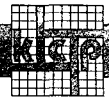


THE K&P GROUP LIMITED

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THE KCP LTD.

HIGHLIGHTS

(Rs. In Lakhs)

	Year Ended									
	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	31-3-07
SHARE CAPITAL	1289	1289	1289	1289	1289	1289	1289	1289	1289	1289
RESERVES & SURPLUS	9425	9399	8329	8740	8435	8112	8084	8610	9625	12984
NET WORTH	10714	10688	9618	10029	9725	9401	9374	9899	10914	14273
FIXED ASSETS (NET)	6628	9357	9316	8686	8146	7556	7091	6850	7572	11704
GROSS INCOME	15466	19235	13957	13954	14092	14353	14722	16863	20680	30051
GROSS PROFIT	1702	2039	1139	2544	2734	1122	1385	2445	3448	8321
DEPRECIATION	356	419	618	701	695	688	667	494	519	618
INTEREST	590	1152	1480	1255	1051	774	584	489	444	444
PROFIT BEFORE TAX	756	468	-959	587	988	-339	135	1462	2485	7259
PROFIT AFTER TAX	656	318	-962	567	790	-178	117	967	1750	4829
EARNINGS PER SHARE (Rs.)	5.09	2.47	-	4.4	6.13	-1.38	0.91	7.50	13.57	37.46
BOOK VALUE PER SHARE (Rs.)	83.11	82.91	74.61	77.79	75.43	72.93	72.71	76.79	84.66	110.72
DIVIDENDS ON EQUITY (%)	25	25	10	11	20	10	10	30	50	100
DEBT EQUITY RATIO	0.51	0.48	0.43	0.35	0.23	0.13	0.05	0.03	0.39	0.21

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

Chairman & Managing Director

INDIRA DUTT V.L.

Joint Managing Director

KAVITHA D. CHITTURI

Executive Director

GANDHI V.

Technical Director

PINNAMANENI KOTESWARA RAO**NANDAGOPAL S.****RAMAKRISHNA A.****RAMAKRISHNAN P.R.****RAMAKRISHNAN V.H.****SWAMINATHA REDDY O.****COMPANY SECRETARY &
CHIEF FINANCIAL OFFICER****AUDITORS****SRIDHAR K.****M/s. BRAHMAYYA & CO.**

Chartered Accountants, Vijayawada

COST AUDITORS**M/S. PARANKUSAM & CO., Hyderabad****BANKERS****STATE BANK OF INDIA****CANARA BANK****HDFC BANK LTD.****KOTAK MAHINDRA BANK LTD.****REGISTERED AND CORPORATE OFFICE****"RAMAKRISHNA BUILDINGS"**

2, Dr. P.V. CHERIAN CRESCENT

EGMORE, CHENNAI - 600 008

PH : 66772600 Fax : 66772620

E-MAIL : kcp@vsnl.com

**REGISTRARS & SHARE TRANSFERS AGENT
& DEPOSITORY REGISTRARS****M/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 Sixth Annual General Meeting of the Shareholders of the Company will be held on Monday, the 13th August 2007, at 3.00 P.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, 2007 and the Auditors' Report thereon.
2. To confirm the Interim dividend paid.
3. To appoint a Director in the place of Sri. P.R. Ramakrishnan, who retires by rotation and being eligible offers himself for re-appointment and for the same purpose to consider and if thought fit, to pass the following Resolution.

"RESOLVED THAT Sri. P.R. Ramakrishnan, 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 Sri. S. Nandagopal, who retires by rotation and being eligible offers himself for re-appointment and for the same purpose to

consider and if thought fit, to pass the following resolution as an Ordinary Resolution.

"RESOLVED THAT Sri S. Nandagopal, who retires by rotation, be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

5. To pass the following Resolution to appoint auditors for the current financial year and to authorize the Board of Directors to fix their remuneration. M/s. Brahmayya & Company, Chartered Accountants, Vijayawada, holds office up to the conclusion of this Annual General Meeting and are eligible for re-appointment.

