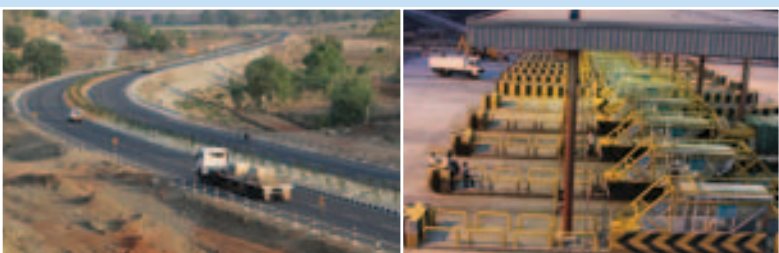




KNR Constructions Ltd.

**SEIZING
OPPORTUNITIES.
UNLEASHING
GROWTH.**

Annual Report [2010-11](#)



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SEIZING OPPORTUNITIES. UNLEASHING GROWTH.

It is beyond doubt that quality and expeditious infrastructure development not only translates into enormous economic empowerment for the nation but more importantly, forms the cornerstone for true economic progress.

No surprise then that this sector in India, and across the globe, is traversing one of its most vibrant and exciting phases today, which beholds lucrative opportunities. From Rs. 2.7 trillion investment slated for developing roads and highways to Rs. 58,000 crore towards the Bharat Nirman programme for accelerating irrigation facilities - the infrastructure development growth story is here not only to stay but to continue to grow bigger and better.

And KNR Constructions, with its rich legacy of experience and expertise, is strategically and attractively positioned to reap benefits of the big infrastructure opportunity.



KNOW US BETTER

KNR Constructions is a multi-domain infrastructure project development company providing engineering, procurement and construction services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management.

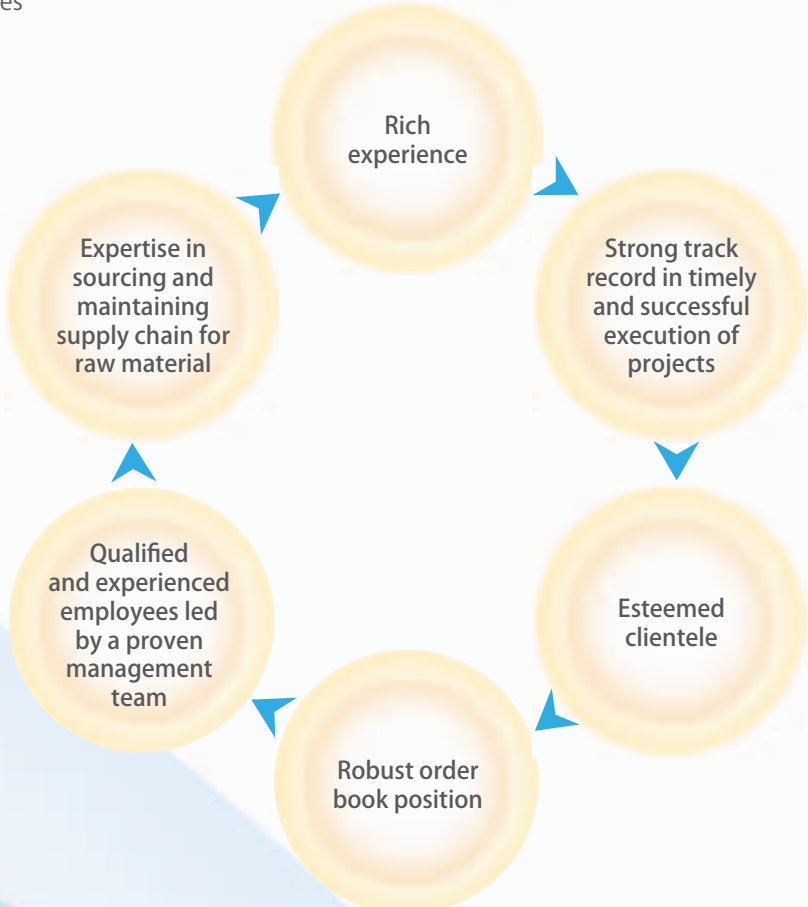
An ISO 9001:2000 certified company; KNR Constructions is geographically well diversified with state/NHAI projects in Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu and Orissa. The Company's qualification in projects across the country lends confidence as to its ability to bag bigger orders in the new phases. Additionally, the Company has successfully forged joint ventures not only diversify to other locations but also move to big-ticket orders.



OUR VISION

To develop KNRCL as a centre of excellence in the field of infrastructure services by striving continuously to provide eco-friendly solutions, adopting state-of-the-art practices and commitment to quality through motivated human resources.

OUR STRENGTHS



FROM THE MANAGING DIRECTOR'S DESK



“ On the back of our strong experience and domain expertise we bagged four key projects valued at Rs. 1884.06 crores. ”

Dear Shareholders,

It gives me great pleasure to share with you the highlights of your Company's performance during the year 2010-11.

The Indian economy has shown remarkable resilience and smart recovery. It recorded a growth rate of over 8%, making it the world's second-fastest growing major economy after China. But inflation and volatility in commodity prices continue to remain a concern.

The progress of any economy is interlinked to infrastructure. And a crucial parameter for our economy to shine bright is Infrastructure Development. Ironically, while the Indian economy has grown by leaps and bounds, infrastructure still remains an area that is grossly underdeveloped and is dragging down the economic growth rate. However, the



infrastructure sector in India has witnessed encouraging growth in the last few years on account of Government initiatives at various levels which have paved the way for increased and growing participation of the private sector in developing the infrastructure of the country.

