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THE KCP LTD.

HIGHLIGHTS

(Rs. in Lakhs)

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

** After Re-Organisation

**DIRECTORS****DUTT V.L.**

Chairman & Managing Director

INDIRA DUTT V.L.

Joint Managing Director

KAVITHA D. CHITTURI

Executive Director

PINNAMANENI KOTESWARA RAO**NANDAGOPAL S.****RAMAKRISHNA A.****RAMAKRISHNAN P.R.****RAMAKRISHNAN V.H.****SWAMINATHA REDDY O.****GANDHI V.**COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER**SRIDHAR K.**

AUDITORS

M/s. **BRAHMAYYA & CO.**

Chartered Accountants, Vijayawada

COST AUDITORS

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

BANKERS

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

REGISTERED AND CORPORATE OFFICE

"RAMAKRISHNA BUILDINGS"

2, Dr. P.V.CHERIAN CRESCENT

EGMORE, CHENNAI - 600 008

PH: 66772600 Fax : 66772620

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REGISTRARS & SHARE TRANSFERS AGENT
& DEPOSITORY REGISTRARSM/s. **INTEGRATED ENTERPRISES (INDIA) LIMITED**

II FLOOR, "KENCES TOWERS"

NO.1, RAMAKRISHNA STREET

NORTH USMAN ROAD, T.NAGAR

CHENNAI - 600 017

Ph: 28140801 to 803 Fax : 28142479

Website : www.iepindia.com

THE KCP LTD.

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of the Shareholders of the Company will be held on Wednesday, the 27th September, 2006 at 11.00 A.M. at the Registered Office of the Company at "Ramakrishna Buildings", No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai-600 008 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the accounts of the Company for the year ended 31st March, 2006 and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Sri. O. Swaminatha Reddy, who retires by rotation and being eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED that Sri. O. Swaminatha Reddy who retires by rotation be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

- 4 To appoint a Director in the place of Smt. Kavitha D Chitturi, who retires by rotation and being eligible for re-appointment and to consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

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

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

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

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

"RESOLVED that M/s. Brahmayya & Co., Chartered Accountants, Vijayawada be and are hereby appointed as the Auditors of the Company to hold such office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board on mutually agreed terms."

SPECIAL BUSINESS

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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III COMMISSION

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

IV MINIMUM REMUNERATION

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

(FOR AND ON BEHALF OF THE BOARD)

For **THE K C P LIMITED**

V. L. DUTT

Chairman & Managing Director

Place : Chennai-600 008

Date : 26th June, 2006

NOTES :

1. **ANY MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY COMPLETED MUST BE RETURNED SO AS TO REACH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME OF THE COMMENCEMENT OF THE AFORESAID MEETING.**
2. Explanatory Statement under Section 173 of the Companies Act, 1956 is annexed herewith.
3. Shareholders are requested to notify their change of address, if any, without delay. Members holding shares in physical form should mention in all correspondence the ledger folio number. Persons holding in Demat form should inform their Depository Participant.
4. A brief profile of the Directors retiring by rotation and eligible for re-appointment, as required by Clause 49 (VI) (A) of the Listing Agreements signed by the Company with the Stock Exchanges, is given as Item No. 13 in the Directors' Report forming part of the Annual Report.
5. Shareholders are requested to bring with them their copies of the Annual Report. Due to the prohibitive costs of printing, it will not be possible to supply extra copies.
6. The Register of Members and the Register of Share Transfer will remain closed from 19th September, 2006 to 27th September, 2006, both days inclusive.
7. Members who wish to have their dividend warrant printed with the bank account for direct credit may please forward a mandate for payment of dividend, to avoid loss during postal transit or interception and encashment by unscrupulous persons.
8. The Company has already transferred the unclaimed Dividend, up to the financial year ended 31st March 1998 to the Investor Education and Protection Fund as per Section 205(A)(5).
9. Members who have not encashed their dividend warrants pertaining to 1999 and after may approach the Company's Registered Office at No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.



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

EXPLANATORY STATEMENT ANNEXED TO THE NOTICE

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

ITEM NO. 6 :

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

The Board recommends this resolution for your approval.

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

ITEM NO. 7 :

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

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

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

The Board recommends this resolution for your approval.

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

ITEM NO. 8:

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

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

The Board recommends this resolution for your approval.

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

ITEM NO. 9 :

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

The Board recommends this resolution for your approval.

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

ITEM NO. 10 :

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

The Board recommends this resolution for your approval.

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

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ITEM NO. 11:

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

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

The Board recommends this resolution for your approval.

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

FOR AND ON BEHALF OF THE BOARD

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

V.L. DUTT

Chairman & Managing Director

Place : Chennai-600 008

Date : 26th June, 2006

AT A GLANCE

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