"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."

(FOR AND ON BEHALF OF THE BOARD)

For **THE K C P LIMITED**

V. L. DUTT

Chairman & Managing Director

Place : Chennai-600 008

Date : 18th June, 2007

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. 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.
3. 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 Exchange, is given as item No. 13 in the Directors' Report forming part of the Annual Report.



4. Shareholders are requested to bring with them their copies of the Annual Report.
5. The Register of Members and the Register of Share Transfer will remain closed from 7th August, 2007 to 13th August, 2007, both the days inclusive.
6. The Company has already transferred the unclaimed Dividend, up to the financial year ended 31st March 1999 to the Investor Education and Protection Fund as per Section 205(A)(5).
7. Members who have not en-cashed their dividend warrants pertaining to 2000 and after may approach the Company's Registered Office at No.2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008.
8. Additional information pursuant to Clause 49 of the listing agreement with Stock Exchange on Directors re-appointment/appointment at this Annual General Meeting is appearing in the Directors' Report.

(FOR AND ON BEHALF OF THE BOARD)

For **THE K C P LIMITED****V. L. DUTT****Chairman & Managing Director**

Place : Chennai-600 008

Date : 18th June, 2007**AT A GLANCE**

	31.03.2007		31.03.2006	
Cement Produced (M.T.)	6,05,396		5,31,504	
Power produced (KWH) (including Wind Power)	4,35,40,598		3,68,21,869	
TURNOVER:	Rs.	%	Rs.	%
	(000')		(000')	
Machinery & Equipment	112,88,59	38.35	80,22,52	40.69
Cement	160,22,63	54.44	109,17,51	55.37
Others	21,21,01	7.21	7,75,88	3.94
	<u>294,32,23</u>	<u>100</u>	<u>197,15,91</u>	<u>100</u>
FIXED ASSETS	Rs.		Rs.	
	(000')		(000')	
Gross Block	209,69,71		172,43,24	
Depreciation	108,57,68		103,44,74	
Net	101,12,03		68,98,50	
Reserves	129,84,50		96,25,11	
PROFIT	78,77,25		30,03,79	
(Before Depreciation and Tax)				
NET PROFIT	48,29,41		17,49,65	
(After Depreciation and Tax, available for appropriation and Dividend)				

THE KCP LTD.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2007

Submitted to the Shareholders at the 66th Annual General Meeting held
at the Registered Office of the Company
on Monday, the 13th August, 2007 at 3.00 p.m.

1. Your Directors have pleasure in submitting their report for the financial year ended 31st March, 2007 together with the Balance Sheet as on that date and the Profit and Loss Account for the year ended on that date.

2. PROFIT & APPROPRIATIONS

	Rs.	Rs.
The accompanying accounts show a Net Profit of for the year 2006-2007 after providing for		48,29,41,051
Interest of	4,44,22,352	
Depreciation of	6,17,86,791	
Provision for Current Tax of	16,60,00,000	
Fringe Benefit Tax of	1,05,00,000	
Deferred Income Tax (Net)	6,64,97,035	
BALANCE BROUGHT FORWARD		
FROM EARLIER YEAR	50,95,20,289	
TOTAL		99,24,61,340
Deduct:		
Transfer to General Reserve	57,50,00,000	
Interim dividend paid	12,89,21,160	
Tax on distributed profits	1,80,81,196	
Balance to be carried to the next year	27,04,58,984	

3. DIVIDENDS

Your Directors at the Board Meeting held on 14th March 2007, have declared and paid an Interim Dividend of 100% (One Hundred Percent), which is to be considered as Final Dividend for the financial year 2006-07 on 12892116 Equity Shares of Rs. 10/- each amounting to Rs.12,89,21,160/-.

4. CAPITAL & RESERVES

Capital of the Company stood at Rs. 12,89,21,160/- and the Reserves stood at Rs.129,84,50,128/- as on 31st March, 2007.

