rs.12,45,103/- (P.Y.: Loss: Rs. 10,71,337/-) is carried forward to next year.
3. KCP Sugars Agricultural Research Farms Limited has not proposed any dividend for the period ended 31.03.2006.
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

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary



THE EIMCO-K.C.P. LTD.

*Thirty Eighth Annual Report
2005 - 2006*

BOARD OF DIRECTORS

Chairperson	Smt.Irmgard Velagapudi M.Rao
Vice Chairperson	Smt.V.Kiran Rao
Directors	Shri.S.B.P.V.Ramamohana Rao Shri.J.Satyanarayana Shri.V.C.Unnikrishnan
Auditors	Messrs. Brahmayya & Co. Chartered Accountants, Vijayawada
Bankers	UTI Bank Limited Canara Bank
Registered and Corporate Office	“Ramakrishna Buildings” 239, Anna Salai, Chennai 600 006.
Works	11-A, 3rd Main Road, Industrial Estate, Ambattur, Chennai 600 058.

**TO THE SHAREHOLDERS**

Your Directors have pleasure in submitting their Report for the year ended 31st March 2006 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.1585.28 lakhs as compared to Rs.1250.00 lakhs during the previous year. The backlog as on 31/3/2006 is Rs. 904.35 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 2006 was Rs.1,548.99 lakhs as against Rs.1216.00 lakhs in the previous year. The Profit was at Rs.76.88 lakhs for the year under review as against profit of Rs.53.52 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.44.61 lakhs to which after adding the brought forward surplus of Rs.65.60 lakhs, the carry forward surplus to the next year amounted to Rs.110.21 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 Director's Report for the year ended 31st March 2006 is not applicable as there was no employee covered by the same.

**EXPORTS & FOREIGN EXCHANGE
EARNINGS & OUTGO**

Our Exports earnings during 2005 - 2006 was Rs. 124.82 lakhs (P.Y.-Rs.8.70 lakhs). During the period under review the Company has incurred expenditure in foreign currency amounting to Rs.26.33 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

At the forthcoming Annual General Meeting Mr.S.B.P.V. Ramamohana Rao and Shri. J. Satyanarayana retire by rotation and being eligible offer themselves for re-appointment, Dr.S.R.K.Prasad ceased to hold office as a Director pursuant to the resolution passed under Section 284 of the Companies Act,1956 at the Extraordinary General Meeting of the Company.

STAFF RELATIONS

Industrial Relations with Staff and Workers continue to be Cordial.

**DIRECTORS' RESPONSIBILITY
Directors certify STATEMENT**

As required by Section 217(2AA) of the Companies Act 1956, your 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 2005 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

Section 383 A of the **CERTIFICATE**

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

AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, retire at the conclusion of this Annual General Meeting and are not seeking re-appointment. The Company has received a Special Notice from a Member of the Company, in terms of the provisions of the Act, signifying their intention to propose the appointment of M/s. B. Purushottam & Co., Chartered Accountants, Chennai as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. M/s. B. Purushottam & Co., Chartered Accountants, Chennai have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Act. The Board of Directors has proposed the appointment of M/s. B. Purushottam & Co., as the Statutory Auditors for the financial year, 2006 - 07 in place of the retiring Auditors, M/s. Brahmayya & Co.,. The Members approval is being sought to the appointment 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

Registration No : CIN U27209TN1967PLC05550
Nominal Capital : Rs. 100.00 Lakhs

To,
The Members

M/s. The Eimco KCP Limited

*Ramakrishna Buildings:
239, 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 on **31st March, 2006**. 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 there under 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 there under.
3. 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 2006 and hence no comments.
4. The Board of Directors duly met 6 (Six) times respectively on 23.06.2005, 26.07.2005, 29.08.2005, 26.10.2005, 12.11.2005 and 30.01.2006 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 2005 was held on 29th August 2005 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. An Extra Ordinary General Meeting was held during the financial year on 30th November 2005 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.
8. 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.
9. 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.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. 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.
12. The Company has not issued any duplicate certificates during the financial year.
13. 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.
14. The Board of Directors of the Company is duly constituted and there was no appointment of Directors, during the year.
15. 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.
16. The Company has not appointed any sole-selling agents during the financial year.
17. 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.

18. 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.
19. The Company has not issued any shares, debentures or other securities during the year under review.
20. The Company has not bought back any shares during the year under review.
21. The Company has not issued any Redeemable Preference Shares / Debentures.
22. 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.
23. 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.
24. The Company has not made any borrowings during the financial year ended 31st March 2006.
25. 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.
26. 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.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to Share Capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.
31. 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.
32. The Company has not received any money as security from its employees during the financial year.
33. The Provisions of Section 418 of the Companies Act 1956 are not applicable to the company.

For V.MAHESH & ASSOCIATES

Place : Chennai
Date : 26.06.2006

V.MAHESH
COMPANY SECRETARY
C.P.No : 2473

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, 2006.

1. Form No. Schedule VI - Balance Sheet as on 31st March 2005 filed on 21.09.2005 vide ROC receipt No. 35212 u/s 220 for laying of Balance Sheet and Profit & Loss Account in Annual General Meeting on 29th August 2005.
2. Secretarial Compliance Certificate u/s 383 A was filed on 21.09.2005 vide ROC receipt No. 35212.
3. Form No. 23 filed on 23.09.2005 vide ROC receipt No. 35814 u/s 192 for registration of resolution passed U/s 293 (1) (d) at the Annual General Meeting held on 29th August 2005.
4. Form No. Schedule V - Annual Return filed on 26.10.2005 vide ROC receipt No. 44061 u/s 160 for holding of Annual General Meeting on 29th August 2005.
5. Form No. 32 filed on 05.12.2005 vide ROC receipt No. 58024 u/s 303 for removal of Dr. S. R. K. Prasad as Director with effect from 30.11.2005.
6. Form No. 23 filed on 05.12.2005 vide ROC receipt No. 58024 u/s 192 for registration of resolution passed for removal of Director.

For V.MAHESH & ASSOCIATES

Place : Chennai
Date : 26.06.2006

V.MAHESH
COMPANY SECRETARY
C.P.No : 2473



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

We have audited the attached Balance Sheet of THE EIMCO-K.C.P. LIMITED, as at 31st March 2006, its Profit and Loss Account for the year ended on that date annexed thereto, and its cash-flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
- c. The Balance Sheet and Profit and Loss Account and Cash-flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet and Profit and Loss account and the Cash-flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors, as on March 31, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006,
 - ii. In the case of the Profit and Loss Account, of the profit for the year ended on that date,
 - iii. In the case of the cash-flow statement, of the cash-flows of the company for the year ended on that date

for **BRAHMAYYA & CO**
Chartered Accountants
C. Murali Krishna
(ICAI Memb. No 20884)
Partner

PLACE : Chennai
DATE : 26 June 2006

Annexure referred to in paragraph 3 of our report of even date,

- 1.1 According to the information and explanations furnished to us, the company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- 1.2 According to the information and explanations furnished to us, the company has not physically verified its fixed assets during the year.
- 1.3 According to the information and explanations furnished to us, the company has not disposed of a substantial part of its fixed assets during the year.
- 2.1 According to the information and explanations furnished to us, the company has not physically verified its inventories during the year. Consequently reporting under clause ii(b) of para 4 of the Order does not arise.
- 2.2 According to the information furnished to us, the company is maintaining proper records of its inventory. However, since physical verification of inventories was not carried out reconciliation of physical stocks and book records as at the date of the Balance Sheet was pending.
3. According to the information and explanations furnished to us, the company has neither taken nor granted any loans, secured or unsecured, from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956. As the company has not taken/granted any loans from/to parties covered in the register maintained under section 301 of the Companies Act, 1956, clauses ii(b), iii(c), iii(d), iii(f) and iii(g) of para 4 of the Order, are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. Further, during the course of our audit, we have not come across any instances of major weaknesses in internal control that in our opinion, require correction but have so continued without correction.
5. Based on the information and explanations given to us there were no contracts or arrangements during the year, that are required to be entered in the register maintained under section 301 of the Companies Act, 1956. Since there were no such contracts or arrangements, clause v(b) of para 4 of the order, does not apply.
6. According to the information and explanations given to us, the company has not accepted any deposits covered under the provisions of section 58A, 58AA and other applicable provisions of the Companies Act, 1956. According to the information furnished to us, no Order has been passed on the company by the Company Law Board or National Company Law Tribunal or Reserve bank of India or any Court or any other Tribunal for non-compliance with the provisions of Sections 58A and 58AA of the Companies Act 1956.
7. The company did not have an internal audit system during the year under report.
8. 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.
- 9.1 According to the information furnished to us, the company has been regular in depositing with the appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it, and there were no undisputed statutory dues in arrears, as at the date of the Balance Sheet under report, for a period of more than six months from the date they became payable.
- 9.2 According to the information furnished to us, the following amounts of Sales Tax, Customs Duty, Excise Duty, Cess, Income Tax, Wealth Tax, Service Tax that have been disputed by the company, and hence, were not remitted to the concerned authorities at the date of the Balance Sheet under report

S.No	Nature of the dues	Name of Statute	Amount	Pending before
1	Sales Tax and related demands	Sales Tax	Rs.15,30,605	Various Appellate Tribunals,

10. According to the information and explanations furnished to us, it had no accumulated losses at the end of the financial year, and it did not incur cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the company, there were no defaults in repayment of its dues to financial institutions, banks or debenture holders at the date of the Balance Sheet.
12. According to the information furnished to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures, and other securities.
13. In our opinion and according to the information and explanations furnished to us, the company is not a chit fund or a nidhi / mutual benefit fund/ society and hence, the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information furnished to us, the company has not given any guarantees for loans taken by others from any banks or financial institutions.
16. In our opinion, and according to the information and explanations furnished to us, the company did not avail of any term loans during the year under report.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short-term basis have not been used for long-term investment.
18. According to the information and explanations furnished to us, the company has not made preferential allotment of shares during the year to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956 or to any others.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any monies through public issue of its securities during the year, and the question of end use of such moneys did not arise during the year.
21. During the course of our examination of the accounts of the company in accordance with generally accepted auditing practices, we have not come across any instances of fraud on or by the company, nor have we been informed by the management, of any such instance being noticed or reported during the year.

for **BRAHMAYYA & CO**
Chartered Accountants
C. Murali Krishna
(ICAI Memb. No 20884)
Partner

