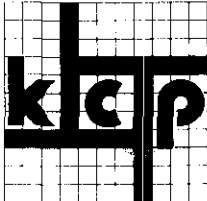


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ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

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THE KCP LTD., CHENNAI

HIGHLIGHTS

(Rs. in Lakhs)

	Year Ended									
	31.3.91	31.3.92	31.3.93	31.3.94	31.3.95	31.3.96	31.3.97**	31.3.98	31.3.99	31.3.2000
SHARE CAPITAL	1146	1719	1719	1719	2578	2578	1289	1289	1289	1289
RESERVES & SURPLUS	3304	2744	2791	4908	5969	7263	9035	9425	9399	8329
NET WORTH	4450	4463	4510	6627	8547	9841	10324	10714	10688	9618
FIXED ASSETS (NET)	6510	8013	8923	8751	9056	10146	5292	6628	9357	9316
GROSS INCOME	14772	16681	21837	26002	35870	37654	21941	15466	19235	13957
GROSS PROFIT	2140	1921	2757	4752	6614	4569	7176	1702	2039	1139
DEPRECIATION	638	623	794	636	632	692	360	356	419	617
INTEREST	1004	1088	1670	1577	1262	1738	487	590	1152	1431
PROFIT BEFORE TAX	498	210	292	2538	4720	2139	6328	756	468	-909
PROFIT AFTER TAX	498	210	292	2537	3369	1939	5478	656	318	-912
EARNINGS PER SHARE (Rs.)	4.35	1.22	1.7	14.76	13.07	7.52	42.49	5.09	2.47	-
BOOK VALUE PER SHARE(Rs.)	38.83	25.96	26.24	38.55	33.15	38.17	80.08	83.11	82.91	74.61
DIVIDENDS ON EQUITY (%)	18	12	15	25	35*	25	25	25	25	10
DEBT EQUITY RATIO	1.08	1.14	1.28	0.77	0.51	0.55	0.40	0.68	0.68	0.63

* Including 10% recommended as Founder's Centenary Bonus Dividend.

** After Re-Organisation

**DIRECTORS**

DUTT V.L.
Chairman & Managing Director

INDIRA DUTT V.L.
Joint Managing Director

KAVITHA D. CHITTURI
Executive Director

Dr. KOTAIAH P.
Nominee of IDBI

NANDAGOPAL S.

PANIKAR C.V.R.

PINNAMANENI KOTESWARA RAO

RAJU G.S.

RAMAKRISHNAN P.R.

REDDY D.S.

SWAMINATHA REDDY O.

**SECRETARY AND CORPORATE
GENERAL MANAGER (Finance)**

PRANESH K.B.

AUDITORS

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

COST AUDITOR

M/s. P PARANKUSAM & CO., HYDERABAD

BANKERS

STATE BANK OF INDIA
CANARA BANK
STANDARD CHARTERED BANK

REGISTERED AND CORPORATE OFFICE

"RAMAKRISHNA BUILDINGS"
2, Dr. P.V.CHERIAN CRESCENT
CHENNAI - 600 008.

THE KCP LTD., CHENNAI

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Ninth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 25th September, 2000 at "Hotel New Woodlands", 72-75, Dr. Radhakrishnan Salai, Chennai-600 004 at 9.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31st March, 2000 and the Auditors' Report thereon.
2. To declare a Dividend.
3. To appoint auditors for the current financial year and to authorise the Board of Directors to fix their remuneration. Messrs. Brahmayya & Company, Chartered Accountants, Vijayawada, retire at this Annual General Meeting and are eligible for re-appointment.
4. To appoint a Director in the place of Mr. G S Raju, who retires by rotation and who is eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
RESOLVED that Mr. G S Raju, who retires by rotation be and is hereby re-appointed a Director of the Company.
5. To appoint a Director in the place of Mr. D S Reddy, who retires by rotation and who is eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
RESOLVED that Mr. D S Reddy, who retires by rotation be and is hereby re-appointed a Director of the Company.
6. To appoint a Director in the place of Mr. O Swaminatha Reddy, who retires by rotation and who is eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.
RESOLVED that Mr. O Swaminatha Reddy, who retires by rotation be and is hereby re-appointed a Director of the Company.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification, the following resolution, as an Ordinary Resolution.
RESOLVED that in accordance with the provisions of Section 198, 269 (read with Schedule XIII) 309, 310 and other applicable provisions of The Companies Act, 1956 and subject to necessary approvals, approval is hereby accorded to the appointment of Smt. Kavitha D Chitturi as the Executive Director of the Company for a period of 5 years with effect from 01/10/99 on the following terms and conditions:
 - I. **SALARY:** Rs.25,000/- per month i.e. Rs. 3,00,000/- per annum.
 - II. **PERQUISITES:**
 - a. **Housing:**
 - i. 60% of the salary or,
 - ii. be provided Rent-free furnished accommodation by the Company. She shall pay 10% of her salary towards the value of this perquisite. The Company shall meet the expenses of Gas, Water and Electricity at the accommodation provided to the

