

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

*Twelfth Annual Report
2006 - 2007*

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

BOARD OF DIRECTORS

Chairman	Shri.Vinod R. Sethi
Managing Director	Smt.Irmgard Velagapudi M. Rao
Executive Director	Smt.V.Kiran Rao
Directors	Shri.K.A.Rangaswamy Shri.Ranvir Shah Shri.Prathap K.Moturi Dr.Vithal Rajan Shri.Raghu Cidambi Shri.M.S.V.M.Rao Shri.S.V.Narasimha Rao
Chief Operating Officer	Shri.V.C.Unnikrishnan, FCA, FICWA, FCS <i>[till 04.07.2007]</i>
General Manager (Finance) and Secretary	Shri.R. Ganesan <i>[from 05.07.2007]</i>
General Manager (Finance)	Shri.S.Chidambaram, B.Sc.,AICWA,ACS, <i>[from 05.07.2007]</i>
Deputy General Manager (Finance) and Company Secretary	Messrs. B.Purushottam & Co. Chartered Accountants, Chennai
Auditors	Shri.T.Raghavan
Legal Advisor	State Bank of India Punjab National Bank ICICI Bank Ltd ING Vysya Bank Ltd UTI Bank Ltd
Bankers	“Ramakrishna Buildings” 239, Anna Salai, Chennai - 600 006.
Registered & Corporate Office	Vuyyuru - Sugar Industrial Chemicals Incidental Co-Generation power Biotech Research and Development CO2 Calcium Lactate
Units	Lakshmipuram - Sugar - Incidental Co-Generation power Tada - Workshop
Registrars to Deposits	TIPS Data Systems Private Limited 19 (old 11) Nagarjuna Nagar, 1 st Street Rangarajapuram, Kodambakkam, Chennai - 600 024. Ph: 24812333 / 24812335 Fax : 24812336 Website : www.tipsdatasys.com
Registrars & Share Transfer Agent & Depository Registrars	M/s Integrated Enterprises (India) Limited, 2 nd 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										
	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999	31.03.1998	
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30	1,289.30	
Reserves and Surplus	14,475.97	12,784.19	9,012.45	6,554.82	4,962.81	5,384.94	6,772.84	6,105.68	5,515.34	4,926.30	
Net Worth	15,609.82	13,918.04	10,146.30	7,688.67	6,096.66	6,518.79	7,906.69	7,394.98	6,804.64	6,215.60	
Fixed Assets (Net)	15,541.25	13,970.66	10,448.77	9,649.21	10,141.13	10,114.89	9,589.37	8,979.56	7,878.04	6,341.50	
Gross Income	33,611.64	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59	20,579.09	
Gross Profit	5,000.54	10,555.24	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39	3,823.65	
Depreciation	1,001.49	743.45	619.97	626.02	611.21	575.87	531.30	428.73	368.96	350.29	
Interest	351.56	420.53	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60	1,458.44	
Profit / (Loss) before Tax	3,647.49	9,391.26	6,498.84	1,023.43	-577.63	536.17	1668.16	1,183.57	1,246.83	2,014.92	
Profit / (Loss) after Tax	2,355.05	5,711.05	4,065.21	1,911.79	-422.13	340.19	1368.16	983.57	946.83	1,614.92	
Earnings per Share (Rs.)	2.08	5.04	35.85	16.86	-3.72	3.00	*10.79	7.63	7.34	10.90	
Cash Earnings per Share (Rs.)	2.96	5.69	41.32	22.38	1.67	8.08	*14.97	10.95	10.21	15.24	
Book Value per Share (Rs.)	13.77	12.28	89.49	67.81	53.77	57.49	69.73	57.36	52.78	48.21	
Dividends on Equity %	50.00	150.00	100.00	25.00	-	25.00	25.00	25.00	25.00	25.00	
Long term Debt Equity Ratio	0.12	0.16	0.30	0.49	0.58	0.70	0.73	0.75	0.77	0.48	

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

SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY

SEASON	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
SUGAR UNIT, VUYYURU										
Cane Crushed in MTS	12,21,209	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052	8,91,340
Sugar bagged in QTLS	13,19,880	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540	9,62,300	8,63,146
Recovery (%)	10.83	11.15	11.46	10.47	10.07	10.48	10.38	10.20	10.33	9.68
SUGAR UNIT, LAKSHMIPURAM										
Cane Crushed in MTS	4,53,307	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010	4,50,431	3,30,772
Sugar bagged in QTLS	4,57,905	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
Recovery (%)	10.32	10.63	11.10	10.05	9.07	9.40	9.36	9.65	9.80	9.20

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held at iSathguru Gnanananda Halli Narada Gana Sabha, 314, T.T.K.Road, Alwarpet, Chennai 600018, on Thursday, the 27th day of September 2007 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2007 and the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Shri.K.A. Rangaswamy who retires by rotation in terms of Article 119 and 120 of the Company's Article of Association and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Smt.V.Kiran Rao, who retires by rotation in terms of Article 119 and 120 of the Company's Article of Association and being eligible, offers herself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, and to fix their remuneration.

SPECIAL BUSINESS:

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

iRESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and 316 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, and Article 147 & 148 of the Articles of Association of the Company, and subject to the approval of the Shareholders and such other approvals including that of the Central Government, if so required and as may be necessary, the Company hereby approves the reappointment of Smt.V. Kiran Rao as Executive Director of the Company, for a period of five years i.e. from 29th July 2007 to 28th July, 2012 during which term of office she shall not be liable to retirement by rotation and on the terms and conditions as to remuneration, recommended by the Remuneration Committee of the Board, as hereunder:

- i. **Salary** : Rs.3,00,000/- per month with an authority to the Remuneration Committee / Board of Directors to grant one or more suitable increments at the appropriate time within the ceiling prescribed under Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956.
- ii. **Perquisites** : Provision of car with driver for use on Company's business and telephone at the residence and cell phone (including payment for local calls and long distance official calls). Personal long distance calls on telephone and use of car for private purposes shall be charged to the Executive Director; Rent free furnished residential accommodation; Personal accident insurance; Contribution to provident fund and gratuity; Electricity to be valued as per Income Tax Rules. These perquisites shall be in accordance with the Company's practice, rules and regulations in force, from time to time as may be applicable to her.
- iii. **Commission** : Remuneration by way of commission on net profits in addition to salary such that the amount of salary and commission in aggregate is subject to an overall ceiling of 2 % of the net profits of the Company in a particular

financial year as laid down in Section 198 and 309 read with Section 349 of the Act.

- iv. **Minimum Remuneration** : Notwithstanding anything to the contrary herein contained, where in any financial year during her said tenure, the Company has no profits or its profits are inadequate, the Company will pay to her as minimum monthly remuneration the salary mentioned in (i) and the perquisites mentioned in (ii) above, however not exceeding the limits specified under Section II of Part II of Schedule XIII of the Act and she shall not be entitled to any commission.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation in the provisions relating to the payment of remuneration to the managerial persons or to Schedule XIII of the Act, the Board of Directors be and are hereby authorized to vary or increase the remuneration within the prescribed limits.

RESOLVED FURTHER THAT Smt.V.Kiran Rao be and is hereby authorized to exercise such powers of management, as may be delegated to her by the Board of the Company, from time to time, subject however to the overall superintendence, control and direction of the Board.

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 : 29.06.2007

IRMGARD VELAGAPUDI M RAO
MANAGING DIRECTOR

NOTES :

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

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

- c. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 19th day of September 2007 to 27th day of September 2007, both days inclusive, **for the purpose of payment of dividend.**
- d. **Dividend on equity shares**, as recommended by the Board, when declared at the Meeting will be paid on or after 27.09.2007, 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 19th September.2007, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before 18th September 2007, and

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NOTICE (CONTD.)

- 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 19th September 2007.
- e. **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.
- f. Securities and Exchange Board of India has made **trading** in the shares of the company **compulsory in dematerialized form** for all investors. Members are requested to open a Beneficiary owner account with a Depository Participant, if not done so far.
- g. Members are requested to **quote their Registered Folio number** in all correspondence with the Company/Registrar and are requested to notify to the Registrar, change, if any, in the Registered Address and/or of their mandates. In case your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to **kindly inform your PIN CODE** immediately to the Registrar.
- h. **Members holding shares in dematerialized form**, may please note that while opening a depository account with participants they might have given **their bank account details**, which will be printed on their dividend warrants. However, if Members want to change/correct the Bank details, they should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for addition/deletion/change in bank account details furnished by Depository Participants to the Company.**
- i. **Members holding shares in physical form** are requested to note that in order to avoid any loss/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 18th September 2007. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 19th September 2007. Alternatively, Members may provide details of their Bank Accounts quoting their folio numbers by the said date, to the Company's Registrar and Transfer Agents to enable them print such details on the dividend warrants. Please ensure that the details submitted by you to our Registrars / your Depository Participant are correct as any error therein could result in the dividend amount being credited to wrong account. Payment of dividend through ECS and / or to the designated Bank Account which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.
- j. Members who are holding shares in identical order of names in more than one folio are requested to send to the Registrar the details of all such folios together with the Share Certificates for **consolidation of their holdings into a single folio.**
- k. **Members who hold shares in the physical form** can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility** by filling **Form 2B printed with this Annual Report**. Members holding shares in dematerialized form may please contact their Depository Participants for recording nomination in respect of their shares.
- l. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 2000 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Protection and Education Fund (IPEF)** 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
31.03.2000	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
	(Final)	12.10.2006	11.10.2013

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

[The **Unclaimed Dividend** for the above year(s), 1999-00, 2000-01, 2001-02, 2003-04, and 2004 ñ 05 (interim & final), 2005 ñ 06 (interim & final) are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are in their own interest advised to write to the Registrar immediately with complete details. **Shareholders are requested to note that no claim shall lie against the Company or the said Fund in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claim.]**

- n. Shareholders who have **not lodged their old share certificates of ìThe K.C.P.Ltdî** 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 ñ 600 008 at the earliest with a copy marked to the Registrar. New share certificates of this Company will be despatched after receipt of confirmation from The K.C.P.Ltd.
- o. Members/Proxy holders must bring the **Attendance Slip duly signed to the meeting** and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to **bring their copy of the Annual Report to the Meeting** as copies will not be distributed at the Meeting hall.
- p. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the Secretarial Division at

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least two weeks before the Meeting so that the information may be made available at the Meeting.

Additional information on Directors seeking reappointment at the Twelfth Annual General Meeting as per clause 49 of the listing agreement with Stock Exchanges.

As per Section 255 read with 256 of the Companies Act, 1956 and in pursuance of Article 119 and 120 of Articles of Association of the Company, at least two thirds of the Board should consist of retiring Directors. Of these, one-third of the retiring Directors are required to retire every year.

(i) Shri.K.A.Rangaswamy

Shri.K.A.Rangaswamy is an experienced Chartered Accountant and Company Secretary and in addition holds a Masterís Degree in Business Administration, with over 45 years of experience and expertise in the fields of finance, management, business administration, taxation and other related fields. He served as Executive Director of this Company for five years and retired at the close of the tenure on 1st April 2001 and was inducted again in the Board on 29.03.2002 as Non Executive Director.

Companies in which Shri.K.A.Rangaswamy holds Directorship

Energy Device Technology (India) Pvt Ltd. Chennai

Shareholding in the Company

2260 Equity Shares of face value Re.1/- each

(ii) Smt.V.Kiran Rao

Smt.V.Kiran Rao is a German National, an Anthropologist, Historian, and a graduate from the University of London and had worked in various assignments in Europe and the United Kingdom. She has also worked as Executive Assistant to the Chairman and Managing Director, from 01.07.1997 to 28.07.2002. Smt. V.Kiran Rao was appointed as an Executive Director for a period of five years from 29-07-2002 to 28-07-2007. She has made significant contribution during her tenure. She retires by rotation at this Annual General Meeting and is seeking reappointment.

Companies in which Smt. V.Kiran Rao holds Directorship

The Eimco K.C.P.Ltd, a wholly owned Subsidiary of the Company

Shareholding in the Company

2,55,020 Equity Shares of face value Re.1/- each

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

ITEM NO.6:

Smt. V.Kiran Rao was appointed as an Executive Director at the Board Meeting held on 29-07-2002 for a period of five years from 29-07-2002 to 28-07-2007 and the appointment was approved by the shareholders at the Seventh Annual General Meeting held on 11-09-2002. Her appointment was made when the sugar industry was passing through difficult times and considering the turn around in the company and industry as a whole, the Board of Directors have, based on the recommendations of the Remuneration Committee at its meeting held on 27.01.2005, considered revision in her remuneration from 01.02.2005 till the end of her tenure till 28.07.2007, which was approved by the shareholders in the Tenth Annual General Meeting held on 31.08.2005. Smt. V.Kiran Rao has also been instrumental in maintaining cordial relations with the cane growers and ensuring their continued support to the Company. In recognition of Smt.V.Kiran Raoís efforts in the management of the affairs

of the Company, based on the recommendation of the Remuneration Committee, the Board of Directors have proposed to reappoint her for a further period of five years with effect from 29.07.2007 during which term of office she shall not be liable to retirement by rotation, on the terms and conditions as stated in the resolution.

The Board recommends this resolution for approval of the members.

Smt.V.Kiran Rao is the Vice Chairperson of The Eimco K.C.P.Ltd, a wholly owned Subsidiary of the Company.

The Resolution set out in Item No.6 in the Notice alongwith this Explanatory Statement may be treated as an abstract of the terms and conditions of her appointment and compliance of the provisions of Section 302 of the Companies Act, 1956.

Memorandum of Interest

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

// BY ORDER OF THE BOARD //

Place : Chennai
Date : 29.06.2007

IRMGARD VELAGAPUDI M RAO
MANAGING DIRECTOR

DIRECTORS' REPORT

Your Directors present their 12th Annual Report and the audited statement of accounts for the year ended 31st March 2007.

I. FINANCIAL RESULTS:

	For the Year ended 31.03.2007	For the Year ended 31.03.2006
Physical Performance		
Cane crushed ñ in Tonnes	1525976	1498573
Sugar bagged ñ In Quintals	1636123	1656320
Financial Performance - Rs. Crores		
Turnover	313.35	341.67
Other Income	5.62	2.72
Profit Before Tax	36.47	93.91
Profit After Tax	23.55	57.11
Surplus from Previous Year	25.83	13.11
Amount available for appropriation	49.38	70.22
Appropriations		
Transfer to General Reserve	2.50	25.00
Interim Dividend paid	0.00	5.67
Tax on Interim Dividend	0.00	0.79
Proposed Dividend	5.67	11.34
Tax on proposed Dividend	0.96	1.59
Carried forward	40.25	25.83

II. PERFORMANCE:

Though the financial year under review started off well with sugar prices ranged between Rs.1,700 and Rs.1,800, the sugar realizations declined due to combination of various factors. The relatively lower realization coupled with sizable increase in cost of production accounted for drop in gross sales and other income by 7.38 % to Rs.318.97 crores as against Rs.344.39 crores during the previous year. This has consequential effect on the bottomline and Earnings per Share. Further, additional cane price amounting to Rs.20.60 crores (Prev.Year: Rs.10.77 crores) paid to the cane growers for 2004-05 and 2005-06 seasons has also resulted in reduction in profit to that extent.

However, the decision to pay the additional cane price is hoped to safeguard the Company against any further liability on account of additional cane price as may be announced by the Government at a later date, besides strengthening the relationship with cane growers.

III. DIVIDEND:

The Board of Directors recommends a dividend of 50 % on the Paid-up Equity Capital for the year ended 31.03.2007 as against the total 150 % approved for the previous year ended 31.03.2006. The dividend recommended by your Directors, if approved at the ensuing Annual General Meeting by the Shareholders will be paid on or after 27.09.2007.

IV. SHARE CAPITAL AND RESERVES:

The Share Capital of the Company is Rs.11.33 crores and after transferring a sum of Rs. 2.50 crores to the General Reserve for the year ended 31.03.2007, the General Reserve stood at Rs. 102.50 crores (Rs.100 crores as on 31.03.2006). The total Reserves and Surplus has increased to Rs. 144.76 crores as on 31.03.2007 as against Rs.127.84 crores as on 31.03.2006.

V. MANAGEMENT AND DISCUSSION ANALYSIS:**a. Sugar Industry - Opportunities, Threats and Future Outlook:****Opportunities:**

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

- ◆ Strong GDP growth and changing food habits, leading to growing demand for sugar especially in internal consumption;
- ◆ Growing energy consumption in India allowing the sugar industry to play a vital role.
- ◆ Environmental friendly power generated by Cogeneration Units.
- ◆ Clearly defined Clean Development Mechanism and the expected flow of Carbon Credits.
- ◆ Implementation of Kyoto Protocol by India requiring fuel Ethanol blending with petrol.

Threats:

Sugar industry is at present confronted by the following threats:

- ◆ Situation switching over from paucity of supply and prices ruling high to glut in supply with low prices within a short span.
- ◆ The decision of the Government to ban exports in July 2006 pulling down the sugar prices to the uneconomical levels contrary to the expectations of the industry.
- ◆ Bumper cane production in the next few years, resulting in piling of Stocks.
- ◆ Continued impact on the industry on account of various controls and administrative measures by the Central and State Governments.
- ◆ Cyclical nature of industry and local climatic conditions over the crop affecting both the quantity and quality of cane available.
- ◆ The profitability of alternative crops, pests and disease and availability of farm labour.
- ◆ Sugar weightage in WPI.
- ◆ Short crushing season.

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Future Outlook:

The remedial measures undertaken by the Government by introducing buffer stock system, incentive for exports, and the proposal to enhance the mandatory admixture of Ethanol to 10% etc for setting right the imbalance may yield short-term relief. The industry is looking forward to the following relief measures from the Government:

- ◆ Increased emphasis on 'Green Power' generated by Cogeneration Unit.
- ◆ Decontrol of sugar, Review of price mechanism, Pro-active National policy on Ethanol.
- ◆ Proper linkage between cane price and sugar price realizations.

Your Company, on its part, has taken the following measures to insulate it against the price risks and other threats:

- ◆ Experiments in farm mechanization, improved cane varieties, carefully crafted schedule of cane planting and harvesting through R & D and field staff.
- ◆ Supplementing revenue from sugar business by extracting more values from co-products.

b. REVIEW OF OPERATIONS:

i. SUGAR UNITS AT VUYYURU AND LAKSHMIPURAM:

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

SEASONWISE

SEASONWISE

UNIT / SEASON PARTICULARS	VUYYURU		LAKSHMIPURAM	
	2006-07	2005-06	2006-07	2005-06
Crushing commenced on	16.11.2006	14.11.2005	26.11.2006	21.11.2005
Crushing completed on	08.05.2007	24.04.2006	16.04.2007	05.04.2006
No. of days	174	162	142	136
Cane crushed (in MT)	12,21,209	10,72,145	4,53,307	4,35,534
Sugar Bagged (in qtls)	13,19,880	11,97,470	4,57,905	4,61,679
Recovery (%)	10.83	11.15	10.32	10.63
Cane Price paid -Rs. per MT	1,100.00	1,125.00	1,060.00	1,089.80

FINANCIAL YEARWISE

UNIT / YEAR ENDED DETAILS	VUYYURU		LAKSHMIPURAM	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
2005-06 Season - From / To	01.04.2006 to 24.04.2006	01.04.2005 to 17.04.2005	01.04.2006 to 05.04.2006	01.04.2005 to 02.04.2005
2006-07 Season - From / To	16.11.2006 to 31.03.2007	14.11.2005 to 31.03.2006	26.11.2006 to 31.03.2007	21.11.2005 to 31.03.2006
No. of days	160	155	131	133
Cane crushed (in MT)	11,08,755	10,67,320	4,17,221	4,31,253
Sugar Bagged (in qtls)	12,05,581	11,97,461	4,30,542	4,58,859
Recovery (%)	10.87	11.22	10.32	10.64

ii. INDUSTRIAL CHEMICALS / COGENERATION / OTHER UNITS:

Vuyyuru Distillery Unit produced 92.58 lakh BL during the year ended 31.03.2007 as against 77.11 lakh BL during the previous financial year. As against this, the said Unit sold 98.68 lakh BL valued at Rs.23.08 crores during the year under review as against 69.80 lakh BL valued at Rs.17.30 crores during the previous year. The off-take of Ethanol started off only after the close of the financial year.

The Bio-fertilizer unit at Vuyyuru sold about 0.96 lakh Qtls valued at Rs.3.15 crores as against 1.36 lakh qtls valued at Rs.3.96 crores during the previous year. Efforts are on to increase the quantum of sales in the coming years.

Cogeneration Unit at Vuyyuru produced 39,902 MW of power during the financial year under review as against 24,497 MW in the previous year, and the Lakshmipuram Unit produced 12,994 MW of power as against 7,855 MW in the previous year. In all, total export of electrical energy was 23,573 MW resulting in a turnover of Rs.5.83 crores as against 14,284 MW at a turnover of Rs.3.25 crores during the previous year. The Carbon dioxide and Calcium Lactate plants went on stream during the current year and together contributed Rs.0.03 crores towards the turnover of the Company.