PLACE : Chennai
DATE : 26 June 2006

Particulars	Schedule	31-03-2006		31-03-2005	
		Rs.	Rs.	Rs.	Rs.
(I) SOURCES OF FUNDS:					
1. Shareholders' Funds:					
(a) Share Capital	A	60,00,000		60,00,000	
(b) Reserves & Surplus	B	2,30,25,957		1,85,64,490	
			2,90,25,957		2,45,64,490
2. Loan Funds :					
Secured Loans	C		2,32,12,038		1,56,52,429
3. Deferred Tax Liability (Net) <small>(See Note 16)</small>					
Deferred Tax Liability		2,28,822		2,28,972	
Less : Deferred Tax Asset		30,778	1,98,044	1,37,502	91,470
Total			5,24,36,039		4,03,08,389
(II) APPLICATION OF FUNDS:					
1. Fixed Assets :					
(a) Gross Block	D	2,78,55,070		2,67,75,899	
(b) Less: Depreciation		2,37,82,238		2,29,31,274	
(c) Net Block		40,72,832	53,23,956	38,44,625	50,95,749
(d) Capital Work-in-progress		12,51,124		12,51,124	
2. Investments	E		11,056		7,965
3. Current Assets, Loans & Advances					
(a) Inventories	F	2,41,46,434		2,82,69,986	
(b) Sundry Debtors	G	5,51,74,044		5,21,20,864	
(c) Cash and Bank Balances	H	78,28,610		31,63,386	
(d) Other Current Assets	I	37,422		21,225	
(e) Loans and Advances	J	48,14,956		35,38,675	
		9,20,01,466		8,71,14,136	
Less: Current Liabilities & Provisions					
(a) Liabilities	K	4,11,88,042		5,13,10,942	
(b) Provisions	L	37,12,397		5,98,519	
		4,49,00,439		5,19,09,461	
NET CURRENT ASSETS			4,71,01,027		3,52,04,675
Total			5,24,36,039		4,03,08,389

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

For and on behalf of the Board

As per our report of even date

For **BRAHMAYYA & CO.**

Chartered Accountants,

C. MURALI KRISHNA

Partner

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson



Particulars	Schedule	2005-2006 Rs.	2004-2005 Rs.
INCOME FROM :			
Sale of products and Services (including Excise Duty Recovered Rs. 1,63,05,653/- P.Y.Rs. 96,42,691/-)		15,48,98,605	12,16,00,932
Other Income	1	26,73,898	33,76,453
		15,75,72,503	12,49,77,385
EXPENDITURE ON :			
Materials consumed	2	7,75,20,085	6,48,63,153
Purchase of Finished goods		9,26,966	10,05,793
Payments and Benefits to Employees	3	1,89,36,374	1,16,18,922
Manufacturing, Selling, Administrative and other expenses	4	3,39,62,363	3,11,92,619
Taxes and Licences (excluding income tax)	5	1,63,15,749	92,29,477
Interest		13,56,217	11,14,566
Depreciation		8,66,708	6,01,117
		14,98,84,462	11,96,25,647
PROFIT FOR THE YEAR BEFORE TAXATION		76,88,041	53,51,738
Less: Provision for Taxation			
Current		29,00,000	5,00,000
Deferred Tax		1,06,574	4,03,707
Fringe Benefit Tax		3,00,000	--
Add : Reversal of excess provision for Income Tax for earlier years		80,000	--
PROFIT AFTER TAX		44,61,467	44,48,031

Add:	Balance brought forward from last year		
65,60,302	21,12,271		
SURPLUS CARRIED OVER TO BALANCE SHEET		1,10,21,769	65,60,302
For and on behalf of the Board	As per our report of even date		
Basic and Diluted Earning per Share (See Note No.18)		7.44	1.12

Notes, Schedules & Statement on accounting policies form an integral part of the Profit & Loss Account.

Chennai 26.06.2006	IRMGARD VELAGAPUDI M. RAO Chairperson	V.KIRAN RAO Vice-Chairperson	C. MURALI KRISHNA Partner
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F. A. BRAHMAYYA & CO.
Chartered Accountants

“Share Capital”

Schedule ‘A’

Particulars	31.03.2006 Rs.	31.03.2005 Rs.
Authorised:		
10,00,000 Equity Shares of Rs. 10/- each	<u>1,00,00,000</u>	<u>1,00,00,000</u>
	<u>1,00,00,000</u>	<u>1,00,00,000</u>
Issued, Subscribed and Paid-Up: 6,00,000 Equity Shares of Rs. 10/- each fully paid <i>(All the Shares are held by the Holding Company K.C.P. Sugar and Industries Corporation Ltd, Chennai and its nominees)</i>	<u>60,00,000</u>	<u>60,00,000</u>
	<u>60,00,000</u>	<u>60,00,000</u>

“Reserves & Surplus”

Schedule ‘B’

Particulars	As at 31-03-2005 Rs.	Additions During the Year Rs.	Withdrawals During the Year Rs.	As at 31-3-2006 Rs.
General Reserve	1,20,04,188	---	---	1,20,04,188
Surplus (i.e.) Balance in Profit and Loss Account	65,60,302	---	---	1,10,21,769
	1,85,64,490	---	---	2,30,25,957

“Secured Loans”

Schedule ‘C’

Particulars	31-03-2006 Rs.	31-03-2005 Rs.
a) From a Bank	2,32,12,038	1,56,52,429
<i>(secured by exclusive charge on the entire current assets of the company and Collaterally by hypothecation of entire movable assets of the company and against the Corporate Guarantee from KCP Sugar and Industries Corporation Limited its Holding Company)</i>	2,32,12,038	1,56,52,429

“Fixed Assets”

Schedule ‘D’

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01-04-2005 Rs.	Additions During the Year Rs.	Deductions During the Year Rs.	Cost as on 31-03-2006 Rs.	Depreciation Upto 31-03-2005 Rs.	Depreciation For the Year Rs.	Depreciation on Deductions Rs.	Depreciation Upto 31-03-2006 Rs.	WDV as on 31.03.2006 Rs.	WDV as on 31.03.2005 Rs.
Land	6,32,110	—	—	6,32,110	—	—	—	—	6,32,110	6,32,110
Buildings	37,29,715	—	—	37,29,715	23,68,753	82,246	—	24,50,999	12,78,716	13,60,962
Plant & Machinery	1,33,79,008	88,087	—	1,34,67,095	1,27,07,164	1,42,980	—	1,28,50,144	6,16,951	6,71,844
Furniture & Fittings	32,09,765	2,37,809	25,500	34,22,074	25,11,862	1,92,248	15,744	26,88,366	7,33,708	6,97,903
Computers	55,86,291	7,57,240	—	63,43,531	51,04,485	4,44,123	—	55,48,608	7,94,923	4,81,806
Knowhow and Designs	2,35,000	—	—	2,35,000	2,35,000	—	—	2,35,000	—	—
Vehicles	4,010	21,535	—	25,545	4,010	5,111	—	9,121	16,424	—
Total	2,67,75,899	11,04,671	25,500	2,78,55,070	2,29,31,274	8,66,708	15,744	2,37,82,238	40,72,832	38,44,625
Previous Year	2,62,05,067	5,70,832	—	2,67,75,899	2,23,30,157	6,01,117	—	2,29,31,274	38,44,625	38,74,910



Investments		Schedule 'E'	
Particulars	31-03-2006 Rs.	31-03-2005 Rs.	
(i) Shares in Companies (quoted, non-trade) 100 Equity Shares of Rs. 10/- each in Hindustan Dorr Oliver Ltd. fully paid-up (Market Value: Rs.86,930/- Previous Year: 1,550/-)	4,841	4,841	1,750
Less: Provision for short fall in market value	-		
100 Equity Shares of Rs.10/- each in Jorde Engineers India Ltd. fully paid-up (Market Value: Rs.215/- Previous Year: 215/-)	1,571	215	215
Less : Provision for short fall in market value	1,356		
(ii) Other Investments :			
7-Year National Savings Certificates (Lodged as Security with A.P. Sales Tax Department)	6,000		6,000
	11,056		7,965

Note: All the above are long term investments and valued at cost as adjusted by the shortfall other than temporary, in their market value.

Current Assets		Schedule 'F'	
Particulars	31-03-2006 Rs.	31-03-2005 Rs.	
INVENTORIES:			
<i>(As Certified by the Management)</i>			
(1) Raw materials, Stores and Components (includes stock of raw materials Rs.5,05,51,437/- P.Y Rs.45,58,430/-)	1,29,53,072	1,14,64,716	
(2) Loose Tools	2,03,798	2,13,847	
(3) Work-in-progress	65,70,830	96,92,683	
(4) Stock of finished goods	44,18,734	68,98,739	
	2,41,46,434	2,82,69,986	
SUNDRY DEBTORS			
(a) Debts outstanding for a period exceeding six months	1,78,31,800	85,12,753	
b) Other Debts	3,73,42,244	4,36,08,111	
	5,51,74,044	5,21,20,864	
CASH AND BANK BALANCES			
i) Cash on hand	78,617	Schedule 'H' 1,03,635	
ii) Balances with Scheduled Banks;			
In Current Accounts	25,92,691	79,870	
In Fixed Deposits	51,57,302	29,79,881	
	78,28,610	31,63,386	
OTHER CURRENT ASSETS:			
Interest accrued on Deposits	37,422	Schedule 'I' 21,225	
	37,422	21,225	
Loans And Advances			
1. Advances, unsecured, considered good (recoverable in cash or in kind or for value to be received)	16,49,019	Schedule 'J' 20,36,889	
2. Prepaid expenses	47,750	92,536	
3. Deposits recoverable	4,68,955	4,06,160	
4. Advance Excise Duty. (including unutilised Cenvat credit)	15,12,986	8,64,815	
5. Income Tax paid in Advance	8,44,199	-	
6. Income Tax deducted at Source	2,92,047	1,38,276	
	48,14,956	35,38,676	
Current Liabilities and Provisions			
CURRENT LIABILITIES:			
(1) Sundry Creditors		Schedule 'K'	
Due to Small Scale Industrial undertakings	43,90,212	-	
Due to others	2,91,59,577	3,75,25,665	
(2) Advances received against sales	76,38,253	90,85,677	
(3) Inter Corporate Loan	-	46,99,600	
	4,11,88,042	5,13,10,942	

PROVISIONS:						Schedule 'L'
Description	As at 31.3.2005 Rs.	Addition during the year Rs.	Used during the year Rs.	Reversed during the year Rs.	As at 31.3.2006 Rs.	
Provision for taxation	5,80,000	29,00,000	-	80,000	34,00,000	
Provision for FBT	-	3,00,000	-	-	3,00,000	
Provision for Leave encashment on Retirement	18,519	12,397	18,519	-	12,397	
	5,98,519	32,12,397	18,519	80,000	37,12,397	