Executive Director and the value of the same shall be computed in accordance with Income Tax Rules.

- b. **Medical Reimbursement:** Expenses incurred for the Executive Director and family subject to a ceiling of one month's salary i.e. Rs.25,000/- in a year or 3 months salary i.e. Rs.75,000/- over a period of 3 years.
- c. **Leave Travel Concession:** For the Executive Director and her family once in a year incurred in accordance with the rules specified by the Company.
- d. **Club Fees:** Fees of clubs subject to a maximum of two clubs.
- e. **Personal Accident Insurance:** Premium not to exceed Rs.2,000/- per annum.
- f. **Provident Fund, Superannuation Fund / Annuity Fund:** Company's contribution towards Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company, not exceeding 27% of the remuneration.
- g. **Gratuity:** Gratuity payable as per the rules of the Company, but shall not exceed half a month's salary for each completed year of service.
- h. **Leave and Encashment of Leave:** Entitlement to leave and encashment of leave will be as per the rules of the Company made applicable to her. Contributions to Provident Fund, Superannuation Fund, Annuity Fund and Gratuity within the limits specified above and encashment of leave at the end of the tenure will not be included in the Computation of overall ceiling on remuneration specified herein above.
- i. **Car and Telephone:** Provision of car for use on company's business and telephone at the residence. Personal long distance calls on telephone and use of car for private purposes shall be charged to the Executive Director.
- III. **COMMISSION:** Equivalent to 1% of the net profits of the Company subject to a ceiling of an amount equal to half of the annual salary.
- IV. **MINIMUM SALARY:** Where, in any financial year, during the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay her remuneration by way of salary and perquisites as specified above.
8. To consider and if thought fit, to pass with or without modification, the following resolution, as a Special Resolution.
RESOLVED that pursuant to the provisions of Section 17 and other applicable provisions, if any, of the Companies Act, 1956 ("The Act"), the Object Clause of Memorandum of Association be and is hereby altered in the manner and to the extent set out below :
 1. After the existing paragraph 6(C) under III Objects of the Company, to insert the following:
"6(D): To carry on business of developers in software and to deal in software and provide consultancy in the field of computers including hardware and



software, and any other knowledge based and Information Technology related activities.”

“6(E): To carry on business of manufacturers, processors of and dealers in fertilisers including bio-fertilisers such as vermicultural compost or other predominantly organic fertilisers, manures, pesticides, weedicides and plant and other type protecting and nurturing products and also to manufacture and deal in their non-organic and synthetic variants.”

“6(F): To carry on business of manufacturers, processors of and dealers in all kinds of food products whether in their natural or synthetic or processed form, meant for consumption in the normal course as foods or for medicinal or therapeutic purposes.”

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

“RESOLVED that pursuant to the provisions of Section 149(2)(A) and other applicable provisions, if any, of the Companies Act, 1956 (“The Act”) that the commencement of business in respect of objects as mentioned in Clause 6(D), 6(E) and 6(F) referred to above be and are hereby approved.”

