



K.C.P. SUGAR AND INDUSTRIES

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CORPORATION LIMITED

Eleventh Annual Report

2005 - 2006

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K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED**BOARD OF DIRECTORS**

(as on 08.09.2006)

Chairman	Shri. Vinod R. Sethi
Managing Director	Smt. Irmgard Velagapudi M.Rao
Executive Director	Smt. V. Kiran Rao
Directors	Shri. K.A. Rangaswamy Shri. K. Subramanian Shri. P. Subramani Shri. Ranvir Shah Shri. Prathap K. Moturi Shri. P. Sudhir Rao Dr. Vithal Rajan Shri. Raghu Cidambi Shri. M.S.V.M.Rao
General Manager (Finance) and Secretary	Shri. V.C. Unnikrishnan, FCA, FICWA, FCS.
Auditors	Messrs. Brahmaya & Co. Chartered Accountants, Vijayawada
Legal Advisor	Shri. T. Raghavan
Bankers	State Bank of India Punjab National Bank ICICI Bank Ltd ING Vysya Bank Ltd UTI Bank Ltd
Registered & Corporate Office	"Ramakrishna Buildings" 239, Anna Salai, Chennai - 600 006.
Units	Vuyyuru - Sugar Industrial Chemicals Biotech Research and Development Lakshmipuram - Sugar Tada - Workshop
Registrars to Deposits	M/s. Trident Investment Portfolio Services Pvt. Limited, Guna Complex, Annex-2, 4th Floor, No.443 (Old No.304) Anna Salai, Teynampet, Chennai 600 018. Ph: 24328296 / 24328297 Fax : 24328299 E-mail ID : tips@vsnl.com
Registrars & Share Transfer Agent & Depository Registrars	M/s Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1, Ramakrishna Street, North Usman Road, T.Nagar, Chennai - 600 017. Ph: 28140801 to 28140803 Fax: 28142479 Website: www.iepindia.com

FINANCIAL HIGHLIGHTS

(Rs. in Lakhs)

Particulars	Year Ended									
	31.03.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001	31.03.2000	31.03.1999	31.03.1998	31.03.1997
Share Capital	1,133.85	1,133.85	1,133.85	1,133.85	1,133.85	*1,133.85	1,289.30	1,289.30	1,289.30	1,289.30
Reserves and Surplus	12,784.19	9,012.45	6,554.82	4,962.81	5,384.93	6,772.84	6,105.68	5,515.34	4,926.30	3,875.85
Net Worth	13,918.04	10,146.30	7,688.67	6,802.25	6,802.25	7,906.69	7,394.98	6,804.64	6,215.60	4,955.24
Fixed Assets (Nett)	13,970.66	10,448.77	9,649.21	10,114.89	10,114.89	9,589.37	8,979.56	7,878.04	6,341.50	6,598.96
Gross Income	36,184.68	29,977.81	20,890.02	17,690.59	14,947.76	22,204.78	18,939.46	21,519.59	20,579.09	18,853.87
Gross Profit	10,493.99	8,033.82	3,022.50	1,535.38	2,542.94	3,720.16	2,813.74	2,879.39	3,823.65	2,713.07
Depreciation	743.45	619.97	626.02	611.21	575.87	531.30	428.73	368.96	350.29	335.44
Interest	359.28	915.01	1,373.05	1,501.80	1,430.90	1,520.70	1,201.44	1,263.60	1,458.44	1,404.16
Profit / Loss before Tax	9,391.26	6,498.84	1,023.43	-577.63	536.17	1,668.16	1,183.57	1,246.83	2,014.92	973.47
Profit After Tax	5,711.05	4,065.21	1,911.79	-422.13	340.19	1,368.16	983.57	946.83	1,614.92	673.47
Earnings per Share (Rs.)	5.04**	35.85	16.86	-3.72	3.00	*10.79	7.63	7.34	10.90	4.68
Cash Earnings per Share (Rs.)	5.69**	41.32	22.38	1.67	8.08	*14.97	10.95	10.21	15.24	7.83
Book Value per Share (Rs.)	12.28**	89.49	67.81	53.77	57.49	69.73	57.36	52.78	48.21	38.43
Dividends on Equity (%)	150.00	100.00	25.00	-	25.00	25.00	25.00	25.00	25.00	25.00
Debt Equity Ratio (includes deposits but excludes working capital borrowings)	0.16	0.30	0.49	0.58	0.70	0.73	0.75	0.77	0.48	0.61

* During the year 2001-01, the Company bought back 15,54,511 shares and hence EPS & CEPS have been calculated on the weighted average of Capital held during the year.