Particulars	31-03-2006 Rs.	31-03-2005 Rs
"Other Income"		Schedule-1
Dividends received on Non-Trade Investments	2,175	—
Interest on Bank Deposits etc		
(Income tax deducted at source Rs.38,948/- P.Y. Rs.23,751/-)1,91,213	1,29,368	
Miscellaneous receipts	5,86,315	20,08,036
Packing & Forwarding charges	5,53,344	1,62,690
Difference in Foreign Exchange	98,959	44,432
Excess provision credited back	1,00,184	2,223
Reversal of Diminution in the Value of Investment	3,091	—
Credit Balance Written Back	11,38,617	10,29,704
	26,73,898	33,76,453
"Materials Consumed"		Schedule-2
Opening Stocks :		
Work-in-Progress	96,92,683	67,02,580
Finished Goods	68,98,739	61,94,965
	1,65,91,422	1,28,97,545
Raw materials, Stores and Spares Consumed	7,19,18,227	6,85,57,030
(includes raw material consumed Rs.1,86,99,100/- P.Y. Rs.2,05,19,466/-)	8,85,09,649	8,14,54,575
Less : Closing Stocks :		
Work-in-Progress	96,92,683	
Finished Goods	68,98,739	
	1,09,89,564	1,65,91,422
	7,75,20,085	6,48,63,153
"Payments and Benefits to Employees"		Schedule-3
Salaries, Wages and Bonus	1,60,31,673	1,00,69,838
Company's Contribution to Provident Fund & Family Pension	8,47,168	
	5,10,957	
Company's Contribution to Employees State Insurance	1,42,865	1,73,295
Company's Contribution to Gratuity Fund	9,19,081	1,51,023
Staff Welfare Expenses	9,95,587	7,13,809
	1,89,36,374	1,16,18,922
"Manufacturing, Selling, Administrative and Other Expenses"		Schedule-4
Manufacturing :		
Machining & Fabrication Charges	1,14,27,961	1,36,54,072
Drawing Office Stationery	2,27,310	2,06,159
Research, Inspection & Testing Expenses	41,963	1,57,229
Power and Fuel	24,90,877	18,01,841
Rent	2,70,000	2,70,000
Insurance	1,49,876	87,995
Tools Written off	21,845	1,35,626
Repairs & Maintenance : a) Machinery	46,930	
b) Buildings	6,65,815	5,71,643
c) Other Assets	1,75,390	1,32,810
	(A)	1,55,17,967
Selling		
Advertisement and Business Development Expenses	4,55,062	2,32,301
Selling Expenses (Comprising tendering, packing and forwarding)	35,46,491	36,93,620
Commission on Sales	3,05,330	2,57,622
	(B)	43,06,883
Administrative :		
Directors' Sitting fee and Travelling expenses in connection with Board Meetings	—	35,220
Miscellaneous expenses	74,16,609	57,97,274
Payment to Auditors :		
a. For Statutory Audit	22,040	22,040
b. Fees for Certification	5,510	11,120
c. Out of pocket expenses	1,500	1,100
	(C)	74,45,659
Other Items :		
Performance and Delivery guarantee claims	28,25,501	29,22,177
Bad Debts Written off	14,22,463	7,24,846
Loss on sale of assets	6,256	—
Donations	—	750
Debit balance written off	24,37,634	3,98,137
	(D)	66,91,854
	A+B+C+D	3,39,62,363
"Taxes and Licences (excluding Income-tax)"		Schedule-5
Excise Duty paid (including Rs.2,95,891/- payable on finished goods)	1,61,90,888	90,01,268
Other Taxes	1,24,861	2,28,209
	1,63,15,749	92,29,477



A. ACCOUNTING POLICIES:

- i. **General:**
Financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting practices.
- ii. **Fixed Assets:**
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.
- iii. **Modvat on Capital Goods:**
Modvat availed, if any, during the year on Fixed Assets, is not included in the cost of such Fixed Assets capitalised during the year.
- iv. **Depreciation :**
Depreciation is written-off under the written down value method in accordance with Schedule XIV to the Companies Act, 1956.
- v. **Inventories:**
 - a. Finished Goods are valued at cost or net realisable value, whichever is lower as increased by excise duty thereon as applicable.
 - b. Scrap is valued at net realisable value.
 - c. 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.
 - d. Raw Materials, Stores, Spare Parts, Material in Transit, etc., 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, in which case they are valued at replacement cost.
- vi. **Retirement Benefits:**
 - a. All the Employees of the Company are entitled to retirement benefits of Provident Fund and Gratuity Fund. Provident Fund contributions by the Company are accounted for on accrual each month. Contributions to Gratuity Fund is made on the basis of demands raised by L.I.C. and charged to revenue accordingly. Any gratuity payable to retiring employees over and above the amount reimbursed by the LIC if any, is also charged to revenue in the respective years.
 - b. Provision is made in the accounts for the estimated liability towards leave encashment on retirement/cessation of the services of the employees, as per the rules of the Company.
- vii. **Sales and other earnings:**
Sales are inclusive of excise duty recovered and net of discount and rebates.
- viii. **Warranty And Guarantee Claims:**
Company's liability for performance warranties is recognised in the accounts in the year of claim by the customers. Liability in respect of delivery guarantees is recognised in accounts in the year in which delay occurs as per the Contract.
- ix. **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
 - 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 amortized over the term of contract
 - Exchange differences on the contract are recognized as profit or loss in the period in which they arise.
- 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.
In accordance with the Accounting Standard - 22, Accounting for Taxes on Income, issued by the Institute of Chartered Accountants of India (ICAI), and effective from 1st April, 2001 the Company has recognized the deferred tax liability in the accounts, whereby -
 - The Net deferred tax liability arising on account of timing differences at 01-04-2001 has been adjusted against the General Reserve as at 01-04-2001.
 - Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the current rate of tax.
 - Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation are 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. **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 recognised 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.
- xii. **Contingent Liabilities**
Contingent Liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

1. The Guarantees issued by the Company's Bankers in favour of the customers against advances from them and other obligations amounting to Rs.2,39,34,493/- (Rs.1,54,96,925/-) are secured by stores and spares (including those lying with sub-contractors), work-in-progress and finished goods.
2. Fixed deposits Rs.50,78,802/- (Rs.29,27,861/-) are held by the Company's bankers as margin money against the Guarantees issued by them on behalf of the Company.
3. Net Amount due to Holding Company is Rs.1,58,782/- (Pr.year-Due to Holding Company Rs.1,30,24,155/-).
4. No provision has been made towards:-
 - a) Disputed Sales Tax demands raised by the Sales Tax Authorities under T.N.G.S.T and C.S.T for the years 1989-90, 1991-92, 1992-93 and 2003-04 amounting to Rs.20,18,592/- for which company preferred appeals before Appellate authorities. Pending decision in appeals an amount of Rs. 4,87,987/- has been paid under protest and the same is grouped under Loans and Advances.
 - b) Disputed E.S.I. demand raised by E.S.I authorities under E.S.I Act for the years 1990-91 to 1993-94 amounting to Rs.68,233/-. 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.

5. **Sale of Products and Services** (including excise duty recovered) :-

	2005-2006		2004-2005	
	Quantity	Value Rs.	Quantity	Value Rs.
(i) SALES:				
Filters (In Nos)	14 Nos.	4,35,24,179	6 Nos.	3,27,16,279
Thickeners, Components, Spares, Bar screens etc., (Unit quantification not possible)		10,43,91,215		7,88,85,301
Scrap (Unit quantification not possible)		14,07,498		19,05,423
Chemicals	11000 Kgs	18,89,803	7000 Kgs	10,61,599
Total		<u>15,12,12,695</u>		<u>11,45,68,602</u>
(ii) SERVICES:				
Service Charges		5,12,678		2,17,315
Design, Erection & Fabrication		31,73,232		68,15,015
Total		<u>15,48,98,605</u>		<u>12,16,00,932</u>

6. **Raw Materials Consumed (in MT)**

	MTS	Rs.	MTS	Rs.
Stainless Steel	16.96	22,94,516	60.85	93,72,080
Iron and Steel	522.96	1,64,04,584	330.46	1,11,47,386
Total	<u>539.92</u>	<u>1,86,99,100</u>	<u>391.31</u>	<u>2,05,19,466</u>

Note: The above does not include Rs. 5,32,19,127/- (PY Rs. 4,80,37,564/-) being the cost of Motors, Components, pipes, spares etc., consumed.

7. **Opening and Closing Stock of finished goods**

	Opening Stock				Closing Stock			
	01.04.2005		01.04.2004		31.03.2006		31.03.2005	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Filters	-	-	-	-	1 No.	5,29,736	-	-
Washers, Classifiers, Clarifiers Components, Spares etc. (Unit quantification not possible)	-	61,16,456	-	56,58,962	-	33,74,017	-	61,16,456
Chemicals	7000 Kgs	7,82,283	5000 Kgs	5,36,003	5000 Kgs	5,14,981	7000 Kgs	7,82,283
Total	-	68,98,739	-	61,94,965	-	44,18,734	-	68,98,739

8. **Purchase of Finished goods: Chemicals**

2005-2006		2004-2005	
Qty	Value Rs.	Qty	Value Rs.
9,000 Kgs	9,26,966	9,000 Kgs	10,05,793

9. **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 : 15 (6) Filters, besides Washers, Classifiers, Clarifiers, Components, Spares, etc.

10. **Miscellaneous Expenses include, inter alia Rs.**

	2005-2006	2004-2005
(i) Travelling Expenses	24,55,529	24,10,562



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

	2005-2006		2004-2005	
	Value	%	Value	%
	Rs.		Rs.	
Rawmaterials:				
Imported	Nil	Nil	Nil	Nil
Indigenous	1,86,99,100	100.00	2,05,19,466	100.00
Spares and Components				
Imported	12,03,336	2.26	72,99,676	15.20
Indigenous	5,20,15,791	97.74	4,07,37,888	84.80
Total	5,32,19,127	100.00	4,80,37,564	100.00

12. Expenditure incurred in Foreign Currency during the year :

	2005-2006	2004-2005
	Rs.	Rs.
Foreign Travel expenses (excluding tickets Rs.77,250/-)	4,73,930	4,07,921
	<u>4,73,930</u>	<u>4,07,921</u>

13. Value of Imports made by the Company during the year calculated on C.I.F. Basis:

	2005-2006	2004-2005
	Rs.	Rs.
Components	12,03,336	60,42,584
Finished Goods - Chemicals	<u>9,55,360</u>	<u>8,15,647</u>
	<u>21,58,696</u>	<u>68,58,231</u>

14. Earnings in Foreign Exchange from Export of Goods on FOB basis

F.O.B. Value*	1,24,81,917	8,70,360
	<u>1,24,81,917</u>	<u>8,70,360</u>

* Excluding Rs.38,68,435/- (Rs.88,50,000/-) exported through others.