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 supplements the Management's efforts.

d. HUMAN RESOURCES:

The Company had 1161 employees including non-seasonal employees at the sugar units as on 31.03.2007. 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.207.89 crores from Rs. 185.32 crores, on account of capitalization of the new Carbon dioxide and Calcium Lactate plants, additional sugar godowns, pollution control equipments, boiler, and turbine at both the Units in addition to purchase of land, computers/systems, vehicles, etc.
- ◆ The Company has valid Pollution Control clearances in respect of both Air and Water for sugar units at Vuyyuru and Lakshmipuram and also for Distillery unit at Vuyyuru. The Company also takes adequate steps to safeguard the environment.
- ◆ The Company continues to maintain its debt-free status as on 31.03.2007.

f. CAUTIONARY NOTE:

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

VI. FUTURE PLANS:

The Company is well geared to combat the short-term challenges confronted by the industry. Your Company is focused on operational excellence and consistent performance improvement. Your Company has set up 250 TPA Calcium Lactate plant and 5 MT CO₂ plant. The Ministry of Petroleum has re-invigorated the Ethanol blend program for 5% mandatory admixture of ethanol with petrol. The Government appears to be keen on enlarging the share to 10% mandatory mix. A national policy on Ethanol is hoped to bring succour to the industry.

VII. PERSONNEL AND INDUSTRIAL RELATIONS:

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

VIII. DIRECTORS:

Shri.P. Subramani, Director, resigned from the Board as on 09.01.2007 on account of personal reasons. Your Board of Directors places on record its appreciation of his support and contribution to the Company during his tenure.

As per Article 119 and Article 120 of the Articles of Association read with Section 255 and 256 of the Companies Act, 1956, Shri.K.A.Rangaswamy, Director, and Smt.V.Kiran Rao, Executive Director, retire by rotation and being eligible, offer themselves for re-appointment. Your Directors recommend their reappointment as Directors of your Company.

The current tenure of appointment of the Executive Director expires on 28.07.2007 and your Board of Directors based on the recommendations of the Remuneration Committee, has considered her reappointment for a period of five years from 29.07.2007 on the terms and conditions as stated in the Notice to the Shareholders for the ensuing Annual General Meeting.

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

X. 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 2007 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 31.03.2007 your Company had accepted deposits of Rs. 18.19 crores as against Rs. 22.24 crores as on 31.03.2006. As at 31.03.2007, there were matured and unclaimed deposits amounting to Rs.0.20 crores in respect of 57 depositors. However, of these as on the date of Report, 23 deposits amounting to Rs. 0.09 crores have since been repaid / renewed resulting in the balance of 34 deposits amounting to Rs.0.11 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 one (1) deposit amounting to Rs.7,000/- which remained unclaimed beyond the period of seven years from the date of maturity to the Investor Education and Protection Fund.

XIII. TRADING OF COMPANY'S SECURITIES IN BOMBAY STOCK EXCHANGE LTD UNDER PERMITTED CATEGORY:

The Bombay Stock Exchange Limited has permitted trading of your Company's Securities under Permitted Category under the B-1 Group with ISIN No. INE790B01024, Scrip Code 590067 and Scrip ID KCP5UGINDI with effect from 28.12.2006. This initiative of the said Stock Exchange would provide a larger trading platform and wider reach for investors.

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

As approved by the Shareholders at the Eleventh Annual General Meeting held on 12.10.2006, your Company had applied for delisting the equity shares of the Company from the Madras Stock Exchange Ltd. The Company has since received confirmation as to the delisting of its securities with effect from 03.01.2007.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**XV. SUBSIDIARY COMPANIES:**

The income from the sale of products, services and other income of your wholly owned subsidiary iThe Eimco-K.C.P.Ltdi was higher at Rs.16.41 crores (P.Y. Rs. 15.76 crores) with a profit of Rs.0.88 crores (P.Y. Rs. 0.44 crores) for the year ended 31.03.2007.

The other wholly owned subsidiary, KCP Sugars Agricultural Research Farms Ltd, has reported an increase in turnover of about Rs.0.09 crores for the financial year ended 31.03.2007 as against Rs. 0.01 crores for the previous year ended 31.03.2006. The Company earned a profit of about Rs.0.03 crores as against the loss of Rs.0.02 crores in the previous financial year.

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

XVI. AUDITORS:

The Statutory Auditors, M/s. B.Purushottam & Co., Chartered Accountants, Chennai, will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Board, on the recommendation of the Audit Committee, has proposed that M/s. B.Purushottam & Co., Chartered Accountants, Chennai, be reappointed as Statutory Auditors of the Company for the financial year ending March 31, 2008 and to hold office till the conclusion of the next Annual General Meeting of the Company. M/s. B.Purushottam & Co., Chartered Accountants, Chennai, have forwarded their Certificate to the Company stating that their reappointment, if made, will be within the limits specified under Section 224 (1B) of the Companies Act, 1956.

XVII. COST AUDIT:

In pursuance of Section 233-B of the Companies Act, 1956, your Directors have with the approval of the Central Government, appointed Shri. G.Suryanarayanan, Cost Accountant, Chennai, as the Cost Auditor to conduct the Cost Audit of Sugar and Industrial Alcohol for the financial year ended 31st March 2007. Shri. G.Suryanarayanan, Cost Auditor, has been reappointed as Cost Auditor for the financial year 2007-08 as well, subject to the approval of the Central Government.

XVIII. ACKNOWLEDGEMENT:

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

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

For and on behalf of the Board of Directors

IRMGARD VELAGAPUDI M.RAO
MANAGING DIRECTOR

Place : Chennai

Date : 29.06.2007

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. Implementation of Variable Frequency Drives in appropriate areas in the plants to achieve reduction of power consumption.
2. Improvement in steam to fuel ratio of boiler from 1.90 to 2.05, saved more bagasse.
3. Installation of proportionate auto control valves in the vapour lines resulted in steam economy.
4. Installation of flash recovery system in three Evaporator bodies to utilize the waste heat from the Condensate.

Additional proposals and impact on reduction of energy consumption:

1. Installation of high efficiency ID fan for one more 100 TPH boiler to reduce power consumption.
2. Installation of Static Collars for additional mills of No.1,2,3 and 4 Mills of No.1 Mill Tandem and 2, 3 and 4 Mills of No.2 Mill Tandem to increase juice drainage area and also to reduce POL % Bagasse and Moisture % Bagasse that will help to increase recovery and to improve boiler efficiency.
3. Installation of Duplex type Juice Heaters for heating the raw juice by the recovery of heat from the Condensate.

ANNEXURE - FORM A
(See Rule 2)

FORM OF DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	SUGAR UNITS AT			
	VUYYURU		LAKSHMIPURAM	
	31.03.2007	31.03.2006	31.03.2007	31.03.2006
A. Power and Fuel Consumption				
1. Electricity				
a. Purchased				
Units KWH	11,88,728	16,26,027	5,38,625	5,31,608
Total Amount Rs.	47,77,551	67,37,857	24,91,524	24,43,185
Rate / Unit Rs.	4.02	4.14	4.63	4.60
b. Own Generation				
i. Through Diesel Generator:				
Units KWH	3,75,470	2,55,490	22,233	39,390
Unit per ltr. of Diesel Oil	3.17	3.62	3.42	3.46
Cost / Unit Rs.	10.81	8.13	9.97	8.61
ii. Through Steam Turbine/ Generator :				
Unit KWH	3,99,02,646	3,21,63,179	1,29,94,140	1,13,34,744
KWH per tonne of bagasse	281.54	251.12	219.22	187.15
Cost / Unit	1.80	0.88	0.89	1.13
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)	112.05	129.35	175.60	177.89

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

B. TECHNOLOGY ABSORPTION:**FORM ãBí ñ 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:**

- Successfully transferred Calcium Lactate Technology from R & D to Calcium Lactate production Unit for pharmaceutical, food and feed industries.
- Successful absorption of multi species of Mycorrhiza technology from TERI to Mycorrhiza production unit for agriculture and horticulture purpose.
- Proto-type developed at pilot plant level for the production of Nitrosomonas, Nitrobacter and its market seeding for aqua culture industry.
- By adopting USDP technology at CDC and Mopidevi farms in an area of 10 acres, it was found that seed rate can be reduced from 4 MT per acre to 2.5 MT per acre and yield can be improved by 5 ñ 6 MT per acre, through early vigour, uniform tilling and growth.
- Conducted trials on sweet sorghum and analyzed the cost of cultivation of sweet sorghum, production cost of Ethanol and return on investment.

3. FUTURE PLAN OF ACTION:

- To conduct bio efficacy trials of organic based micro nutrients on various crops and Lactobacillus, sporogens in dairy, poultry and aqua industries under various geo-climatic conditions.
- To implement optimized economical production media ingredients to reduce the cost of Calcium Lactate.
- Adoption of UPDP technology at farmers fields to demonstrate the reduction in cost of cultivation and yield improvement under varied conditions.
- Desilting the drains to avoid water logging conditions under soil health management system.
- Reclamation of saline soils through the application of gypsum and green manure crop.
- Introduction of new implements like sugarcane planter, cane harvesters and adoption of wide row space plantation.

4. EXPENDITURE ON R & D:

				Amt. in Rs.
a. Capital	..	..	..	-
b. Recurring	..	..	..	8,29,327
c. Total	..	..	..	<u>8,29,327</u>
Total R & D expenditure as a percentage of total turnover:				0.02 %

In addition to the above, the Company also spent Rs.4,53,52,333/- as cane development expenditure. This constitutes 1.14 % of the total turnover of the Company.

5. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings	..	..	Nil
Foreign Exchange outgo	..	..	Rs.2,97,875/-

For and on behalf of the Board of Directors

Place : Chennai
Date : 29.06.2007

IRMGARD VELAGAPUDI M.RAO
MANAGING DIRECTOR

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, 2007 is as follows:

Name of Director	Category of Directorship	No. of Board Mtgs. attended	Attendance at last AGM held on 12.10.2006	Particulars of other Directorships / Committee Membership / Chairmanship (Excluding Directorship in Pvt. Ltd. Companies)		
				Directorship	Committee Membership	Committee Chairmanship
Shri.Vinod R.Sethi** DIN 00106598	Chairman & Non-Executive Director	4	Yes	10	5	----
Smt. Irmgard Velagapudi M.Rao DIN 00091370	Promoter and Managing Director	4	No	2	----	----
Smt. V.Kiran Rao DIN 00091466	Promoter and Executive Director	6	Yes	1	----	----
Shri.K.A.Rangaswamy DIN 00091844	Independent Non-Executive Director	7	Yes	----	----	----
Shri.Ranvir Shah** DIN 00041398	Independent Non-Executive Director	4	Yes	----	----	----
Shri.Prathap K.Moturi** DIN 00020630	Independent Non-Executive Director	4	Yes	----	----	----
Dr.Vithal Rajan** DIN 00021571	Independent Non-Executive Director	1	No	----	----	----
Shri.Raghu Cidambi DIN 00030865	Independent Non-Executive Director	3	No	----	----	----
Shri.M.S.V.M.Rao DIN 00432640	Independent Non-Executive Director	6	Yes	----	----	----
Shri.K.Subramanian DIN 00019088	Independent Non-Executive Director	4	No	3	3	1
Shri.P.Subramani** DIN 00708269	Independent Non-Executive Director	2	No	1	----	----
Shri.P.Sudhir Rao DIN 00018213	Independent Non-Executive Director	0	No	3	1	----

Notes: 1** In view of certain legal proceedings during the relevant period the said directors did not participate in some of Board Meetings The Hon'ble High Court of Madras has subsequently upheld the validity of their appointments. Wherever the names of the said directors find a mention in this report they may kindly be read with reference to the notes cited above

2. Shri.K. Subramanian held office till 12.10.06 and did not seek reappointment
3. Shri.P.Sudhir Rao held office till 12.10.06 and did not seek reappointment
4. Shri.P.Subramani resigned from the Board w.e.f. 09.01.2007.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

There were seven Board Meetings held during the financial year 2006-07 on the following dates:.

1.	25 th May 2006	2.	28 th June 2006	3.	31 st July 2006
4.	8 th September 2006	5.	12 th October 2006	6.	27 th October 2006
7.	31 st January 2007.				

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

In accordance with the provision of the Companies Act, 1956 and the Articles of Association of the Company, Shri.K.A Rangaswamy and Smt.V.Kiran Rao, Directors, retire by rotation and being eligible offer themselves for reappointment.

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

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

The Audit Committee comprises of three members, two Non-Executive Directors and one Whole-time Director. The Chairman of the Audit Committee is Shri.K.A. Rangaswamy, a Non-Executive Director, a senior Chartered Accountant and Company Secretary. Smt.V.Kiran Rao, Executive Director and Dr Vithal Rajan, Director who was nominated to the Committee on 31.01.2007 are presently its other members. Shri K Subramanian , Shri P Sudhir Rao and Shri P Subramani ceased to be members of the Committee during the year.

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 five meetings of the Audit Committee during the year, viz., on 28.06.2006, 31.07.2006, 08.09.2006, 27.10.2006 and 31.01.2007. The attendance of each Member of the Committee is given below:

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	5
Shri.K.Subramanian <i>(Ceased to be a member w.e.f.12.10.06)</i>	3
Smt.V.Kiran Rao	4
Shri.P. Sudhir Rao <i>(Ceased to be a member w.e.f.12.10.06)</i>	--
Shri.P.Subramani <i>(Ceased to be a member w.e.f.09.01.07)</i>	1
Dr.Vithal Rajan <i>(nominated on 31.01.2007)</i>	NA

The Company Secretary is the Secretary of the Audit Committee.

4. **REMUNERATION COMMITTEE :**

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

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

The Whole-time Directors are paid salaries, allowances/perquisites, and in addition, commission if it arises, within the limits under the Companies Act,1956 and subject to the further limits, if any as approved by the Shareholders. The Remuneration paid to the Whole-time Directors during 2006-07 is as below.

(Rs. in Lakhs)

Directors	Salary & Allowances	Contribution to PF	Perqui-sites	Commi-ssion	Total
Smt.Irmgard Velagapudi M.Rao	48.00	---	---	63.11	111.11
Smt. V. Kiran Rao	27.50	3.30	3.08	40.19	74.07
Total	75.50	3.30	3.08	103.30	185.18

The committee met only once on 31st January 2007 during the financial year 2006 - 07 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 give below:

Name of the Director	No. of Meetings attended
Shri.K.A.Rangaswamy	1
Dr.Vithal Rajan	1
Shri. Vinod R.Sethi	---
Shri. K.Subramanian	N.A.
Shri P.Sudhir Rao	N.A.

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

(Rs. in Lakhs)

Directors	Commission	Sitting Fees	Total
Shri.K.A.Rangaswamy	1.75	6.00	7.75
Shri.K.Subramanian	0.93	1.40	2.33
Shri.P.Subramani	1.36	0.60	1.96
Shri.Ranvir Shah	1.75	0.80	2.55
Shri.Vinod R.Sethi	1.75	0.80	2.55
Shri.Prathap K.Moturi	1.75	0.80	2.55
Shri.P.Sudhir Rao	0.93	0.00	0.93
Dr.Vithal Rajan	1.75	0.40	2.15
Shri.Raghu Cidambi	1.75	0.60	2.35
Shri.M.S.V.M.Rao	1.75	1.20	2.95
Total	15.47	12.60	28.07

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

5. SHAREHOLDINGS OF NON EXECUTIVE DIRECTORS:

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

Director	No. of shares held (F.V. of Re.1/-each)
Shri.K.A.Rangaswamy	2,260
Shri.Ranvir Shah	10
Shri.Vinod R.Sethi	10
Shri. Prathap K.Moturi	5000
Dr.Vithal Rajan	Nil
Shri.MSVM Rao	10
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.Prathap K. Moturi, Non-Executive Independent Director, as its other Members. During the year, Shri.K.Subramanian, Shri.P.Sudhir Rao ceased to be the Members of the 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, dematerialization, split and duplicate shares.
- To review and take all necessary steps for redressal of investor's grievances and complaints as may be required in the interests of the investors.

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

Name of Director	No. of Meetings attended
Shri.K.A.Rangaswamy	17
Smt.Irmgard Velagapudi M.Rao	14
Smt.V.Kiran Rao	3
Shri.K.Subramanian	--
Shri.P.Sudhir Rao	--
Shri.Prathap K.Moturi	--

The Company 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 Query / Complaint	During the year ended 31.03.2007	
	Received	Attended to
Non-receipt of Certificates	196	196
Non-receipt of Dividend Warrants/ Cheques / DD	123	123
Issue of Duplicate Share Cert.	10	10
Issuance of Duplicate Dividend Warrant/Cheque/DD	167	167
Correction in Share Cert./Div.Warrant / Cheque / DD	129	129
Non-Receipt of Annual Report	3	3
General queries-request for change of address, procedure for transmission of shares/procedure for loss of share certificates/ Nomination	410	410
TOTAL	1038	1038

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
31.03.2004	02.09.2004 / 10.30 a.m.	Nil	730	33
31.03.2005	31.08.2005 / 10.15 a.m.	2	617	19
31.03.2006	12.10.2006 / 10.00 a.m.	2	347	22

- a. The three AGMs 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. DISCLOSURE :

❖ **CEO and CFO Certification -**

The Managing Director and the General Manager (Finance) and Secretary, have certified to the Board / Audit Committee on the prescribed matters in accordance with Clause 49 of the Listing Agreement and the said certificate was considered by the Board at its meeting held on 29-06-2007.

The Financial Statements for the year 2006-07 have been prepared in accordance with the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India and there are no deviations.

- ❖ The Board is of the bona-fide belief that there are no materially significant Related Party Transactions made by the Company with its Promoters, Directors or the Management, their Subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large.
- ❖ Transactions with the Related Parties are disclosed in Note No.20 of Notes to the Accounts in the Annual Report.
- ❖ The Board has constituted a Risk Management Team, which meets and takes cognizance of the various risks and minimization procedures to be taken in relation thereto. Risk Assessment and Evaluation thereof is an on-going process in the Company.
- ❖ **Compliance:**
- ❖ The Board considers materially important, show-cause /demand notices received from the statutory authorities and the steps / action taken by the Company in this regard. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.
- ❖ **Code of Conduct**
- ❖ The Board of Directors has laid down a Code of Conduct for the Members of the Board members as well as the employees in the Senior Management of the Company. The Managing Director has confirmed and declared that all the Members of the Board as well of the employees in the Senior Management have affirmed compliance with the Code of Conduct. The Codes have been posted on the Company's website www.kcpsugar.com.
- ❖ The Company has framed a Code of Conduct for prevention of Insider Trading based on SEBI (Insider Trading) Regulations, 1992. The Code is applicable to all the Directors / Officers and Designated Employees. The Code also aims to prevent dealing in the shares by persons having access to unpublished information.
- ❖ During the last three years, there were no strictures for penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the Capital Markets.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

9. MEANS OF COMMUNICATION :

- ❖ The quarterly, half yearly and annual results are generally published in widely circulating national & local dailies such as *The Business Line* (in English) and *Dina Malar / Makkal Kural* (in Tamil).
- ❖ The Company has a website, www.kcpsugar.com. There were no presentations made to the institutional investors or analysts.
- ❖ As required under clause 47(f) of the listing agreement the Company has created an exclusive email ID investorservices@kcpsugar.com for registration and redressal of investor's grievances and the same is available on the company's website.
- ❖ The Management Discussion and Analysis Report is provided elsewhere in this Annual Report.
- ❖ As required under Clause 51 of the Listing Agreement, the Company has posted the required documents on the Electronic Data Information Filing And Retrieval (EDIFAR) website maintained by the National Informatics Centre (NIC) from the quarter ending December 2002 onwards.

10. GENERAL SHAREHOLDER INFORMATION :

- ❖ **AGM: Date, Time and Venue** : 12th Annual General Meeting ñ on Thursday 27th day of September 2007 at 10.00 a.m. at "Sathguru Gnanananda Hall", Narada Gana Sabha, No.314, T.T.K.Road, Chennai 600018.

❖ **Date of Book Closure**

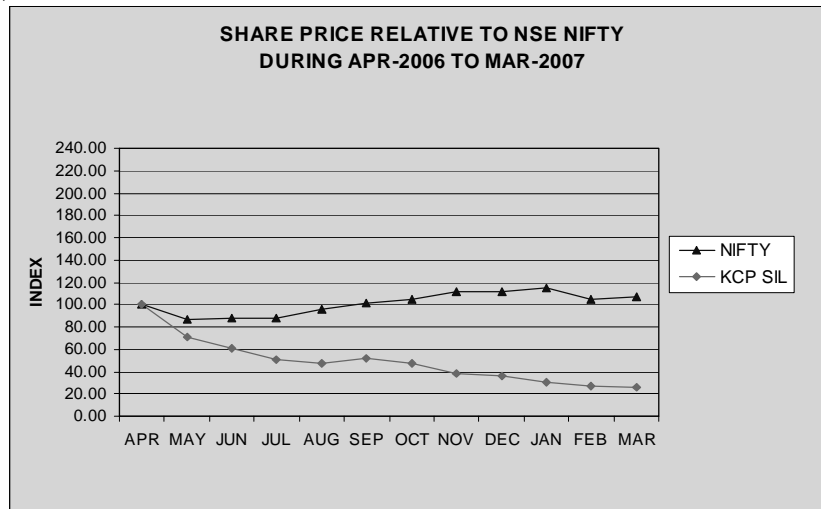
For the year ended 31.03.2007	Book Closure Date	Dividend payable
Dividend	19th September 2007 to 27 th September 2007 (both dates inclusive)	The Board of Directors at their Meeting held on 29.06.2007 have recommended a dividend of Re 0.50 per equity share of face value Re.1/-, subject to the approval of Shareholders at the ensuing Twelfth Annual General Meeting
Payment date		On approval thereat, this dividend will be paid to the Shareholders on or after 27 th September 2007 but within the statutory limit.