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

RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (“The Act”), the Articles of Association of the Company be and are hereby altered in the manner and to the extent set out below :

- i) The existing Article “2” sub clause(v) be substituted with:

“Shareholder” or “Member” means the duly registered - holder from time to time of the shares of the Company of any class and includes the subscriber(s) of the Memorandum of the Company and also every person whose name is entered as the beneficial owner of any share in the records of the Depository, but does not include the bearer of a share warrant of the Company issued in pursuance of Section 114 of the Act.

- ii) The following new definitions be inserted in Clause 2 as sub clauses immediately after sub clause 2(xx):

2(xxii) “Beneficial Owner” shall have the meaning assigned thereto by Section 2(1)(a) of the Depositories Act, 1996.

2(xxiii) “Depository” shall have the meaning assigned thereto by Section 2(1)(e) of the Depositories Act, 1996.

2(xxiv) “Depositories Act, 1996” shall mean Depositories Act, 1996 and include any Statutory modification or reenactment thereof for the time being in force.

2(xxv) “Securities & Exchange Board of India” means the Securities & Exchange Board of India established under Section 3 of the Securities & Exchange Board of India Act, 1992.

2(xxvi) The present Article 2(xxii) be renumbered as 2(xxvi).

- iii) The existing Article 10 shall be renumbered as Article

10(1) of the following Article be inserted as Article 10(2):

10(2) “Notwithstanding anything contained in this Article, where securities are dealt with in a Depository, the Company shall intimate the details of allotment of securities to Depository immediately on allotment of such securities.”

- iv) The existing Article 12 shall be renumbered as Article 12(A) and be substituted with:

12(A) “Save as herein otherwise provided, the Company shall be entitled to treat the person whose name(s) appears on the Register of Member/Debentures as the holders of any share/debenture in the records of the Depository as the absolute owner thereof and accordingly shall not (except as may be ordered by a Court of competent jurisdiction or as may be required by law) be bound to recognise any benami trust or equitable, contingent, future or other claim or interest or partial interest in any such share/debenture on the part of any other person, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto on the part of any other person whether or not it shall have express or implied notice thereof, but the Board shall be at liberty and at its sole discretion decide to register any share/debenture in the joint names of any two or more persons of the survivor or survivors of them.”

- v) The following new Article as Article 12(B) after Article 12(A):

12(B) “The Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with the Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which even the rights and obligations of the parties concerned and matters connected therewith or incidental thereto, shall be governed by the provisions of the Depositories Act, 1996.”

- vi) The existing Article 20 shall be renumbered as Article 20(A) and the following new Articles be inserted as 20(B), 20(C), 20(D), 20(E) and 20(F) after Article 20(A):

20(B) “The Company shall be entitled to dematerialise its existing shares, debentures and other securities, and rematerialise its such shares, debentures and other securities held by it with the Depository and/or offer its fresh shares and debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the Rules framed thereunder, if any.”

20(C) “Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository. A beneficial owner of any security can at any time opt out of a Depository, if permitted by law, in the manner provided by the Depositories Act, 1996 and the Company shall,

THE KCP LTD., CHENNAI

in the manner and within the time prescribed, issue to the beneficial owner the required Certificates of Securities."

20(D) "All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners."

20(E)(a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) "Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it."

(c) "Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities attached to such of his securities which are held by a Depository."

20(F) "The Company shall cause to be kept at its Registered Office or at such other place as may be decided, Register and Index of Members in accordance with Sections 150 and 151 and other applicable provisions of the Act and the Depositories Act, 1996 with the details of shares held in physical and dematerialised forms in any media as may be permitted by law including in any form or electronic media.

The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be the Register and Index of Members for the purpose of this Act. The Company shall have the power to keep in any state or country outside India, a Register of Members for the residents in that state or country."

vii) The following new Article 193(3) be inserted after Article 193(2):

193(3) "Where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or disks."