15. Due to SSI units for more than 30 days as on date of Balance Sheet is:

SLNO	SUPPLIERS NAME	AMOUNT (RS)
01	Aparajitha Rubbers	51,760
02	Chitra Castings	56,295
03	Chennai Engineers	2,12,108
04	Dhanalakshmi Engineering Works	3,23,677
05	Enviro Science & Engineering pvt Ltd	55,000
06	Horgo's Alloy Foundry	12,540
07	Hitech Castings	89,182
08	Hindustan Engineers	567
09	Hitech Engineering Works	1,53,584
10	Iyappan Sakthi Industries	1,173
11	Jaisakthy Engineering Works	1,398
12	Jeyam Industries	1,91,889
13	Murugan Engineering Works	86,518
14	Prathap Industries	66,950
15	Priya Fabricators	51,007
16	Prakasa Spectro Cast P Ltd	15,956
17	Prema Castings Works	72,717
18	R G Industries	27,411
19	Sree Vijee Industries	52,650
20	Saroja Light Castings & Industries	63,363
21	Sharp Fabricators	16077
22	SSP Enginners	78,457
23	Sri Shanmuga Industries	2,60,814
24.	South Clarifiers	69,896
25.	Sathya Industries	24,276
26.	Thirumalai Industries	1,01,072
27.	Vinco Engineers	1,59,128
	Total	22,95,465

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

Particulars	Assets	Liabilities
Depreciation	-	2,28,822
Amounts disallowed u/s 43B of I.T Act	9,663	-
VRS payments amortised as per I.T. Act	21,115	-
	30,778	2,28,822

17. Related Party Disclosures :

Particulars	Holding Company	Key Management Personnel
Sales and Services (Including Sales Tax and Service Tax)	1,22,94,100	-
Rent Paid	2,70,000	-
Share Capital held by	60,00,000	-
Payables	1,58,782	-
Guarantees given by	6,75,00,000	-

Note : Name of related parties and description of relationship :

- Holding Company : K.C.P. Sugar and Industries Corporation Ltd.
- Key Management Personnel: Shri.S.B.P.V.Ramamohana Rao

18. Earnings per Share (EPS) :

Particulars	2005-2006 Rs.	2004-2005 Rs.
Profit attributable to the Shareholders (A)	44,61,467	44,48,031
Basic / Weighted average number of Equity Shares outstanding during the year (B) [(3,00,000 x 8) + (6,00,000 x 4)/12 in 2004-2005]	6,00,000	4,00,000
Nominal Value of Equity Shares	10	10
Basic / Diluted Earning per Share (A / B)	7.44	11.12

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

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

21. Previous year figures have been regrouped wherever necessary.

22. Paise have been rounded off.

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

For and on behalf of the Board

As per our report of even date

For **BRAHMAYYA & CO.**

Chartered Accountants,

C. MURALI KRISHNA

Partner

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson



Particulars	Amount in Rs.	
	2005-2006	2004-2005
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	76,88,041	53,51,738
Adjustment for:		
Depreciation	8,66,708	6,01,117
Loss on Sale of Assets (Net)	6,256	—
Reversal of Diminution in the Value of Invst.	(3,091)	—
Interest Paid	13,56,217	11,14,566
Interest Received	(1,91,213)	(1,29,368)
	20,34,877	15,86,315
Operating Profit before Working Capital Change	97,22,918	69,38,053
Adjustments for:		
Trade and other Receivables	(33,47,687)	(1,56,07,263)
Inventories	41,23,551	(72,29,931)
Trade Payables	(1,01,29,022)	84,30,828
	(93,53,158)	(1,44,06,366)
Cash generated from Operations	3,69,760	(74,68,313)
Direct Taxes Paid (Net)	(9,97,970)	(67,875)
Cash Flow before extraordinary items	(6,28,210)	(75,36,188)
Extraordinary items:	—	—
NET CASH USED IN OPERATING ACTIVITIES	(6,28,210)	(75,36,188)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(11,04,671)	(5,70,832)
Increase in Capital Work-in-Progress	—	(1,42,340)
Sale of Fixed Assets	3,500	—
Interest Received	1,91,213	1,29,368
NET CASH USED IN INVESTING ACTIVITIES	(9,09,958)	(5,83,804)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in share capital	—	30,00,000
Proceeds from Loan	75,59,609	72,97,105
Interest Paid	(13,56,217)	(11,14,566)
NET CASH FROM FINANCING ACTIVITIES	62,03,392	91,82,539
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	46,65,224	10,62,547
Cash and Cash equivalents as at 01.04.2005	31,63,386	21,00,839
Cash and Cash equivalents as at 31.03.2006	78,28,610	31,63,386

For and on behalf of the Board

As per our report of even date

For **BRAHMAYYA & CO.**

Chartered Accountants,

C. MURALI KRISHNA

Partner

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson

(AMOUNT IN Rs. THOUSANDS)

I. Registration Details:

a) Registration No	5,550
b) State Code	18
c) Balance Sheet Date	31-3-2006

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 & Deployment of funds :

a) Total Assets	97,336
b) Total Liabilities	97,336

Sources of funds :

a) Paid up capital	6,000
b) Reserves & surplus	23,026
c) Secured Loans	23,212
d) Deferred Tax Liability (Net)	198

T O T A L

52,436**Application of funds :**

a) Net fixed Assets	5,324
b) Investments	11
c) Net current Assets	47,101

T O T A L

52,436**IV. Performance of company :**

a) Turnover	1,54,898
b) Other Income	2,674
c) Total Expenditure	1,49,884
d) Profit/(Loss) before tax	7,688
e) Profit/(Loss) after tax	4,461
f) Earnings per share in Rs	7.44

(Profit of Rs. 44.61 Lakhs / 6,00,000 Equity Shares of Rs.10/- Each)

g) Dividend Rate %	—
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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

For and on behalf of the Board

As per our report of even date

For **BRAHMAYYA & CO.**

Chartered Accountants,

C. MURALI KRISHNA

Partner

***KCP SUGARS AGRICULTURAL
RESEARCH FARMS LIMITED***

***Seventh Annual Report
2005 - 2006***

BOARD OF DIRECTORS

Chairperson	Smt.Irmgard Velagapudi M. Rao
Directors	Shri.V.C.Unnikrishnan Shri.R.Ganesan
Auditors	Messrs. Venkat & Rangaa Chartered Accountants, Chennai
Registered and Corporate Office	“Ramakrishna Buildings” 239, Anna Salai, Chennai 600 006.
Farm	Thirupukuzhi and Melambi Villages, Kancheepuram District, Tamil Nadu

Your Directors have pleasure in presenting the Seventh Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2006.

REVIEW OF OPERATIONS:

During the year ended 31.03.2006, the turnover and other income dropped steeply to Rs.0.73 lakhs from Rs.3.94 lakhs primarily on account of the change in the crops not being very successful and remunerative. This however, resulted in the loss being lower at Rs.1.75 lakhs as against the loss of Rs.2.37 lakhs in the previous year. Since the agricultural activity has not been very profitable over the years, your Board of Directors as advised by the Holding Company has decided to convert this subsidiary Company into an investment company and as part of the same the Objects clause of the Memorandum of Association of the Company was altered, incorporating new Clause Nos. 5, 6, 7 and 8 to carry on the business of investment in shares and other related activities. The other procedural formalities are in progress and your Board is confident thereafter of improving the operational performance and earning profits.

FIXED DEPOSITS:

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

DIRECTORS:

In accordance with the Companies Act 1956 and the Articles of the Association of the Company, Shri.V.C.Unnikrishnan, Director, retires by rotation and being eligible offers himself for reappointment.

DIRECTOR'S 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 year ended 31st March 2006 and of the loss 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 re-appointment.

For and on behalf of the Board of Directors

Chennai : 600006
Date : 26.06.2006

SMT. IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON

Registration No : CIN – U73100TN1978PTC041501
Nominal Capital : Rs. 50.00 Lakhs

To,
The Members

M/s. KCP Sugars Agricultural Research Farms Limited
*Ramakrishna Buildings:
239, 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 thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2006. 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 thereunder 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 thereunder.
- The Company is a Public Limited Company with a Paid-up Capital of Rs.45,00,000/- (Rupees Forty five Lakhs only) as on 31st March 2006 and hence no comments.
- The Board of Directors duly met 5 (Five) times respectively on 23.06.2005, 26.07.2005, 21.10.2005, 27.01.2006 and 16.03.2006, 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 on 31st March 2005 was held on 29th August 2005 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.
- An Extra Ordinary General Meeting was held during the financial year on 16th March 2006, after giving due notice to the Members of the Company and the resolutions passed thereat, were duly recorded in the 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 share certificate during the year under review.
- The Company has:
 - Not made any allotment / transmission / transfer of securities during the financial year.
 - The Company has 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 there was no appointment of Directors, during the year.
- 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 thereunder.
- 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 2006.
- 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.

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

Place : Chennai
Date : 26.06.2006

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.

- Form No. Schedule VI – Balance Sheet as on 31st March 2005 filed on 20.09.2005 vide ROC receipt No. 35007 u/s 220 for laying of Balance Sheet and Profit & Loss Account in Annual General Meeting on 29th August 2005.
- Secretarial Compliance Certificate u/s 383 A was filed on 20.09.2005 vide ROC receipt No. 35007.
- Form No. Schedule V - Annual Return filed on 28.10.2005 vide ROC Receipt No. 47075 u/s 160 for holding of Annual General Meeting on 29th August 2005.

Place : Chennai
Date : 26.06.2006

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

KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD.