5. FIXED DEPOSITS

As at 31st March, 2007, there were deposits matured and unclaimed amounting to Rs.60,66,000/- of 279 depositors. Since then, Rs. 14,42,000/- of 51 depositors were renewed and Rs. 6,83,000/- of 27 depositors were repaid.

6. MANAGEMENT DISCUSSION & ANALYSIS SALES & PROFITS

	(Rs. in lakhs)	
FINANCIAL YEAR	2006-2007	2005-2006
Sales	294,32	197,16
Profit before Interest & Tax	77,04	27,64
Profit(+)/Loss(-) after tax	48,29	17,49
Current ratio	1.96	2.09
Debt equity ratio	0.21	0.39
Inventory Turnover	5.23	3.85

CEMENT

Operational Performance :

FINANCIAL YEAR	2006-2007	2005-2006
Cement produced (M.T.)	60,53,96	53,15,04
Capacity Utilisation (%)	121%	106%
Cement sold	6,06,571	52,98,77
Turnover (Rs. In lakhs)	160,22	109,18
Segment Profit (Rs. In lakhs)	34,30	92

Overview :

The Company operates a plant of 5,00,000 tonnes annual capacity at Macherla in Guntur District of Andhra Pradesh. During the year under report, the Company marketed cement in Andhra Pradesh, Pondicherry and parts of Tamil Nadu. The Company's prospects were in tune with the realisation in Andhra Pradesh since 90% of the production was marketed in Andhra Pradesh.

State of the Industry :

The entire country is witnessing increase in demand. Demand outstripped supplies in the entire country, as also in Andhra Pradesh. The Company's production capacity is 4% of the total production capacity available in the State.

Outlook :

The company produced predominantly Portland Cement in the current year.

Demand for Cement increased substantially during the year. Hence prices are expected to firm up and rule at higher levels as compared to previous year all through the Country.

The Company has installed and commissioned in April 2007, a Waste Heat Recovery System, at a cost of Rs.1150 lakhs, which is expected to generate 1.75 MW electricity. In furtherance of clean environment, a clinker silo has been built at a cost of Rs.1000 lakhs during the financial year 2006-07.



POWER

Operational Performance :

FINANCIAL YEAR	2006-2007	2005-2006
Hydel power generation (KWH)	3,95,90,600	3,31,83,700
Usage (KWH)	4,29,49,450	2,71,02,046
Turnover (Rs. in lakhs)	12,11	8,82
Segment Profit (Rs. in lakhs)	5,43	5,40

Generating stations operated to capacity since adequate water flow was available.

Wind power generation yielded a generation of 39,83,517 units (36,70,434 units)

Overview :

The Company has five mini-hydel units aggregating to 8.25 MW capacity on the Guntur Branch Canal of the Nagarjuna Sagar Dam. This being an irrigation canal, water is expected to be available for seven to eight months of the year. Electricity generated in these units is wheeled to the Company's Cement Unit for use. Generation in excess of the consumption at the cement unit is banked on a monthly basis and is to be used within twelve months of generation. Electricity unused even after twelve months is sold to the Grid. Electricity used in the cement factory will be deducted from the monthly bills and will get a relief at the H.T rates, while electricity sold to grid will be paid for at the prevalent purchase price as determined by APERC.

Risks :

Except one scheme all the other four are operating at FULL capacity due to good inflow of water. Further, water flow in the canal is unpredictable which is entirely dependant on inflow of water to Nagarjuna Sagar dam. Normal monsoon during the season improved storage in Nagarjuna Sagar Dam. Consequently, during the year under report, adequate flow of water was available in the Canal. Generation was normal.

Concerns :

The following matters taken to court by the Company are still pending in various Courts :

- Increase in wheeling charge - challenged by the Company, in AP High Court. The Court quashed the order. APTRANSCO went on appeal to Supreme Court, which is pending.
- Increase in water cess - challenged by the company and is pending in AP High Court.
- Government levied a duty on electricity generated, which was also contested by the Company and is

pending in AP High Court. APERC has, for the current year fixed wheeling charge of 6% and cash compensation of 84.25 paise per KW per month. The company has contested this hike also in the AP High Court, which is pending.