- ❖ **Tentative Financial calendar** :
 - i. Financial Year ñ 1st April to 31st March.
 - ii. First Quarter Results by July 2007.
 - iii. Half-yearly Results by October 2007.
 - iv. Third Quarter Results by January 2008.
 - v. Results for the year ending 31.03.2008 by June, 2008.
- ❖ **Listing on Stock Exchange** : National Stock Exchange of India Ltd. and The Bombay Stock Exchange Ltd {w.e.f.28.12.06 under "permitted securities category- B 1 } . Annual listing fees has been paid to the National Stock Exchange and there is no amount outstanding as on date.
Note : The Madras Stock Exchange Ltd has, pursuant to Company's application for voluntary de-listing its Equity Shares from the Exchange, confirmed the de-listing of the Company's equity shares w.e.f 03.01.07
- ❖ **Stock Code - Physical** : **İKCPSUGINDİ** on both the National Stock Exchange and Bombay Stock Exchange (*Scrip No. 590067*)
- ❖ **Demat ISIN Number** : INE790B01024.
- ❖ **CIN** : L15421TN1995PLC033198

- ❖ High / Low of market price of the Company's shares (*Face Value Re.1/-*) traded on the National Stock Exchange of India Ltd. and The Bombay Stock Exchange Ltd. during the financial year 2006-07 is furnished below:

Period	High		Low		Period	High		Low	
	NSE	BSE	NSE	BSE		NSE	BSE	NSE	BSE
April '06	94.00	N.A.	65.60	N.A.	October '06	40.80	N.A.	33.50	N.A.
May '06	78.80		46.00		November '06	35.70		27.05	
June '06	55.70		31.60		December '06	32.35	29.95	25.30	26.40
July '06	45.90		31.75		January '07	30.00	30.90	22.50	22.50
August '06	43.95		35.10		February '07	23.80	24.00	17.25	17.80
September '06	40.70		33.00		March '07	20.80	21.30	16.25	17.00

- Notes : 1. There were no transactions of the Company's Equity Shares in Madras Stock Exchange Ltd., during the period from 01.04.2006 to 02.01.2007. The Company's Equity shares have been delisted from MSE w.e.f.03.01.2007.
2. The shares are traded under the Permitted Category at BSE, w.e.f. 28.12.06 and accordingly the above details have been furnished.



- ❖ **Registrar /Transfer Agents/ Depository Registrars** : Integrated Enterprises (India) Ltd
Kences Towers, 2nd Floor,
1,Ramakrishna Street, Off. 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 maximum of 30 days from the date of lodgment, if documents are complete in all respects.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

❖ **Distribution of Shareholding and Shareholding pattern as on 31.03.2007:**

No of shares held	No. of Shareholders	% of Shareholders	Aggregate shares held	% of Shareholding
Upto - 100	7,692	27.47	5,05,587	0.44
101 - 200	3,873	13.83	7,03,542	0.62
201 - 300	2,319	8.28	6,35,953	0.56
301 - 400	1,257	4.49	4,77,266	0.42
401 - 500	2,845	10.16	14,04,752	1.24
501 - 1000	4,366	15.60	36,26,413	3.20
1001 - 2000	2,433	8.69	36,66,085	3.23
2001 - 3000	890	3.18	22,89,972	2.02
3001 - 4000	468	1.67	16,95,370	1.50
4001 - 5000	374	1.34	17,69,175	1.56
5001 - 10000	703	2.51	50,78,581	4.48
10001 and above	778	2.78	915,32,354	80.73
TOTAL	27,998	100.00	11,33,85,050	100.00

The Shareholding pattern as on 31st March 2007 and 31st March 2006 are as follows:

Category	As on March 31 2007			As on March 31 2006		
	No. of Share holders	Percentage of Share holding	No. of Shares held	No. of Share holders	Percentage of Share holding	No. of Shares held
<u>PROMOTER'S HOLDING:</u>						
Indian Promoters	5	36.06	4,08,83,300	4	36.00	4,08,20,800
Total of Promoter holding	5	36.06	4,08,83,300	4	36.00	4,08,20,800
<u>NON-PROMOTERS HOLDING</u>						
Institutional Investors						
Mutual Funds and UTI	6	0.01	11,220	6	0.09	1,01,720
Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions), Foreign Banks	18	1.23	13,98,256	18	1.28	14,55,760
Foreign Institutional Investors	7	1.22	13,84,490	10	1.61	18,24,413
OTHERS						
Private Corporate Bodies	661	14.25	1,61,57,965	480	15.37	1,74,27,755
Indian Public	27,013	44.00	4,98,95,347	12,626	41.82	4,74,09,521
NRIs / OCBs	169	3.00	33,97,526	101	3.15	35,73,312
Any others ñ Clearing Member / Trust	119	0.23	2,56,946	187	0.68	7,71,769
Total of Non Promoter holding	27,993	63.94	7,25,01,750	13,428	64.00	7,25,64,250
GRAND TOTAL	27,998	100.00	11,33,85,050	13,432	100.00	11,33,85,050

❖ **Dematerialization of shares and liquidity** : 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 2007,

78.48% 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.**
- ❖ **Top ten shareholders of the Company other than Promoter category as on 31.03.07**

SL.NO	NAME OF THE SHAREHOLDER (INDIAN PUBLIC ONLY)	SHARES	% TO CAPITAL
1.	HAROON MAHMUD ADAM	8,79,000	0.775
2.	SAKUNTHALA DEVI BOPANA	8,70,100	0.767
3.	PADMINI RAJAN	8,67,790	0.765
4.	BOPANA VINAY KUMAR	8,55,250	0.754
5.	RANI S B	5,09,060	0.449
6.	DIWAN BAHADUR P.S.G. RANGASWAMY NAIDU	4,68,270	0.413
7.	SUMANTH KOORAPATI	4,39,000	0.387
8.	P NAGESWARA DAS	4,24,620	0.374
9.	ANUMOLU SHANTA DEVI	3,64,190	0.321
10.	MALINI L NARASIMHAN	3,10,120	0.274
	TOTAL	59,87,400	5.279

- ❖ **Plant Locations** : The Company has its manufacturing units at Vuyyuru & Lakshmipuram both in Krishna District and a workshop at Tada, Nellore district; all of them in Andhra Pradesh.

- ❖ **Address for Correspondence** Shareholders correspondence should be addressed to Registrar and Share Transfer Agents at the address mentioned above. Shareholders holding shares in electronic mode should address all their Correspondence to their respective Depository Participant. Shareholders may also contact the Company Secretary / Secretarial Department at the Registered Office of the Company for any assistance. Tel.Nos. 28555171 ñ 176 Extn: 117 or 224 E-mail id: kcpsugar@vsnl.com. An exclusive e-mail ID investorservices@kcpsugar.com has been created for registering investors complaints and the same is available in Company's website.

For and on behalf of the Board of Directors

Place : Chennai
Date : 29.06.2007

IRMGARD VELAGAPUDI M.RAO
MANAGING DIRECTOR

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 cadre have affirmed compliance with the Code of Conduct for the financial year ended 31.03.2007.

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

Place : Chennai
Date : 29.06.2007

IRMGARD VELAGAPUDI M.RAO
MANAGING DIRECTOR

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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 2007 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 2007, 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 : 29 June, 2007

For **B.PURUSHOTTAM & CO.**
Chartered Accountants
B.S. PURSHOTHAM
(M.No.26785)
Partner

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

We have audited the attached Balance Sheet of K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED, as at 31st March 2007, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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 those 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, 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 of the company as at March 31, 2007, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2007 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 together with the notes and Accounting Policies give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007, and
 - 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 for the year ended on that date

for **B. PURUSHOTTAM & CO**
Chartered Accountants

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

PLACE : Chennai
DATE : 29 June, 2007

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

- i) In respect of Fixed assets :
 - a) The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets.
 - b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Material discrepancy noticed between book balance and physical assets of fixed assets have been properly dealt with in the books of accounts.
 - c) During the year, the Company has not disposed off any substantial part of Fixed Assets.
- ii) In respect of inventory :
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) In respect of Loans :
 - a) According to the information and explanations given to us, the Company has granted loan to two companies, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.98,60,236 and the year-end balance of the loans granted to such parties was Rs.77,60,236.
 - b) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie, prejudicial to the interest of the company.
 - c) The companies have repaid the principle amount as stipulated and have also been regular in the payment of interest to the company.
 - d) There is no overdue amount in excess of Rs.1 lakh in respect of the above loans.
 - e) The Company has not taken any loans, from companies, firms or other parties, covered in the register maintained u/s 301 of the Companies Act, 1956, except an amount of Rs.3.00 Crores (Rupees Three crores only) from a Director of the company in accordance with the Companies (Acceptance of Deposits) Rules 1975.
In our opinion, the rate of interest and other terms and conditions on which loans (deposits) have been taken by the company from the parties covered in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v)
 - a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 58A and 58AA and other applicable provisions of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information furnished to us, no order has been passed on the company by the company law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of account and records maintained by the company at its Sugar, Distillery, and Power generation units pursuant to the Rules made by the Central Government for the maintenance of Cost Records under section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

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

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

- b) According to the information and explanation given to us no undisputed amounts payable in respect of Income tax, Sales tax, Wealth tax, Service tax, Customs Duty and Excise Duty and Cess were in arrears, as at 31-03-2007 for a period of more than six months from the date they became payable.
- c) According to the information given to us, there no dues of income tax, Sales tax, Wealth tax, Service tax, Customs duty and Cess which have not been deposited on account of any dispute except in respect of Excise duty which have not been deposited. The details are given as under

Nature of the dues	Name of the Statute	Amount Rs.	Pending before
Central Excise duty	Central Excise Act 1994	1,91,12,314	Various appellate authorities/courts

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

for **B. PURUSHOTTAM & CO**
Chartered Accountants

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

PLACE : Chennai
DATE : 29 June, 2007

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

BALANCE SHEET AS AT 31ST MARCH 2007

		AMT IN RS.	
Schedule		As at 31.03.2007	As at 31.03.2006
I SOURCES OF FUNDS:			
1. Shareholders Funds			
Share Capital	A	11,33,85,050	11,33,85,050
Reserves & Surplus	B	<u>144,75,96,744</u>	<u>127,84,18,716</u>
		156,09,81,794	139,18,03,766
2. Loan Funds			
Secured Loans	C	19,36,77,300	28,15,50,102
Unsecured Loans	D	<u>17,99,22,000</u>	<u>21,96,22,000</u>
		37,35,99,300	50,11,72,102
3. Deferred Tax Liability (Net) (see note 6)			
Deferred Tax Liability		29,58,16,139	25,03,97,136
Less : Deferred Tax Asset		<u>3,85,87,149</u>	<u>3,81,11,364</u>
		25,72,28,990	21,22,85,772
TOTAL		<u>219,18,10,084</u>	<u>210,52,61,640</u>
II APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross Block	E	207,88,63,416	185,31,65,250
(b) Less: Depreciation		<u>59,75,83,948</u>	<u>50,19,41,957</u>
(c) Net Block		148,12,79,468	135,12,23,293
(d) Capital Work-in-Progress		<u>7,28,45,659</u>	<u>4,58,43,001</u>
		155,41,25,127	139,70,66,294
2. Investments	F	12,65,92,017	1,63,63,918
3. Current Assets, Loans and Advances			
(a) Inventories	G	132,75,07,945	135,93,30,982
(b) Sundry Debtors	H	11,45,09,441	10,80,11,642
(c) Cash and Bank Balances	I	17,67,30,095	6,81,47,393
(d) Other Current Assets	J	28,08,246	15,13,709
(e) Loans and Advances	K	<u>14,02,58,734</u>	<u>14,90,35,146</u>
		176,18,14,461	168,60,38,872
Less: Current Liabilities and Provisions	L		
(a) Liabilities		116,87,78,350	85,25,17,150
(b) Provisions		<u>8,19,43,171</u>	<u>14,16,90,294</u>
		125,07,21,521	99,42,07,444
Net Current Assets		51,10,92,940	69,18,31,428
TOTAL		<u>219,18,10,084</u>	<u>210,52,61,640</u>

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

For and on behalf of the Board

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

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

K.A.RANGASWAMY
Director

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

B.S. PURSHOTHAM
Partner

Chennai
29.06.2007

	Schedule	AMT IN RS.	
		2006-2007	2005-2006
I INCOME			
Sale of Products and Services		397,24,59,539	407,14,44,781
Less : Excise Duty collected		(17,14,71,202)	(17,46,10,218)
		<u>380,09,88,337</u>	<u>389,68,34,563</u>
Less : Inter divisional transfers		(66,74,84,692)	(48,01,34,841)
Net Sale of Products and Services		<u>313,35,03,645</u>	<u>341,66,99,722</u>
Other Income	M	5,61,89,465	2,71,58,172
		<u>318,96,93,110</u>	<u>344,38,57,894</u>
II EXPENDITURE			
Raw Materials Consumed		197,22,31,528	172,35,75,904
Less : Inter divisional transfers		(8,35,59,175)	(10,03,75,094)
Net Raw Materials Consumed		<u>188,86,72,353</u>	<u>162,32,00,810</u>
Decrease in Stocks	N	2,74,43,156	49,04,042
Payments and Benefits to Employees	O	22,47,23,373	20,83,66,029
Manufacturing, Selling, Administrative & Other Expenses	P	54,88,00,623	55,18,63,479
Interest		3,51,55,795	4,20,52,706
Depreciation		10,01,49,144	7,43,45,214
		<u>282,49,44,444</u>	<u>250,47,32,280</u>
Profit before taxation		36,47,48,666	93,91,25,614
Less : Provision for taxation - Current Tax		(8,25,00,000)	(29,00,00,000)
Deferred Tax		(4,49,43,218)	(7,55,20,888)
Fringe Benefit Tax		(18,00,000)	(25,00,000)
Profit after taxation		23,55,05,448	57,11,04,726
Balance brought forward from previous year		<u>25,83,05,202</u>	<u>13,11,31,433</u>
		49,38,10,650	70,22,36,159
III APPROPRIATIONS			
Transfer to General Reserve	2,50,00,000		25,00,00,000
Interim Dividend paid	-		5,66,92,525
Tax on Interim Dividend	-		79,51,128
Proposed Dividend	5,66,92,525		11,33,85,050
Tax on Proposed Dividend	96,34,895		1,59,02,254
		<u>9,13,27,420</u>	<u>44,39,30,957</u>
Balance carried to Balance Sheet		40,24,83,230	25,83,05,202
Basic and Diluted Earnings per share (See Note 20)		2.08	5.04

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

For and on behalf of the Board

IRMGARD VELAGAPUDI M. RAO
Managing Director

V.KIRAN RAO
Executive Director

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

K.A.RANGASWAMY
Director

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

B.S. PURSHOTHAM
Partner

Chennai
29.06.2007

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

		AMT IN RS.	
		As at 31.03.2007	As at 31.03.2006
A SHARE CAPITAL			
Authorised:			
25,00,00,000 Equity Shares of Re.1/-each		25,00,00,000	25,00,00,000
Issued, Subscribed and Paid-up:			
11,33,85,050 Equity Shares of Re.1/-each		11,33,85,050	11,33,85,050
<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 by the erstwhile Company.</i>			
B RESERVES & SURPLUS			
	As at 01.04.2006	Added during the year	Withdrawn during the year
Investment Allowance Reserve (Utilised)	45,05,000	-	-
Effluent Disposal Facilities Reserve	63,404	-	-
Capital Redemption Reserve - Shares Buy Back	1,55,45,110	-	-
General Reserve	100,00,00,000	2,50,00,000	-
Surplus (i.e) Balance in Profit and Loss A/c.	25,83,05,202	-	-
	127,84,18,716		144,75,96,744
C SECURED LOANS			
1. From Banks			
Working Capital Borrowings		19,36,77,300	28,15,50,102
<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>			
		19,36,77,300	28,15,50,102
D UNSECURED LOANS			
Fixed Deposits		18,19,33,000	22,23,77,000
Less : Unclaimed Fixed Deposits considered under Current Liabilities		(20,11,000)	(27,55,000)
Total		17,99,22,000	21,96,22,000

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



E FIXED ASSETS

AMT IN RS.

Description	GROSS BLOCK AT COST			DEPRECIATION				NET BLOCK			
	Cost upto 31.03.2006	Additions during the Year	Deductions during the Year	Cost upto 31.03.2007	Upto 31.03.2006	For the year	Impairment Loss	On Deductions	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Lands	7,49,47,246	1,08,47,270	5,53,772	8,52,40,744	--	--	--	--	--	8,52,40,744	7,49,47,246
Buildings											
- Own Buildings	16,39,15,458	5,95,53,716	5,22,238	22,29,46,936	2,58,87,164	41,85,861	--	2,23,103	2,98,49,922	19,30,97,014	13,80,28,294
- Leasehold Buildings	112,189	--	--	112,189	45,017	3,359	--	--	48,376	63,813	67,172
Plant & Machinery	150,59,03,339	13,08,48,884	32,36,594	163,35,15,629	43,30,07,857	8,07,24,284	--	17,41,859	51,19,30,282	112,15,25,347	107,28,95,482
Tramways & Railway Sidings	1,00,06,232	1,30,91,294	--	2,30,97,526	47,52,982	7,34,740	--	--	54,87,702	1,76,09,824	52,53,270
Computers, Office Equipments & Furniture	5,76,69,723	1,17,93,524	5,02,419	6,89,60,828	2,28,42,564	98,93,426	--	3,10,709	3,24,25,281	3,65,35,547	3,48,27,159
Vehicles	4,06,11,063	71,79,721	28,01,220	4,49,89,564	1,54,06,393	46,07,474	--	22,31,482	1,77,82,385	2,72,07,179	2,52,04,670
Total	185,31,65,250	23,33,14,409	76,16,243	207,88,63,416	50,19,41,957	10,01,49,144	--	45,07,153	59,75,83,948	148,12,79,468	135,12,23,293
Previous year	132,20,20,234	56,57,18,657	3,45,73,641	185,31,65,250	44,14,75,638	7,43,45,214	--	1,38,78,895	50,19,41,957	135,12,23,293	88,05,44,596
<p>Note : 1) Titles in Land and other immovable properties acquired from the K.C.P. Limited pursuant to the Scheme of Arrangement, are in the process of endorsement in the name of the Company. 2) Land measuring 6.55 acres acquired at a cost of Rs. 12,95,880/- is pending formal transfer of title in the name of the company.</p>											
Acetic Acid Unit, Vuyyuru	1,79,70,270	--	--	1,79,70,270	1,68,50,270	--	--	--	1,68,50,270	11,20,000	11,20,000
Registered Office, Chennai	3,42,84,692	87,88,097	32,34,272	3,98,38,517	1,43,38,169	68,84,810	--	19,12,110	1,93,10,869	2,05,27,648	1,99,46,522
Sugar Unit, Vuyyuru	51,07,99,218	7,37,19,669	16,931,178	56,75,87,709	14,23,68,993	2,37,60,122	--	65,68,807	15,95,60,308	40,80,27,401	36,84,30,225
Distillery Unit, Vuyyuru	12,29,18,961	6,81,29,309	2,01,803	19,08,46,467	81,03,920	78,12,418	--	29,282	1,58,87,056	17,49,59,411	11,48,15,042
Sugar Unit, Lakshmpuram	41,31,55,238	2,91,34,933	23,11,856	43,99,78,315	16,36,63,948	2,02,79,350	--	12,66,893	18,26,76,405	25,73,01,910	24,94,91,289
R & D Unit, Vuyyuru	5,35,41,861	--	--	5,35,41,861	1,70,56,888	24,98,599	--	--	1,95,55,487	3,39,86,374	3,64,84,973
Bio Tech unit, Vuyyuru	4,24,25,756	37,78,187	--	4,62,03,943	55,01,944	24,40,742	--	--	79,42,686	3,82,61,257	3,70,19,252
Work shop unit, Tada	1,13,85,481	--	--	1,13,85,481	14,53,538	3,58,930	--	--	18,12,468	95,73,013	99,31,943
Cogen unit, Vuyyuru	49,30,70,356	1,96,81,381	--	51,27,51,737	9,68,44,891	2,67,68,004	--	--	12,36,12,895	38,91,38,842	40,13,70,683
Cogen unit, Lakshmpuram	12,34,18,175	82,78,836	--	13,16,97,011	3,34,03,196	67,42,063	--	--	4,01,45,259	9,15,51,752	9,00,14,979
1MW Power Plant, Vuyyuru	3,01,95,242	--	--	3,01,95,242	75,96,857	15,61,388	--	--	91,58,245	2,10,36,997	2,25,98,385
Calcium Lactate Plant, Vuyyuru	--	2,57,65,227	--	2,57,65,227	--	8,36,572	--	--	8,36,572	2,49,28,655	--
CO2 Unit, Vuyyuru	--	1,11,01,636	--	1,11,01,636	29,282	2,06,146	--	--	2,35,428	1,08,66,208	--
Total	185,31,65,250	24,83,77,275	2,26,79,109	207,88,63,416	50,72,11,896	10,01,49,144	--	97,77,092	59,75,83,948	148,12,79,468	135,12,23,293
Less : Internal Transfers	--	1,50,62,866	1,50,62,866	--	52,69,939	--	--	52,69,939	--	--	--
Grand Total	185,31,65,250	23,33,14,409	76,16,243	207,88,63,416	50,19,41,957	10,01,49,144	--	45,07,153	59,75,83,948	148,12,79,468	135,12,23,293