** Face value of each equity share of Rs. 10/- has been sub-divided into 10 equity shares of Face Value of Re. 1/- each w.e.f. 17.03.2006.

SEASON WISE CANE CRUSHED, SUGAR BAGGED AND RECOVERY

SEASON	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
SUGAR UNIT, VUYYURU										
Cane Crushed in MTS	10,72,145	9,97,945	10,14,957	9,74,932	6,88,821	6,09,355	10,47,565	9,32,052	8,91,340	9,00,781
Sugar bagged in QTLS	11,97,470	11,44,442	10,60,812	9,81,994	7,22,284	6,31,820	10,66,540	9,62,300	8,63,146	9,47,253
Recovery (%)	11.15	11.46	10.47	10.07	10.48	10.38	10.20	10.33	9.68	10.52
SUGAR UNIT, LAKSHMIPURAM										
Cane Crushed in MTS	4,35,534	3,72,153	3,13,619	2,27,826	82,058	1,85,586	4,68,010	4,50,431	3,30,772	4,10,949
Sugar bagged in QTLS	4,61,679	4,13,580	3,14,879	2,09,638	68,658	1,75,071	4,51,700	4,41,310	3,04,238	4,34,208
Recovery (%)	10.63	11.10	10.05	9.07	9.40	9.36	9.65	9.80	9.20	10.57

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held at "Sathguru Gnanananda Hall" Narada Gana Sabha, No.314, T.T.K. Road, Chennai 600018 on Thursday, the 12th day of October 2006 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare a final dividend, and confirm the interim dividend already paid for the year ended March 31, 2006, on the equity shares of the Company.
3. To resolve not to fill the vacancy, for the time being, caused by the retirement of Shri.K.Subramanian, who retires by rotation in terms of Article 107 of the Company's Articles of Association and does not seek reappointment.

WITH SPECIAL NOTICE:

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

"RESOLVED THAT subject to the provisions of Section 224,225 and other applicable provisions, if any, of the Companies Act,1956, M/s.B Purushottam & Co, Chartered Accountants, Chennai, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting, in place of the retiring Auditors, Messrs.Brahmayya and Co, Chartered Accountants, Vijayawada, to examine and audit the accounts of the Company for the Financial Year 2006-07, at such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, plus service tax and out of pocket expenses."

SPECIAL BUSINESS:

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

"RESOLVED THAT Shri.P.Subramani, who was appointed as a Director in the casual vacancy caused by the resignation of Dr.N.B.Prasad, and holds Office upto the date upto which Dr.N.B.Prasad would have held office if it had not been vacated under Section 262 of the Companies Act, 1956, (the "Act") read with Article 109 of the Articles of Association of the Company, but being eligible, offers himself for reappointment and in respect of whom the Company has received a notice in writing under Section 257 of the Act along with the requisite deposit of money from a Shareholder signifying his intention to propose Shri.P.Subramani as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company, subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri.Ranvir Shah who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of the next Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Shri.Ranvir Shah as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri.Vinod R Sethi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri.Vinod R Sethi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri Prathap K Moturi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri. Prathap K Moturi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Dr.Vithal Rajan who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Dr.Vithal Rajan as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri.Raghu Cidambi who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying his intention to propose Shri. Raghu Cidambi as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

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

"RESOLVED that Shri.M.S.V.M.Rao who was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, (the "Act") read with Article 110 of the Articles of Association of the Company, and holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing under Section 257 of the Act along with the requisite deposit of money signifying her intention to propose Shri. M.S.V.M. Rao as a candidate for the Office of Director, be and is hereby appointed as a Director of the Company subject to retirement by rotation in accordance with the Articles of Association of the Company."

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE (CONTD.)

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

"RESOLVED that, in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such other approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ('the Board') or any Committee / person(s) authorized by the Board, consent be and is hereby accorded to delist the Equity Shares of the Company from Madras Stock Exchange Ltd.

