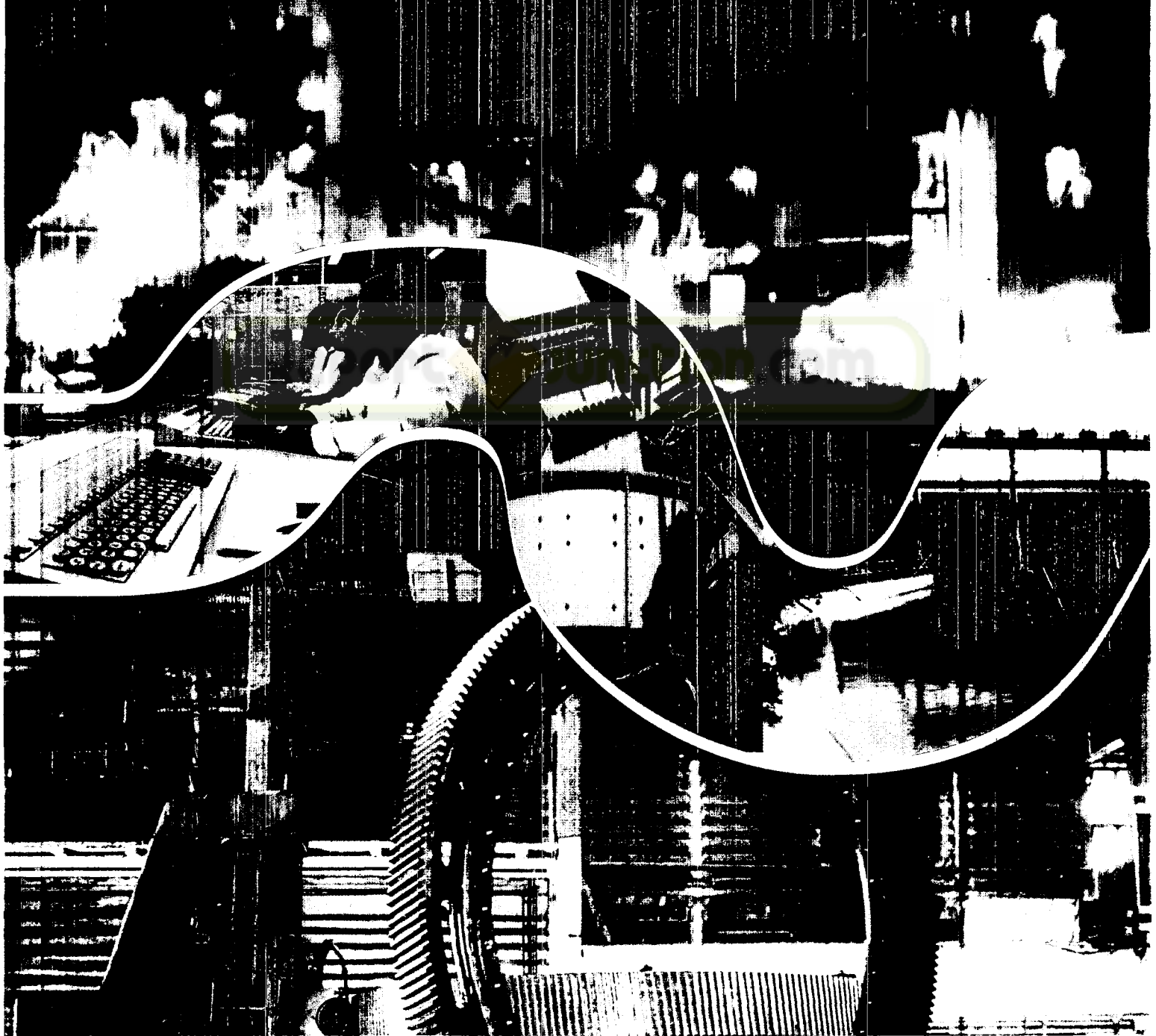


THE **k e p** LIMITED

Organisational Excellence  
through Innovation



67th ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2008



# Contents

## Page No.

<b>Board of Directors .....</b>	<b>3</b>
<b>Notice to Shareholders .....</b>	<b>4</b>
<b>Explanatory Statement .....</b>	<b>5</b>
<b>Profile of the Directors .....</b>	<b>6</b>
<b>At a Glance .....</b>	<b>8</b>
<b>Corporate Social Responsibility .....</b>	<b>9</b>
<b>Directors' Report .....</b>	<b>10</b>
<b>Report on Corporate Governance .....</b>	<b>18</b>
<b>Certifications on Corporate Governance .....</b>	<b>24</b>
<b>Auditors' Report .....</b>	<b>25</b>
<b>Balance Sheet .....</b>	<b>29</b>
<b>Profit and Loss Account .....</b>	<b>30</b>
<b>Schedules .....</b>	<b>31</b>
<b>Statement of Significant Accounting Policies .....</b>	<b>42</b>
<b>Notes Forming Part of the Accounts .....</b>	<b>45</b>
<b>Cash Flow Statement .....</b>	<b>56</b>
<b>Balance Sheet Abstract and Company's General Business Profile .....</b>	<b>57</b>
<b>Subsidiary Company Statement .....</b>	<b>58</b>
<b>Consolidated Financial Statements of</b>	
<b>The KCP Limited Group .....</b>	<b>59</b>

## KEY FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

	Year Ended									
	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	31-3-08
SHARE CAPITAL	1289	1289	1289	1289	1289	1289	1289	1289	1289	1289
RESERVES & SURPLUS	9399	8329	8740	8435	8112	8084	8610	9625	12984	17697
NET WORTH	10688	9618	10029	9725	9401	9374	9899	10914	14273	18986
FIXED ASSETS (NET)	9357	9316	8686	8146	7556	7091	6850	7572	11704	12653
GROSS INCOME	19235	13957	13954	14092	14353	14722	16863	20680	30051	41604
GROSS PROFIT	2039	1139	2544	2734	1122	1385	2445	3448	8321	11284
DEPRECIATION	419	618	701	695	688	667	494	519	618	858
INTEREST	1152	1480	1255	1051	774	584	489	444	444	692
PROFIT BEFORE TAX	468	-959	587	988	-339	135	1462	2485	7259	9734
PROFIT AFTER TAX	318	-962	567	790	-178	117	967	1750	4829	6654
EARNINGS PER SHARE (Rs.)	2.47	-	4.4	6.13	-1.38	0.91	7.50	13.57	37.46	51.61
BOOK VALUE PER SHARE (Rs.)	82.91	74.61	77.79	75.43	72.93	72.71	76.79	84.66	110.72	147.27
DIVIDEND ON EQUITY (%)	25	10	11	20	10	10	30	50	100	100
DEBT EQUITY RATIO	0.48	0.43	0.35	0.23	0.13	0.05	0.03	0.39	0.21	0.15

**k c p**

**BOARD OF DIRECTORS**

**DUTT V.L**

Chairman and Managing Director

**INDIRA DUTT V.L**

Joint Managing Director

**KAVITHA D. CHITTURI**

Executive Director

**GANDHI V.**

Technical Director