We are buoyed by the continued thrust of Government policies to create world-class infrastructure assets. To compliment this, there has been increasing learning, adaption, acceptance and implementation of Public-Private Partnerships (PPP) in this domain. We believe that your Company is well poised to leverage this and deliver the promise of providing superior infrastructure assets.

Reviewing the year gone by

Financially, the year was fruitful. Our revenues crossed Rs. 1000 crores for the first time as the turnover for FY 11 stood at Rs. 1051.27 crores. Profit after tax reported was Rs. 56.82 crores as against Rs. 50.28 crores in the previous fiscal.

On the back of our strong experience and domain expertise we bagged four key projects valued at Rs. 1884.06 crores. Further, to achieve our growth objectives we have adopted a multi-fold strategy which includes:

- Maintaining performance and competitiveness of existing business to capitalise on huge investments expected to be made in infrastructure development especially in segments where we presently operate
- Focusing on BOT projects
- Procuring projects involving higher degree of engineering skills
- Leveraging our business growth by identifying and forming strategic joint venture relationships for mutual benefit through sharing of resources and business skills

Armed a sound business strategies chalked out on account of a unique combination of expertise drawn from wealth of

experience and a consistent track record of performance, your Company features amongst the trusted names in this industry.

Future prospects

With the Central and State Government undertaking very ambitious programmes of highway construction during the coming years your Company hopes to bag a number of contracts.

Clearly, the trend in investments in the infrastructure sector over the last half decade has been upward. Even though external factors are hinting at a slowdown of sorts in the short term, the strong long-term prospects of the segment remain intact.

This has accentuated the role well-organised players like KNR Constructions who can meet global quality standards using advanced technology and the other resources required in this segment. Your Company, with its strategic expertise, strong execution capabilities, and commitment to adopting the highest quality, safety, and environmental policies has the capability to be a prominent player in the near future.

On a concluding note

I take this opportunity to sincerely thank our banks, financial institutions, clients and suppliers for their constant support in the progress of the Company. I also thank you, shareholders, for your constant support.

I would also place on record my deep appreciation to management team of the Company and its staff for their constant endeavour to help the Company in seeking and achieving higher goals.

Yours Sincerely,
K Narasimha Reddy
Managing Director

FINANCIAL SUMMARY

INCOME STATEMENT

(₹crores)

	FY 11	FY 10	FY 09
Orders in hand	1443.36	1730.60	1141.84
Turnover (including share in JV's)	1051.27	899.17	768.65
Operating Profit	138.10	115.79	102.55
Profit Before Tax (PBT)	89.73	82.62	66.38
Profit After Tax (PAT)	56.82	50.28	43.65
Cash Profit	98.27	77.35	69.56

BALANCE SHEET

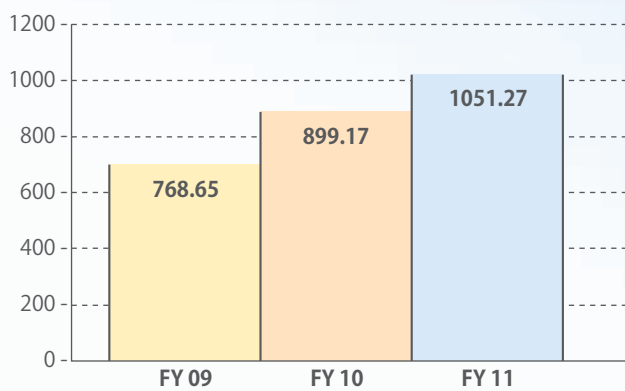
(₹crores)

	FY 11	FY 10	FY 09
Share Capital	28.12	28.12	28.12
Reserves and Surplus	329.19	278.90	235.20
Net Worth	351.97	300.79	256.20
Secured Loans	161.61	110.32	135.96
Unsecured Loans	0.02	0.24	0.02
Capital Employed	513.60	411.35	392.08
EPS (Rs.)	20.21	17.88	15.52
Cash EPS (Rs.)	34.97	27.50	24.73
Book Value per share (Rs.)	125.15	106.95	91.10

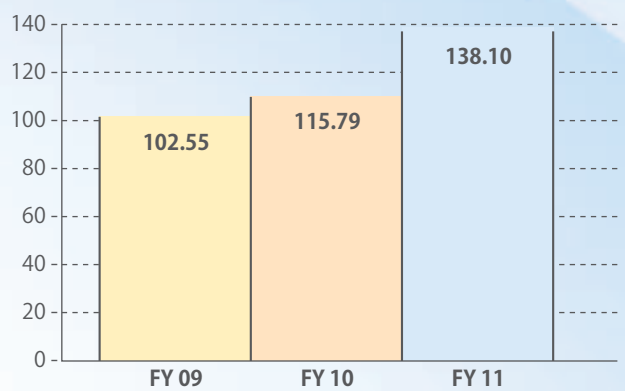




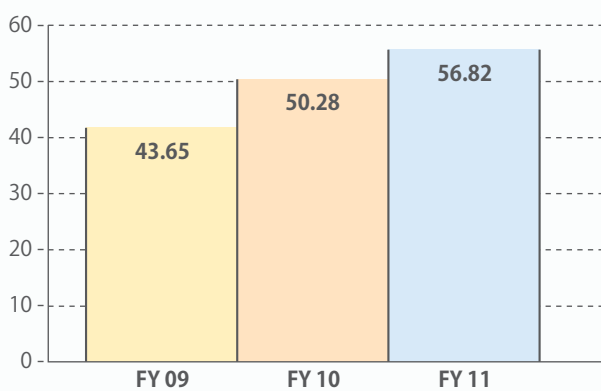
TURNOVER (₹crores)