(BY ORDER OF THE BOARD OF DIRECTORS)

Place: Chennai-600 008

Date: 29th June, 2000

for THE K C P LIMITED

V.L.DUTT

Chairman

NOTES :

1. Any member entitled to attend and vote may appoint a proxy to attend and vote instead of himself, and a proxy need not be a member.
2. Any member/proxy wishing to attend the meeting must complete the admission slip and hand it over at the entrance.
3. Shareholders are requested to notify their change of address, if any, without delay. IN ALL CORRESPONDENCE THE LEDGER FOLIO NUMBER SHOULD BE INDICATED.
4. Shareholders are requested to bring with them their copies of the Annual Report as due to the prohibitive costs of printing, it will not be possible to supply extra copies.
5. The Register of Members and the Register of Share Transfer will remain closed from 16/9/2000 to 30/9/2000 - both days inclusive.
6. No money has been transferred from the Unpaid Dividend Account of the Company in pursuance of amended Sec.205A of The Companies (Amendment) Act, 1999 to the Investor Education and Protection Fund established under Sec.205C of The Companies (Amendment) Act, 1999.
7. Members who wish to have their dividend warrant printed with the bank account for direct credit may please forward a mandate for payment of dividend, to avoid loss during postal transit or interception and encashment by unscrupulous persons.4

EXPLANATORY STATEMENT ANNEXED TO THE NOTICE

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

Note on Item No. 7

Smt. Kavitha D Chitturi is a graduate in Business Management with specialisation in International Business from Cedar Crest College Allentown, Pennsylvania. She also holds a Post-Graduate Diploma in Human Resources. She is presently a Member of Madras Chapter of Young Presidents Organisation, an International Organisation based at USA and Secretary of Madras Chapter FICCI Ladies Organisation.

Dr V.L. Dutt, Chairman & Managing Director and Smt V.L. Indira Dutt, Joint Managing Director are interested in the above resolution.

Note on Item No. 8

Considering the state of affairs of the business segments that the Company is presently engaged in, there is a need to diversify into other business segments. The Company proposes to enter into the field of bio-fertilisers through vermiculture. The Company also wishes to be software developers considering the vast scope available for development of software globally.

Apart from manufacture and service activities, the Company also proposes to actively involve in manufacturing and trading of food products including those having medicinal properties.

To carry on activities in respect of the above, Object Clause in the Memorandum of Association needs to be altered. Though these objects are covered under Object Clause 1 and 6(B) of

the Memorandum of Association for abundant caution, specific resolutions are proposed.

None of the directors of the company is interested in this resolution.

Note on Item No. 9

The Object Clause of Memorandum of Association of the Company is being altered as an abundant caution to specifically authorise the Company to carry on certain business activities by insertion of 6(D), 6(E) and 6(F) in the Memorandum of Association of the Company. It is required that the General Body is to approve commencement of business of any new object as per Section 149(2)(A) of The Companies Act, 1956. Hence this resolution.

None of the directors of the company is interested in this resolution.

Note on Item No. 10

Security and Exchange Board of India (SEBI) have announced vide their Circular SMDRP/POLICY/CIR - 23/2000 dated 29th May, 2000 that it is mandatory for the listed companies to dematerialise their shares since it is mandatory for all investors to settle trade in demat form, from March, 2001. As per the circular, our Company is to demat the shares by 29/01/2001. In order to comply with the above regulations, necessary changes in Memorandum and Articles of Association are being tabled for the General Body's approval.

None of the directors of the company is interested in this resolution.

THE KCP LTD., CHENNAI

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2000

Submitted to the Shareholders at the 59th Annual General Meeting held at "Hotel New Woodlands", 72-75, Dr. Radhakrishnan Salai, Chennai-600 004, on Monday, the 25th September, 2000 at 9.30 A.M.

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2000 together with the Balance Sheet on that date and the Profit and Loss Account for the year ended on that date.

2. PROFIT & APPROPRIATIONS

	Rs.
The accompanying accounts show a net loss....	9,12,49,827
for the year 1999-2000 after providing for interest of Rs. 14,31,97,874, Depreciation of Rs. 6,17,92,227 and Provision for Taxation of Rs. 3,08,512 to which are added: Balance brought forward from 1998-99	56,17,70,445
	47,05,20,618
Deduct :	
Proposed dividend	1,28,92,116
Tax on distributed profit	28,36,266
Leaving the balance to be carried to the next year of account amounting to	45,47,92,236

3. DIVIDENDS

Your Directors recommend payment of a Dividend of Re. 1/- per share on 1,28,92,116 equity shares of Rs. 10/- each amounting to Rs. 1,28,92,116.