**KOTESWARA RAO P.**

**NANDAGOPAL S.**

**RAMAKRISHNA A.**

**RAMAKRISHNAN P.R.**

**RAMAKRISHNAN V.H.**

**SWAMINATHA REDDY O.**

**COMPANY SECRETARY**

**VIJAYAKUMAR Y.**

**AUDITORS**

**M/s. BRAHMAYYA & CO**

Chartered Accountants, Vijayawada

**COST AUDITORS**

**M/s. NARASIMHAMURTHY & 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**

**REGISTRAR & SHARE TRANSFER  
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 Fax: 28142479**

**Website: www.iepindia.com**

## THE KCP LTD.

# Notice to Shareholders

NOTICE is hereby given that the Sixty Seventh Annual General Meeting of the Shareholders of the Company will be held on Thursday, 25<sup>th</sup> Day of September, 2008 at 11 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 31<sup>st</sup> March, 2008 and the Auditors' Report thereon.
2. To declare a dividend on shares (including interim dividend paid).
3. To appoint a Director in the place of Sri V.H. 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 with or without modification(s) as an Ordinary Resolution.  

**"RESOLVED THAT** Sri V.H. 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 A. Ramakrishna, 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 with or without modification(s) as an Ordinary Resolution.  

**"RESOLVED THAT** Sri A. Ramakrishna, who retires by rotation be and is hereby re-appointed as a Director of the Company liable to retire by rotation."
5. To appoint M/s. Brahmayya & Co., Chartered Accountants, Vijayawada retiring Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, to fix their

remuneration and for the same purpose to consider and if thought fit, to pass the following Resolution with or without modification(s) as an Ordinary 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 and conditions."

## SPECIAL BUSINESS

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

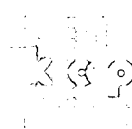
**"RESOLVED THAT,** pursuant to Section 293(1) (d) of the Companies Act, 1956, rules made thereunder as amended from time to time, all other enabling provisions, if any and in supersession of all the earlier resolutions passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, as it may consider fit, any sum or sums of money not exceeding Rs.450 crores (Rupees four hundred and fifty crores only) on such security and on such terms and conditions as the Board may deem fit, notwithstanding that the money to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose".