Outlook :

Prospects of this Unit are dependent on a good monsoon resulting in abundant water flow to Nagarjuna Sagar Dam. Electricity reform measures are expected to tone down the concessions available to all developers including mini-hydel units. This will reduce the expected benefit out of captive generation of hydel power.

Wind Mill:

During the year under review, your Directors have cancelled the operating lease of the 12 wind turbines of 225 KW each, maintained by Alfin Wind energy Limited which is located at Thandayarkulam Village, Radhapuram Taluk, Tirunelveli district of Tamilnadu., due to imposition of Service Tax, which makes this unviable.

During the year under review, the Company has set up a Wind Farm of 3.75 MW, which was commissioned in September 2006, in Uthumalai in Tirunelveli District, mainly to cater to the power requirements of the Engineering Unit.

ENGINEERING

Operational Performance :

	(Rs. in lakhs)	
FINANCIAL YEAR	2006-2007	2005-2006
Turnover :		
Domestic	120,95	86,11
Export	16,00	1,67
Segment Profit	44,61	21,43

The Company operates a versatile engineering facility that is capable of manufacturing heavy mechanical equipment to a given design for various industries. The Unit has an integrated facility comprising of foundry, heavy fabrication and machine shop facilities. The Arakonam facility was effectively used to augment production of foundry products and fabrication.

Due to good demand in the Cement, Sugar and Infrastructure sectors, the operation of the Engineering Unit at Tiruvottiyur was substantially better than the previous year in terms of turnover and profits.

THE KCP LTD.

Overview:

Status of capital goods sector:

During the year capital goods industry has done well in both domestic and export markets.

Opportunities:

Widening of the product range has also widened the customer base. This is leading to better value addition.

Risks :

Product mix is the deciding factor affecting the performance of this segment. Consequently, this segment results are open to variations in profits depending on the Order profile.

Outlook :

With the orders on hand of about Rs. 120 Crores and the existing product-mix, performance during fiscal 2007-2008 is expected to yield similar results as that of the year under report. The modernisation programme being implemented at a cost of Rs. 2200 lakhs will enable the Company to increase productivity and to compete in higher value added segment.

7. CORPORATE INVESTMENTS

Performance :

Fives Cail K.C.P. Limited :

Operations during the year ended 31.03.2007 were better than the previous year. New domestic orders fructified on revival of sugar industry. The company returned profits in the current year and was able to wipe out accumulated losses. Outlook for the ensuing year is optimistic. The Company has declared an interim dividend of 225% for the year ended 31.3.2007.

Sudalagunta Sugars Limited :

Our Investment in Sudalagunta Sugars has come down below 20%.

KCP Vietnam Industries Limited :

KCP Vietnam Industries Limited concluded the season with a crush of 2,93,671 tonnes and a recovery of 8.92%. Realisation in 2006 was higher than that of the previous year, due to shortage of sugar in Vietnam. For the year ended 31-12-2006, the Company earned a profit of Rs. 507 lakhs. After wiping out the entire accumulated losses, a profit of Rs. 110 lakhs is carried to Balance Sheet. Dong Xuan Factory crushed 12757 tonnes of cane and the syrup was taken into production process at the Phu yen factory.

K.C.P. Biotech Limited :

During the year under report, paprika (chilli) colour extract was exported to USA. Quality of the products has been acceptable to the international buyers. Natural colour market demand being vast, growth potential offered by this business is impressive.

However, production process is under stabilization and the company is focusing to get quality manpower to improve the efficiency of the Plant. Efforts are on to improve yields, which is essential to make this business segment profitable.

For the year under report this unit posted a loss of Rs. 225.74 lakhs.