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

		AMT IN RS.	
		As at 31.03.2007	As at 31.03.2006
F INVESTMENTS:			
I. SHARES OF COMPANIES:		<i>No. of Shares</i>	
Long Term			
A. Trade Investments:			
Unquoted Equity Shares - Fully paid			
In Subsidiary Companies:			
(1) The EIMCO-K.C.P. Limited	60,000	60,00,000	60,00,000
<i>(including 10 Shares held by the Nominees of the Company)</i>			
(2) KCP Sugars Agricultural Research Farms Limited	22,50,000	2,25,00,000	45,00,000
<i>(including 6 Shares held by the Nominees of the Company and 1800000 shares purchased during the year)</i>			
B. Non-Trade Investments:			
(i) Quoted Equity Shares - Fully Paid			
(1) The Jeypore Sugar Company Limited	16,580	8,21,936	8,21,936
(2) Krishna Industrial Corporation Limited	52,501	5,00,010	5,00,010
(3) Sri Sarvaraya Sugars Limited	1,50,000	17,00,000	17,00,000
(4) Nava Bharat Ferro Alloys Ltd.	68,040	3,47,934	3,47,934
<i>(Face value of Rs.2/- each)</i>			
(5) Balrampur Chini Mills Ltd	1,000	9,146	9,146
<i>(Face value of Re. 1/- each)</i>			
(6) Bannari Amman Sugars Ltd	50	2,547	2,547
(7) The Dhampur Sugar Mills Ltd.	100	6,013	6,013
(8) Sakthi Sugars Ltd.	50	815	815
(9) Bajaj Hindustan Ltd.	1,000	5,601	5,601
<i>(Face value of Re. 1/- each)</i>			
(10) Kothari Sugars and Chemicals Ltd.	5	50	50
(11) Oswal Sugars Ltd.	100	404	404
(12) Thiru Arooran Sugars Ltd.	100	7,326	7,326
(13) Simbholi Sugars Ltd.	100	1,026	1,026
(14) EID Parry (India) Ltd.	500	7,486	7,486
<i>(Face value of Rs. 2/- each)</i>			
(15) Coromandel Fertilizers Ltd	165	--	--
<i>(Face value of Rs. 2/- each)</i>			
(16) The Andhra Sugars Ltd.	100	2,348	2,348
(17) Avon Organics Ltd.	100	5,580	5,580
(18) Indian Sucrose Ltd	100	680	680
(19) Citric (I) Ltd. <i>(Pending registration of transfer)</i>	100	790	790
(20) Jubilant Organosys Ltd (formerly Vam Organic Chemicals Ltd)	1600	11,268	11,268
<i>(Face value of Rs. 1/- each)</i>			
(ii) Unquoted Equity Shares - Fully Paid			
Agri Business Finance (AP) Ltd	50,000	5,00,000	5,00,000

		AMT IN RS.	
		As at 31.03.2007	As at 31.03.2006
F INVESTMENTS: (Continued)			
B. Non - Trade Investments - Current			
(i) Quoted Equity Shares - Fully Paid:			
(1)	Automotive Stampings and Assemblies Ltd.	2,000	2,08,814
(2)	Blue Star Ltd.	4,518	3,62,746
	<i>(Face value of Rs.2/- each)</i>		
(3)	Gujarat Gas Company Ltd.	450	4,76,137
(4)	Indraprastha Gas Ltd.	32,784	35,92,537
(5)	ISMT Ltd	9,000	3,86,169
(6)	Subex Azure Ltd	2,168	4,73,059
(7)	Yuken India Ltd.	715	1,22,009
(8)	Tata Tea Ltd.	500	--
Purchased during the year			
Quoted Equity Shares - Fully Paid:			
(9)	Container Corporation of India Ltd.	1,194	20,21,184
(10)	Marico Ltd.	15,000	7,20,017
	<i>(Face value of Re.1/- each)</i>		
(11)	Bank of Baroda	370	1,00,191
(12)	Bharat Petroleum Corporation Ltd.	255	99,721
(13)	Bank of India	650	1,00,095
(14)	Hero Honda Motors Ltd.	125	96,910
	<i>(Face value of Rs. 2/- each)</i>		
(15)	Hindustan Petroleum Corporation Ltd	340	1,00,151
(16)	Union Bank of India	775	99,540
(17)	Zee Entertainment Enterprises Ltd.	310	1,00,815
	<i>(Face value of Re. 1/- each)</i>		
(18)	Wire and Wireless (India) Ltd.	155	--
	<i>(1 share of Re.1/- each for every two shares held in Zee Tele Films)</i>		
(19)	Zee News Ltd.	140	--
	<i>(45.21 shares of Re.1/- each for every 100 shares held in Zee Tele Films)</i>		
(20)	Petronet LNG Ltd	5,000	2,37,314
(21)	Precision Wires India Ltd.	2,600	4,48,027
(22)	Apar Industries Ltd	1,378	2,60,595
(23)	Asian Paints Ltd	145	98,543
(24)	Savitha Chemicals Ltd.	345	81,206
(25)	Voltas Ltd.	1,200	1,00,277
	<i>(Face value of Re. 1/- each)</i>		
(26)	Axys Health	50,000	32,50,000
(27)	Chandamama India Ltd.	50,000	6,25,000
Mutual Funds:			
(28)	Prudential ICICI Mutual Fund-FMP-Series37	50,00,000	5,00,00,000
(29)	Reliance Mutual-Monthly Interval Fund <i>Series II - Retail Dividend Plan</i>	30,00,000	3,00,00,000
Purchased and Sold during the year			
(30)	Franklin Templeton Mutual Fund <i>Regular Plan - Weekly Dividend Reinvestment</i> <i>(164833 units purchased and sold during the year)</i> <i>(290201 units purchased and sold during the year)</i>	--	--
(31)	ING vysya Mutual Fund <i>Liquid Fund-Institutional-Daily Dividend Option</i> <i>(16930068 units purchased and sold during the year)</i>	--	--
(32)	HDFC Mutual Fund <i>Liquid Fund - Dividend Daily Reinvest</i> <i>(1966907 units purchased and sold during the year)</i>	--	--
(33)	Reliance Mutual Fund-Cash <i>Plan-Daily Dividend Option</i> <i>(1799951 units purchased and sold during the year)</i>	--	--
TOTAL		12,65,92,017	163,63,918

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

	AMT IN RS.	
	As at 31.03.2007	As at 31.03.2006
NOTE :		
1. The Face value of the above Equity Shares is Rs. 10/- each unless otherwise mentioned		
2. Aggregate of Quoted Investments - At cost	1,75,92,017	53,63,918
At market Value	3,21,19,280	2,48,98,190
3. Aggregate of Unquoted Investments at Cost	2,90,00,000	1,10,00,000
4. Aggregate of Investments in Mutual Funds - At Cost	8,00,00,000	--
G INVENTORIES		
<i>(As Certified by the Management)</i>		
Stores and Spares	8,77,27,871	9,14,89,039
Raw Materials	2,53,316	8,72,029
Crops under cultivation	13,52,754	39,600
Work-in-progress	2,59,80,824	1,97,58,742
Finished Goods	121,21,93,180	124,71,71,572
	132,75,07,945	135,93,30,982
H SUNDRY DEBTORS		
Sundry Debtors - Unsecured:		
Debts outstanding for a period exceeding six months considered good	1,01,47,344	69,25,568
Other Debts - Considered Good <i>(including Rs. Nil due from Subsidiary Companies previous year Rs.1,58,782/-)</i>	10,43,62,097	10,10,86,074
	11,45,09,441	10,80,11,642
I CASH AND BANK BALANCES		
Cash on hand	4,41,238	9,36,254
Balances at Scheduled Banks:		
in Fixed Deposits	12,56,57,850	1,34,75,980
in Current Accounts	5,06,31,007	5,37,35,159
	17,67,30,095	6,81,47,393
J OTHER CURRENT ASSETS		
Interest and Dividend accrued on Deposits and Investments	28,08,246	15,13,709
K LOANS AND ADVANCES		
Advances <i>(unsecured recoverable in cash or in kind or for value to be received)</i>		
Considered Good		
To Subsidiary Companies	77,60,236	18,89,044
To others	5,13,12,321	10,25,03,976
	5,90,72,557	10,43,93,020
Considered Doubtful	4,19,925	4,19,925
	5,94,92,482	10,48,12,945
Less : Provision	4,19,925	4,19,925
	5,90,72,557	10,43,93,020
Prepaid expenses	70,52,136	61,91,789
Excise duty paid in advance	82,56,111	2,11,30,010
Advance Income-tax paid (Including FBT) (Net)	2,50,52,000	71,02,000
Income Tax deducted at source	23,51,136	16,45,652
Deposits with the Government Departments etc. recoverable	3,52,58,342	55,09,034
Claims receivable	32,16,452	30,63,641
	14,02,58,734	14,90,35,146

	AMT IN RS.	
	As at 31.03.2007	As at 31.03.2006
L CURRENT LIABILITIES AND PROVISIONS		
A. Current Liabilities :		
Sundry Creditors		
- Due to small scale industrial undertakings	16,90,822	11,37,550
- Due to others	113,83,01,596	80,63,25,224
<i>[including Rs.1,18,77,804/- due to Directors P.Y. Rs.5,17,24,027/-] Rs 7,68,958/- due to Subsidiary Companies P.Y. Rs. Nil)</i>		
Unclaimed Fixed Deposits *	24,01,471	54,90,698
Unclaimed Dividends	95,21,505	95,70,022
Unclaimed Interest on Fixed Deposits	4,12,903	42,87,307
Advances received against sales	43,30,187	1,13,97,166
Trade Deposits	1,23,650	4,50,175
Staff Security Deposits	1,10,000	1,50,000
Interest accrued but not due on loans	1,18,86,216	1,37,09,008
	116,87,78,350	85,25,17,150
B. Provisions :		
Provision for Leave Encashment	94,72,747	73,52,286
Provision for Gratuity	61,43,004	50,50,704
Proposed Dividend <i>(see Directors' Report)</i>	5,66,92,525	11,33,85,050
Tax on Distributed Profits	96,34,895	1,59,02,254
	8,19,43,171	14,16,90,294
	125,07,21,521	99,42,07,444

* This includes deposit of Rs.7,000/-, unclaimed for more than seven years which was transferred to Investor Education and Protection Fund on 27.04.2007)

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

	AMT IN Rs.	
	2006-07	2005-06
M OTHER INCOME		
Interest received from Banks and others <i>(Tax deducted on above Rs.5,11,542/- P.Y. Rs. 2,51,383/-)</i>	21,96,014	10,92,946
Dividends Received		
i) On Trade Investments	--	2,44,552
ii) On other Investments	36,76,768	11,24,525
Rent received <i>(Tax deducted on above Rs.1,93,942/- P.Y. Rs.2,03,741/-)</i>	28,62,858	18,26,027
Miscellaneous receipts	2,26,09,763	1,37,98,004
Profit on sale of assets	1,62,97,747	5,79,408
Profit on sale of Investments	77,869	31,753
Unclaimed balances credited back	2,34,757	10,522
Claims received	15,16,423	66,16,458
Provision for expenses no longer required credited back	64,14,423	18,33,977
Prior period adjustments	3,02,843	--
	5,61,89,465	2,71,58,172
N INCREASE/(DECREASE) IN STOCKS		
Opening Stocks:		
Crops under cultivation	39,600	46,797
Work-in-Progress	1,97,58,742	2,16,81,873
Finished goods	124,71,71,572	125,01,45,286
	126,69,69,914	127,18,73,956
Closing Stocks:		
Crops under cultivation	13,52,754	39,600
Work-in-Progress	2,59,80,824	1,97,58,742
Finished goods	121,21,93,180	124,71,71,572
	123,95,26,758	126,69,69,914
Increase / (Decrease) in stocks	(2,74,43,156)	(49,04,042)
O PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	18,89,04,118	16,72,39,906
Payment under Voluntary Retirement Scheme	7,08,205	49,55,664
Contribution to Provident Fund and Pension Scheme	1,15,30,723	98,47,963
Contribution to Superannuation Fund	8,54,408	8,52,021
Contribution to Gratuity Fund and Gratuity Paid incl.provision	71,45,401	96,12,547
Workmen and Staff Welfare expenses	1,55,80,518	1,58,57,928
	22,47,23,373	20,83,66,029

	AMT IN RS.	
	2006-07	2005-06
P MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES		
MANUFACTURING		
Process Chemicals	3,66,44,914	3,19,00,665
Packing Materials	7,17,70,724	6,91,20,870
Cultivation Expenses	27,58,166	2,98,180
Power and Fuel	Rs.60,85,65,913/-P.Y.Rs.40,37,76,232/-	
Less:Inter Divisional Transfers	Rs.58,39,25,517/-P.Y.Rs.37,97,59,747/-	
Net Power and Fuel	2,46,40,396	2,40,16,485
Insurance	1,03,19,692	88,33,063
Research & Development	4,61,81,660	4,26,01,988
Repairs to Buildings	1,12,61,823	60,21,094
Repairs to Machinery	13,23,15,871	11,22,79,706
Repairs to Other Assets	70,62,740	85,46,840
	<u>34,29,55,986</u>	<u>30,36,18,891</u>
SELLING		
Loading, Unloading, Transport etc.	1,61,62,090	1,47,30,938
Royalty	2,76,274	2,77,767
	<u>1,64,38,364</u>	<u>1,50,08,705</u>
ADMINISTRATIVE		
Rent	3,47,425	3,04,434
Payments to Auditors (See Note No. 13)	5,63,525	6,63,128
Directors Sitting fee	12,60,000	13,60,000
Remuneration to Whole time and other Directors (See Note No. 14)	2,00,66,253	5,98,98,197
Miscellaneous expenses	6,95,78,937	5,38,45,299
	<u>9,18,16,140</u>	<u>11,60,71,058</u>
OTHERS		
Loss on sale of assets	6,64,993	6,02,388
Loss on sale of investments	1,847	--
Loss on sale of stores / raw materials	--	52,81,281
Net Value of discarded assets written off	--	1,89,44,025
Bad debts and Debit balances written off	4,03,602	84,59,780
Excise Duty and Taxes	9,65,19,691	8,38,77,351
	<u>9,75,90,133</u>	<u>11,71,64,825</u>
	<u>54,88,00,623</u>	<u>55,18,63,479</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

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

5. INVENTORIES

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

6. SALES AND OTHER EARNINGS

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

7. FOREIGN EXCHANGE TRANSACTIONS

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

8. 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 and Capital Commitments:

a) Contingent Liabilities :

i) Claims against the company not acknowledged as debts:

Particulars	31.03.2007	31.03.2006
	Amount - Rs.	
Labour Cases	49,15,317	1,33,17,023
Central Excise Cases	191,12,314	191,12,314
Differential Statutory Minimum Cane Price for the financial year 2002-03	1,85,23,712	1,85,23,712
Total	4,25,51,343	5,09,53,049

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

b) Capital Commitments:

Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs.4,93,74,867/- (Rs.3,35,11,492/-).

2. Cash and Bank Balances include :

- i) Rs.1,20,000/- (Rs.1,51,442/-) on account of staff security deposits.
- ii) Rs.19,93,850/- (Rs.14,14,538/-) representing Fixed Deposit receipts lodged with bankers as margin money against guarantees issued by them.
- iii) Rs.1,35,44,000/- (Rs.1,19,10,000/-) in Fixed Deposit in accordance with the Companies (Acceptance of Deposits) Rules, 1975.
- iv) Rs.95,21,504/- (Rs.95,70,022/-) towards unclaimed dividends in accordance with Section 205 of the Companies Act.

3. "Unsecured Loans" - include Fixed Deposits of Rs.3,00,00,000/- (Rs.2,00,00,000/-) 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.
Annapurna Industries, Vijayawada	3,08,250
B.S.Pulverisers	42,432
Fluidline Valves Company, Mumbai	1,556
K.K.Metal Fabricators	2,94,051
P.K.Engineers	88,504
Prathap Industires, Vijayawada	76,863
Rubber Products, Chennai	440
Saritime Horological (P) Ltd.,	48,105
Sree Rama Iron Foundry	1,50,091
Sri Lakshmi Lime Syndicate	6,54,023
U.K.Engineering Industries	26,507

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

5. 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	73,52,286	53,22,226	32,01,765	94,72,747
Provision for gratuity	50,50,704	17,18,738	6,26,438	61,43,004
Provision for Income Tax	31,50,10,139	8,25,00,000	--	39,75,10,139
Provision for FBT	25,00,000	18,00,000	--	43,00,000
Proposed Dividend	11,33,85,050	5,66,92,525	11,33,85,050	5,66,92,525
Tax on Proposed Dividend	1,59,02,254	96,34,895	1,59,02,254	96,34,895
Total	45,92,00,433	15,76,68,384	13,31,15,507	48,37,53,310

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

Particulars	Assets Rs.	Liabilities Rs.
a) Depreciation	--	29,58,16,139
b) Unamortized Voluntary Retirement Compensation	12,38,623	--
c) Excise Duty on Closing Stock	2,69,59,771	--
d) Other deferred tax assets	1,03,88,755	--
TOTAL	3,85,87,149	29,58,16,139

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

Loans and Advances to Subsidiary Companies	Outstanding as at 31.03.2007 Rs.	Maximum amount outstanding during the year Rs.
The Eimco - K.C.P. Ltd.	74,00,000	93,24,734
KCP Sugars Agricultural Research Farms Ltd.	3,60,236	21,76,107

PROFIT AND LOSS ACCOUNT :

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

Products / Service	Units	2006-2007		2005-2006	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Sugar	Qtls	16,62,290	284,87,76,809	18,35,149	320,89,57,772
Molasses	MTs	38,652	9,23,16,571	25,269	10,92,96,524
Bagasse	MTs	55,874	4,13,86,010	34,382	2,73,16,147
Industrial Alcohol	BLs	98,68,928	23,07,70,504	69,80,213	17,30,05,881
Bio Fertilizer	Qtls	96,426	3,15,32,677	1,36,682	3,95,86,802
Electrical Energy	Kwh	2,35,72,600	5,82,93,200	1,42,83,600	3,25,07,800
Others	ó	--	18,99,076		6,39,014
TOTAL			330,49,74,847		359,13,09,940

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

Products / Service	Units	2006-2007		2005-2006	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Molasses	MTs	45,339	8,33,28,496	32,640	9,98,99,850
Bagasse	MTs	3,75,900	25,37,72,534	2,43,121	16,44,87,599
Electrical Energy	Kwh	2,00,45,864	6,61,51,351	1,38,54,539	4,69,01,431
Steam	MTs	6,58,003	26,40,01,632	4,43,177	16,83,70,717
Filter Cake	MTs	23,068	2,30,679	9,781	2,73,358
Sugarcane - Agricultural Produce	MTs	--	--	206	2,01,886
TOTAL			66,74,84,692		48,01,34,841

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

9. Raw Materials Consumed

Particulars	Units	2006-2007		2005-2006	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Sugar - Sugarcane	MTs	15,25,976	185,86,91,775	14,98,573	160,64,16,305
Distillery - Molasses	MTs	45,340	11,09,01,098	32,640	11,21,63,730
Others			26,38,655		49,95,869
TOTAL			197,22,31,528		172,35,75,904
Less : Inter Divisional Transfers			8,35,59,175		10,03,75,094
Net Consumption			188,86,72,353		162,32,00,810

10. Opening Stock of Finished Goods

Particulars	Units	As at 01.04.2006		As at 01.04.2005	
		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

11. Closing Stock of Finished Goods

Particulars	Units	As at 31.03.2007		As at 31.03.2006	
		Quantity	Value in Rs.	Quantity	Value in Rs.
Sugar	Qtls	8,72,909	117,34,39,521	8,99,076	113,43,52,614
Molasses	MTs	39,147	2,96,32,561	53,646	9,61,05,674
Industrial Alcohol	BLS	2,43,502	39,10,482	8,54,274	1,49,71,499
Bio Fertiliser	Qtls	988	24,10,995	43,417	15,28,018
Others	Qtls	-	27,99,621	-	2,13,767
TOTAL			121,21,93,180		124,71,71,572