By Order of the Board

Place: Chennai  
Date: 31<sup>st</sup> July, 2008

**V.L. DUTT**  
Chairman and Managing Director



**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. 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 MEETING.
2. The Explanatory statement as required under section 173 (2) of the companies Act, 1956, in respect of item No. 6 of the notice convening the meeting is annexed hereto.
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 the details to respective 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 Agreement(s) signed by the Company with the Stock Exchange(s), 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.
6. The Register of Members and the Register of Share Transfer will remain closed from 17th September - 25th September (both the days inclusive).
7. The Company has already transferred the unclaimed Dividend, up to the financial year ended 31st March 2000 to the Investor Education and Protection Fund as per Section 205(A)(5) of Companies Act, 1956.
8. Members who have not en-cashed their dividend warrants pertaining to financial years 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006 and 2006-2007 are requested to contact the Company's Registered Office at No. 2, Dr. P.V. Cherian Crescent, Egmore, Chennai - 600 008 with their warrants for revalidation. Dividend for these years, which remain unclaimed for a period of 7 years will be transferred by the company to Investors Education and Protection Fund.
9. Additional information pursuant to Clause 49 of the listing agreement with stock exchanges on Directors re-appointment/appointment at this Annual General Meeting is appearing in this Director's Report.

### EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

**Item No.6:**

Section 293(1)(d) of the Companies Act, 1956 provides that the Board of Directors of a Company shall not borrow moneys (apart from temporary loans obtained from Company's bankers in the ordinary course of business) in excess of the aggregate of paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, unless the Company in general meeting authorises the Board of Directors to do so., At the 49th Annual General Meeting held on 20.09.1990 a resolution was passed by authorizing Board of Directors of the Company, to borrow in the aggregate Rs.200 crores not withstanding that the same may exceed the limit set out in Section 293(1)(d) of the Companies Act, 1956.

The company has proposals to incur capital expenditure in respect of Projects for the different units of the company and for setting up of a Hotel at Hyderabad. Considering that the total cost of such expansions and new projects are estimated at about Rs.440 crores, your Board of Directors consider it necessary to seek the consent of shareholders to increase the said borrowing limits upto Rs. 450 crores including existing borrowings of the company.

Your Directors therefore, recommend the resolution for your approval.

None of the Directors are concerned or interested in the proposed resolution.

By Order of the Board

**V.L. DUTT**

Chairman and Managing Director

Place: Chennai

Date: 31<sup>st</sup> July, 2008

## THE KCP LTD.

# Profile of Directors



**Dr. V.L. Dutt**  
**Chairman and Managing Director**

Dr Dutt was educated in London, England and secured the Grad BIM Degree. Dr. Dutt is the Chairman of The KCP Ltd, Fives-Cail KCP Ltd and KCP Vietnam Industries Limited. Apart from KCP Group, Dr. Dutt is a Director on the Board of DCM Shriram Industries Limited, Chairman of Chennai Willingdon Corporate Foundation and Director of V Ramakrishna Sons Private Ltd.

Dr. Dutt is presently the Honorary Consul General of the Republic of Turkey in Chennai, for the States of Tamilnadu, Kerala, Karnataka, Andhra Pradesh and Union Territory of Pondicherry.



**Smt. V.L. Indira Dutt**  
**Joint Managing Director**

Smt. V.L. Indira Dutt, B.A (Economics) from Madras University is the Joint Managing Director of the Company. Smt. Dutt serves as Director of Fives Cail - KCP Limited; Velagapudi Foundation; KCP Vietnam Industries Limited; KCP Technologies Limited; and V Ramakrishna Sons Private Limited.



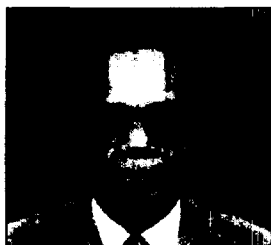
**Smt. Kavitha Dutt Chitturi**  
**Executive Director**

Smt. Kavitha Dutt Chitturi is a graduate in Business Management with specialization in International Business from Cedar Crest College Allentown, Pennsylvania. She also holds a Post-Graduate Diploma in Human Resources. She is also a Director of V Ramakrishna Sons Private Limited.



**Sri P.R. Ramakrishnan**  
**Director**

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



**Sri S. Nandagopal**  
**Director**

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 has also served on the Central Council of the Institute of Chartered Accountants of India for nine years. He has association with various industries/trade/public fora. He has served on the Boards of various Banks, Public Limited Companies such as Andhra Bank, MRF Limited etc.