Diminution in value of investments:

As per the audited accounts of KCP Biotech Ltd, the Company has incurred cash losses during the year, and is more than 100% of its networth. The Company is taking steps to merge KCP Biotech Limited with The K.C.P. Limited, and hence it is proposed to provide for 100% diminution in the value of investments in the books of The K.C.P. Limited.

Overview :

Status and risks:

Investment in Sugar:

Prospects of the parent Company's investment in Vietnam improved substantially, with the excellent demand for the sugar in Vietnam and this trend is likely to continue for the coming year also. During the year under review this Company posted profits.

Investment in Bio-Technology:

Natural colour extraction facility became fully operational during the year. Further, production process is yet to stabilise. While there is a good demand for the products, and quality has been established to international requirements, returns depend upon appropriate manufacturing process. Directors are confident that this will be achieved during the course of ensuing financial year.

8. CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" describing the Company's objectives, expectations or predictions are as perceived currently. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include: domestic supply and demand conditions affecting selling prices of finished goods, input prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.



9. SAFETY & POLLUTION CONTROL

Cement and Engineering units had necessary approvals under pollution control and the emission / effluent levels conformed to requirements.

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. SUBSIDIARIES

The Company has received exemption from Government of India under Sec.212 of the Companies Act, 1956, from publishing the accounts of the Subsidiary Companies, M/s. KCP Vietnam Industries Limited, Vietnam and K.C.P. Biotech Limited, India. The consolidated accounts are attached to this Report.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Clause 2(AA) of Section 217 of the Companies Act, 1956, Board of Directors hereby states -

- 1) that in the presentation of annual accounts, applicable Accounting Standards have been followed and there is no material departure;
- 2) that the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company, as at 31st March, 2007 and profit of the Company for the year ended 31st March, 2007;
- 3) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) that the Directors have prepared the annual accounts on a 'going-concern' basis.

13. DIRECTORS

Sri P.R. Ramakrishnan & Sri S. Nandagopal retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Details of Sri. P.R. Ramakrishnan and Sri S. Nandagopal, whose reappointments are coming up for consideration at the AGM, are given below:

PROFILE OF EACH DIRECTOR:

a) P. R. Ramakrishnan

Sri. P. R. Ramakrishnan, M. Sc, (MIT), an Industrialist with six decades of experience in industry is a promoter non-executive Director on the Board of the Company since March 1974.

In addition to the Directorship in the Company, he holds the following positions:

1. Jeypore Sugar Finance and Investment Corporation Limited - Director
2. Sri Rama Distilleries Limited - Chairman
3. The Jeypore Sugar Co Ltd - Chairman
4. Krishna Industrial Corporation Ltd - Chairman

b) S. Nandagopal

Sri. S. Nandagopal is a Chartered Accountant with more than 52 years of professional experience. He is a Fellow member of the Institute of Chartered Accountants of India and a member of Institute of Certified Public Accountants of Singapore. He retired as a Senior Partner in M/s Brahmayya & Company, Chartered Accountants. He has also served on the Central Council of the Institute of Chartered Accountants of India for nine years. He had association with various industries/trade/public fora. He has served on the Boards of various Banks, Public Limited Companies. In addition to the Directorship of the Company he holds the following positions :

1. M R F Limited - Director
2. K C P Technologies Limited - Chairman
3. KCP Biotech Limited - Chairman
4. Andhra Chamber of Commerce (Sec.25 Company) - Member Executive Committee

14. MANAGEMENT STAFF

The Company employs 376 officers.

List of employees in receipt of remuneration higher than the limit prescribed in Section 217(2A) of The Companies Act, 1956, is enclosed to the report.

15. STAFF RELATIONS

The Company employs 506 workers and 140 staff members. Industrial relations remained cordial.

16. AUDITORS

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

M/s. Parankusam & Company, Hyderabad are the Cost Auditors of the Company to conduct the cost audit for the Cement and Hydel Units for the year ending 31st March, 2007.