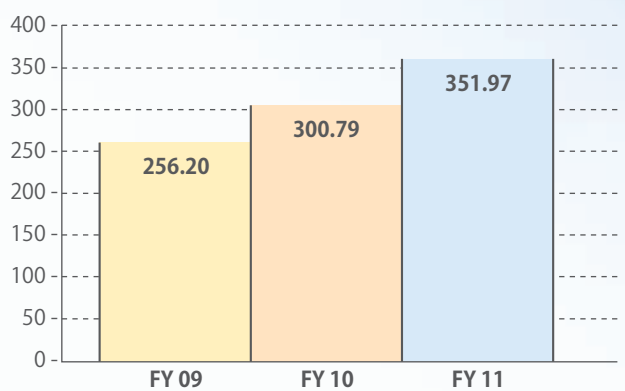
OPERATING PROFIT (₹crores)



PROFIT AFTER TAX (₹crores)



NET WORTH (₹crores)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Shri K Narasimha Reddy
Shri K Jalandhar Reddy
Shri J V Panindra Reddy
Shri M Rajesh Reddy

Non-Executive Directors

Shri B V Rama Rao
Shri L B Reddy
Shri D Ramaiah
Shri J S R Chandra Mouli

BOARD COMMITTEES

Audit Committee

Shri L B Reddy - Chairman
Shri B V Rama Rao - Member
Shri K Jalandhar Reddy - Member

Remuneration Committee

Shri D Ramaiah - Chairman
Shri B V Rama Rao - Member
Shri L B Reddy - Member

Investor Grievance & Share Transfer Committee

Shri D Ramaiah - Chairman
Shri M Rajesh Reddy - Member
Shri J V Panindra Reddy - Member
Shri J S R Chandra Mouli - Member

Investor Service Centre

KNR House, 3rd & 4th Floors,
Plat No. 114, Phase – I,
Kavuri Hills,
Hyderabad – 500033
Andhra Pradesh
e-mail: investors@knrcl.com

Statutory Auditors

M/s Sukumar Babu & Co.,
Chartered Accountants,
Hyderabad

Company Secretary

Shri M V Venkata Rao

General Manager (Finance & Accounts)

Shri G Sravana Kumar

Bankers

State Bank of Patiala
State Bank of India
State Bank of Mysore
IDBI Bank
ING Vysya Bank
Oriental Bank of Commerce

Registered Office

KNR House, 3rd & 4th Floors,
Plat No. 114, Phase – I,
Kavuri Hills,
Hyderabad – 500033
Andhra Pradesh

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the KNR Constructions Limited will be held on Thursday the 22nd day of September 2011 at 10.00 AM at Hotel Green Park, Ameerpet, Hyderabad - 500016

Ordinary Business

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and Profit and Loss Account for the Financial Year ended as on that date and the Report of the Board of Directors and Auditors thereon
- 2 To declare Dividend on Equity Shares
- 3 To appoint a Director in place of Shri K Jalandhar Reddy, who retires by rotation and being eligible, offers himself for reappointment
- 4 To appoint a Director in place of Shri L B Reddy, who retires by rotation and being eligible, offers himself for reappointment.
- 5 To appoint a Director in place of Shri J S R Chandramouli, who retires by rotation and being eligible, offers himself for reappointment
- 6 To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution

“RESOLVED THAT M/s Sukumar Babu & Co., Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company from the Conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

By Order of the Board of Directors

Sd/-
M. V. Venkata Rao
Company Secretary

Place: Hyderabad
Date: 08.08.2011

Notes:

- (i) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY The instrument appointing proxy should, however be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting
- (ii) Corporate Members intending to send their authorized representatives to attend the meeting are required to send a certified copy of their Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting
- (iii) Register of members and share Transfer Books shall remain closed from 19th September 2011 to 22nd September 2011 (both days inclusive) in connection with the Annual General Meeting
- (iv) Re-appointment of directors; At the ensuing Annual General Meeting Shri K Jalandhar Reddy, Shri L B Reddy and Shri J S R Chandramouli Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. The details pertaining to these directors required to be provided pursuant to clause 49 of Listing Agreement are furnished in the statements on the Corporate Governance forming part of this Annual Report. The Board of Directors of your Company recommends the respective re-appointments of the aforesaid Directors.
- (v) Members / proxies should fill in the attendance slip for attending the Meeting.
- (vi) In case of joint holders attending the Meeting, only such joint holders who are higher in the order of the name will be entitled to vote.

By Order of the Board of Directors

Sd/-
M. V. Venkata Rao
Company Secretary

Place: Hyderabad
Date: 08.08.2011

MANAGEMENT DISCUSSION AND ANALYSIS

Macro economic perspective

India is back on the high road after clocking a better than anticipated GDP growth of 7.4% for fiscal 2009-10. This was largely due to a good performance from the agriculture sector and a sterling recovery in the industrial sector. And this growth can be expected to continue in the current fiscal as well. A closer look at the IIP numbers reveals that the economy is brimming with optimism as is reflected in a whopping 72.8% growth in the capital goods sector in April 2010. This certainly indicates a rise in investment sentiments and, consequently, bodes well for the future.

Yet irrespective of ups and downs in economic growth, which are sometimes driven by the fortunes of countries overseas, there is a constant emphasis on building a strong and sustainable infrastructure base within the country. At a conference on 'Building Infrastructure: Challenges and Opportunities,' our Prime Minister Dr. Manmohan Singh stressed that investments in infrastructure had to expand to as much as USD 1 trillion (around Rs 45.6 trillion) in the 12th Plan period (2012-2017). This estimate is nearly twice the amount projected to be spent on infrastructure in the current Plan period. And, while the 11th Plan estimates that the private sector would contribute nearly one-third of the total planned investments, Planning Commission officials have stated that private investment should begin to outpace public investments in infrastructure towards the end of the 12th Plan period.