To the Members of KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED

1. We have audited the attached Balance Sheet of K.C.P. AGRICULTURAL & RESEARCH FARM LIMITED No.183, Ramakrishna Buildings, Anna salai, Chennai 600 006 as at 31st March, 2006, 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 (Auditor's 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 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, 2006, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2006 and
 - ii) in the case of the Profit and loss account of the loss 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

Place : Chennai
Date : 26.06.2006

K.R. Adivarahan
Partner

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 clause (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. As the paid up capital and reserves of the Company is less than Rs 50 lakhs, the requirement of Internal audit is not applicable to the Company.
- viii. The maintenance of Cost records are not applicable to this Company.
- ix. (a) According to the information and explanation provided to us, Employee 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 tax/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 and had incurred cash losses during the said year and also in the immediately preceding financial year.
- 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 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 public issue of shares have been made by the Company so far.
- xxi. No fraud on or by the Company has been noticed or reported during the year.

For Venkat & Rangaa
Chartered Accountants

Place : Chennai
Date : 26.06.2006

K.R. Adivarahan
Partner

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	31-03-2006	31-03-2005
		Amount (Rs.)	
SOURCES OF FUND			
1. Shareholders' Funds			
Equity Share Capital	A	45,00,000	45,00,000
Reserves & Surplus		—	—
2. Loan Fund			
		<u>45,00,000</u>	<u>45,00,000</u>
APPLICATION OF FUNDS :			
3. Fixed Assets			
Gross Block	B	46,54,376	46,54,376
Less : Depreciation		2,31,210	1,91,175
Net Block		<u>44,23,166</u>	<u>44,63,201</u>
4. Investments			
5. Current Assets, Loans & Advances			
Inventories	C	2,42,127	1,24,741
Sundry Debtors	D	7,023	2,14,370
Cash and Bank balances	E	30,044	27,500
Loans & Advances	F	134	66,136
		<u>2,79,328</u>	<u>4,32,747</u>
Less: Current Liabilities & Provisions	G	<u>(19,21,482)</u>	<u>(19,42,512)</u>
Net Current Assets		<u>(16,42,154)</u>	<u>(15,09,765)</u>
6. Deferred Tax Asset (Net) (See Note 6)			
Deferred Tax Asset		6,33,249	6,33,249
Less: Deferred Tax Liability		<u>1,67,308</u>	<u>1,68,614</u>
		4,65,941	4,64,635
7. Miscellaneous Expenditure and Losses (to the extent not written off)			
Preliminary Expenses		7,944	10,592
Profit and Loss Account Balance		<u>12,45,103</u>	<u>10,71,337</u>
		<u>45,00,000</u>	<u>45,00,000</u>
Notes forming part of Accounts	K		

For and on behalf of the Board

As per our report of even date

for **VENKAT AND RANGAA**
Chartered Accountants

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

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

	2005-2006	2004-2005
	Amount (Rs.)	
Income		
Sale of Products	70,681	3,94,028
Other Income	<u>2,680</u>	<u>169</u>
	<u>73,361</u>	<u>3,94,197</u>
Expenditure		
Payments and Benefits to Employees	I	78,000
Manufacturing, Selling and Administrative Expenses	J	2,73,700
Depreciation	B	40,035
Decrease in Stock	H	<u>(1,43,302)</u>
		<u>2,48,433</u>
Profit / (Loss) before Taxation	<u>(1,75,072)</u>	<u>(2,36,626)</u>
Less: Provision for taxation - Current	—	—
- Deferred	<u>(1,306)</u>	<u>1,219</u>
Profit / (Loss) after taxation	<u>(1,73,766)</u>	<u>(2,37,845)</u>
Loss brought forward from previous year	<u>(10,71,337)</u>	<u>(8,33,492)</u>
Balance carried to Balance Sheet	<u>12,45,103</u>	<u>(10,71,337)</u>

For and on behalf of the Board

As per our report of even date

for **VENKAT AND RANGAA**
Chartered Accountants

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD.

SCHEDULES Forming part of Accounts for the year ended 31.03.2006

	(Amt in Rs.)	
	31.03.2006	31.03.2005
SCHEDULE A - Share Capital:		
Authorised 5,00,000 equity shares of Rs.10 each	<u>50,00,000.00</u>	<u>50,00,000.00</u>
Issued, Subscribed & Paid up Capital:		
4,50,000 equity shares of Rs.10 each	<u>45,00,000.00</u>	<u>45,00,000.00</u>
<i>(all the shares are held by the Holding Company, K.C.P. Sugar and Industries Corporation Ltd and their nominees.)</i>	<u>45,00,000.00</u>	<u>45,00,000.00</u>

SCHEDULE B - Fixed Assets:

Name of the Asset	Gross Block at Cost			Depreciation			Net Block	
	Cost upto 31.03.2005	Additions during the Year	Cost upto 31.03.2006	Upto 31.03.2005	For the year	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Land (including development)	36,86,503	—	36,86,503	—	—	—	36,86,503	36,86,503
Fencing	3,06,424	—	3,06,424	53,024	10,235	63,259	2,43,165	2,53,400
Building	1,26,501	—	1,26,501	14,423	4,225	18,648	1,07,853	1,12,078
Plant & Machinery	5,27,474	—	5,27,474	1,20,498	25,055	1,45,553	3,81,921	4,06,976
Vehicles	7,474	—	7,474	3,230	520	3,750	3,724	4,244
TOTAL	<u>46,54,376</u>	<u>—</u>	<u>46,54,376</u>	<u>1,91,175</u>	<u>40,035</u>	<u>2,31,210</u>	<u>44,23,166</u>	<u>44,63,201</u>

	(Amt in Rs.)	
	31.03.2006	31.03.2005
SCHEDULE C - Inventories (as certified by the management)		
Stock in trade		
a) Pesticides/Fertilizers	5,410	15,435
b) Packing Materials	—	15,891
b) Standing Crops	2,36,717	93,415
	<u>2,42,127</u>	<u>1,24,741</u>

SCHEDULE D - Sundry Debtors:

Sundry debtors-unsecured		
Debts outstanding for a period not exceeding six month-considered good	7,023	—
Other Debts-considered good	—	2,14,370
	<u>7,023</u>	<u>2,14,370</u>

SCHEDULE E - Cash and Bank Balances:

Cash on hand	5,346	12,833
Balance at Scheduled Banks:		
in Fixed Deposits	2,500	2,500
in Current Accounts	22,198	12,167
	<u>30,044</u>	<u>27,500</u>

SCHEDULE F - Loans and Advances:

Advances, unsecured, considered good		
(recoverable in cash or in kind or for value to be received)	92	66,094
Interest Receivable	42	42
	<u>134</u>	<u>66,136</u>

SCHEDULE G - Current Liabilities & Provisions:

Current Liabilities		
Sundry Creditors (K.C.P. Sugar & Ind. Corp. Ltd)	18,89,044	19,03,191
Sundry Creditors for expenses	32,412	39,295
Provision for taxation	26	26
	<u>19,21,482</u>	<u>19,42,512</u>

SCHEDULE H - Increase/(Decrease) in stock:

Opening Stock :			
Standing Crops	93,415	87,953	
Finished Goods	—	1,65,380	2,53,333
Closing Stock :			
Standing Crops	2,36,717	93,415	
	<u>1,43,302</u>	<u>(1,59,918)</u>	

		(Amt in Rs.)	
		2005-2006	2004-2005
SCHEDULE I - Payments and Benefits to Employees:			
Salaries and Wages		<u>78,000</u>	<u>78,000</u>
SCHEDULE J- Manufacturing, selling and Administrative Expenses			
Manufacturing Expenses :			
Cultivation Expenses	85,394		1,00,064
Labour Charges	1,00,805		1,18,845
Pesticides/Fertilisers	38,378		43,661
Repairs	<u>8,835</u>	2,33,412	<u>4,530</u> 2,67,100
Administrative & Selling Expenses :			
Bank Charges	1,126		773
Filing fees	1,500		1,500
Audit fees	8,418		8,430
Professional charges	7,714		7,560
Preliminary expenses	2,648		2,648
Miscellaneous Expenses	18,882		21,239
Freight Charges	--		38,220
Licence and Registration	<u>--</u>	<u>40,288</u>	<u>5,400</u> 85,770
		<u>2,73,700</u>	<u>3,52,870</u>

SCHEDULE K - Notes on Accounts:

1. Major Accounting Policies:

i. General:

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

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 Rs.	Liabilities Rs.
a) Depreciation	—	1,64,634
b) Preliminary Expenses	—	2,674
c) Unabsorbed losses	6,33,249	—
Total	<u>6,33,249</u>	<u>1,67,308</u>

For and on behalf of the Board

As per our report of even date

Signature to Schedules A to K

for **VENKAT AND RANGAA**
Chartered Accountants

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD.

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement

Amt. in Rs.

	2005 - 2006		2004 - 2005	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before tax and extraordinary items	(1,75,072)		(2,36,626)	
Adjustments for :				
Depreciation	40,035		40,035	
Loss/(Profit) on Sale of Assets	—		—	
Assets written off	—		—	
Dividend Income	—		—	
Interest paid	—		—	
Interest received	(169)	39,866	(169)	39,866
Operating Profit before Working Capital Changes	(1,35,206)		(1,96,760)	
Adjustments for:				
Trade and other Receivables	2,75,997		2,09,253	
Inventories	(1,17,386)		(1,36,578)	
Trade payables	(21,030)	1,37,581	(2,73,322)	(2,00,647)
Cash generated from Operations		2,375		3,887
Direct Taxes Paid	—		—	
Cash Flow before extraordinary items		2,375		3,887
Extraordinary items	—		—	
NET CASH FROM OPERATING ACTIVITIES		2,375		3,887
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	—		—	
Increase in Capital Work in Progress	—		—	
Sale of Fixed Assets	—		—	
Interest Received	169		169	
Dividend Received	—		—	
NET CASH USED IN INVESTING ACTIVITIES		169		169
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long term Borrowings	—		—	
Interest paid	—		—	
Repayment of Finance Lease Liabilities	—		—	
Dividends and Tax on dividends paid (Including Interim)	—		—	
NET CASH USED IN FINANCING ACTIVITIES		—		—
Net Increase in Cash and Cash Equivalents (A+B+C)		2,544		4,056
Cash and Cash equivalents as at 01.04.2005		27,500		23,444
Cash and Cash equivalents as at 31.03.2006		30,044		27,500

For and on behalf of the Board

As per our report of even date

for **VENKAT AND RANGAA**
Chartered Accountants

Chennai
26.06.2006

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

(AMOUNT IN Rs. THOUSANDS)