12. Particulars regarding Capacity and Production

Class of Goods	Capacity			Actual Production	
	Licensed	Installed	Units	2006-2007	2005-2006
	(as certified by the Management)				
a. Sugar					
i. Vuyyuru Unit	7,500	7,500	Qtls	12,05,581	11,97,461
	(Tonnes of Cane crushed per day)				
ii. Lakshmipuram Unit	4,000	4,000	Qtls	4,30,542	4,58,859
	(Tonnes of Cane crushed per day)				
b. Molasses (By-Product)	ó	ó	MT's	69,492	70,702
c. Industrial Alcohol/Anhydrous Alcohol	50,000	50,000	Bl per day	92,58,156	77,11,250
d. Bio Fertiliser	ó	ó	Qtls	1,21,705	1,44,173
e. Electrical Power					
ii. Incidental Co-Generation Power Plant, Vuyyuru	15 MW	15 MW	Kwh	3,99,02,646	2,44,97,179
iii. Incidental Co-Generation Power Plant, Lakshmipuram	5 MW	5 MW	Kwh	1,29,94,140	78,55,344

13. Payments to Auditors comprise :

	2006-2007 Rs.	2005-2006 Rs.
For Statutory audit	2,52,810	2,52,540
For Certification and Other Services	2,13,256	3,11,185
Out of Pocket Expenses	1,000	21,890
	<u>4,67,066</u>	<u>5,85,615</u>
Fees to Cost Auditor	96,459	77,513
Total	5,63,525	6,63,128

14. REMUNERATION TO DIRECTORS

(i) Computation of Net Profit in accordance with Sec 349 of the Companies Act, 1956 for the year ended 31.03.2007

Net Profit as per Profit and Loss Account		Rs.	36,47,48,666
ADD :			
Director's Sitting Fees	12,60,000		
Remuneration to Directors	2,00,66,253		
Profit on sale of Fixed Assets allowable in accordance with the proviso to sub section (3) (d) of Section 349	6,72,330		
			<u>2,19,98,583</u>
LESS :			
Profit on sale of Investments	77,869		
Profit on sale of fixed assets considered separately	1,62,97,747		
			<u>1,63,75,616</u>
Adjusted Net Profit for the year under Section 349			<u>37,03,71,633</u>

(ii) Details of Remuneration to Directors

	Managing Director	Executive Director
Salaries	48,00,000	27,50,000
Contribution to Provident Fund		3,30,000
Gratuity	--	2,01,923
Other Perquisites	--	1,06,526
Commission	63,11,149	40,18,984
Total	1,11,11,149	74,07,433

Note :

- 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.13,703/- and Rs. 5,57,797/- as per Income Tax rules respectively.
- Commission provided to the Whole - time directors represents the balance amount of aggregate remuneration payable to the Managing Director and Executive Director not exceeding 3% and 2% respectively of the profits computed in accordance with Sec 349 of the Companies Act, 1956.
- Aggregate Commission @ 1% of the above profits, payable to the 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.15,47,671/-

	2006-2007	2005-2006
	Rs.	Rs.
15. a) Miscellaneous Expenses include - Donations	75,65,000	22,13,800
b) Interest paid includes :		
On Fixed Loans	1,89,84,881	2,55,62,674
On Deposits from Wholetime Director	21,69,863	18,43,205

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

	2006-2007		2005-2006	
i) Raw Materials	Rs.	Nil	Rs.	Nil
ii) Components and Spare Parts	Rs.	Nil	Rs.	Nil
ii) Capital Goods	Rs.	Nil	Rs.	Nil

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

i) Foreign Travel	Rs.	Nil	Rs. 2,65,925
ii) Others	Rs. 2,97,875		Rs. Nil

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

Particulars	Value Rs. 2006-2007	%	Value Rs. 2005-2006	%
a) Raw Materials				
i. Imported	Nil	0.00	Nil	0.00
ii. Indigenous	188,86,72,353	100.00	162,32,00,810	100.00
b) Spare parts and Components (debited to respective heads)				
i. Imported	Nil	0.00	Nil	0.00
ii. Indigenous	23,09,66,587	100.00	45,83,81,616	100.00

19. Related Party Disclosures:

(As required under paragraphs 23 and 26 of Accounting Standard 18)

Amount in Rs.

Particulars	Subsidiaries	Key Management Personnel
Purchase of machinery parts & Equipments	65,08,591	--
Interest Received	3,90,971	--
Payment for engineering services	2,806	--
Rent Received	2,70,000	--
Remuneration paid to key management personnel	--	1,87,73,582
Share Capital held in	2,85,00,000	--
Sundry creditors	7,68,958	--
Advances	77,60,236	--
Share Capital of the Company held by	--	17,33,310
Guarantees given on behalf of	6,75,00,000	--
Fixed Deposits held by	--	3,00,00,000
Interest on Fixed Deposits paid to	--	21,69,863

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

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

Particulars	2006-2007 Rs.	2005-2006 Rs.
Profit attributable to the Shareholders (A)	23,55,05,448	57,11,04,726
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)	2.08	5.04

21. 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 P 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 **B PURUSHOTTAM & CO.**
Chartered Accountants,

K.A.RANGASWAMY
Director
Chennai
29.06.2007

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

B.S. PURSHOTHAM
Partner

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.

	2006 - 2007	2005-2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	36,47,48,666	93,91,25,614
Adjustments for :		
Depreciation	10,01,49,144	7,43,45,214
Loss/(Profit) on Sale of Assets	(1,56,32,754)	22,980
Assets written off	-	1,89,44,025
Loss/ Profit on sale of Investments	(76,022)	(31,753)
Dividend Income	(36,76,768)	(13,69,077)
Interest paid	3,51,55,795	4,20,52,706
Interest received	(21,96,014) 11,37,23,381	(10,92,946) 13,28,71,149
Operating Profit before Working Capital Changes	47,84,72,047	107,19,96,763
Adjustments for:		
Trade and other Receivables	(1,96,39,560)	(2,94,01,040)
Inventories	(3,18,23,037)	(7,24,93,843)
Trade payables	(31,94,73,961)	16,00,65,308
	(37,09,36,558)	5,81,70,425
Cash generated from Operations	84,94,08,605	101,38,26,338
Direct Taxes Paid	10,29,55,484	30,73,23,294
Cash Flow before extraordinary items	74,64,53,121	70,65,03,044
Extraordinary items	-	-
NET CASH FROM OPERATING ACTIVITIES	74,64,53,121	70,65,03,044
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	23,33,14,409	56,57,18,657
Investments Purchased	11,10,98,516	19,81,590
Increase in Capital Work in Progress	2,70,02,658	(11,84,89,339)
Sale of Investments	(9,46,439)	(80,385)
Sale of Fixed Assets	(1,87,41,844)	(17,27,741)
Interest Received	(21,96,014)	(10,92,946)
Dividend Received	(36,76,768)	(13,69,077)
NET CASH USED IN INVESTING ACTIVITIES	34,58,54,518	44,49,40,759

	Amt. in Rs.	
	<u>2006 - 2007</u>	<u>2005-2006</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long term Borrowings	12,75,72,802	3,89,22,919
Interest paid	3,51,55,795	4,20,52,706
Repayment of Finance Lease Liabilities	-	10,92,926
Dividends and Tax on dividends paid (incl.interim)	12,92,87,304	16,16,09,130
NET CASH USED IN FINANCING ACTIVITIES	29,20,15,901	24,36,77,681
Net Increase in Cash and Cash Equivalents (A+B+C)	10,85,82,702	1,78,84,604
Cash and Cash equivalents as at 01.04.2006	6,81,47,393	5,02,62,789
Cash and Cash equivalents as at 31.03.2007	17,67,30,095	6,81,47,393

	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 B PURUSHOTTAM & CO. Chartered Accountants,
K.A.RANGASWAMY Director Chennai 29.06.2007	V.C.UNNIKISHNAN General Manager (Finance) and Secretary	B.S. PURSHOTHAM 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 Industrie Corporation Limited for the year ended 31st March 2007. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the National Stock Exchange, based on and in agreement with the corresponding Profit and Loss Account and Balance sheet of the Company covered by our Report of 29th June 2007 to the Members of the Company.

Chennai
29.06.2007

For **B PURUSHOTTAM & CO.**
Chartered Accountants,
B.S. PURSHOTHAM
(M.No.26785)
Partner

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

I. Registration Details

Registration No. State Code Balance Sheet dated

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

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	14,47,597
Secured Loans	1,93,677
Unsecured Loans	1,79,922
Deferred Tax Liability	2,57,229
Total	<u>21,91,810</u>

Application of Funds

Net Fixed Assets	15,54,125
Investments	1,26,592
Net Current Assets	5,11,093
Misc. Expenditure	--
Total	<u>21,91,810</u>

IV. Performance of Company for the year ended 31st March 2007 (Amount in Rs. Thousands)

Turnover	Other Income	Increase in stocks	Total Expenditure
<input type="text" value="39,72,460"/>	<input type="text" value="56,189"/>	<input type="text" value="---"/>	<input type="text" value="36,63,900"/>
Profit/(Loss) for the year before tax	Profit/(Loss) After Tax	E.P.S. in Rs.	Dividend Rate %
<input type="text" value="3,64,749"/>	<input type="text" value="2,35,505"/>	<input type="text" value="2.08"/>	<input type="text" value="50%"/>

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

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

IRMGARD VELAGAPUDI M. RAO
Managing Director

K.A.RANGASWAMY
Director
Chennai
29.06.2007

For and on behalf of the Board

V.KIRAN RAO
Executive Director

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

As per our report of even date

For **B PURUSHOTTAM & CO.**
Chartered Accountants,

B.S. PURSHOTHAM
Partner



I. THE EIMCO-KCP LIMITED:

1. The above Company is a wholly owned subsidiary of K.C.P.Sugar and Industries Corporation Limited, in which the Company holds the entire 6,00,000 shares of Rs.10/- each fully paid up (including 10 shares held by its Nominees).
2. The EIMCO-KCP Limited has earned a Net Profit of Rs.1,39,13,233/- (P.Y Rs.76,88,041/-) for the year ended 31.03.2007. After providing for current taxation of Rs.53,50,000/- (P.Y.Rs. 32,00,000/-) and deferred taxation of Rs.NIL (P.Y.Rs.1,06,574), and adding thereto, reversal of excess provision of Income Tax for earlier years of Rs.1,17,235/- (P.Y. 80,000), reversal of Deferred Tax provision of Rs.82,183/- and the balance brought forward from previous year of Rs.1,10,21,769/- (P.Y.Rs. 65,60,302) there remained a surplus of Rs.1,97,84,420/- (P.Y.Rs. 1,10,21,769/-) which is carried forward to next year.
3. The accumulated reserves as on 31.03.2007 stood at Rs.3,17,88,608/-.
4. The Eimco-KCP limited has not proposed any dividend for the year ended 31.03.2007. (Previous year: Nil).
5. No part of the above profits or reserves have been dealt with in the Company's Accounts.

II. KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED:

1. The above Company is a wholly owned subsidiary of K.C.P.Sugar and Industries Corporation Limited, in which the Company holds the entire 22,50,000 shares (P.Y.4,50,000) of Rs.10/- each fully paid up (including 6 shares held by its Nominees) as on 31st March 2007.
2. For the year ended 31.03.2007, KCP Sugars Agricultural Research Farms Limited earned a Profit of Rs.4,11,491/- (P.Y:- Loss: Rs.1,75,072/-). After making a provision of Rs.15,736/- for Income Tax (P.Y. Rs.NIL) and a provision of Rs.1,12,932/- (P.Y.Rs.1,306/-) for Deferred Tax, and adding thereto the balance of Loss brought forward from previous year of Rs.12,45,103/- (P.Y. Rs. 10,71,337/-), the net cumulative loss of Rs.9,62,280/- (P.Y. Loss: Rs.12,45,103/-) is carried forward to next year.
3. KCP Sugars Agricultural Research Farms Limited has not proposed any dividend for the period ended 31.03.2007.
4. No part of the above profits or reserves have been dealt with in the Company's Accounts.

For and on behalf of the Board

IRMGARD VELAGAPUDI M RAO
Managing Director

V.KIRAN RAO
Executive Director

K.A. RANGASWAMY
Director

V.C.UNNIKRISHNAN
General Manager (Finance) and Secretary
Chennai
29.06.2007



THE EIMCO-K.C.P. LTD.

***Thirty Ninth Annual Report
2006 - 2007***

BOARD OF DIRECTORS

As on 27.06.2007

Chairperson	Smt.Irmgard Velagapudi M.Rao
Vice Chairperson	Smt.V.Kiran Rao
Directors	Shri.J.Satyanarayana Shri.V.C.Unnikrishnan
Auditors	Messrs. B. Purushottam & Co. Chartered Accountants, Chennai
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.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Thirty ninth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at No.239, Anna Salai, Chennai 600006, on Wednesday, 26th day of September 2007 at 10.15 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the period ended on that date and consider the Reports of the Directors and Auditors.
2. To appoint a Director in place of Smt. Irmgard Velagapudi M.Rao, who retires by rotation and is eligible for reappointment.
3. To appoint a Director in place of Smt. V. Kiran Rao, who retires by rotation and is eligible for reappointment.
4. To appoint the Statutory Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

// By Order of the Board //

For THE EIMCO-K.C.P. LIMITED

Place : Chennai
Date : 27.06.2007

**IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON**

NOTES:

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

// By Order of the Board //

For THE EIMCO-K.C.P. LIMITED

Place : Chennai
Date : 27.06.2007

**IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON**

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors have pleasure in submitting their Report for the year ended 31st March 2007 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.1513.00 lakhs as compared to Rs.1585.28 lakhs during the previous year. The backlog as on 31.03.2007 is Rs.968.97 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 2007 was Rs.1622.03 lakhs as against Rs.1548.99 lakhs in the previous year. The Profit was at Rs.139.13 Lakhs for the year under review as against a profit of Rs.76.88 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.87.63 lakhs to which after adding the brought forward surplus of Rs.110.22 lakhs, the carry forward surplus to the next year amounted to Rs.197.84 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 2007 is not applicable as there was no employee covered by the same.

EXPORTS & FOREIGN

Our Exports earnings during 2006-2007 was Rs.12.15 lakhs (P.Y.-Rs.124.82 lakhs).

EXCHANGE EARNINGS & OUTGO

During the period under review the Company has incurred expenditure in foreign currency amounting to Rs.24.04 lakhs towards foreign travel and import of components & sugar process chemicals. There are no specific areas in which the Company has carried out Research and Development.

DIRECTORS

Shri.P.Subramani was appointed as Additional Director of the Company at the Board Meeting held on 26.10.2006 to hold office upto the ensuing Annual General Meeting. Shri.P.Subramani resigned as Director with effect from 09.01.2007. Your Directors wish to place on record their appreciation for the contribution made by him during his tenure as Director. At the forthcoming Annual General Meeting Smt. Irmgard Velagapudi M. Rao, Chairperson and Smt. V. Kiran Rao, Vice Chairperson, retire by rotation and being eligible offer themselves for re-appointment.

STAFF RELATIONS

Industrial Relations with Staff and Workers continue to be cordial.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and that there were no material departures 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 2007 and of the profit of the Company for that year.
- iii) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors had prepared the annual accounts on a going concern basis.

SECRETARIAL COMPLIANCE CERTIFICATE

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

AUDITORS

M/s. B.Purushottam & Co., Chartered Accountants, Chennai, retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

For and on behalf of the Board of Directors

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, 2007. 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 2007 and hence no comments.
4. The Board of Directors duly met 5 (five) times respectively on 26.06.2006, 28.07.2006, 08.09.2006, 26.10.2006, and 29.01.2007 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 2006 was held on 28th September 2006 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. No Extraordinary General Meeting was held during the financial year.
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 the appointment / cessation of Directors has been duly made in accordance with the provisions of the Act.
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 2007.
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.

Place : Chennai
Date : 27.06.2007

For V.MAHESH & ASSOCIATES
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, 2007.

1. Form 23AC / 23ACA - Balance sheet and Profit & Loss Account - filed on 25.10.2006, vide SRN. No. P00480780.
2. Form 66 - Secretarial Compliance Certificate - filed on 25.10.2006 - vide SRN No.P00481390.
3. Form 32 -Cessation of Director-filed on 27.10.2006, vide SRN No.A05359294.
4. Form 32 - Appointment of Director - filed on 16.11.2006, vide SRN No.A05973326.
5. Form 20-B - Filing of Annual Return - filed on 24.11.2006, vide SRN No.P02052785.
6. Form DIN 3 - Intimation regarding Directors DIN - filed on 05.12.2006, vide SRN No.A06696082.
7. Form 32 - Cession of Director - filed on 06.02.2007, vide SRN No.A9787276.

Place : Chennai
Date : 27.06.2007

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

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

1. We have audited the attached Balance Sheet of THE EIMCO-K.C.P.LIMITED, as at 31st March 2007, and also the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (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:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
 - iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies act, 1956;
 - v) On the basis of written representations received from the directors, of the company as at 31st March, 2007 and taken, on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of under clause (g) of sub section (1) of section 274 of the companies act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes and Accounting Policies give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007 and
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - c. In the case of the Cash Flow Statement, of the Cash Flows of the company for the year ended on that date

PLACE : Chennai
DATE : 27 June, 2007

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

i) In respect of Fixed assets:

- a) The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed assets.
- b) The assets have not been physically verified by the Management during the year under report.
- c) During the year, the Company has not disposed off any substantial part of Fixed Assets.

ii) In respect of inventory:

- a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

iii) In respect of Loans:

- a) According to the information and explanations given to us, the Company has not granted Loans to companies, Firms or other parties covered in the register maintained under section 301 of the companies Act, 1956. Accordingly, clauses iii(b), iii(c), iii(d) of Para 4 of the Order, are not applicable. The Company has taken loan from one party, covered in the register maintained u/s 301 of the companies Act, 1956. The maximum amount involved during the year was Rs.95.00 Lakhs and the year-end balance of the loan taken from such party was Rs.74.00 Lakhs. In our opinion, the rate of interest and other terms and conditions on which loan has been taken are not, *prima facie*, prejudicial to the interest of the company. According to the information and explanations furnished to us, the company has been regular in paying the principal and interest amounts as stipulated on the loans taken by it from the persons listed in the register maintained under Section 301 of the Companies Act 1956.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets, for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system of the company.
- v) a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the company has not accepted public deposits covered under the provisions of section 58A and 58AA and other applicable provisions of the Companies Act, 1956.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) The Provisions of Section 209(1)(d) of the Companies Act 1956, relating to maintenance of cost records, do not apply to the company, during the year under report.
- ix) a. According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Sales tax, Service tax, Custom duty, Excise Duty, and other material statutory dues applicable to it.
- b. According to the information and explanation given to us no undisputed amounts payable in respect of Income tax, Sales tax, wealth tax, Service tax, Customs Duty and Excise Duty and Cess were in arrears, as at 31-03-2007 for a period of more than six months from the date they became payable.
- c. According to the information given to us, there no dues of Income tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess which have not been deposited on account of any dispute except in respect of Sales tax which have not been deposited. The details are given as under

S.No	Nature of the dues	Name of Statute	Amount	Pending before
1	Sales Tax and related demands	Sales Tax	Rs.13,96,555	Various Appellate Tribunals,

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

PLACE : Chennai
DATE : 27 June, 2007

Particulars	Schedule	31-03-2007		31-03-2006	
		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	3,17,88,608		2,30,25,957	
			3,77,88,608		2,90,25,957
2. Loan Funds :					
(a) Secured Loans	C		2,74,54,551		2,32,12,038
(b) Unsecured Loans	D		74,00,000		---
3. Deferred Tax Liability (Net) (See Note 15)					
Deferred Tax Liability		2,63,533		2,28,822	
Less : Deferred Tax Asset		1,47,672	1,15,861	30,778	1,98,044
Total			7,27,59,020		5,24,36,039
(II) APPLICATION OF FUNDS:					
1. Fixed Assets :					
(a) Gross Block	E	2,95,28,202		2,78,55,070	
(b) Less: Depreciation		2,47,93,401		2,37,82,238	
(c) Net Block		47,34,801		40,72,832	
(d) Capital Work-in-progress		88,07,801	1,35,42,602	12,51,124	53,23,956
2. Investments	F		11,056		11,056
3. Current Assets, Loans & Advances					
(a) Inventories	G	3,06,27,736		2,41,46,434	
(b) Sundry Debtors	H	7,12,45,964		5,51,74,044	
(c) Cash and Bank Balances	I	30,29,029		78,28,610	
(d) Other Current Assets	J	0		37,422	
(e) Loans and Advances	K	1,59,30,253		48,14,956	
		12,08,32,982		9,20,01,466	
Less: Current Liabilities & Provisions					
(a) Liabilities	L	5,30,71,123		4,11,88,042	
(b) Provisions	M	85,56,497		37,12,397	
		6,16,27,620		4,49,00,439	
NET CURRENT ASSETS			5,92,05,362		4,71,01,027
Total			7,27,59,020		5,24,36,039

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 **B. PURUSHOTTAM & CO**
Chartered Accountants,