RESOLVED FURTHER that authority be and is hereby accorded to the Board or any Committee/ person(s) authorized by the Board, to settle all questions, issues, or compliances that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

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

"RESOLVED THAT pursuant to Article 148 of the Articles of Association of the Company and the provisions of Section 309 and other applicable provisions of the Companies Act, 1956 or any statutory modification or re-enactment thereof and subject to such approvals as may be necessary, the Non Whole time Directors of the Company (other than the Wholetime Directors and Nominee Directors) be paid as remuneration for each of the five financial years beginning from 2006 - 07 to 2010 - 11, an amount not exceeding one percent of the net profits of the Company and computed in the manner laid down in Section 198, 349, and 350 of the Companies Act, 1956 and to be divided amongst the said Non Wholetime Directors in such manner as the Board of Directors of the Company may from time to time determine and in default of such determination equally, provided that none of the Directors aforesaid shall receive individually in a financial year a sum exceeding Rs.1.75 lakhs (Rupees One lakh seventy five thousand only) and further that the payment of the sum in the above manner shall be in addition to the sitting fee per meeting of the Board/Committee which each such Director is entitled to receive under the Articles of Association and the approval of the Board of Directors from time to time."

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all such steps as may be deemed expedient or desirable to give effect to this resolution."

// BY ORDER OF THE BOARD //

Place: Chennai
Date : 08.09. 2006

VINOD R SETHI
CHAIRMAN

NOTES:

- a. An **Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956 in respect of item Nos. 4 – 13 are annexed hereto.
- b. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.**

The **proxy form**, in order to be effective must be duly completed, stamped and lodged with the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
- c. The Company has **obtained permission for extension of time** to hold the Annual General Meeting under the applicable provisions of the Companies Act, 1956 from the Registrar of Companies, Chennai.
- d. **The Register of Members, Register of Beneficial Owners and Share Transfer Books** of the Company will remain closed from 4th day of October 2006 to 12th day of October 2006, both days inclusive, **for the purpose of payment of final dividend as approved at the Eleventh Annual General Meeting.**
- e. **The Final Dividend on the equity shares**, as recommended by the Board, when declared at the Meeting will be paid on or after 12th October, 2006, but within the stipulated time, subject however to the provisions of Section 206A of the Companies Act, 1956:
 - i. to those Members whose names appear on the Register of Members of the Company as on 4th October 2006, after giving effect to all valid **share transfers in physical form** lodged with the Company/Registrars on or before 3rd October 2006, and
 - ii. in respect of **shares held in electronic form**, to those "Deemed Members" whose names appear in the Statement of Beneficial Ownership furnished by the National Securities Depository Ltd (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as at the end of business hours on 4th October 2006.
- f. **M/s. Integrated Enterprises (India) Ltd**, Kences Towers, II Floor, No.1 Ramakrishna Street, T.Nagar, Chennai 600 017 are the Registrar and Transfer Agents and Depository Participants of the Company for physical / electronic shares and all correspondences with regard to transfer of shares etc may be addressed to them directly.
- g. Securities and Exchange Board of India has made **trading** in the shares of the company **compulsory in dematerialized form** for all investors. Members are requested to open an account with a Depository Participant, if not done so far.
- h. Members are requested to **quote their Registered Folio number** in all correspondence with the Company/Registrar and are requested to notify to the Registrar change, if any, in the Registered Address and/or of their mandates. In case your mailing address mentioned on this Annual Report is without the PIN CODE, then you are requested to **kindly inform your PIN CODE** immediately to the Registrar.
- i. **Members holding shares in dematerialized form**, may please note that while opening a depository account with participants they might have given **their bank account details**, which will be printed on their dividend warrants. However, if Members want to change/ correct the Bank details, they should send the same immediately to the concerned Depository Participant. Members are also requested to give MICR code of their bank to their Depository Participant. **The Company will not entertain any direct request from Members for deletion/change in bank account details furnished by Depository Participants to the Company.**

K.C.P. SUGAR AND INDUSTRIES CORPORATION LIMITED

NOTICE (CONTD.)