I. Registration Details:

a) Registration No	41501
b) State Code	18
c) Balance Sheet Date	31.03.2006

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 & Deployment of funds :

a) Total Assets	6,421
b) Total Liabilities	6,421
Sources of funds :	
a) Paid up Capital	4,500
b) Reserves & Surplus	—
c) Secured Loans	—
d) Unsecured Loans	—
T O T A L	4,500
Application of funds :	
a) Net fixed Assets	4,423
b) Investments	—
c) Net current Assets	(1,642)
e) Miscellaneous Expenditure	1,253
d) Deferred Tax Assets	466
T O T A L	4,500

IV. Performance of company :

a) Turnover	71
b) Other Income	3
c) Increase in stocks	143
d) Total Expenditure	392
e) Profit / (Loss) for the year before tax	(175)
f) Profit / Loss after tax	(174)
f) Earnings per share in Rs.	—
g) 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

For and on behalf of the Board

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

Consolidated Financial Statements

of

K.C.P. Sugar and Industries Corporation Limited

and

its Subsidiaries

2005 - 2006

CONSOLIDATED ACCOUNTS



BALANCE SHEET AS AT 31ST MARCH 2006

	Schedule	As at 31.03.2006	As at 31.03.2005
I SOURCES OF FUNDS:			
1. Shareholders' Funds			
Share Capital	A	11,33,85,050	11,33,85,050
Reserves & Surplus	B	130,01,99,571	91,87,38,101
		<u>141,35,84,621</u>	<u>103,21,23,151</u>
2. Loan Funds			
Secured Loans	C	30,47,62,140	31,21,45,376
Unsecured Loans	D	21,96,22,000	24,46,95,000
		<u>52,43,84,140</u>	<u>55,68,40,376</u>
3. Deferred Tax Liability (Net)			
Deferred Tax Liability		25,07,93,266	21,03,50,404
Less : Deferred Tax Asset		<u>3,87,75,391</u>	<u>7,39,58,685</u>
		<u>21,20,17,875</u>	<u>13,63,91,719</u>
TOTAL		<u>214,99,86,636</u>	<u>172,53,55,246</u>
II APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross Block	E	188,56,74,696	135,34,50,509
(b) Less: Depreciation		<u>52,59,55,405</u>	<u>46,45,98,087</u>
(c) Net Block		135,97,19,291	88,88,52,422
(d) Capital Work-in-Progress		<u>4,70,94,125</u>	<u>16,55,83,464</u>
		<u>140,68,13,416</u>	<u>105,44,35,886</u>
2. Investments	F	58,74,974	39,38,925
3. Current Assets, Loans and Advances			
(a) Inventories	G	138,37,19,543	146,02,19,551
(b) Sundry Debtors	H	16,30,33,927	14,74,30,680
(c) Cash and Bank Balances	I	7,60,06,047	5,34,53,675
(d) Other Current Assets	J	15,51,174	10,43,116
(e) Loans and Advances	K	46,94,71,289	39,16,84,851
		<u>209,37,81,980</u>	<u>205,38,31,873</u>
Less: Current Liabilities and Provisions	L	135,64,91,678	138,68,62,030
Net Current Assets		<u>73,72,90,302</u>	<u>66,69,69,843</u>
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Preliminary Expenses		<u>7,944</u>	<u>10,592</u>
TOTAL		<u>214,99,86,636</u>	<u>172,53,55,246</u>

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

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For **BRAHMAYYA & CO.**
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner

CONSOLIDATED ACCOUNTS
K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

	Schedule	2005-2006	AMT IN RS. 2004-2005
I INCOME			
Sale of Products and Services		422,60,31,645	322,66,58,786
Less: Inter divisional transfers		<u>(48,01,34,841)</u>	<u>(14,62,23,745)</u>
		374,58,96,804	308,04,35,041
Other Income	M	<u>2,95,64,750</u>	<u>4,21,62,428</u>
		377,54,61,554	312,25,97,469
II EXPENDITURE			
Raw Materials Consumed		174,22,75,004	154,29,68,068
Less: Inter divisional transfers		<u>(10,03,75,094)</u>	<u>(14,18,04,846)</u>
		164,18,99,910	140,11,63,222
Purchase of finished goods		9,26,966	10,05,793
Decrease in Stocks	N	1,03,62,598	5,74,472
Payments and Benefits to Employees	O	22,73,80,403	18,02,04,702
Manufacturing, Selling, Administrative & Other Expenses	P	56,09,13,205	46,88,07,300
Excise Duty and Taxes	Q	27,48,03,318	26,05,88,780
Interest		3,72,84,614	9,26,15,620
Depreciation		<u>7,52,51,957</u>	<u>6,26,38,318</u>
		282,88,22,971	246,75,98,207
Profit before taxation		94,66,38,583	65,49,99,262
Less : Provision for taxation - Current Tax		<u>(29,29,00,000)</u>	<u>(22,05,00,000)</u>
Deferred Tax		<u>(7,56,26,156)</u>	<u>(2,37,67,813)</u>
Fringe Benefit Tax		<u>(28,00,000)</u>	<u>--</u>
Add : Reversal of excess provision towards taxation relating to earlier years		<u>80,000</u>	<u>--</u>
Profit after taxation		57,53,92,427	41,07,31,449
Balance brought forward from previous year		<u>13,66,20,399</u>	<u>13,66,46,802</u>
		71,20,12,826	54,73,78,251
III APPROPRIATIONS			
Transfer to General Reserve		25,00,00,000	28,16,68,973
Interim Dividend Paid		5,66,92,525	2,83,46,263
Tax of Interim Dividend		79,51,128	37,77,139
Proposed Dividend		11,33,85,050	8,50,38,787
Tax on Proposed Dividend		<u>1,59,02,254</u>	<u>1,19,26,690</u>
Balance carried to Balance Sheet		26,80,81,869	13,66,20,399
Basic and Diluted Earnings Per Share (See Note 3)		5.07	3.62

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

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

For **BRAHMAYYA & CO.**
Chartered Accountants,

Chennai
28.06.2006

K.A.RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary

C. MURALI KRISHNA
Partner

		AMT IN RS.	
		As at 31.03.2006	As at 31.03.2005
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:		
	11,33,85,050 Equity Shares of Re.1/-each	<u><u>11,33,85,050</u></u>	<u><u>11,33,85,050</u></u>
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	76,20,04,188	101,20,04,188
	Surplus (i.e) Balance in Profit and Loss A/c.	13,66,20,399	26,80,81,869
		<u>91,87,38,101</u>	<u>130,01,99,571</u>
C	SECURED LOANS		
	1. From Banks		
	Working Capital Borrowings	30,47,62,140	25,31,52,450
	2. Term Loans		
	- From Financial Institutions / Banks	--	4,87,00,000
	- From Sugar Development Fund	--	92,00,000
	3. From Other Companies	--	10,92,926
		<u>30,47,62,140</u>	<u>31,21,45,376</u>
D	UNSECURED LOANS		
	Fixed Deposits	<u><u>21,96,22,000</u></u>	<u><u>24,46,95,000</u></u>

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

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

E FIXED ASSETS		AMT IN RS.									
		GROSS BLOCK AT COST			DEPRECIATION				NET BLOCK		
Description	Cost upto 31.03.2005	Additions during the Year	Deductions during the Year	Cost upto 31.03.2006	Upto 31.03.2005	For the year	Impairment Loss	On Deductions	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Lands	6,24,33,089	1,68,32,770	--	7,92,65,859	--	--	--	--	--	7,92,65,859	6,24,33,089
Buildings											
- Own Buildings	13,79,34,719	3,02,94,818	1,51,439	16,80,78,098	2,49,63,665	34,80,420	--	24,015	2,84,20,070	13,96,58,028	11,29,71,053
- Leasehold Buildings	1,12,189	--	--	1,12,189	41,481	3,536	--	--	45,017	67,172	70,708
Plant & Machinery	1,07,88,55,116	47,13,44,755	3,03,01,963	1,51,98,97,908	39,52,28,748	6,16,34,303	--	1,08,59,497	44,60,03,554	1,07,38,94,354	68,36,26,367
Tramways & Railway Sidings	1,00,06,232	--	--	1,00,06,232	42,77,666	4,75,296	--	--	47,52,962	52,53,270	57,28,566
Computers Office Equip. & Furnitures	3,63,80,965	3,23,70,850	13,16,487	6,74,35,328	2,61,60,312	60,05,671	--	10,86,445	3,10,79,538	3,63,55,790	1,02,20,654
Knowhow and Designs	2,35,000	--	--	2,35,000	2,35,000	--	--	--	2,35,000	--	--
Vehicles	2,74,93,199	1,59,80,135	28,29,252	4,06,44,082	1,36,91,215	36,52,731	--	19,24,682	1,54,19,264	2,52,24,818	1,38,01,985
Total	1,35,34,50,509	56,68,23,328	3,45,99,141	1,88,56,74,696	46,45,98,087	7,52,51,957	--	1,38,94,639	52,59,55,405	1,35,97,19,291	88,88,52,422
Previous year	1,30,74,99,099	6,08,31,248	1,48,79,838	1,35,34,50,509	39,57,21,615	6,26,38,318	1,13,64,973	51,26,819	46,45,98,087	88,88,52,422	91,17,77,484
K.C.P. Sugar and Industries Corporation Ltd.	1,32,20,20,234	56,57,18,657	3,45,73,641	1,85,31,65,250	44,14,75,638	7,43,45,214	--	1,38,78,895	50,19,41,957	1,35,12,23,293	88,05,44,596
The Eimco - K.C.P. Ltd.	2,67,75,899	11,04,671	25,500	2,78,55,070	2,29,31,274	8,66,708	--	15,744	2,37,82,238	40,72,832	38,44,625
K.C.P. Sugars Agricultural Research Farms Ltd.	46,54,376	--	--	46,54,376	1,91,175	40,035	--	--	2,31,210	44,23,166	44,63,201
Total	1,35,34,50,509	56,68,23,328	3,45,99,141	1,88,56,74,696	46,45,98,087	7,52,51,957	--	1,38,94,639	52,59,55,405	1,35,97,19,291	88,88,52,422