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson

B.S. PURSHOTHAM
Partner

Chennai
27.06.2007

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Particulars	Schedule	2006-2007 Rs.	2005-2006 Rs.
INCOME FROM :			
Sale of products and Services <small>(including Excise Duty Recovered Rs. 1,73,65,452/- P.Y.Rs. 1,63,05,653/-)</small>		16,22,03,060	15,48,98,605
Other Income	1	18,94,185	26,73,898
		16,40,97,245	15,75,72,503
EXPENDITURE ON :			
Materials consumed	2	8,05,05,965	7,75,20,085
Purchase of Finished goods		5,62,651	9,26,966
Payments and Benefits to Employees	3	1,69,90,583	1,89,36,374
Manufacturing, Selling, Administrative and other expenses	4	3,13,66,665	3,39,62,363
Taxes and Licences <i>(excluding income tax)</i>	5	1,73,88,675	1,63,15,749
Interest		23,58,310	13,56,217
Depreciation		10,11,163	8,66,708
		15,01,84,012	14,98,84,462
PROFIT FOR THE YEAR BEFORE TAXATION		1,39,13,233	76,88,041
Less: Provision for Taxation			
Current		50,00,000	29,00,000
Deferred Tax		--	1,06,574
Fringe Benefit tax		3,50,000	300000
Add: Reversal of Deferred Tax (Net)		82,183	--
Add: Rev. of Excess Provision for Income tax for earlier years		1,17,235	80,000
PROFIT AFTER TAX		87,62,651	44,61,467
Add: Balance brought forward from last year		65,60,302	
1,10,21,769			
SURPLUS CARRIED OVER TO BALANCE SHEET		1,97,84,420	1,10,21,769
<small>For and on behalf of the Board</small>			<small>As per our report of even date</small>
Basic and Diluted Earning per Share (See Note No.17)		14.60	7.44

For **B. PURUSHOTTAM & CO**
Chartered Accountants,

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

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson

B.S. PURSHOTHAM
Partner

Chennai
27.06.2007

<i>iShare Capitalî</i>		Schedule ëAí	
Particulars	31.03.2007 Rs.	31.03.2006 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 (All the Shares are held by the Holding Company K.C.P. Sugar and Industries Corporation Ltd, Chennai and its nominees)	<u>60,00,000</u> <u>60,00,000</u>	<u>60,00,000</u> <u>60,00,000</u>	

<i>iReserves & Surplusî</i>				Schedule ëBí	
Particulars	As at 31-03-2006 Rs.	Additions During the Year Rs.	Withdrawals During the Year Rs.	As at 31-3-2007 Rs.	
General Reserve	1,20,04,188	---	---	1,20,04,188	
Surplus (i.e.) Balance in Profit and Loss Account	1,10,21,769	87,62,651	---	1,97,84,420	
	2,30,25,957	87,62,651	---	3,17,88,608	

<i>i Secured Loansî</i>		Schedule ëCí	
Particulars	31-03-2007 Rs.	31-03-2006 Rs.	
a) From a Bank (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 Gurantee from KCP Sugar and Industries Corporation Limited (Holding Company)	2,74,54,551	2,32,12,038	
	2,74,54,551	2,32,12,038	

<i>b) Unsecured Loansî</i>		Schedule ëDí	
Particulars	31-03-2007 Rs.	31-03-2006 Rs.	
a) From Holding Company-KCP Sugar and Industries Corporation Ltd.	74,00,000	----	

<i>"Fixed Assets"</i>										Schedule ëEí	
Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	Cost as on 01-04-2006 Rs.	Additions During the Year Rs.	Deductions During the Year Rs.	Cost as on 31-03-2007 Rs.	Depreciation Upto 31-03-2006 Rs.	Depreciation For the Year Rs.	Depreciation on Deductions Rs.	Depreciation Upto 31-03-2007 Rs.	WDV as on 31.03.2007 Rs.	WDV as on 31.03.2006 Rs.	
Land	6,32,110	---	---	6,32,110	0	---	---	---	6,32,110	6,32,110	
Buildings	37,29,715	3,80,520	---	41,10,235	24,50,999	1,04,846	---	25,55,845	15,54,390	12,78,716	
Plant & Machinery	1,34,67,095	7,32,382	---	1,41,99,477	1,28,50,144	2,58,930	---	1,31,09,074	10,90,403	6,16,951	
Furniture & Fittings	34,22,074	1,77,026	---	35,99,100	26,88,366	1,67,843	---	28,56,209	7,42,891	7,33,708	
Computers	63,43,531	3,83,204	---	67,26,735	55,48,608	4,75,292	---	60,23,900	7,02,835	7,94,923	
Knowhow and Designs	2,35,000	---	---	2,35,000	2,35,000	---	---	2,35,000	---	---	
Vehicles	25,545	---	---	25,545	9,121	4,252	---	13,373	12,172	16,424	
Total	2,78,55,070	16,73,132	---	2,95,28,202	2,37,82,238	10,11,163	---	2,47,93,401	47,34,801	40,72,832	
Previous Year	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. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

		74,00,000		----	
"Investments"				Schedule eFi	
Particulars		31-03-2007		31-03-2006	
		Rs.		Rs.	
(i) Shares in Companies (quoted, non-trade)					
500 Equity Shares of Rs. 2/- each in Hindustan Dorr Oliver Ltd. fully paid-up (Market Value: Rs.30,450/- Previous Year: 86,930/-)		4,841			
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			
Less: Provision for short fall in market value		1,356	215	215	
(ii) Other Investments :					
7-Year National Savings Certificates (Lodged as Security with A.P. Sales Tax Department)		6,000		6,000	
		11,056		11,056	
Note: All the above are long term investments and are valued at cost as adjusted by the market value. shortfall other than temporary in their					
iCurrent Assetsi				Schedule eGi	
Particulars		31-03-2007		31-03-2006	
		Rs.		Rs	
INVENTORIES:					
(As Certified by the Management)					
(1 Raw materials, Stores and Components (includes stock of raw materials Rs.72,30,239/- P.Y Rs.50,51,437/-)		1,43,98,003		1,29,53,072	
(2) Loose Tools		2,39,082		2,03,798	
(3) Work-in-progress		1,58,30,561		65,70,830	
(4) Stock of finished goods		1,60,090		44,18,734	
		3,06,27,736		2,41,46,434	
SUNDRY DEBTORS				Schedule eHi	
(a) Debts outstanding for a period exceeding six months		1,39,89,346		1,78,31,800	
(b) Other Debts		5,72,56,618		3,73,42,244	
		7,12,45,964		5,51,74,044	
CASH AND BANK BALANCES				Schedule eIi	
i) Cash on hand		56,129		78,617	
ii) Balances with Scheduled Banks:					
In Current Accounts		3,26,443		25,92,691	
In Fixed Deposits		26,46,457		51,57,302	
		30,29,029		78,28,610	
OTHER CURRENT ASSETS:				Schedule eJi	
Interest accrued on Deposits		--		37,422	
		--		37,422	
iLoans And Advancesi				Schedule eKi	
1. Advances, unsecured, considered good (recoverable in cash or in kind or for value to be received)		41,64,190		16,49,019	
2. Prepaid expenses		44,400		47,750	
3. Deposits recoverable		13,32,875		4,68,955	
4. Advance Excise Duty. (including unutilised Modvat credit)		32,54,338		15,12,986	
5. Income Tax paid in Advance		62,83,200		5,63,699	
6. Fringe Benefit Tax paid in Advance		6,17,100		2,80,500	
7. Income Tax Deducted at Source		2,34,150		2,92,047	
		1,59,30,253		48,14,956	
iCurrent Liabilities and Provisionsi				Schedule eLi	
CURRENT LIABILITIES:					
(1) Sundry Creditors					
Due to Small Scale Industrial undertakings		81,53,010		43,90,212	
Due to others		3,67,39,885		2,91,59,577	
(2) Advances received against sales		81,78,228		76,38,253	
		5,30,71,123		4,11,88,042	
PROVISIONS:				Schedule eMi	
Description	As at 31.3.2006	Addition during the year	Used during the year	Reversed during the year	As at 31.3.2007
	Rs.	Rs.	Rs.	Rs	Rs
Provision for taxation	34,00,000	50,00,000	3,82,765	1,17,235	79,00,000
Provision for FBT	3,00,000	3,50,000	--	--	6,50,000
Provision for Leave encashment on Retirement	12,397	6,497	12,397	--	6,497
	37,12,397	53,56,497	3,95,162	1,17,235	85,56,497

Particulars	31-03-2007 Rs.	31-03-2006 Rs
"Other Income"		Schedule-1
Dividends received on Non-Trade Investments	--	2,175
Interest on Bank Deposits etc (I T deducted at source Rs.70,517/- P.Y. Rs.38,948/-)	2,87,138	1,91,213
Miscellaneous receipts	3,78,034	5,86,315
Packing & Forwarding charges	4,73,755	5,53,344
Gain in Foreign Exchange		64,379
98,959		
Excess provision credited back	6,90,879	1,00,184
Reversal of Diminution in the Value of Investment	--	3,091
Credit Balance Written Back	--	11,38,617
	18,94,185	26,73,898
"Materials Consumed"		Schedule 2
Opening Stocks :		
Work-in-Progress	65,70,830	96,92,683
Finished Goods	44,18,734	68,98,739
	1,09,89,564	1,65,91,422
Raw materials, Stores and Spares Consumed (includes raw material consumed Rs.1,75,41,513/- P.Y. Rs.1,86,99,100/-)	8,55,07,052	7,19,18,227
	9,64,96,616	8,85,09,649
Less : Closing Stocks :		
Work-in-Progress		1,58,30,561
65,70,830		
Finished Goods		1,60,090
44,18,734		
	1,59,90,651	1,09,89,564
	8,05,05,965	7,75,20,085
"Payments and Benefits to Employees"		Schedule 3
Salaries, Wages and Bonus	1,36,71,260	1,60,31,673
Voluntary retirement benefits	4,95,744	--
Company's Contribution to Provident Fund & Family Pension 8,47,168		11,42,494
Company's Contribution to Employees State Insurance	2,23,398	1,42,865
Company's Contribution to Gratuity Fund	4,00,000	9,19,081
Staff Welfare Expenses 9,95,587		10,57,687
	1,69,90,583	1,89,36,374
"Manufacturing, Selling, Administrative and Other Expenses"		Schedule-4
Manufacturing :		
Machining & Fabrication Charges	1,13,05,370	1,14,27,961
Drawing Office Stationery 2,27,310		2,28,458
Research, Inspection & Testing Expenses	88,012	41,963
Power and Fuel	20,85,773	24,90,877
Rent	2,70,000	2,70,000
Insurance	1,73,959	1,49,876
Tools Written off	23,237	21,845
Repairs & Maintenance :	129,743	
46,930		
a) Machinery		
b) Buildings	689,492	6,65,815
c) Other Assets	126,173	1,75,390
	(A)	1,55,17,967
Selling		
Advertisement and Business Development Expenses	2,08,412	4,55,062
Selling Expenses (Comprising tendering, packing and forwarding)	36,82,767	35,46,491
Commission on Sales 3,05,330		11,70,975
	(B)	43,06,883
Administrative :		
Miscellaneous expenses	86,36,077	74,16,609
Payment to Auditors :		
a. For Statutory Audit	22,448	22,040
b. Fees for Certification	5,612	5,510
c. Out of pocket expenses	18,623	1,500
	(C)	74,45,659
Other Items :		
Performance and Delivery guarantee claims	24,92,685	28,25,501

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. **Investments**
Long term investments are stated at cost as adjusted by the shortfall other than temporary, in their market value.
- vi. **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.
- vii. **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.
- viii. **Sales and other earnings:**
Sales are inclusive of excise duty recovered and net of discount and rebates.
- ix. **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.
- x. **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.
- xi. **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.
- xii. **Impairment of Assets :**
At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated realizable value is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses 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.
- xiii. **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.

- The Guarantees issued by the Company's Bankers in favour of the customers against advances from them and other obligations amounting to Rs.2,52,83,771/- (Rs.2,39,34,493/-) are secured by stores and spares (including those lying with sub-contractors), work-in-progress and finished goods.
- Fixed deposits Rs.26,46,457/- (Rs.50,78,802/-) are held by the Company's bankers as margin money against the Guarantees issued by them on behalf of the Company.
- No provision has been made towards:-
 - 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. 6,22,038/- has been paid under protest and the same is grouped under Loans and Advances.
 - 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.
Disputed E.S.I demand raised by E.S.I authorities under E.S.I Act for the years 2000-2004 amounting to Rs.1,06,256/-. Pending disposal of its appeal against the said demands the company paid Rs.26,564/- under protest, and the same is grouped under Loans and Advances

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

	2006-2007		2005-2006	
	Quantity	Value Rs.	Quantity	Value Rs.
(i) SALES:				
Filters (In Nos)	15 Nos.	4,23,40,018	14 Nos.	4,35,24,179
Thickeners, Components, Spares, Bar screens etc.,	11,23,70,463		10,43,91,215	
(Unit quantification not possible)				
Scrap	58759 Kgs	11,63,547		14,07,498
Chemicals	10000 Kgs	19,31,491	11000 Kgs	18,89,803
Total		15,78,05,519		15,12,12,695
(ii) SERVICES:				
Service Charges		5,08,800		5,12,678
Design, Erection & Fabrication		38,88,741		31,73,232
Total		16,22,03,060		15,48,98,605

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

	2006-2007		2005-2006	
	MTS	Rs.	MTS	Rs.
Stainless Steel	26.34	42,99,786	16.96	22,94,516
Iron and Steel	454.51	1,32,41,727	522.96	1,64,04,584
Total	480.85	1,75,41,513	539.92	1,86,99,100

Note: The above does not include Rs. 6,79,65,539/- (PY Rs. 5,32,19,127/-) being the cost of Motors, Components, pipes, spares etc., consumed.

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

	Opening Stock				Closing Stock			
	This Year		Previous Year		This Year		Previous Year	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Filters	1 No.	5,29,736	-	-	-	-	1 No.	5,29,736
Washers, Classifiers, Clarifiers Components, Spares etc.		33,74,017		61,16,456		1,60,090		33,74,017
(Unit quantification not possible)								
Chemicals	5,000 Kgs	5,14,981	7,000 Kgs	7,82,283	-	-	5,000 Kgs	5,14,981
Total		44,18,734		68,98,739		1,60,090		44,18,734

7. **Purchase of Finished goods: Chemicals 2006-2007**

2006-2007		2005-2006	
Qty	Value Rs.	Qty	Value Rs.
5,000 Kgs	5,62,651	9,000 Kgs	9,26,966

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

	2006-2007		2005-2006	
	Value Rs.	%	Value Rs.	%
Rawmaterials:				
Imported	Nil	Nil	Nil	Nil
Indigenous	1,75,41,513	100.00	1,86,99,100	100.00
Spares and Components				
Imported	17,44,700	2.57	12,03,336	2.26
Indigenous	6,62,20,839	97.43	5,20,15,791	97.74
Total	6,79,65,539	100.00	5,32,19,127	100.00

11. Expenditure incurred in Foreign Currency during the year :

	2006-2007 Rs.	2005-2006 Rs.
Foreign Travel expenses (excluding tickets Rs.17,720/-)	83,990	4,73,930
	83,990	4,73,930

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

	2006-2007 Rs.	2005-2006 Rs.
Components	17,44,700	12,03,336
Finished Goods - Chemicals	5,75,840	9,55,360
	23,20,540	21,58,696

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

F.O.B. Value*	12,15,192	1,24,81,917
	12,15,192	1,24,81,917

* Excluding Rs.27,60,000/- (Rs.38,68,435/-) exported through others.

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

SLNO	SUPPLIERS NAME	AMOUNT (RS)
01	Aparajihtha Rubbers	1,03,264
02	Avijo Industrial Services	3,048
03	Chitra Castings	82,668
04	Chennai Engineers	6,841
05	Dhanalakshmi Engineering Works	6,16,071
06	Dabvin Industrial Products	1,98,595
07	Eagle Graphics	5,345
08	Govel Plastics	1,91,439
09	Hargos Alloy Foundry	12,877
10	Hitech Castings	7,80,457
11	Hitek Engineering Works	49,199
12	Kevin Enterprises	3,418
13	Jeyam Industries	2,07,141
14	Murugan Engineering Works	2,42,682
15	Micro Spares	1,700
16	Musaurj Engineering Company	65,713
17	Mech Enterprises	3,35,460
18	Plasmaweld Process	48,204
19	Prema Castings	36,359
20	Priya Fabricators	51,007
21	Perumal Industries	42,682
22	R G Industries	10,288
23	Saroja Light Castings	18,493
24	Sri Shanmuga Industries	13,378
25	Southern Clarifier	5,792
26	Sudharshan Enterprises	15,412
27	Thirumalai Industries	1,47,699

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

15. Major Components of deferred tax assets and liabilities arising on account of timing differences

Particulars	Assets	Liabilities
Depreciation	-	2,63,533
Amounts disallowed u/s 43B of I.T Act	2,208	-
VRS payments amortised as per I.T. Act	1,45,464	-
	1,47,672	2,63,533

16. Related Party Disclosures :

Particulars	Holding Company	Key Management Personnel
Sales and Services (Including Sales Tax and Service Tax)	65,08,591	-
Rent Paid	2,70,000	-
Share Capital held by	60,00,000	-
Interest Paid	3,90,971	-
Receivables	7,68,959	-
Loan Payables	74,00,000	-
Guarantees given by	6,75,00,000	-

Note : Name of related parties and description of relationship :

1. Holding Company : K.C.P. Sugar and Industries Corporation Ltd.
2. Key Management Personnel: Smt. Imgard Velegapudi M.Rao, Smt. Kiran V. Rao

17. Earnings per Share (EPS) :

Particulars	2006-2007 Rs.	2005-2006 Rs.
Profit attributable to the Shareholders 44,61,467	(A)	87,62,651
Basic / Weighted average number of Equity Shares outstanding during the 6,00,000 year	(B)	6,00,000
Nominal Value of Equity Shares	10	10
Basic / Diluted Earning per Share (A / B)	14.60	7.44

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

For and on behalf of the Board

As per our report of even date

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

For **B. PURUSHOTTAM & CO**

20. Previous year figures have been regrouped wherever necessary.

Chartered Accountants,

Chennai **IRMGARD VELAGAPUDI M. RAO**

V.KIRAN RAO

B.S. PURSHOTHAM

21.06.2007 have been rounded off.

Vice-Chairperson

Partner

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

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Cash Flow Statement Annexed to Financial Statement for the Year Ended 31.3.2007

Particulars	Amount in Rs.	
	2006-2007	2005-2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	1,39,13,233	76,88,041
Adjustment for:		
Depreciation	10,11,163	8,66,708
Loss/(Profit) on Sale of Assets (Net)	—	6,256
Reversal of Diminution in the Value of Invst.	—	(3,091)
Interest Paid	23,58,310	13,56,217
Interest Received	(2,87,138)	(1,91,213)
	30,82,335	20,34,877
Operating Profit before Working Capital Change	1,69,95,568	97,22,918
Adjustments for:		
Trade and other Receivables	(2,11,51,591)	(33,47,687)
Inventories	(64,81,302)	41,23,551
Trade Payables	1,18,77,181	(1,01,29,022)
	(1,57,55,712)	(93,53,158)
Cash generated from Operations	12,39,856	3,69,760
Direct Taxes Paid (Net)	(63,80,969)	(9,97,970)
Cash Flow before extraordinary items	(51,41,113)	(6,28,210)
Extraordinary items:	—	—
NET CASH USED IN OPERATING ACTIVITIES	(51,41,113)	(6,28,210)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(16,73,132)	(11,04,671)
Increase in Capital Work-in-Progress	(75,56,677)	—
Sale of Fixed Assets	—	3,500
Interest Received	2,87,138	1,91,213
NET CASH USED IN INVESTING ACTIVITIES	(89,42,671)	(9,09,958)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Increase in share capital	—	—
Proceeds from Secured Loan	42,42,513	75,59,609
Unsecured Loan	74,00,000	—
Interest Paid	(23,58,310)	(13,56,217)
NET CASH FROM FINANCING ACTIVITIES	92,84,203	62,03,392
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(47,99,581)	46,65,224
Cash and Cash equivalents as at 01.04.2006	78,28,610	31,63,386
Cash and Cash equivalents as at 31.03.2007	30,29,029	78,28,610

For and on behalf of the Board

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

Chennai
27.06.2007

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.KIRAN RAO
Vice-Chairperson

B.S. PURSHOTHAM
Partner

(AMOUNT IN Rs. THOUSANDS)

I. Registration Details:

a) Registration No	5,550
b) State Code	18
c) Balance Sheet Date	31-3-2007

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	1,34,386
b) Total Liabilities	1,34,386

Sources of funds :

a) Paid up capital	6,000
b) Reserves & surplus	31,789
c) Secured Loans	27,454
d) Unsecured Loans	7,400
e) Deferred Tax Liability (Net)	116
T O T A L	72,759

Application of funds :

a) Net fixed Assets	13,543
b) Investments	11
c) Net current Assets	59,205
T O T A L	72,759

IV. Performance of company :

a) Turnover	1,62,203
b) Other Income	1,894
c) Total Expenditure	1,50,184
d) Profit/(Loss) before tax	13,913
e) Profit/(Loss) after tax	8,762
f) Earnings per share in Rs	14.60
(Profit of Rs. 87.62 Lakhs / 6,00,000 Equity Shares of Rs.10/- Each)	
g) Dividend Rate %	0

V. Generic Names of Three Principal Products/Services of Company

(as per Monetary Terms)

Item Code No.	842110
(ITC Code)	
Product	
Description	Solid Liquid

For and on behalf of the Board

As per our report Annexed
For **B. PURUSHOTTAM & CO.**
Chartered Accountants,

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

***Eighth Annual Report
2006 - 2007***

BOARD OF DIRECTORS

As on 27-06-2007

Chairperson	Smt.Irmgard Velagapudi M. Rao
Directors	Shri.Vinod R. Sethi 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

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company at No.239, Anna Salai, Chennai 600006, on Wednesday, 26th day of September 2007 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the period ended on that date and consider the Reports of the Directors and Auditors.
2. To appoint a Director in place of Shri.R. Ganesan, who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider, 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, read with Article 17 of the Articles of Association of the Company and holds office upto the date of the 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 the intention to propose Shri.Vinod R. Sethi as 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.