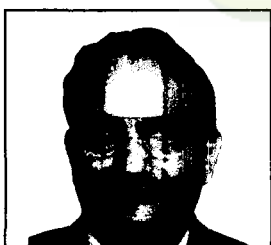
**Sri V.H. Ramakrishnan**  
**Director**

Sri V.H. Ramakrishnan, a Chartered Accountant and a Cost Accountant is a retired General Manager of the Bank of India, with 35 years of experience in India and abroad. He is on the panel for nominee Directors in IDBI and other financial institutions. Presently, he is a Director of Andhra Bank and a member of the Group of Advisers of Shriram Group of Companies.



**Sri O. Swaminatha Reddy**  
**Director**

Sri O. Swaminatha Reddy, a Chartered Accountant by profession has vast banking and industrial experience spanning five decades. He has held various high ranking posts which include Chairman of Andhra Bank and Chairman and Managing Director of Andhra Pradesh State Financial Corporation.



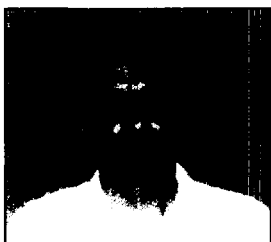
**Sri A. Ramakrishna**  
**Director**

Sri A. Ramakrishna is a structural engineer with 40 years experience. He retired as President and Deputy Managing Director of Larsen and Toubro Limited and is Director of many companies.



**Sri Pinnamaneni Koteswara Rao**  
**Director**

Sri Pinnamaneni Koteswara Rao is an agriculturist and served as Zilla Parishad Chairman in Krishna District of Andhra Pradesh.



**Sri V. Gandhi**  
**Technical Director**

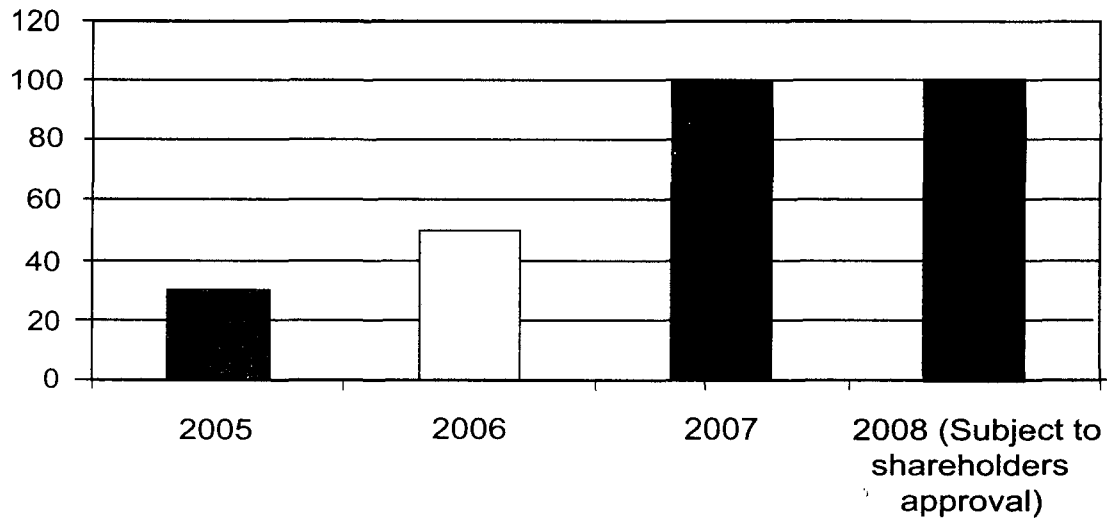
Sri V. Gandhi is a part of the senior management of KCP Ltd with 31 years of experience. He is a Metallurgist by profession. He served as General Manager in FCB KCP, looking after planning and procurement. He is also a Director of Fives-Cail KCP Limited.



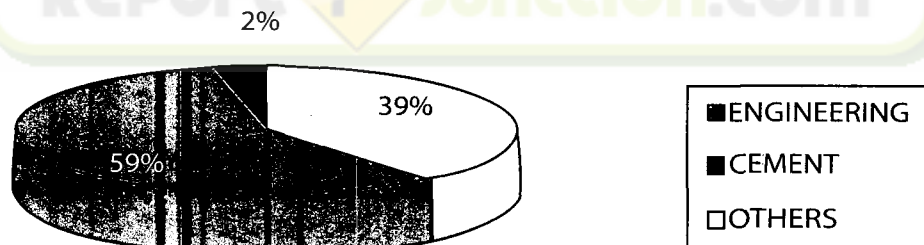
## THE KCP LTD.