This gives an idea of the scope of opportunity that lies open before your Company.

Infrastructure creation through Public Private Partnerships (PPP)

The recent economic downturn reinforced the need for enhancing infrastructure investment for greater productivity and growth. This in turn underscored the importance of PPPs in effectively harnessing the required resources. PPPs offer a number of advantages in terms of leveraging public capital to attract private capital and undertake a larger number of infrastructure projects, introducing private sector expertise and cost-reducing technologies as well as bringing in efficiencies in operation and maintenance. Hence, PPPs have become tools to fulfil the basic obligations of the Government to provide better infrastructure services, by increasing the accountability of the private sector as a service provider.

Realising this, the Government of India has been developing several enabling tools to promote PPPs. These tools are vital to catalyze investments for building new infrastructure and improve the efficient operation and management of assets over their lifetime and ensure real focus on service delivery. With a view to supporting and guiding Urban Local Bodies (ULBs) in the development of PPP projects, a Water Supply toolkit and Urban Transport toolkit were launched in January 2010.

The toolkits detail the key processes such as steps involved include:

- ◆ Identification of suitable PPP structure and processes involved in implementation,
- ◆ Preparatory work to be done for the identification of a PPP structure,
- ◆ Viability assessment of projects identified on PPP basis,
- ◆ Process a public entity should follow to decide whether it should opt for public funding or PPP,
- ◆ Identification and allocation of risks amongst the public entity and private operator/developer
- ◆ Selection of a suitable contract structure and
- ◆ Procurement process to be followed if the ULB decides to implement the project on a PPP basis.

Roads

The country's road network consists of National Highways (NHs), state highways, major district roads, other district roads and village roads. About 27% of the total length of National Highways is single-lane/intermediate lane, about 54% is two-lane standard and the balance 19% is four-lane standard or more. According to the latest Economic Survey, against a stipulated target of developing about a 3,165 km of National Highways under various phases of the National Highway Development Project (NHDP), the achievement (end November 2009) was only about 1,490 km. Similarly, as against the 2009-10 target of about 9,800 kms for awarding projects under various phases of the NHDP, projects totalling a length of merely about 1,285 kms were awarded up to end November 2009.

The main reasons cited for the delay in awarding of projects under the NHDP included - new procedure for approval of PPP projects, modifications in the model concession agreements (MCA), new request for qualification (RFQ) process and new MCA conditions, cap on maximum number of pre-qualified bidders, and time involved in evaluation of voluminous information.

However, with a view to expediting the progress of the NHDP, the Ministry of Road Transport & Highways has set a target of completion of 20 km of NHs per day, which translates to 35,000 km at the rate of 7,000 km per year during the next five years (2009-14). The NHAI formulated Work Plans (Work Plan I & II) for awarding 12,000 km each during the years 2009-10 and 2010-11. These Plans lay down a specific timeframe for various activities and are being monitored very closely at various levels.

Irrigation

In an agrarian economy like India, the importance of water for agricultural productivity hardly needs any emphasis. India faces the daunting task of increasing its food production by over 50% in the next two decades, and reaching towards the goal of sustainable agriculture requires a crucial role of water. Through the Bharat Nirman programme the Government has set a targeted irrigated area of 10 million hectares by 2012. The 11th Plan also envisages the creation of 9 million hectares of irrigation potential through various major and medium irrigation projects at a total cost of Rs. 1544 billion. A bulk of these investments is likely to be funded from budgetary grants while the rest will be mobilised through market borrowings.

Company overview

Your Company, which is a multi-domain infrastructure project development Company, provides Engineering, Procurement and Construction services (EPC) across various fast growing infrastructure sectors in the economy, especially segments such as roads and highways, irrigation and urban water infrastructure management. Our project execution strength is primarily in road transportation engineering projects, wherein we undertake construction and maintenance of roads, highways, flyovers and bridges.

Since our incorporation in 1995, we have been garnering experience in the field of infrastructure development. With a unique combination of expertise drawn from wealth of experience and a consistent track record of performance, the Company has emerged to be the most trusted name in the Industry.

We have, in the past, executed infrastructure projects independently as well as through joint ventures. Currently, most of the road projects under execution are with our joint venture partners. As on date we have 14 projects on hand across various states in India covering Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, and Tamil Nadu.

Looking forward, we are planning forays into new business areas while strengthening existing business activities and investing in infrastructure.

Major projects received during the year

During the past year, we have been awarded a number of projects and commissioned some that were undertaken in the past. We have recently commissioned the Rs. 592 crore annuity project on the Hyderabad-Nagpur highway, which is a 48-km stretch between Islam Nagar and Kadthal NH-7. This was undertaken in partnership with Patel Engineering. We have already received two semi annuities from this project, which is in the BOT format. We have also completed the road, which runs from Devanahalli in Karnataka to the Andhra Pradesh border.

Adding to its order book, your Company has bagged a Rs. 825 crore road project in Karnataka to be executed within 910 days. This EPC order entails four-laning of the road stretch on the National Highway 13 (between 102-202 km) under the National Highway Development Project Phase III.

We have also been awarded a Rs. 333 crore order from the Oriental Structural Engineering Private Limited for completion of work on Nagpur - Saoner - Betul Project – Construction Contract 01: Four Laning of KM 76.000 to KM 117.500 of Nagpur – Saoner – Betul Section of NH-69” in the State of Madhya Pradesh. The project is to be completed within 23 months.

On the water works front, your Company, through its 50:25:25 joint venture with JKM Infra Projects Pvt. Ltd. and Kamala Constructions, has been awarded an order worth Rs. 225.27 crore by Government of Bihar, Water Resources Department. This involves extension, renovation and modernisation of the Eastern Kosi Canal System in the State of Bihar.