NOTES :

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

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

ITEM NO.4:

Shri.Vinod R. Sethi, aged 45 years, is a Chemical Engineer from IIT, Mumbai, and an MBA (Finance) and 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 US\$ 2 billion in assets. He holds Directorship in several Indian Companies. He was coopted on the Board of the Company on 26.10.2006 as an Additional Director and holds office upto this Annual General Meeting under Section 260 of the Companies Act, 1956, read with the Article 17 of Articles of Association of the Company.

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

No other Director except Shri.Vinod R.Sethi and Smt.Irmgard Velagapudi M.Rao, being related to Shri.Vinod R.Sethi may be deemed to be interested or concerned in this resolution.

// By Order of the Board //

For KCP SUGARS AGRICULTURAL RESEARCH FARMS LTD.

Place : Chennai
Date : 27.06.2007

IRMGARD VELAGAPUDI M. RAO
CHAIRPERSON

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Your Directors have pleasure in presenting the Eighth Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2007.

REVIEW OF OPERATIONS:

During the year ended 31.03.2007, the turnover and other income increased to Rs.9.58 lakhs from Rs. 0.73 lakhs primarily on account of the interest earned on deposits. This however, resulted in profit of Rs.4.11 lakhs as against the loss of Rs. 1.75 lakhs in the previous year. After providing for taxation of Rs.1.29 lakhs (Current: 0.16 + Deferred: 1.13), the profit was Rs.2.83 lakhs. After set off against brought forward loss of Rs.12.45 lakhs, the balance carried to the Balance Sheet was Rs.9.62 lakhs.

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.R. Ganesan, Director, retires by rotation and is eligible for re-appointment.

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 period ended 31st March 2007 and of the profit of the Company for that period ;
- iii. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

STATUTORY STATEMENTS:

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

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

SECRETARIAL COMPLIANCE CERTIFICATE:

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

AUDITORS:

M/s.Venkat & Rangaa, Chartered Accountants, Chennai 600028, who were appointed as the Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

For and on behalf of the Board of Directors

Registration No : CIN - U73100TN1998PLC041501
Nominal Capital : Rs. 500 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, 2007. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company is a Public Limited Company with a Paid-up Capital of Rs.2,25,00,000/-(Rupees Two Crores and Twenty five Lakhs only) as on 31st March 2007 and hence no comments.
4. The Board of Directors duly met 5 (Five) times respectively on 26.06.2006, 30.06.2006, 28.07.2006, 26.10.2006, and 29.01.2007, 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 2006 was held on 28th September 2006 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. No Extraordinary General Meeting was held during the financial year.
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 share certificate during the year under review.
13. The Company has:
 - i. Made allotment of Equity shares during the financial year and has complied with the provisions of the Act.
 - ii. The Company has 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 the appointment of a Director has been duly made in accordance with the provisions of the Act.
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 thereunder.

19. The Company has issued 18,00,000 Equity Shares of Rs.10/- each aggregating to Rs.1,80,00,000/- on 30-06-2006 and complied with the provisions of the Act.
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 2007.
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
V. MAHESH
COMPANY SECRETARY
C.P.No : 2473

Place : Chennai
Date : 27.06.2007

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, 2007.

1. Form 23 - Registration of Resolutions - filed on 06.04.2006, vide ROC receipt No.512.
2. Form 5 - Increase in Share Capital - filed on 06.04.2006, vide ROC receipt No.512.
3. Form 1A - Availability of Name - filed on 25.05.2006, vide ROC receipt No.6716.
4. Form 2 - Return of Allotment - filed on 28.07.2006, vide ROC receipt No. 15433.
5. Form 23AC / 23ACA - Filing of Balance Sheet & Profit and Loss Account for the year ended 31.03.2006 - filed on 27.10.2006, vide SRN No.P00601047.
6. Form 66 - Secretarial Compliance Certificate - filed on 27.10.2006, vide SRN No.P00602029.
7. Form 32 - Appointment of Director- filed on 16.11.2006, vide SRN No.A05973508.
8. Form 20-B - Schedule V - Annual Return - filed on 24.11.2006, vide SRN No.P02053270.
9. Form DIN 3 - Intimation of DIN - filed on 05.12.2006 - vide SRN No.A06696686.

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

Place : Chennai
Date : 27.06.2007

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

To the Members of KCP SUGARS AGRICULTURAL RESEARCH FARMS LIMITED

1. We have audited the attached Balance Sheet of KCP SUGARS AGRICULTURAL & RESEARCH FARM LIMITED No.239 (Old No.183), Ramakrishna Buildings, Anna salai, Chennai 600 006 as at 31st March, 2007, 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, 2007, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2007 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, 2007 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 : 27.06.2007

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. According to the information and explanations given to us and on the basis of our verification we are of the opinion that the Company has an internal audit system commensurate with the size and operations of the Company.
- viii. The maintenance of Cost records 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. During the current year the Company earned profits but had incurred cash losses during 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. The Company during the year under report has allotted 18,00,000 equity shares of Rs.10/- each to its holding Company.
- xxi. No fraud on or by the Company has been noticed or reported during the year.

For Venkat & Rangaa
Chartered Accountants
K.R. Adivarahan
Partner

Place : Chennai
Date : 27.06.2007

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	31-03-2007	31-03-2006
		Amount (Rs.)	
SOURCES OF FUND			
1. Shareholders' Funds			
Equity Share Capital	A	2,25,00,000	45,00,000
Reserves & Surplus		0	0
2. Loan Fund		<u>0</u>	<u>0</u>
		2,25,00,000	45,00,000
APPLICATION OF FUNDS :			
3. Fixed Assets			
Gross Block	B	46,54,376	46,54,376
Less : Depreciation		<u>2,71,245</u>	<u>2,31,210</u>
Net Block		43,83,131	4,423,166
4. Investments			
5. Current Assets, Loans & Advances			
Inventories	C	2,78,982	2,42,127
Sundry Debtors	D	0	7,023
Cash and Bank balances	E	1,67,19,242	30,044
Loans & Advances	F	<u>2,04,512</u>	<u>134</u>
		1,72,02,736	2,79,328
Less: Current Liabilities & Provisions	G	<u>4,06,452</u>	<u>49,21,482</u>
Net Current Assets		1,67,96,284	(16,42,154)
6. Deferred Tax Asset (Net) (See Note 6)			
Deferred Tax Asset		5,17,193	6,33,249
Less: Deferred Tax Liability		<u>1,64,184</u>	<u>1,67,308</u>
		3,53,009	4,65,941
7. Miscellaneous Expenditure and Losses			
<i>(to the extent not written off)</i>			
Preliminary Expenses		5,296	7,944
Profit and Loss Account Balance		<u>9,62,280</u>	<u>12,45,103</u>
		2,25,00,000	45,00,000

Notes forming part of Accounts For and on behalf of the Board

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

Chennai
27.06.2007

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	2006-2007	2005-2006
		Amount (Rs.)
Income		
Sale of Products	51,410	70,681
Other Income	<u>9,06,699</u>	<u>2,680</u>
	9,58,109	73,361
Expenditure		
Payments and Benefits to Employees	I	78,000
Manufacturing, Selling and Administrative Expenses 2,73,700	J	<u>4,69,653</u>
Depreciation	B	40,035
Increase in Stock	H	<u>(41,070)</u>
		5,46,618
Profit / (Loss) before Taxation		<u>4,11,491</u>
Less: Provision for taxation - Current		<u>(15,736)</u>
- Deferred		<u>(1,12,932)</u>
Profit / (Loss) after taxation		2,82,823

Add: Deferred tax asset for even years

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

Loss brought forward from previous year

(12,45,103)

Balance carried over from previous year
27.06.2007 **IRMGARD VELAGAPUDI M. RAO**
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

Basic and Diluted Earnings Per Share

0.13

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

SCHEDULES Forming part of Accounts for the year ended 31.03.2007

	(Amt in Rs.)	
	31.03.2007	31.03.2006
SCHEDULE A - Share Capital:		
Authorised 50,00,000 equity shares of Rs.10/- each	<u>5,00,00,000.00</u>	<u>50,00,000.00</u>
Issued, Subscribed & Paid up Capital:		
22,50,000 equity shares of Rs.10/- each (all the shares are held by the Holding Company, K.C.P. Sugar and Industries Corporation Ltd and their nominees.)	<u>2,25,00,000.00</u>	<u>45,00,000.00</u>
	<u>2,25,00,000.00</u>	<u>45,00,000.00</u>

SCHEDULE B - Fixed Assets:

Name of the Asset	Gross Block at Cost			Depreciation			Net Block	
	Cost upto 31.03.2006	Additions during the Year	Cost upto 31.03.2007	Upto 31.03.2006	For the year	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Land (including development)	36,86,503	—	36,86,503	—	—	—	36,86,503	36,86,503
Fencing	3,06,424	—	3,06,424	63,259	10,235	73,494	2,32,930	2,43,165
Building	1,26,501	—	1,26,501	18,648	4,225	22,873	1,03,628	1,07,853
Plant & Machinery	5,27,474	—	5,27,474	1,45,553	25,055	1,70,608	3,56,866	3,81,921
Vehicles	7,474	—	7,474	3,750	520	4,270	3,204	3,724
TOTAL	46,54,376	—	46,54,376	2,31,210	40,035	2,71,245	43,83,131	44,23,166
Previous Year	46,54,376	—	46,54,376	1,91,175	40,035	2,31,210	44,23,166	44,63,201

	(Amt in Rs.)	
	31.03.2007	31.03.2006
SCHEDULE C - Inventories (as certified by the management)		
Stock in trade		
a) Pesticides/Fertilizers	1,195	5,410
b) Standing Crops	<u>2,77,787</u>	<u>2,36,717</u>
	<u>2,78,982</u>	<u>2,42,127</u>

SCHEDULE D - Sundry Debtors:

Sundry debtors-unsecured		
Debts outstanding for a period exceeding six months-considered good	—	7,023
Other Debts-considered good	—	—
	—	<u>7,023</u>

SCHEDULE E - Cash and Bank Balances:

Cash on hand	5,110	5,346
Balance at Scheduled Banks:		
in Fixed Deposits	1,67,05,584	2,500
in Current Accounts	<u>8,548</u>	<u>22,198</u>
	<u>1,67,19,242</u>	<u>30,044</u>

SCHEDULE F - Loans and Advances:

Advances, unsecured, considered good (recoverable in cash or in kind or for value to be received)	1,092	134
Income Tax deducted at source	<u>2,03,420</u>	—
	<u>2,04,512</u>	<u>134</u>

SCHEDULE G - Current Liabilities & Provisions:

Current Liabilities		
Sundry Creditors (K.C.P. Sugar & Ind. Corp. Ltd)	3,60,236	18,89,044
Sundry Creditors for expenses	30,454	32,412
Provision for taxation	<u>15,762</u>	<u>26</u>
	<u>4,06,452</u>	<u>19,21,482</u>

SCHEDULE H - Increase/(Decrease) in stock:

Opening Stock :		
Standing Crops	2,36,717	93,415
Closing Stock :		
Standing Crops	<u>2,77,787</u>	<u>236,717</u>
	<u>(41,070)</u>	<u>(1,43,302)</u>

	2006-2007	(Amt in Rs.)	2005-2006
†			
SCHEDULE I - Payments and Benefits to Employees:			
Salaries and Wages and Bonus	<u>78,000</u>		<u>78,000</u>
SCHEDULE J- Manufacturing, selling and Administrative Expenses			
Manufacturing Expenses :			
Cultivation Expenses	21,198	85,394	
Labour Charges	81,765	1,00,805	
Pesticides/Fertilisers	14,162	38,378	
Repairs	18,596	8,835	
	<u>1,35,721</u>		2,33,412
Administrative & Selling Expenses :			
Bank Charges	838	1,126	
Filing fees	4,770	1,500	
Audit fees	13,483	8,418	
Professional charges	20,260	7,714	
Preliminary expenses	2,648	2,648	
Miscellaneous Expenses	2,91,933	18,882	
	<u>3,33,932</u>		<u>40,288</u>
	<u>4,69,653</u>		<u>2,73,700</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:

	<u>Assets</u> Rs.	<u>Liabilities</u> Rs.
a) Depreciation		1,62,401
b) Preliminary Expenses	—	1,783
c) Unabsorbed losses	5,17,193	—
Total	<u>5,17,193</u>	<u>1,64,184</u>

For and on behalf of the Board

for our report on even date
for **VENKAT AND RANGAA**
Chartered Accountants

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

Pursuant to Clause 32 of the Listing Agreement

Amt. in Rs.

	2006 - 2007	2005 - 2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extraordinary items	4,11,491	(1,75,072)
Adjustments for :		
Depreciation	40,035	40,035
Interest received	<u>(9,06,699)</u>	<u>(169)</u>
Operating Profit before Working Capital Changes	(4,55,173)	(1,35,206)
Adjustments for:		
Trade and other Receivables	8,713	2,75,997
Inventories	<u>(36,855)</u>	<u>(1,17,386)</u>
Trade payables	<u>(15,30,766)</u>	<u>(21,030)</u>
Cash generated from Operations	(20,14,081)	2,375
Direct Taxes Paid	2,03,420	ó
Cash Flow before extraordinary items	(22,17,501)	2,375
Extraordinary items	ó	ó
NET CASH FROM OPERATING ACTIVITIES	(22,17,501)	2,375
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Interest Received	9,06,699	169
NET CASH USED IN INVESTING ACTIVITIES	9,06,699	169
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Equity Share Capital	<u>1,80,00,000</u>	<u>ó</u>
NET CASH FLOW FROM FINANCING ACTIVITIES	1,80,00,000	ó
Net Increase in Cash and Cash Equivalents (A+B+C)	1,66,89,198	2,544
Cash and Cash equivalents as at 01.04.2006	30,044	27,500
Cash and Cash equivalents as at 31.03.2007	1,67,19,242	30,044

For and on behalf of the Board

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

Chennai
27.06.2007

IRMGARD VELAGAPUDI M. RAO
Chairperson

V.C.UNNIKRISHNAN
Director

K.R. ADIVARAHAN
Partner

I. Registration Details:

a) Registration No	41501
b) State Code	18
c) Balance Sheet Date	31.03.2007

(AMOUNT IN Rs.THOUSANDS)

II. Capital Raised during the year

a) Public issue	Nil
b) Rights issue	Nil
c) Bonus issue	Nil
d) Private Placement	Nil
e) Others	18,000

III. Position of Mobilisation & Deployment of funds :

a) Total Assets	22,906
b) Total Liabilities	22,906

Sources of funds :

a) Paid up Capital	22,500
b) Reserves & Surplus	ó
c) Secured Loans	ó
d) Unsecured Loans	ó
T O T A L	22,500

Application of funds :

a) Net fixed Assets	4,383
b) Investments	ó
c) Net current Assets	16,796
e) Miscellaneous Expenditure	968
d) Deferred Tax Assets	353
T O T A L	22,500

IV. Performance of company for the period ended 31.03.2007

a) Turnover	51
b) Other Income	907
c) Increase in stocks	41
d) Total Expenditure	588
e) Profit / (Loss) for the year before tax	411
f) Profit / (Loss) after tax	283
f) Earnings per share in Rs.	0.13
g) Final Dividend Rate %	ó

V. Generic Names of Three Principal Products/Services of Company

(as per Monetary Terms)

Item Code No. (ITC Code)	7.10
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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

2006 - 2007

	Schedule	As at 31.03.2007	AMT IN RS. As at 31.03.2006
I SOURCES OF FUNDS:			
1. Shareholders' Funds			
Share Capital	A	11,33,85,050	11,33,85,050
Reserves & Surplus	B	<u>147,84,23,073</u>	<u>130,01,99,571</u>
		159,18,08,123	141,35,84,621
2. Loan Funds			
Secured Loans	C	22,11,31,851	30,47,62,140
Unsecured Loans	D	<u>17,99,22,000</u>	<u>21,96,22,000</u>
		40,10,53,851	52,43,84,140
3. Deferred Tax Liability (Net)			
Deferred Tax Liability		29,62,43,856	25,07,93,266
Less : Deferred Tax Asset		<u>3,92,52,014</u>	<u>3,87,75,391</u>
		25,69,91,842	21,20,17,875
TOTAL		<u>224,98,53,816</u>	<u>214,99,86,636</u>
II APPLICATION OF FUNDS:			
1. Fixed Assets			
(a) Gross Block	E	211,30,45,994	188,56,74,696
(b) Less: Depreciation		<u>62,26,48,594</u>	<u>52,59,55,405</u>
(c) Net Block		<u>149,03,97,400</u>	<u>135,97,19,291</u>
(d) Capital Work-in-Progress		<u>8,16,53,460</u>	<u>4,70,94,125</u>
		157,20,50,860	140,68,13,416
2. Investments	F	9,81,03,073	58,74,974
3. Current Assets, Loans and Advances			
(a) Inventories	G	135,84,14,663	138,37,19,543
(b) Sundry Debtors	H	18,43,76,159	16,30,33,927
(c) Cash and Bank Balances	I	19,64,78,366	7,60,06,047
(d) Other Current Assets	J	28,08,246	15,51,174
(e) Loans and Advances	K	<u>14,00,67,501</u>	<u>14,82,61,124</u>
		188,21,44,935	177,25,71,815
Less: Current Liabilities and Provisions			
(a) Liabilities	L	122,05,00,681	89,35,78,822
(b) Provisions		<u>8,19,49,668</u>	<u>14,17,02,691</u>
		130,24,50,349	103,52,81,513
Net Current Assets		57,96,94,586	73,72,90,302
4. Miscellaneous Expenditure			
(To the extent not written off or adjusted)			
Preliminary Expenses		<u>5,297</u>	<u>7,944</u>
TOTAL		<u>224,98,53,816</u>	<u>214,99,86,636</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 **PURUSHOTTAM & CO.**
Chartered Accountants,

K.A.RANGASWAMY
Director

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

B.S. PURSHOTHAM
Partner

Chennai
29.06.2007

		AMT IN RS.	
		As at 31.03.2007	As at 31.03.2006
A SHARE CAPITAL			
Authorised:			
25,00,00,000 Equity Shares of Re.1/-each		<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and Paid-up:			
11,33,85,050 Equity Shares of Re.1/-each fully paid		<u>11,33,85,050</u>	<u>11,33,85,050</u>
B RESERVES & SURPLUS			
	As at 01.04.2006	Added during the year	Withdrawn during the year
Investment Allowance Reserve (Utilised)	45,05,000	-	-
Effluent Disposal Facilities Reserve	63,404	-	-
Capital Redemption Reserve - Shares Buy Back	1,55,45,110	-	-
General Reserve	101,20,04,188	2,50,00,000	-
Surplus (i.e) Balance in Profit and Loss A/c.	26,80,81,869		42,13,05,371
	<u>1,30,01,99,571</u>	<u>2,50,00,000</u>	<u>1,47,84,23,073</u>
C SECURED LOANS			
From Banks			
- Working Capital Borrowings		22,11,31,851	30,47,62,140
D UNSECURED LOANS			
Fixed Deposits		<u>17,99,22,000</u>	<u>21,96,22,000</u>