CONSOLIDATED ACCOUNTS



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

	AMT IN RS.	
	As at 31.03.2006	As at 31.03.2005
F INVESTMENTS: (Long Term)		
I. SHARES OF COMPANIES:		
A Trade Investments:		
Quoted Equity Shares-Fully paid:	13,21,946	13,21,946
B. Non-Trade Investments:		
Quoted Equity Shares - Fully Paid-up	40,48,384	
Less : Provision for shortfall in value	1,356	
	<u>40,47,028</u>	21,10,979
C. Non-Trade Investments:		
Unquoted Equity Shares - Fully Paid-up	5,00,000	5,00,000
II. OTHER INVESTMENTS :		
Government Securities	6,000	6,000
	<u>58,74,974</u>	<u>39,38,925</u>
G INVENTORIES		
Stores and Spares	9,93,96,084	8,00,35,164
Loose Tools	2,03,798	2,13,847
Stocks-in-trade		
a) Raw Materials	59,23,466	9,14,11,747
b) Crops under cultivation	2,76,317	1,40,212
c) Work-in-progress	2,63,29,572	3,13,74,556
d) Finished Goods	125,15,90,306	125,70,44,025
	<u>138,37,19,543</u>	<u>146,02,19,551</u>
H SUNDRY DEBTORS		
Sundry Debtors - Unsecured:		
Debts outstanding for a period exceeding six months - considered good	2,47,64,391	4,06,12,086
Other Debts - Considered Good	13,82,69,536	10,68,18,594
	<u>16,30,33,927</u>	<u>14,74,30,680</u>
I CASH AND BANK BALANCES		
Cash on hand	10,20,217	6,71,666
Balances at Scheduled Banks:		
In Fixed Deposits	1,86,35,782	1,53,80,476
In Current Accounts	5,63,50,048	3,74,01,533
	<u>7,60,06,047</u>	<u>5,34,53,675</u>
J OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	15,51,174	10,43,116

CONSOLIDATED ACCOUNTS

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

SCHEDULES

		AMT IN RS.	
		As at 31.03.2006	As at 31.03.2005
K LOANS AND ADVANCES			
Advances <i>(unsecured recoverable in cash or in kind or for value to be received)</i>			
Considered Good		10,41,53,087	12,09,74,488
Considered Doubtful		4,19,925	4,19,925
		<u>10,45,73,012</u>	<u>12,13,94,413</u>
Less : Provision		4,19,925	4,19,925
		<u>10,41,53,087</u>	<u>12,09,74,488</u>
Prepaid expenses		62,39,539	60,29,547
Excise duty paid in advance		2,26,42,996	1,07,37,814
Advance Income-tax paid		32,54,56,338	22,26,00,000
Income Tax deducted at source		19,37,699	14,62,634
Deposits with the Government Departments etc. recoverable		59,77,989	59,18,934
Claims receivable		30,63,641	2,39,61,434
		<u>46,94,71,289</u>	<u>39,16,84,851</u>
L CURRENT LIABILITIES AND PROVISIONS			
A. Current Liabilities :			
Sundry Creditors			
- Due to small scale industrial undertakings		55,27,762	62,71,971
- Due to others		83,53,58,431	99,95,97,571
Unclaimed Fixed Deposits		54,90,698	41,39,318
Unclaimed Dividends		95,70,022	62,68,411
Unclaimed Interest on Fixed Deposits		42,87,307	54,93,211
Advances received against sales		1,90,35,419	1,07,88,990
Trade Deposits		4,50,175	75,500
Staff Security Deposits		1,50,000	1,45,000
Interest accrued but not due on loans		1,37,09,008	1,80,81,254
TOTAL	A	<u>89,35,78,822</u>	<u>105,08,61,226</u>
B. Provisions :			
Provision for Leave Encashment		73,64,683	69,74,941
Provision for Gratuity		50,50,704	14,80,360
Provision for Income Tax		31,84,10,165	23,05,80,026
Provision for Fringe Benefit Tax		28,00,000	--
Proposed Dividend		11,33,85,050	8,50,38,787
Tax on Distributed profits		1,59,02,254	1,19,26,690
TOTAL	B	<u>46,29,12,856</u>	<u>33,60,00,804</u>
TOTAL	A+B	<u>135,64,91,678</u>	<u>138,68,62,030</u>

CONSOLIDATED ACCOUNTS



	AMT IN RS.	
	2005-2006	2004-2005
M OTHER INCOME		
Interest received from Banks and others	12,84,328	14,80,399
Dividends Received		
i) On Trade Investments	2,44,552	1,31,253
ii) On other Investments	11,26,700	8,27,910
Rent received	15,56,027	3,83,899
Miscellaneous receipts	1,49,40,174	1,51,05,926
Profit on sale of assets	5,79,408	11,16,659
Profit on sale of Investments	31,753	—
Unclaimed balances credited back	11,49,139	10,41,058
Claims received	66,16,458	1,42,41,655
Excess provision credited back	19,34,161	77,89,237
Reversal of diminution in value of investments	3,091	—
Foreign exchange variation	98,959	44,432
	2,95,64,750	4,21,62,428
N INCREASE/(DECREASE) IN STOCKS		
Opening Stocks:		
Crops under cultivation	1,40,212	1,20,219
Work-in-Progress	3,13,74,556	3,35,26,155
Finished goods	125,70,44,025	125,54,86,891
	128,85,58,793	128,91,33,265
Closing Stocks:		
Crops under cultivation	2,76,317	1,40,212
Work-in-Progress	2,63,29,572	3,13,74,556
Finished goods	125,15,90,306	125,70,44,025
	127,81,96,195	128,85,58,793
Increase/(Decrease) in stocks	(1,03,62,598)	(5,74,472)
O PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	18,33,49,579	15,54,17,153
Payment under Voluntary Retirement Scheme	49,55,664	—
Contribution to Provident Fund and Pension Scheme	1,06,95,131	88,19,649
Contribution to Superannuation Fund	8,52,021	17,75,373
Contribution to Gratuity Fund and Gratuity Paid including provision	1,05,31,628	52,86,047
Workmen and Staff Welfare expenses	1,69,96,380	89,06,480
	22,73,80,403	18,02,04,702

CONSOLIDATED ACCOUNTS
K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

AMT IN RS.

	2005-2006	2004-2005
P MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES		
MANUFACTURING		
Stores and spares consumed	15,42,40,662	13,65,38,283
Machining and Fabrication Charges	1,14,27,961	1,36,54,072
Drawing Office Stationery	2,27,310	2,06,159
Testing and Inspection Charges	41,963	1,57,229
Cultivation Expenses	5,22,757	6,34,022
Power & Fuel	40,70,43,532/- P.Y. 3,07,62,230/-	
Less : Inter Divisional Transfers	(37,97,59,747/-) P.Y. (44,18,899/-)	
Net Power and Fuel	2,72,83,785	2,63,43,331
Insurance	90,27,587	91,13,805
Research & Development	4,87,26,297	2,66,48,713
Repairs to Buildings	77,23,749	89,15,027
Repairs to Machinery	11,19,66,059	10,85,92,019
Repairs to Other Assets	89,17,755	1,41,21,299
(A)	38,01,05,885	34,49,23,959
SELLING		
Loading, Unloading, Transport etc.	1,82,77,429	1,83,65,861
Commission on Sales	3,05,330	2,74,082
Other Selling Expenses	7,32,829	5,10,840
(B)	1,93,15,588	1,91,50,783
ADMINISTRATIVE		
Rent	3,04,434	2,88,400
Payments to Auditors	7,00,596	6,36,500
Directors Sitting fee	13,60,000	6,06,000
Remuneration to Whole time and other Directors	5,98,98,197	4,51,85,049
Miscellaneous expenses	5,92,49,177	4,31,05,106
(C)	12,15,12,404	8,98,21,055
OTHERS		
Liquidated damages/Performance guarantee	28,25,501	29,22,177
Loss on sale of assets	6,08,644	14,93,987
Value of Investments written off	---	1,816
Loss on sale of stores	52,81,281	6,06,621
Net value of assets written off	1,89,44,025	77,78,769
Bad debts written off	1,23,19,877	21,03,435
Unserviceable and damaged stores written off	---	4,698
(D)	3,99,79,328	1,49,11,503
(A+B+C+D)	56,09,13,205	46,88,07,300
Q EXCISE DUTY & TAXES		
Excise Duty and Cess	18,05,51,895	17,16,15,564
Purchase Tax and Cess on Sugarcane	8,99,02,431	8,48,58,578
Rates and Taxes	43,48,992	41,14,638
TOTAL	27,48,03,318	26,05,88,780

1. System of Accounting :

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

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.

4. INVESTMENTS

Investments are stated at cost and are all long term in nature unless otherwise stated. Income thereon is accounted on accrual basis.

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

Sales are inclusive of excise duty, freight, insurance etc. recovered thereon net of sales tax.

Power generated in Power Plant Units and supplied to 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) Transaction 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 are initially recognized
- c) In respect of forward exchange contract in the nature of hedges
 - Premium of 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. RETIREMENT BENEFITS

- a. All the Employees of the Company are entitled to retirement benefits of Provident Fund and Gratuity and some of the Employees are covered under a Superannuation scheme. Provident Fund contributions by the Company are accounted for on accrual each month. Contributions to Gratuity and Superannuation Fund is made on the basis of demands raised by L.I.C. in respect of staff covered by it and in respect of others liability is computed as if they retire on the Balance sheet date and charged to revenue accordingly. Any gratuity payable to retiring employees over and above the amount reimbursed by the LIC if any, is also charged to revenue in the respective years.
- b. The above Liabilities are funded with Trusts, duly approved by Income Tax authorities.
- c. Provision is made in the accounts for the estimated liability on the Balance sheet date towards leave encashment on retirement/cessation of the services of the employees, as per the rules of the Company.

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. CONTINGENT LIABILITIES

Contingent Liabilities are not recognized in the accounts, but are disclosed after a careful evaluation of the concerned facts and legal issues involved.

1. Contingent liabilities not provided for :

 a) Claims against the company not acknowledged as debts: **(Amt. in Rs.)**

Particulars	31.03.2006	31.03.2005
Labour Cases	1,33,17,023	1,51,44,776
Central Excise Cases	1,91,12,314	38,612
Sales Tax Cases	20,18,592	13,19,731
ESI Cases	68,233	68,233
Differential Statutory Minimum Cane Price for the financial year 2002-03	1,85,23,712	1,85,23,712
Total	5,30,39,874	3,50,95,064

b) Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs.3,35,11,492/- (P.Y. Rs.12,56,90,004/-)

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.2,39,34,493/- (P.Y.Rs.1,54,96,925/-) 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/- (Rs. 3,37,00,000/-) has been provided on behalf of The Eimco-K.C.P. Limited a subsidiary for moneys borrowed from its Bank.