- j. **Members holding shares in physical form** are requested to note that in order to avoid any loss/interception in postal transit and also to get prompt credit of **dividend through Electronic Clearing Service (ECS)**, they should submit their ECS details to the Company's Registrar and Transfer Agents latest by 4th October 2006. The requisite **ECS application form is printed with this Annual Report**, which can be completed by Members and mailed to reach us latest by 4th October 2006. Alternatively, Members may provide details of their Bank Accounts quoting their folio numbers by the said date, to the Company's Registrar and Transfer Agents to enable them print such details on the dividend warrants. Please ensure that the details submitted by you to our Registrars / your Depository Participant is correct as any error therein could result in the dividend amount being credited to wrong account. Payment of dividend through ECS and / or to the designated Bank Account which will appear on the dividend warrant, will help to prevent fraudulent encashment of dividend warrants.
- k. Members who are holding shares in identical order of names in more than one folio are requested to send to the Registrar the details of all such folios together with the Share Certificates for **consolidation of their holdings into a single folio**.
- l. **Members who hold shares in the physical form** can nominate a person in respect of all the shares held by them singly or jointly. Members who hold shares in single name are advised, in their own interest to avail the **nomination facility** by filling **Form 2B printed with this Annual Report**. Members holding shares in dematerialized form may please contact their Depository Participants for recording nomination in respect of their shares.
- m. As required under the provisions of the Section 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1999 and thereafter, which remain unclaimed for a period of seven years will be transferred to the **Investor Protection and Education Fund (IPEF)** established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial year ended		Date of declaration of dividend	Last date for claiming unpaid dividend	Due date for transfer to IEP Fund
31.03.1999		30.07.1999	27.08.2006	25.09.2006
31.03.2000		11.09.2000	16.09.2007	15.10.2007
31.03.2001		23.07.2001	27.07.2008	25.08.2008
31.03.2002		11.09.2002	16.09.2009	15.10.2009
31.03.2003		No dividend declared for the year		
31.03.2004		02.09.2004	09.09.2011	08.10.2011
31.03.2005	Interim	10.11.2004	22.11.2011	21.12.2011
	Final	31.08.2005	04.08.2012	03.09.2012
31.03.2006 Interim		27.10.2005	07.11.2012	06.12.2012

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

The **Unclaimed Dividend** for the above year(s), 1998-99, 1999-00, 2000-01, 2001-02, 2003-04, 2004 – 05 (interim & final) and 2005 – 06 (interim) are held in separate Bank Accounts and Shareholders who have not received the dividend/encashed the said warrants, are in their own interest advised to write to the Registrar immediately with complete details. **Shareholders are requested to note that no claim shall lie against the Company or the said Fund in respect of any amounts, which were, unclaimed and unpaid for a period of seven years from the date they first became due for payment and no payment shall be made in respect of any such claim.**

- o. The **Face value of the Equity shares** of the Company has been subdivided from one equity share of Rs.10/- each to 10 equity shares of Re.1/- each **w.e.f 17th March, 2006**. All Shareholders holding shares in physical form on the said date and who have the old share certificates issued by the Company have been issued new Share certificates of Re.1/- each. In respect of all Shareholders, holding shares in a dematerialized form on the said date, the new shares of Re. 1/- each have been credited to the respective beneficiary accounts with the Depositories. Other Shareholders who have not surrendered the old Share Certificates of "The K.C.P.Ltd" are requested to surrender the same as stated in Note "p." below to enable the Company take necessary action.
- p. Shareholders who have **not lodged their old share certificates of "The K.C.P.Ltd"** for exchange of new share certificates of both the Companies in terms of the approved Scheme of Arrangement are requested to surrender the same to The K.C.P.Ltd, No.2, Dr.P.V.Chcrian Crescent, Chennai – 600 008 at the earliest with a copy marked to the Registrar. New share certificates of this Company will be despatched after receipt of confirmation from The K.C.P.Ltd.
- q. Members/Proxy holders must bring the **Attendance Slip duly signed to the meeting** and hand it over at the entrance. Xerox copy/torn attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to **bring their copy of the Annual Report to the Meeting**, as copies will not be distributed at the Meeting hall.
- r. **Members desirous of obtaining any information** concerning the accounts and operations of the Company are requested to **address their queries in writing** to the General Manager (Finance) and Secretary **at least ten days before the Meeting** so that the information may be made available at the Meeting.

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

ITEM NO.4:

M/s. Brahmayya & Co., Chartered Accountants, Vijayawada, are retiring at the ensuing Annual General Meeting of the Company and are not seeking reappointment. The Company has received a Special Notice from a Member of the Company, in terms of the provisions of the Act, signifying her intention to propose the appointment of M/s.B Purushottam & Co, Chartered Accountants, Chennai as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. M/s.B Purushottam & Co have also expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act. In view of the above and based on the recommendations of the Audit Committee, the Board of Directors at its Meeting held on 8th September, 2006 has proposed the appointment of M/s.B Purushottam & Co as the Statutory Auditors for the financial year, 2006 – 07 in place of the retiring Auditors, M/s. Brahmayya & Co,. The Members' approval is being sought to the appointment of M/s.B Purushottam & Co as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee to determine the remuneration payable to the Auditors.

The Board of Directors recommends the resolution for approval of the Members.

ITEM NO.5:

Shri.P.Subramani aged 49 years is a Chemical Engineer with a Masters in Environmental Engineering and has been in the field of Waste Management for the past 25 years and has been involved in several new technologies in areas of renewable energy like wind, biomass, bio-ethanol, bio-diesel and wasteland