The Company has thus far constructed over 4000 lane kilo meters of road and has an order-book of Rs. 1443.36 crore as on 31st March 2011 of which 95% comes from highways and the rest from irrigation.

Opportunities and threats

Competition Risk – The Indian economy offers opportunities in the infrastructure and construction sector that are attractive not just for domestic companies, but international construction companies as well. This is bound to foster competition and play a significant role in determining your Company's market share and profitability, going forward. However, your Company is forming strategic partnerships and joint ventures with quality players, which will facilitate synergies both in the financial and technical arenas and enable us to compete with the larger players. More importantly, your Company's management team has years of experience under its belt. The management have honed their project managing skills right from the drawing board to the final execution. Your Company is, therefore, uniquely poised to meet competition and enjoy continued growth, going forward.

Construction Risk – Construction, as a business activity, is fraught with risks which culminate in unexpected time and cost overruns or shortfalls in performance parameters of the project. Due to the long gestation periods and high capital intensity in sectors such as road construction, project costs are especially vulnerable to delays and cost overruns. As a result, construction risks are generally higher in these sectors. Your Company, with its vast experience of project management, balanced capital structuring and efficient cost control measures, is well geared to mitigate these risks.

Interest Rates – With the progress of the economy and rising inflation, interest rates are likely to move upwards during the life span of a project that may be currently under implementation. However, we ensure that we factor these risks into the cost of a project before we even bid for it. Despite this, we are open to resorting to interest rate hedging in case the need arises.

Regulatory Risk - Regulatory risks arise because infrastructure projects have to interface with various regulatory authorities throughout the life of the project, making them especially vulnerable to regulatory action. Your Company, with its strong regulatory compliance mechanism, which regularly updates and makes any changes in its compliance on a real time basis, is equipped to deal with such risks.

Political Risk - Infrastructure projects have high visibility and there is always a strong element of public interest. This makes them vulnerable to political action that can interrupt or upset settled commercial terms. In order to ensure minimal intrusion from the political machinery, your Company ensures that its work speaks for itself. In addition, with years of experience in working with various Governments and its agencies in its life span is fully capable of handling any changes in the political setup.

Discussion on financial performance and operational performance:

1. Turnover: The Gross Sales of the Company increased from Rs. 899.17 crore in FY 2010 to Rs. 1051.27 crore, clocking a growth of 17 %
2. Share Capital: The Company has not allotted any shares during the year under review and the paid up share capital as on 31st March 2011 is Rs. 28,12,34,600 divided in to 2,81,23,460 Equity Shares of Rs. 10/- each.
3. Reserves and Surplus: The Reserves and Surplus of the Company has gone up from Rs. 278.90 crore to Rs. 329.19 crore in 2010-11 on account of profit made during the year.
4. Net worth: The Company's Net Worth increased from Rs. 300.79 crore to Rs. 351.97 crore mainly on account of internal generation of profit.
5. Secured / unsecured loans: There was an increase of loans from Rs. 110.32 Crores to Rs. 161.61 Crores. The increase is mainly on account of mobilization advances received from the clients.
6. Fixed Assets: The Company's Fixed Assets (Gross Block) increased by Rs.109.69 crore in 2010-11 from Rs. 289.27 crore to Rs. 398.96 crore which have been acquired for execution of new contracts awarded to the Company during the year.
7. Provision for Tax: The Company has provided for a sum of Rs. 30.82 crore as current year tax including wealth tax.

8. Net Profit: The Company's Net Profit after Tax and extraordinary expenses during the year was Rs. 56.82 crore as compared to Rs. 50.28 crore in 2009-10.
9. Dividend: The Board of Directors have recommended a dividend of Rs. 2.00 per share (being 20%) and total payout works out to Rs. 6.58 crore (including dividend tax).
10. Earning Per Share (EPS): The Company's EPS has increased to Rs. 20.21 in the current year from Rs. 17.88 in the previous year.

Human Resources Development and Industrial Relations

The Company places due importance to its human capital assets and invests in building and nurturing a strong talented pool to gain strategic edge and achieve operational excellence in all its goals. As a part of ongoing HR initiatives, adequate training and mentoring programs are designed to bridge gaps, if any. Clear objective and goals are determined to bring objectivity to performance and overall goal achievement. During the year, industrial relations continued to be cordial, with a strong spirit of bonhomie and camaraderie prevailing among the rank and file of employees. The Company employed a total of 500 employees during the year.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the KNRCL's objectives, projections, estimates, expectations may be forward-looking statements. Actual results may differ materially from those expressed or implied. Important factors that could make difference to the KNRCL's operations include economic conditions in which the KNRCL operates, change in government regulations, tax laws, statutes and other incidental factors.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 16th Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2011.

Financial Results

₹ in Lakhs

PARTICULARS	2010-2011	2009-2010
Gross Income (including other income)	106378.75	90663.08
Profit before interest and depreciation	13810.39	11579.07
Less: Interest and financial charges	782.23	699.08
Profit Before depreciation	13028.16	10879.99
Less: Depreciation	4055.01	2617.52
Profit before tax	8973.15	8262.47
Provision for tax (including Wealth Tax and Deferred Tax)	2666.20	2692.16
Profit after tax	6306.95	5570.31
Less: Prior year taxes and adjustments	624.43	542.24
Net Profit for the year	5682.52	5028.07
Profit brought forward from previous year	13436.04	9571.03
Profit available for appropriation	19118.56	14599.10
Appropriations:		
Transfer to General Reserve	580.00	505.00
Dividend	562.47	562.47
Dividend tax	91.25	95.59
Balance carried forward	17884.84	13436.04
Paid –up capital	2812.35	2812.35
Reserves and Surplus	32919.07	27890.35