2. Related Party Disclosures Pursuant to Accounting Standard 18
(Amt. in Rs.)

	Key Management Personnel	Companies Managed by a key management Personnel
Sale of Materials	---	54,989
Sale of Goods & Services	---	42,500
Share Capital held in	---	6,90,810
Share Capital of the Company held by	18,95,490	2,78,370
Receivables	---	2,35,098
Remuneration paid	5,93,61,691	---
Fixed Deposits held	2,00,00,000	---
Interest on Fixed Deposits	18,43,205	---

CONSOLIDATED ACCOUNTS
K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Note :

Names of related parties and description of relationship :

1. Key Management Personnel Parent Company :
 - a) Smt. Rajeswary Ramakrishnan, Executive Chairman for part of the year
 - b) Smt. Irmgard Velagapudi M.Rao, Managing Director
 - c) Smt. V. Kiran Rao, Executive Director

2. Companies managed by a Key Management personnel
 - a) The Jeypore Sugar Company Ltd., Chennai.
 - b) Krishna Industrial Corporation Ltd., Chennai.

3. **Earnings per Share (EPS)** - The numerators and denominators used to calculate Basic and Diluted Earnings per Share.

	2005-2006	2004-2005
	Rs.	Rs.
Profit attributable to the Shareholders (A)	57,53,92,427	41,07,31,449
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)	5.07	3.62

Notes : Consequent to the split during the year of shares of Rs.10/- each into shares of Re.1/- each, the EPS for the year 2004-2005 has also been restated on the basis of an adjusted value of Re.1/- per share in order to facilitate comparison with that of the current financial year.

4a. SEGMENT INFORMATION FOR THE YEAR ENDED 31st MARCH, 2006- BUSINESS SEGMENTS (PRIMARY SEGMENTS)

Particulars	Amt. in. Rs.											
	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	334,61,04,855	267,31,26,519	17,31,16,802	23,89,26,603	3,25,07,800	—	16,93,31,882	—	3,82,422	2,55,001	3,74,58,96,804	308,11,30,003
Inter-Segment Sales	26,48,62,693	14,51,04,410	—	65,334	21,52,72,148	—	3,88,879	—	—	29,840	48,01,34,841	14,55,28,783
Total Revenue	361,09,67,548	281,82,30,929	17,31,16,802	23,89,91,937	24,77,79,948	—	16,97,20,761	—	3,82,422	2,84,841	4,22,60,31,645	322,66,58,786
Result												
Segment Result	95,53,42,070	72,73,77,807	10,17,147	3,63,16,109	5,48,36,889	—	2,28,85,442	—	—	—	103,52,05,444	78,65,79,358
Unallocated Corporate Expenses/Income	—	—	—	—	—	—	—	—	—	—	5,17,24,027	378,78,288
Operating Profit	—	—	—	—	—	—	—	—	—	—	98,34,81,417	74,87,01,070
Interest Expense	—	—	—	—	—	—	—	—	—	—	3,72,84,614	926,15,620
Interest Income	—	—	—	—	—	—	—	—	—	—	12,84,328	14,80,399
Dividend Income	—	—	—	—	—	—	—	—	—	—	13,71,252	9,59,163
Donations	—	—	—	—	—	—	—	—	—	—	22,13,800	35,25,750
Income Taxes	—	—	—	—	—	—	—	—	—	—	37,12,46,156	24,42,67,813
Net Profit from Ordinary Activities	—	—	—	—	—	—	—	—	—	—	57,53,92,427	41,07,31,449
Other information												
Segment assets	226,44,39,285	244,93,75,004	14,55,35,070	23,28,87,971	50,61,63,095	—	18,11,74,737	—	1,58,782	1,70,37,676	311,83,58,747	284,64,00,036
Un-allocated Corporate Assets	—	—	—	—	—	—	—	—	1,23,89,044	1,24,03,191	38,81,19,567	26,58,17,241
Total Assets	—	—	—	—	—	—	—	—	—	—	350,64,78,314	311,22,17,277
Segment Liabilities	104,92,82,316	111,06,73,453	67,91,542	13,89,15,720	1,71,149	—	7,09,34,260	—	20,47,826	1,89,40,867	112,51,31,441	130,07,08,728
Un-allocated Corporate Liabilities	—	—	—	—	—	—	—	—	—	—	96,77,62,252	77,93,85,398
Total Liabilities	—	—	—	—	—	—	—	—	—	—	209,28,93,693	208,00,94,126
Capital Expenditure	10,16,52,802	8,92,30,650	2,06,08,462	9,10,19,001	28,31,22,866	—	64,77,939	—	—	—	44,86,83,989	18,67,27,590
Depreciation	5,44,67,128	5,55,89,567	28,69,431	25,69,640	1,07,86,747	—	44,79,111	—	—	—	7,52,51,957	6,26,38,318
Non cash expenses other than depreciation	12,25,662	85,79,552	2,61,78,143	1,84,367	—	—	11,27,447	—	—	—	3,12,66,550	98,91,366

4b. SECONDARY SEGMENT REPORT FOR THE YEAR ENDED 31.03.2006 - GEOGRAPHICAL SEGMENTS

PARTICULARS	PREVIOUS YEAR	
	CURRENT YEAR RS.	RS.
SALES REVENUE		
IN INDIA	421,35,49,728	322,57,88,426
OUTSIDE INDIA (Export out of India)	1,24,81,917	8,70,360
TOTAL	422,60,31,645	322,66,58,786

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 FINANCIAL STATEMENTS

	Amt. in Rs.	
	<u>2005-2006</u>	<u>2004 - 2005</u>
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	94,66,38,583	65,49,99,262
Adjustments for :		
Depreciation	7,52,51,957	6,26,38,318
Loss/(Profit) on Sale of Assets	29,236	3,77,328
Assets / Investment written off	1,89,47,116	77,80,585
Profit on sale of Investments	(31,753)	—
Dividend Income	(13,71,252)	(9,59,163)
Interest paid	3,72,84,614	9,26,15,620
Interest received	(12,84,328)	(14,80,399)
	<u>12,88,25,590</u>	<u>16,09,72,289</u>
Operating Profit before Working Capital Changes	1,07,54,64,173	81,59,71,551
Adjustments for :		
Trade and other Receivables	(94,36,308)	11,23,40,572
Inventories	(7,65,00,008)	8,59,33,678
Trade payables	15,60,77,318	(39,69,53,448)
	<u>7,01,41,002</u>	<u>(19,86,79,198)</u>
Cash generated from Operations	1,00,53,23,171	1,01,46,50,749
Direct Taxes Paid / Refunds including interest	30,83,21,264	21,47,33,935
Cash Flow before extraordinary items	69,70,01,907	79,99,16,814
Extraordinary items :	—	—
NET CASH FROM OPERATING ACTIVITIES	69,70,01,907	79,99,16,814
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	56,68,23,328	6,08,31,248
Investments purchased	19,87,772	—
Increase in Capital Work in Progress	(11,84,89,339)	12,49,96,341
Sale of Investments	(80,385)	—
Sale of Fixed Assets	(17,31,241)	(33,36,177)
Interest Received	(12,84,328)	(14,80,399)
Dividend Received	(13,71,252)	(9,59,163)
NET CASH USED IN INVESTING ACTIVITIES	44,58,54,555	18,00,51,850
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long term Borrowings	2,86,08,310	(46,71,91,378)
Interest paid	3,72,84,614	(9,26,15,620)
Increase in Hire Purchase Liabilities	10,92,926	1,14,997
Dividends and Tax on dividends paid (including interim)	16,16,09,130	(6,41,01,530)
NET CASH USED IN FINANCING ACTIVITIES	22,85,94,980	(62,37,93,531)
Net Increase in Cash and Cash Equivalents (A+B+C)	2,25,52,372	(39,28,567)
Cash and Cash equivalents - Opening	5,34,53,675	5,73,82,242
Cash and Cash equivalents - Closing	7,60,06,047	5,34,53,675

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

For and on behalf of the Board

As per our report of even date

IRMGARD VELAGAPUDI M. RAO
Managing DirectorV.KIRAN RAO
Executive DirectorFor BRAHMAYYA & CO.
Chartered Accountants,Chennai
28.06.2006K.A.RANGASWAMY
DirectorV.C.UNNIKRISHNAN
General Manager (Finance) and SecretaryC. MURALI KRISHNA
Partner

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, 2006, 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 conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of one of the subsidiaries viz. KCP SUGARS AGRICULTURAL 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, 2006;
- 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 **BRAHMAYYA & CO**
Chartered Accountants

C. Murali Krishna
(ICAI Memb. No 20884)
Partner

PLACE : Chennai
DATE : 28th June, 2006

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 blank 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.

(Details 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 scope 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 of the 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 date 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 Shareholders account because of the incorrect information given.

The facility of ECS is now available in 45 cities as follows :

Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Baroda, Bhopal, Bhubaneshwar, Calcutta, Chandigarh, Chennai, Cochin, Coimbatore, Dehradun, Delhi, Durgapur, Faridabad, Ghaziabad, Guwahati, Hubli, Hyderabad, Jaipur, Jamshedpur, Kanpur, Kolhapur, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Nagpur, Nasik, Panaji, Patna, Pune, Rajkot, Shimla, Siliguri, Surat, Thiruvananthapuram, Trichur, Trichy, Varanasi, Vijayawada, Visakhapatnam.

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. At present RBI has fixed a ceiling on the amount of the individual transaction at Rs.5.00 lakhs.

We 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 of your cheque** pertaining to your account to which the dividend amount is to be credited.

The decision to introduce the facility will be taken by the Company depending on the response from the Shareholders and in consultation with the Company's Bankers.

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 _____ From _____
INTEGRATED ENTERPRISES (INDIA) LTD.
 (Unit : K.C.P. SUGAR AND INDUSTRIES CORPORATION Folio No. _____
 LIMITED) No. of Shares _____
 II Floor, "Kences Towers", No. 1, Ramakrishna Street, North
 Usman Road, T.Nagar, Chennai - 600 017.

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	Farmer	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	* 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 a 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	* 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	* 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 (<i>The prescribed form will be provided by the Company at the time of request</i>). * 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 certificate 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 a 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.	Shares :	S. No.
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ELEVENTH ANNUAL GENERAL MEETING

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

Date : **Thursday, 12th October, 2006.**
Time : **10.00 AM**

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 Eleventh Annual General Meeting of the Company, to be held at

10.00 a.m. on Thursday the 12th day of October 2006 and at any adjournment thereof.

Signed this _____ day of _____ 2006.

S.No.	Received on	Time	Code

Signed by the said

Affix
30 p.
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.

BOOK-POST

If undelivered, please return to:

INTEGRATED ENTERPRISES (INDIA) LTD.

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

2nd Floor, "Kences Towers", No. 1, Ramakrishna Street,

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

Ph: 28140801 to 28140803 Fax: 28142479