4. CAPITAL & RESERVES

Capital of the Company stood at Rs. 12,89,21,160 and the Reserves stood at Rs. 83,29,33,600 as on 31st March, 2000.

5. FIXED DEPOSITS

As at 31st March, 2000, there were deposits matured and unclaimed amounting to Rs. 47,97,000/- of 404 depositors. Since then, Rs. 15,79,000/- of 127 depositors were renewed and Rs. 13,03,000/- of 95 depositors were repaid.

6. REVIEW OF OPERATIONS

SALES & PROFITS

FINANCIAL YEAR	1999-2000	1998-99
	(Rs. in lakhs)	
Sales	12,880	18,282
Profit before Depreciation	-294	887
Profit after Depreciation		
interest and tax	-912	318

(A) CEMENT UNIT : MACHERLA

FINANCIAL YEAR	1999-2000	1998-99
	(Rs. in lakhs)	
Cement Produced (M.T.)	4,74,679	4,48,918
Capacity Utilisation (%)	119	112
Cement sold (M.T.)	4,74,505	4,57,790
Turnover (Rs. in lakhs)	8,691	8,843

During the year cement prices continued to be under pressure. After recording a sharp decline in October, 1999 prices worsened between January to March, 2000. Steep fall in prices in Tamil Nadu and Kerala markets rendered catering to these markets uneconomical, at ruling prices.

The enhanced capacity utilisation enabled reduction in consumption of electricity by 6 units and fuel by 2.8% per tonne of cement. However, increased unit prices for electricity and coal have more than compensated for the improvement in consumption of energy and fuel. Consequently this business segment posted loss for the year.

(B) HYDEL UNIT :

FINANCIAL YEAR	1999-2000	1998-99
	(Rs. in lakhs)	

Hydel power generation in (KWH)	2,33,84,226	1,14,53,709
Turnover (Rs. in lakhs)	887	407

During the current year, all the five schemes became operational, by October, 1999. The total project was completed at a cost of Rs. 5,232 lakhs. The entire generation is being utilised for the Cement Unit. This has resulted in substantial relief for the Company as a whole.

(C) ENGINEERING UNIT:

FINANCIAL YEAR	1999-2000	1998-99
	(Rs. in lakhs)	

Turnover	2,999	5,761
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This business segment was affected adversely due to recession in the capital goods sector. Order backlog was substantially low and during the first three quarters, receipt of orders were far and few. Consequently, executable orders were very limited resulting in under-utilisation of capacity. This is reflected in the reduced turnover of this unit with resultant loss for the year. There were substantial booking of orders during the 4th quarter for the ensuing accounting year. Order backlog as at 31-3-2000 was at Rs. 3,465 lakhs, which is the break-even level, for the unit.

(D) EXPORT UNIT :

FINANCIAL YEAR	1999-2000	1998-99
	(Rs. in lakhs)	

Turnover	748	3,673
----------	-----	-------

During the year, in addition to completion of supplies to our own project in Vietnam, the Company exported equipment for cement machinery worth US\$ 3,88,227 and are in the process of manufacture and supply of equipment to power project in Taiwan of US\$ 13,16,484.

The above orders have contributed to utilising the facilities of the Engineering Unit, partially.

(E) UNIT : TECHNO-MANAGEMENT RESEARCH AND DEVELOPMENT (TMRD)

Operations of the consultancy division were wound up as mentioned in the 58th Annual General Meeting.



7. -INVESTMENTS

During the current year, no further provisions or withdrawal from the provisions made for towards shortfall in value of investments effected last year was considered, since there is no change of status .

FCB-KCP Limited:

FCB-KCP Limited in which the Company holds 40% equity posted satisfactory results and declared a dividend of 200% for the accounting year ending 31-3-2000.

Sudalagunta Sugars Limited:

Sudalagunta Sugars Limited have crushed 3,30,140 tonnes during the season ended May, 2000 with a recovery of 9.01 % . However, owing to their capital structure with high debt component, the Company incurred losses and are unable to declare any dividend. There was no return from this investment in the current accounting year.