REVIEW OF PERFORMANCE:

Your company continues to be in the business of work contracts specializing in Roads and Bridges and other infrastructure projects like irrigation projects. During the year under consideration, your company has achieved a turnover (on stand alone basis) of Rs 105127.32 Lakhs as against Rs 89917.27 Lakhs in the previous year, thus registering an increase of 17 %. The company has earned a gross profit of Rs.13810.39 Lakhs before interest and depreciation as against Rs 11579.07 Lakhs in the previous year, thus registering a growth of 19 %. After deducting an interest of Rs 782.23 Lakhs, providing for Rs.4055.01 Lakhs towards depreciation, Rs 2666.20 Lakhs towards provision for income tax, wealth tax, and deferred tax, Rs 624.43 Lakhs towards prior period items and taxes, the operations resulted in a net profit of Rs 5682.52 Lakhs as against Rs. 5028.07 Lakhs last year, registering a growth of 13 %.

Following are the major works awarded to our Company from April 2010 to March 2011

Sl. No.	Particulars of the Project	Amount (₹ In Millions)
1	4 Laning of Bijapur - Hungund Section of NH-13 from Km 102.00 to Km 202.00 in the Satate of Karnataka under NHDP Phase III On Design, Build, Finance, Operate and Transfer IDBFOT) Toll Basis from Bijapur Hungund Tollway Private Limited, Sadbhav Engineering Limited	8250
2	Nagpur - Saoner - Betul Project – Construction Contract 01: Four Laning of KM 76.000 to KM 117.500 of Nagpur – Saoner – Betul Section of NH-69” in the State of Madhya Pradesh to be completed within a period of 23 Months from the Appointed Date. on subcontract basis from Oriental Structural Engineering Private Limited	3330

With the above new orders, the order book position as on 31st March 2011 stands at Rs. 14433.64 Millions.

Dividend

Your Directors have recommended a divided of Rs. 2/- per Equity share for the financial year ended 31st March 2011, amounting to Rs. 562.47 Lakhs. The dividend will be paid to the members whose names appear in the Register of Members as on 22nd September 2011 in respect of shares held in the dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.

The dividend pay out for the year under review has been formulated in accordance with the Company's policy linked with long term performance, keeping in view the company's need for capital for its growth plans and the intent to finance such plans through internal accruals to the maximum.

Reserves

It is proposed to transfer Rs. 580.00 Lakhs to the General Reserves of the Company, constituting 10.21 % of the profit made during the year.

Directors

In accordance with the requirements of the Companies Act, 1956 Shri K Jalandhar Reddy, Shri L B Reddy and Shri J S R Chandramouli Directors of the Company are liable to retire by rotation at the Annual General Meeting and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

Brief resume of the Directors proposed to be reappointed, nature of their expertise in specific functional areas, names of the companies in which they hold directorships and relationships between directors inter-se, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance.

Auditor and Auditors Report:

M/s. Sukumar Babu & Co., Chartered Accountants, Statutory Auditors of the company holds office until the conclusion of the ensuing Annual General Meeting and is eligible for reappointment.

The Company has received letter from the Statutory Auditors to this effect that their reappointment, if made, would be within the prescribed limits under the Section 224(IB) of the Companies Act, 1956 and they are not disqualified for such reappointment within the meaning of Section 226 of the said Act.

Subsidiaries of the Company

Your company has the following subsidiaries:

- a. **KNR Agrotech & Beverages Private Limited**
- b. **KNR Infrastructure Projects Private Limited** (w.e.f 28.03.2011)
- c. **KNR Constructions LLC, Oman**
- d. **KNRCL FZE, Ras Al Khaima, UAE** (w.e.f 29.11.2010)

The Statement pursuant to Section 212 of the Companies Act, 1956 is at Annexure B. The summarized financial performance of the subsidiaries is at Annexure C.

Consolidated Financial Statements:

In accordance with the Accounting Standards AS-21 and AS-27 on Consolidated Financial Statements read with the Accounting Standard AS-23 on Accounting for Investments in Associates, the Audited Consolidated Financial Statements are provided in the Annual Report.

Management's Discussion and Analysis Report

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of Listing agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

Fixed Deposits:

The Company has not accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956

Particulars of Employees:

The particulars of employees whose details need to be provided under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is presented as an Annexure A to this report.

Directors Responsibility Statement:

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departure from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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 March 31, 2011 and profit for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Out Go:

The particulars to relating Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo as required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are as follows

a) Conservation of Energy

The Company has taken suitable measures for conservation of energy. The core activity of the company is civil construction which is not an energy intensive activity.

b) Technology absorption, Adoption and Innovation

There is no information to be furnished regarding Technology Absorption as your Company has not undertaken any research

and development activity in any manufacturing activity nor any specific technology is obtained from any external sources which needs to be absorbed or adopted.

Innovation is a culture in the Company to achieve cost efficiency in the construction activity to be more and more competitive in the prevailing environment that cannot be quantified.

Foreign Exchange earnings and outgo

Foreign Exchange Inwards

- a) Advances from KNR Constructions LLC Rs. 189.58 Lakhs (PY Nil)

Foreign Exchange outgo towards

- a) Travel – Rs. 3.38 lakhs (PY Rs. 8.92 lakhs)
b) Import of capital goods Rs. 1243.73 lakhs (PY Rs. 158.31 Lakhs)
c) Investment – Rs. Nil (PY Rs. 206.07)
d) Advance / Loan to Subsidiaries – Rs. 46.67 lakhs (PY Nil)
e) Term Loan Repayment – Rs. 5.95 Lakhs (PY Nil)

Corporate Governance:

In pursuance of Clause 49 of the Listing Agreement entered into with the stock exchanges, a separate section on Corporate Governance has been incorporated in the annual report for the information of shareholders. A certificate from the auditors of the Company regarding compliance with the conditions of Corporate Governance as stipulated under Clause 49 also forms part of the annual report.