SCHEDULES

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

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

Description		GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK			AMT IN RS.
		Cost upto 31.03.2006	Additions during the Year	Deductions during the Year	Cost upto 31.03.2007	Upto 31.03.2006	For the year	Impairment Loss	On Deductions	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006	
Lands	7,92,65,859	1,08,47,270	5,53,772	8,95,59,357	--	--	--	--	--	8,95,59,357	7,92,65,859		
Buildings	16,80,78,098	5,99,34,236	5,22,238	22,74,90,096	2,84,20,070	43,05,167	--	2,23,103	3,25,02,134	19,49,87,962	13,96,58,028		
- Own Buildings	1,12,189	--	--	1,12,189	45,017	3,359	--	--	48,376	63,813	67,172		
- Leasehold Buildings	151,98,97,908	13,15,81,266	32,36,594	164,82,42,580	44,60,03,554	8,10,08,269	--	17,41,859	52,52,69,964	112,29,72,616	107,38,94,354		
Plant & Machinery	1,00,06,232	1,30,91,294	--	2,30,97,526	47,52,962	7,34,740	--	--	54,87,702	1,76,09,824	52,53,270		
Tramways&Railway Sidings	6,74,35,328	1,23,53,754	5,02,419	7,92,86,663	3,10,79,538	1,05,36,561	--	3,10,709	4,13,05,390	3,79,81,273	3,63,55,790		
Computers Office Equip. & Furniture	2,35,000	--	--	2,35,000	2,35,000	--	--	--	2,35,000	--	--		
Knowhow and Designs	4,06,44,082	71,79,721	28,01,220	4,50,22,583	1,54,19,264	46,12,246	--	22,31,482	1,78,00,028	2,72,22,555	2,52,24,818		
Vehicles	188,56,74,696	23,49,87,541	76,16,243	211,30,45,994	52,59,55,405	10,12,00,342	--	45,07,153	62,26,48,594	149,03,97,400	135,97,19,291		
Total	135,34,50,509	56,68,23,328	3,45,99,141	188,56,74,696	46,45,98,087	7,52,51,957	--	1,38,94,639	52,59,55,405	135,97,19,291	88,88,52,422		
Previous year	185,31,65,250	23,33,14,409	76,16,243	207,88,63,416	50,19,41,957	10,01,49,144	--	45,07,153	59,75,83,948	148,12,79,468	135,12,23,293		
K.C.P. Sugar and Industries Corporation Ltd.	2,78,55,070	16,73,132	--	2,95,28,202	2,37,82,238	10,11,163	--	--	2,47,93,401	47,34,801	40,72,832		
The Eimco - K.C.P. Ltd.	46,54,376	--	--	46,54,376	2,31,210	40,035	--	--	2,71,245	43,83,131	44,23,166		
K.C.P. Sugars Agricultural Research Farms Ltd.	188,56,74,696	23,49,87,541	76,16,243	211,30,45,994	52,59,55,405	10,12,00,342	--	45,07,153	62,26,48,594	149,03,97,400	135,97,19,291		
Total	188,56,74,696	23,49,87,541	76,16,243	211,30,45,994	52,59,55,405	10,12,00,342	--	45,07,153	62,26,48,594	149,03,97,400	135,97,19,291		

	AMT IN RS.	
	As at 31.03.2007	As at 31.03.2006
F INVESTMENTS: (Long Term)		
I. SHARES OF COMPANIES:		
A Trade Investments:		
Quoted Equity Shares-Fully paid:	--	13,21,946
B. Non-Trade Investments:		
(i) Quoted Equity Shares - Fully Paid	34,37,372	
Less : Provision for shortfall in value	1,356	
	34,36,016	21,14,070
(ii) Unquoted Equity Shares - Fully paid	5,00,000	5,00,000
C. Non-Trade Investments:		
Quoted Equity Shares - Fully Paid	1,41,61,057	19,32,958
II. OTHER INVESTMENTS :		
Government Securities	6,000	6,000
Mutual Funds	8,00,00,000	--
	9,81,03,073	58,74,974
G INVENTORIES		
Stores and Spares	9,48,96,830	9,93,96,084
Loose Tools	2,39,082	2,03,798
Raw Materials	74,83,555	59,23,466
Crops under cultivation	16,30,541	2,76,317
Work-in-progress	4,18,11,385	2,63,29,572
Finished Goods	1,21,23,53,270	1,25,15,90,306
	135,84,14,663	138,37,19,543
H SUNDRY DEBTORS		
Sundry Debtors - Unsecured:		
Debts outstanding for a period exceeding six months - considered good	2,40,56,340	2,47,64,391
Other Debts - Considered Good	16,03,19,819	13,82,69,536
	18,43,76,159	16,30,33,927
I CASH AND BANK BALANCES		
Cash on hand	5,02,477	10,20,217
Balances at Scheduled Banks:		
In Fixed Deposits	14,50,09,891	1,86,35,782
In Current Accounts	5,09,65,998	5,63,50,048
	19,64,78,366	7,60,06,047
J OTHER CURRENT ASSETS		
Interest accrued on Investments and Deposits	28,08,246	15,51,174

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

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

SCHEDULES

		AMT IN RS.	
		As at 31.03.2007	As at 31.03.2006
K LOANS AND ADVANCES			
Advances <i>(unsecured recoverable in cash or in kind or for value to be received)</i>			
Considered Good		5,54,77,603	10,41,53,087
Considered Doubtful		4,19,925	4,19,925
		<u>5,58,97,528</u>	<u>10,45,73,012</u>
Less : Provision		4,19,925	4,19,925
		<u>5,54,77,603</u>	<u>10,41,53,087</u>
Prepaid expenses		70,96,536	62,39,539
Excise duty paid in advance		1,15,10,449	2,26,42,996
Advance Income-tax paid		2,33,86,538	42,46,173
Income Tax deducted at source		27,88,706	19,37,699
Deposits with the Government Departments etc. recoverable		3,65,91,217	59,77,989
Claims receivable		32,16,452	30,63,641
		<u>14,00,67,501</u>	<u>14,82,61,124</u>
L CURRENT LIABILITIES AND PROVISIONS			
A. Current Liabilities :			
Sundry Creditors			
- Due to small scale industrial undertakings		98,43,832	62,71,971
- Due to others		117,36,92,689	83,46,14,222
Unclaimed Fixed Deposits		24,01,471	54,90,698
Unclaimed Dividends		95,21,505	95,70,022
Unclaimed Interest on Fixed Deposits		4,12,903	42,87,307
Advances received against sales		1,25,08,415	1,90,35,419
Trade Deposits		1,23,650	4,50,175
Staff Security Deposits		1,10,000	1,50,000
Interest accrued but not due on loans		1,18,86,216	1,37,09,008
TOTAL	A	<u>122,05,00,681</u>	<u>89,35,78,822</u>
B. Provisions :			
Provision for Leave Encashment		94,79,244	73,64,683
Provision for Gratuity		61,43,004	50,50,704
Proposed Dividend		5,66,92,525	11,33,85,050
Tax on Distributed profits		96,34,895	1,59,02,254
TOTAL	B	<u>8,19,49,668</u>	<u>14,17,02,691</u>
TOTAL	A+B	<u>130,24,50,349</u>	<u>103,52,81,513</u>

	AMT IN RS.	
	2006-2007	2005-2006
M OTHER INCOME		
Interest received from Banks and others	29,98,880	12,84,328
Dividends Received		
i) On Trade Investments	--	2,44,552
ii) On other Investments	36,76,768	11,26,700
Rent received	25,92,858	15,56,027
Miscellaneous receipts	2,34,61,552	1,49,40,174
Profit on sale of assets	1,62,97,747	5,79,408
Profit on sale of Investments	77,869	31,753
Unclaimed balances credited back	2,34,757	11,49,139
Claims received	15,16,423	66,16,458
Excess provision credited back	71,05,302	19,34,161
Reversal of diminution in value of investments	--	3,091
Foreign exchange variation	64,379	98,959
Prior period adjustments (Net)	2,93,994	--
	<u>5,83,20,529</u>	<u>2,95,64,750</u>
N INCREASE/(DECREASE) IN STOCKS		
Opening 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
	<u>127,81,96,195</u>	<u>128,85,58,793</u>
Closing Stocks:		
Crops under cultivation	16,30,541	2,76,317
Work-in-Progress	4,18,11,385	2,63,29,572
Finished goods	121,23,53,270	125,15,90,306
	<u>125,57,95,196</u>	<u>127,81,96,195</u>
Increase/(Decrease) in stocks	<u>(2,24,00,999)</u>	<u>(1,03,62,598)</u>
O PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	20,26,53,378	18,33,49,579
Payment under Voluntary Retirement Scheme	12,03,949	49,55,664
Contribution to Provident Fund and Pension Scheme	1,26,73,217	1,06,95,131
Contribution to Superannuation Fund	10,77,806	8,52,021
Contribution to Gratuity Fund and Gratuity Paid including provision	75,45,401	1,05,31,628
Workmen and Staff Welfare expenses	1,66,38,205	1,69,96,380
	<u>24,17,91,956</u>	<u>22,73,80,403</u>

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

AMT IN RS.

2006-2007 2005-2006

		2006-2007	2005-2006
P	MANUFACTURING, SELLING, ADMINISTRATIVE AND OTHER EXPENSES		
	MANUFACTURING		
	Stores and spares consumed	10,84,15,638	15,42,40,662
	Machining and Fabrication Charges	1,13,05,370	1,14,27,961
	Drawing Office Stationery	2,28,458	2,27,310
	Testing and Inspection Charges	88,012	41,963
	Cultivation Expenses	28,75,291	5,22,757
	Power & Fuel	61,06,51,686/- P.Y. 40,62,67,109/-	
	Less : Inter Divisional Transfers	(58,39,25,517/-) P.Y. (37,97,59,747/-)	
	Net Power and Fuel	2,67,26,169	2,65,07,362
	Insurance	1,04,93,651	89,82,939
	Research & Development	4,61,81,660	4,26,01,988
	Repairs to Buildings	1,19,51,315	66,86,909
	Repairs to Machinery	13,24,66,351	11,19,66,059
	Repairs to Other Assets	72,07,509	87,31,065
	(A)	<u>35,79,39,424</u>	<u>37,19,36,975</u>
	SELLING		
	Loading, Unloading, Transport etc.	1,98,44,857	1,82,77,429
	Commission on Sales	14,47,249	3,05,330
	Other Selling Expenses	2,08,412	7,32,829
	(B)	<u>2,15,00,518</u>	<u>1,93,15,588</u>
	ADMINISTRATIVE		
	Rent	3,47,425	3,04,434
	Payments to Auditors	6,68,587	7,00,596
	Directors Sitting fee	12,60,000	13,60,000
	Remuneration to Whole time and other Directors	2,00,66,253	5,98,98,197
	Miscellaneous expenses	7,84,90,567	6,12,93,778
	(C)	<u>10,08,32,832</u>	<u>12,35,57,005</u>
	OTHERS		
	Liquidated damages/Performance guarantee	24,92,685	28,25,501
	Loss on sale of assets	6,64,993	6,08,644
	Loss on sale of Investments	1,847	--
	Loss on sale of stores and Raw materials	--	52,81,281
	Net value of assets written off	--	1,89,44,025
	Bad debts written off	4,03,602	1,23,19,877
	Excise duty and taxes (Net)	9,65,42,914	8,38,87,447
	(D)	<u>10,01,06,041</u>	<u>12,38,66,775</u>
	(A+B+C+D)	<u>58,03,78,815</u>	<u>63,86,76,343</u>

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

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

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

5. INVENTORIES

- a) Finished goods are valued as follows and increased by Excise Duty thereon as applicable.
 - All finished goods are valued at lower of weighted average cost or market value except Incentive free and Levy Sugar which is valued at lower of weighted average 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 weighted average cost or net realisable value of the finished goods duly adjusted according to the percentage of progress.
- e) Raw materials, stores, spares, materials in transit are valued at weighted average cost, except when the net realisable value of the finished goods they are used in, is less than the cost of the finished goods and if in such an event the replacement cost of such materials etc. is less than their holding cost, they are valued at replacement cost.

6. SALES AND OTHER EARNINGS

- a) Sales are inclusive of excise duty, freight, insurance etc. recovered thereon net of sales tax.
- b) 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
 - i) foreign currency monetary items are reported using the rate of exchange on that date
 - i) foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized
- c) In respect of forward exchange contract in the nature of hedges
 - i) Premium or discount on the contract is amortised over the term of the contract,
 - i) 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 and capital commitments not provided for :**

a) **Contingent Liabilities:**

(Amt. in Rs.)

i) Claims against the company not acknowledged as debts:

Particulars	31.03.2007	31.03.2006
Labour Cases	49,15,317	1,33,17,023
Central Excise Cases	1,91,12,314	1,91,12,314
Sales Tax Cases	20,18,592	20,18,592
ESI Cases	1,74,489	68,233
Differential Statutory Minimum Cane Price for the financial year 2002-03	1,85,23,712	1,85,23,712
Total	4,47,44,424	5,30,39,874

ii) **Capital Commitments:**

Estimated amount of contracts remaining to be executed on Capital account and not provided for Rs.4,93,74,867/- (P.Y. Rs.3,35,11,492/-)

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.2,52,83,771/- (P.Y.Rs.2,39,34,493/-) 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. 6,75,00,000/-) 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.)

Particulars	Key Management Personnel
Share Capital of the Company held by	17,33,310
Remuneration paid	1,87,73,582
Fixed Deposits held	3,00,00,000
Interest on Fixed Deposits	21,69,863

Note :

Names of related parties and description of relationship :

1. Key Management Personnel

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

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

	2006-2007 Rs.	2005-2006 Rs.
Profit attributable to the Shareholders (A)	24,45,50,922	57,53,92,427
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)	2.16	5.07

4a. SEGMENT INFORMATION FOR THE YEAR ENDED 31st MARCH, 2007- 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	298,38,41,243	334,61,04,855	23,10,98,751	17,31,16,802	5,82,93,200	3,25,07,800	19,39,96,123	19,45,49,769	2,500	3,82,422	346,72,26,817	374,58,96,804	
Inter-Segment Sales	33,73,31,709	26,48,62,693	18,12,802	-	32,83,40,181	21,52,72,148	-	-	-	-	66,74,84,692	48,01,34,841	
Total Revenue	332,11,72,952	361,09,67,548	23,29,11,553	17,31,16,802	38,66,33,381	24,77,79,948	19,39,96,123	19,45,49,769	2,500	3,82,422	413,47,11,509	422,60,31,645	
Result													
Segment Result	32,55,71,250	96,14,66,379	3,22,00,255	10,17,147	4,43,59,142	5,48,36,889	2,68,33,033	2,40,09,338	-	-	42,89,63,680	104,13,29,753	
Unallocated Corporate Expenses/Income	-	-	-	-	-	-	-	-	-	-	1,18,77,804	5,17,24,027	
Operating Profit	-	-	-	-	-	-	-	-	-	-	41,70,85,876	88,96,05,726	
Interest Expense	-	-	-	-	-	-	-	-	-	-	3,71,23,134	4,34,08,923	
Interest Income	-	-	-	-	-	-	-	-	-	-	29,98,880	12,84,328	
Dividend Income	-	-	-	-	-	-	-	-	-	-	36,76,768	13,71,252	
Donations	-	-	-	-	-	-	-	-	-	-	75,65,000	22,13,800	
Income Tax	-	-	-	-	-	-	-	-	-	-	13,45,22,468	37,12,46,156	
Net Profit from Ordinary Activities	-	-	-	-	-	-	-	-	-	-	24,45,50,922	57,53,92,427	
Other information													
Segment assets	224,21,17,843	226,44,39,285	25,33,84,781	14,55,35,070	50,41,37,654	50,61,63,095	23,89,10,351	19,86,80,053	13,79,246	1,58,782	323,71,71,363	311,46,58,721	
Un-allocated Corporate Assets	-	-	-	-	-	-	-	-	3,62,60,236	1,23,89,044	31,51,32,782	7,06,09,428	
Total Assets	-	-	-	-	-	-	-	-	-	-	355,23,04,165	318,52,68,149	
Segment Liabilities	132,37,37,331	104,92,82,316	23,89,021	67,91,542	14,62,357	1,71,149	11,75,57,130	7,77,34,234	3,76,39,482	1,25,47,826	140,75,06,357	112,14,31,415	
Un-allocated Corporate Liabilities	-	-	-	-	-	-	-	-	-	-	55,29,89,685	65,02,52,113	
Total Liabilities	-	-	-	-	-	-	-	-	-	-	196,04,96,042	177,16,83,528	
Capital Expenditure	11,34,25,370	10,16,52,802	12,10,56,173	2,06,08,462	2,08,03,419	28,31,22,866	1,42,61,914	4,32,99,859	-	-	26,95,46,876	44,86,83,989	
Depreciation	4,65,38,071	5,44,67,128	88,55,136	28,69,431	3,35,10,068	1,07,86,747	1,22,97,067	71,28,651	-	-	10,12,00,342	7,52,51,957	
Non cash expenses other than depreciation	1,431	12,25,662	-	2,61,78,143	-	-	4,04,819	38,62,745	-	-	4,06,250	3,12,66,550	

4b. SECONDARY SEGMENT REPORT FOR THE YEAR ENDED 31.03.2007 - GEOGRAPHICAL SEGMENTS

PARTICULARS	RS.	
	CURRENT YEAR	PREVIOUS YEAR
SALES REVENUE		
IN INDIA	413,34,96,317	421,35,49,728
OUTSIDE INDIA (Export out of India)	12,15,192	1,24,81,917
TOTAL	413,47,11,509	422,60,31,645

NOTE : The Group does not own or operate any business outside India.

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

CASH FLOW STATEMENT ANNEXED TO ACCOUNTS

CASH FLOW STATEMENT ANNEXED TO FINANCIAL STATEMENTS

	<u>2006-2007</u>	Amt. in Rs.	<u>2005 - 2006</u>
A. CASH FLOW FROM OPERATING ACTIVITIES :			
Net Profit before tax and extraordinary items	37,90,73,390		94,66,38,583
Adjustments for :			
Depreciation	10,12,00,342	7,52,51,957	
Loss/(Profit) on Sale of Assets	(1,56,32,754)	29,236	
Assets / Investment written off	—	1,89,47,116	
Loss / Profit on sale of Investments	(76,022)	(31,753)	
Dividend Income	(36,76,768)	(13,71,252)	
Interest paid	3,71,23,134	3,72,84,614	
Interest received	(29,98,880)	(12,84,328)	
	<u>11,59,39,052</u>		12,88,25,590
Operating Profit before Working Capital Changes	49,50,12,442		107,54,64,173
Adjustments for :			
Trade and other Receivables	(55,88,339)	(94,36,308)	
Inventories	(2,53,04,880)	(7,65,00,008)	
Trade payables	(33,01,28,720)	15,60,77,318	
	<u>(36,10,21,939)</u>		7,01,41,002
Cash generated from Operations	85,60,34,381		100,53,23,171
Direct Taxes Paid / Refunds including interest	<u>10,95,39,874</u>		30,83,21,264
Cash Flow before extraordinary items	74,64,94,507		69,70,01,907
Extraordinary items :	—		—
NET CASH FROM OPERATING ACTIVITIES	<u>74,64,94,507</u>		69,70,01,907
B. CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of Fixed Assets	23,49,87,541	56,68,23,328	
Investments purchased	9,30,98,515	19,87,772	
Increase in Capital Work in Progress	3,45,59,335	(11,84,89,339)	
Sale of Investments	(9,46,438)	(80,385)	
Sale of Fixed Assets	(1,87,41,844)	(17,31,241)	
Interest Received	(29,98,880)	(12,84,328)	
Dividend Received	(36,76,768)	(13,71,252)	
NET CASH USED IN INVESTING ACTIVITIES	33,62,81,461		44,58,54,555
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Long term Borrowings	12,33,30,289	2,86,08,310	
Interest paid	3,71,23,134	3,72,84,614	
Decrease in Hire Purchase Liabilities	—	10,92,926	
Dividends and Tax on dividends paid (including interim)	12,92,87,304	16,16,09,130	
NET CASH USED IN FINANCING ACTIVITIES	<u>28,97,40,727</u>		22,85,94,980
Net Increase in Cash and Cash Equivalents (A+B+C)	<u>12,04,72,319</u>		2,25,52,372
Cash and Cash equivalents - Opening	<u>7,60,06,047</u>		5,34,53,675
Cash and Cash equivalents - Closing	19,64,78,366		7,60,06,047

Signature to Schedules A-P, 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 Director

V.KIRAN RAO
Executive Director

For **B. PUROSHOTTAM & CO.**
Chartered Accountants,

K.A.RANGASWAMY
Director

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

B.S. PURSHOTHAM
Partner

Chennai
29.06.2007

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

We have examined the attached consolidated Balance Sheet of K.C.P SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries as at March 31, 2007, and their Consolidated Profit and Loss Account for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of K.C.P 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 K.C.P 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 K.C.P SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries as at March 31, 2007;
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of K.C.P SUGAR AND INDUSTRIES CORPORATION LIMITED and its subsidiaries for the year then ended, and
- c) the cash-flow statement is in agreement with the above Profit and Loss Account and Balance Sheet.

for **B. PURUSHOTTAM & CO**
Chartered Accountants

B.S. PURSHOTHAM
(M NO.26785)
Partner

PLACE : Chennai
DATE : 29 June, 2007

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 throí 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 THROUGH 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 at least 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 (RBI Centres) available in 15 cities as follows :

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

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

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.

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, iKences 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"> ê 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. ê 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. ê Individual/joint shareholder can nominate only one person as his/her nominee for the shares held by him/them under a particular folio. ê 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"> ê 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. ê A minor can also nominate a person as his nominee. In that case, the natural/court appointed guardian of the minor has to sign the form on behalf of the minor.
	b) Who cannot nominate	<ul style="list-style-type: none"> ê 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"> ê Any individual can be a nominee. ê A minor can also be a nominee and in that event the name and address of the Guardian shall be given by the holder. ê A non-resident Indian can be a nominee on a repatriable basis subject to the rules prescribed by the Reserve Bank of India.
	d) Who cannot be a nominee	<ul style="list-style-type: none"> ê Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of the power of attorney cannot be a nominee.
	e) Dematerialised Mode	<ul style="list-style-type: none"> ê 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"> ê 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>). ê 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"> ê 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. ê 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. ê 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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TWELFTH ANNUAL GENERAL MEETING

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

Date : Thursday, 27th September, 2007.
 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.

PROXYFORM

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 Twelfth Annual General Meeting of the Company, to be held at
10.00 a.m. on Thursday the 27th day of September 2007 and at any adjournment thereof.

Signed this _____ day of _____ 2007.

S.No.	Received on	Time	Code

Signed by the said



- 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.