KCP Vantech Limited :

As reported earlier, the Company is presently corresponding with the collaborator for manufacture of bio-tech products consisting of enzymes, pro-biotics used in food preparation. Hence, there is no return for the current year from this investment.

Somayajulu & Co. Limited :

Company's investment in Somayajulu & Co. Ltd. did not return any income during the current year owing to market conditions.

KCP Vietnam Industries Limited :

Company's investment in Vietnam had a set back though a temporary one. Consequently, this investment did not return any income during the current year and is expected to take a minimum of two more years to provide returns.

8. DEVELOPMENTAL ACTIVITIES

Considering the state of affairs of the business segments that the Company is presently engaged in, the need for diversification, both in product lines and business segments are recognised. The Company proposes to (a) locate another fabrication facility for industrial machinery at Ekhu Nagar, Arkonam which will add to the product line of the engineering business; (b) to venture into Plasters & Mortars as a value-added product complementary to the cement segment; (c) to enter into bio-fertilizers' through vermiculture; and (d) be software developers.

As an additional revenue earning activity, the Company also proposes to have a trading division which will immediately trade in (a) fruit juices having medicinal value; (b) software; and (c) plasters & mortars.

9. SAFETY & POLLUTION CONTROL

All units have valid consent from the respective Pollution Control Boards wherever necessary, that the pollution levels are well within limits set by the Pollution Control Board.

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

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

11. Y2K COMPLIANCE

The Company rolled over to the year 2000 without any problems since the hardware and software were totally Y2K Compliant.

12. SUBSIDIARIES

The financial details required under Sec.212 of the Companies Act, 1956 in respect of subsidiaries, M/s. KECEPE Investments Pvt. Ltd., Singapore and M/s. KCP Vietnam Industries Limited, Vietnam have been attached to the Balance Sheet of the current year. During the current year, the Company conducted trial runs of refined sugar. However, even during the second season, the plant was able to crush only 70,000 tonnes due to inadequate sugarcane supply, in spite of the efforts of the Provincial Government. The Government has informed the Company that they will require 5 to 7 years to develop cane of 4,00,000 tonnes annually, which is the requirement for normal season. Consequently, the Company considered other options. The Company was able to locate an alternate cane area at 500 kms. distance from the existing sugar factory in Phu Yen Province which has a standing sugarcane crop of 6,00,000 tonnes. This Province propagated cane expecting to implement a licence for a 2500 TCD sugar factory. However, due to funding constraints, this licence was not implemented. This Provincial Government has now requested us to shift the factory to their Province which will be advantageous to the Company and the Provincial Government. The Company has already obtained requisite permission from Vietnamese Government Authorities for shifting of the factory. This shifting is estimated to cost US\$ 5 million and is proposed to be funded through domestic loan in Vietnam. Shifting of the plant is scheduled to be completed during the off-season to enable the re-located plant to have a partial crush during the season 2001.

13. DIRECTORS

Messrs. G.S. Raju, D.S. Reddy and O.Swaminatha Reddy retire by rotation at the forthcoming Annual General Meeting. Being eligible, they offer themselves for reappointment.

14. MANAGEMENT STAFF

There were no employees in receipt of remuneration higher than the limit prescribed in Sec. 217(2A) of the Companies Act, 1956.

15. STAFF RELATIONS

Staff relations continued to be cordial and satisfactory at all the Units. A fresh agreement was entered into with workmen at Engineering Unit, Tiruvottiyur, which is effective till November, 2000.

16. AUDITORS

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

M/s. Parankusam & Company, Hyderabad are the Cost Auditors of the Company to conduct the cost audit for the Cement Unit for the year ending 31st March, 2001.

17. ACKNOWLEDGEMENT

The Board wish to thank the public financial institutions, and the bankers for their continued and positive support. The Board also place on record their appreciation of the work done by all the employees of the Company.

(BY ORDER OF THE BOARD OF DIRECTORS)

Chennai-600 008
29th June, 2000

V.L.DUTT
Chairman