Acknowledgements:

Your Directors wish to place on record their gratitude to the Company's shareholders, customers, vendors and bankers for their continued support to KNRCL's growth initiatives Your Directors also wish to place on record, their appreciation of the contribution made by employees at all levels, who through their competence, sincerity, hard work, solidarity and dedicated support, have enabled your Company to make rapid strides in its business initiatives Your Directors also thank the Central and State Government and their various agencies, particularly, the National Highway Authority of India and other Governmental agencies for extending their support during the year, and look forward to their continued support.

On behalf of the Board of Directors
of **KNR Constructions Limited**

Sd/-

K Narasimha Reddy
Managing Director

Sd/-

K Jalandhar Reddy
Executive Director

Place: Hyderabad
Date: 08.08.2011

Annexure A

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the period ended 31st March 2011.

Sl. No	Name of the Employee & Age	Designation	Gross Remuneration	Qualification	Date of commencement of Employment	Particulars of last employment
1	Shri K Narasimha Reddy 62 Years	Managing Director	7950000	B. A	11th July 1995	First Employment
2	Shri K Jalandhar Reddy 39 Years	Executive Director	3975000	B.E (Computers)	11th July 1995	First Employment
3	Shri J V Panindra Reddy 44 Years	Executive Director	3975000	B.E (Civil)	4th June 1999	First Employment
4	Shri M Rajesh Reddy 38 Years	Executive Director	4258097	B.E (Electronics)	21st March 2005	First Employment

Notes:

- Gross Remuneration includes salary, taxable allowances and value of perquisites as per the Income-tax Rules, 1962 and Company's contribution to provident fund.

On behalf of the Board of Directors
of KNR Constructions Limited

Sd/-
K Narasimha Reddy
Managing Director

Sd/-
K Jalandhar Reddy
Executive Director

Place: Hyderabad
Date: 08.08.2011

Annexure B

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary Companies

Amount in ₹

Serial No.	Particulars	KNR Agrotech & Beverages Pvt. Ltd	KNR Constructions LLC	KNRCL FZE	KNR Infrastructure Projects Pvt. Ltd
1	Financial Year of the Company	31.03.2011	31.12.2010	31.03.2011	31.03.2011
2.	(a) Number of Shares held by the Company at the end of the financial year of the Subsidiary Company	10,000	16250	5	10,000
	(b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	100%	65%	100%	100%
3	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary not dealt within the Company's Accounts	Nil	Nil	Nil	Nil
	(a) for the financial year of the subsidiary -Profit /Loss	Nil	Nil	Nil	Nil
	(b) For the previous financial years since it became subsidiary				
4.	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary dealt within the Company's Accounts				
	(a) for the financial year of the subsidiary -Profit /Loss	Nil	(788418)	(1491229)	Nil
	(b) For the previous financial years since it became subsidiary	Nil	(1782323)	Nil	Nil

The Financial year of the Holding Company is not coinciding with the financial year of the subsidiary companies. Hence, the following information is provided under Section 212(5) of the companies Act, 1956 in this regard.

1. There is no change in the Holding Companies interest in the Subsidiary Companies between the end of the financial year of the subsidiary companies and the end of the holding company's financial year (i.e 31.03.2011)
2. There are no material changes which have occurred between the end of the financial year of the subsidiary companies and the end of the holding company's financial year (i.e 31.03.2011) in respect of
 - a. Subsidiaries Fixed Assets
 - b. It s investments
 - c. The company lent by it
 - d. The money borrowed

Annexure C

Financial information regarding subsidiary companies

Amount in ₹

Particulars	KNR Agrotech & Beverages Pvt. Ltd	KNR Constructions LLC	KNRCL FZE	KNR Infrastructure Projects Pvt. Ltd
Capital	100,000	29205000	6070050	100000
Reserves	Nil	(2570741)	(2172349)	Nil
Unsecured Loans	13990227	Nil	5363326	Nil
Total Assets	14133451	27725825	9321727	117416
Total Liabilities	14133451	27725825	9321727	117416
Investments (except in case of investment in subsidiaries)	Nil	Nil	Nil	Nil
Turnover	Nil	Nil	4208839	Nil
Profit Before Taxation	Nil	(788418)	(1491229)	Nil
Provision for Taxation	Nil	Nil	Nil	Nil
Profit After Taxation	Nil	(788418)	(1491229)	Nil
Proposed Dividend	Nil	Nil	Nil	Nil

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

1. Company's Philosophy

KNR Constructions Limited ("KNRCL") is committed to implement sound corporate governance practices with a view to bring transparency, accountability and equity in all facets of its operations and maximizing shareholders value. KNRCL is committed to achieve the good standards of Corporate Governance on continuous basis by laying emphasis on ethical corporate citizenship and establishment of good corporate culture which aims at true Corporate Governance.

2. Board of Directors

The present composition of Board of Directors consists of Eight Directors out of which four are Whole Time Directors and four are Independent Directors. The composition and the category of Directors are as under:

SI No.	Name	Designation	Category
1.	Shri B. V. Rama Rao	Chairman	Independent / Non- Executive Director
2.	Shri L. B. Reddy	Director	Independent / Non- Executive Director
3.	Shri J. S. R. Chandra Mouli	Director	Independent / Non- Executive Director
4.	Shri D. Ramaiah	Director	Independent / Non- Executive Director
5.	Shri K. Narasimha Reddy	Managing Director	Promoter/ Executive Director
6.	Shri K. Jalandhar Reddy	Executive Director	Promoter/ Executive Director
7.	Shri J. V. Panindra Reddy	Executive Director	Promoter/ Executive Director
8.	Shri M. Rajesh Reddy	Executive Director	Promoter/ Executive Director

Conduct of Board Proceedings

The day to day business is conducted by the executives of the Company under the directions of Managing Director and Executive Directors and the supervision of the Board. The Board holds periodical meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following specific functions in addition to the oversight of the business and the management.