# At a Glance

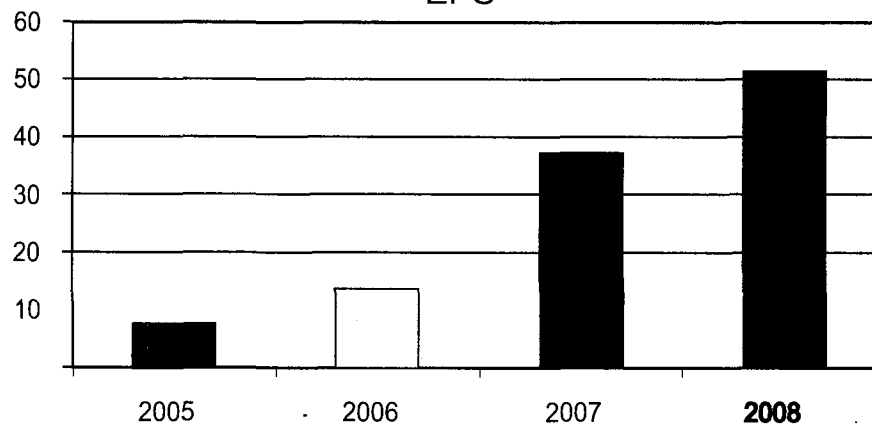
## DIVIDEND HISTORY



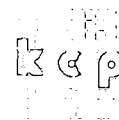
## GROSS INCOME OF KCP LTD IN 2008



## EPS



Year ending 31<sup>st</sup> March



# Corporate Social Responsibility

As part of its responsibility to the society, The KCP Limited has been in constant touch with the communities in which it has been operating. KCP has been taking some concrete action to realise its social responsibilities and in the process has been building value for all its stake-holders. In the past several decades since inception, KCP has taken up innumerable social and community initiatives in areas it has been in operation. Its aim has been to touch the lives of communities positively by taking up health-care, infrastructural, environmental, social, cultural and educational programs. Following is a brief note on KCP fulfilling its part of the social responsibilities.

## Health Programmes:

Healthcare and wellbeing of the community has always been in the forefront of KCP's scheme of things. In January and February 2008, and earlier in June 2007, Pulse Polio Immunisation programmes were held for the benefit of several villages in Macherla. The local Rotary Club was also roped in to provide services in these programs. All the volunteers were provided food packets as also transport facilities to the villagers to attend these programs.

On the occasion of "World AIDS Day" on December 01, 2007, a huge rally was conducted in Macherla town to bring awareness on AIDS and its complications, prevention, etc. Cultural programs depicting the consequences of AIDS, how to avoid contact AIDS were conducted with the help of the local college students and teachers.

An eye camp was held in Tiruvotriyur during March 2008 for about 900 people. Free spectacles were distributed to those who were found to be in need of them.

A blood donation camp was also organised in which a team of doctors from Government Stanley Hospital collected blood from more than 60 volunteers.

## Drinking Water:

When it was brought to the notice of the Company that the drinking water being supplied to the people of Terala Village



in Macherla was unsafe and unfit for consumption, it was decided to construct a safe drinking water plant in collaboration with Nandi Foundation. Work on a water plant operating on Reverse Osmosis technology with a capacity of 1000 ltrs per hour has been started. Work is in progress. Another similar project is underway in Macherla too with a capacity of 4000 ltrs per hour. Among other initiatives in provision of drinking water to the people is our daily supply of safe drinking water to a few wards of Macherla during scorching summer when most of the water resources go dry.

## Green Belt:

In its quest to maintain the ecological balance, KCP is developing a Green Belt in and around Macherla. Planting of saplings on a monthly basis apart from planting additional saplings on special occasions is being taken up on a serious scale. Hundreds of saplings have been planted so far to develop the greenery in Macherla and its surroundings.



## Infrastructure:

KCP has been donating cement bags to various infrastructural development activities in the area. These include building or renovating temples, mosques and repairs to some of the local body offices, police stations, and laying of cement roads, etc.

## Other Activities:

Tricycles were provided to the physically challenged, in collaboration with the Rotary Club of Macherla.

Desks have been donated to The S.K.B.r. Govt. Junior College, Macherla to make the students' life a little more comfortable.

On various special occasions like temple festivals, etc. KCP has been in the forefront in providing facilities to devotees – like provision of drinking water, butter milk, transport and shelter from the heat.

It is KCP's firm belief to improve and improvise on these activities of social responsibility and expand the scope of their coverage to other areas in a phased manner.