- ◆ Review, monitor and approve major financial and business strategies and corporate actions
- ◆ Assess critical risk facing the company and review options for their mitigation
- ◆ Ensure that processes are in place for maintaining the integrity of

- ◆ the Company;
 - ◆ the financial statements;
 - ◆ compliance with laws;
 - ◆ relationship with customers, suppliers and other stakeholders;
- ◆ Delegation of appropriate authority to the committees / executive directors / senior executives of the company for effective management of operations

Number of Board Meetings held

Six Board Meetings were held during the year 2010-2011. The intervening period between two Board Meetings was well within the maximum gap of four months prescribed under Clause 49 of Listing Agreement.

The details of the Board Meetings are as under:

Sl. No.	Dates	Board Strength	No. of Directors Present
1	29th May 2010	8	7
2	9th August 2010	8	6
3	29th September 2010	8	6
4	11th November 2010	8	6
5	14th February 2011	8	7
6	25th March 2011	8	7

Attendance of Directors at the Board Meetings, last Annual General Meeting (AGM) and number of other directorships and chairmanships / memberships of each Director in various companies as on 31st March 2011 is as under:

Name	Attendance of the meetings during the year		No. of other Directorships #	No. of Memberships / chairmanships of other companies@
	Board Meetings	Last AGM		
Shri B. V. Rama Rao	6	Yes	Nil	Nil
Shri L. B. Reddy	6	Yes	1	Nil
Shri J. S. R. Chandra Mouli	6	Yes	Nil	Nil
Shri D. Ramaiah	6	Yes	Nil	Nil
Shri K. Narasimha Reddy	5	Yes	2	Nil
Shri K. Jalandhar Reddy	2	No	Nil	Nil
Shri J. V. Panindra Reddy	2	No	Nil	Nil
Shri M. Rajesh Reddy	6	Yes	Nil	Nil

The Directorships held by Directors as mentioned above, do not include Alternative Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies

@ in accordance with Clause 49, Memberships / chairmanships of only the Audit Committee and Shareholders' / Investors Grievance Committees of all Public Limited Companies (excluding KNR Constructions Limited) have been considered.

- ◆ Apart from receiving sitting fee for attending meetings, the Independent Directors do not have any material pecuniary relationships or transactions with the Company, its promoters, Directors, senior management or its holding company, subsidiaries and associates which may affect the independence of the Director.
- ◆ The Independent Directors are not related to the promoters or persons occupying management positions at the Board level or at one level below the Board.
- ◆ The Independent Directors have not been executives of the Company in the immediately preceding three financial years.
- ◆ They are not partners or executives or were not so during the preceding three years of the
 - Statutory audit firm or the internal audit firm associated with the Company.
 - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- ◆ The Independent Directors are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect their independence.
- ◆ They are not the substantial shareholders of the Company i.e. do not own 2 per cent or more of the block of voting shares.

Details of Directors

Brief resume of all the Directors of the company are furnished hereunder:

Shri B. V. Rama Rao, aged 71 years, is Non-Executive and Independent Chairman of our Company. He holds a Masters Degree in Economics from Osmania University, Master's in Public Administration from Kennedy School of Government, Harvard, USA and was also conferred the title of Overseas Fellow Member of the Economic Development Institute, by the World Bank. Shri B V Rama Rao joined the Indian Administrative Services in 1973 and has over 34 years of experience in areas such as development, administration and industrial management. During his stint with the Indian Administrative Services, Shri B V Rama Rao has served in various positions including as Chief Secretary to the Government of Andhra Pradesh and as Chairman and Managing Director, Nizam Sugars Limited until his retirement in 1997.

Shri B V Rama Rao joined the board of directors of our Company with effect from 26th December 2005 and he is currently acting as Chairman of the Board and Member of Audit Committee and Remuneration Committee.

Shri B V Rama Rao does not hold any shares in the Company as on 31st March 2011

Shri L. B Reddy, aged 68 years, is Non-Executive and Independent Director of our Company. Shri Reddy is a Fellow Member of The Institute of Chartered Accountants of India and is a senior partner in M/s L B Reddy & Co., a Chartered Accountancy firm. Shri Reddy started his career with Syndicate Bank and has worked in various capacities within the Bank before retiring as General Manager. He has over three decades of experience in areas such as planning, accounts, inspection, computer policy and development. He was also on deputation from Syndicate Bank with Rayalaseema Grammeena Bank as Chairman for six years.

Shri L B Reddy joined the board of directors of our Company with effect from December 26, 2005 and he is currently acting as Chairman of Audit Committee and Member of Remuneration Committee in the Company.

Shri L B Reddy does not hold any shares in the Company as on 31st March 2011

Shri D. Ramaiah, aged 74 years is Non-Executive and Independent Director of our Company. He holds a Master Degree in Arts from Osmania University. Shri Ramaiah has over 45 years of experience in areas such as planning, administrative and revenue related matters. Shri Ramaiah started his career in 1965 as an assistant lecturer in P.R College; Kakinada. In the year 1987 he joined the Indian Administrative Services and has been associated in various capacities with different government departments, including as Deputy Secretary-General Administration Department, Secretary to Excise Commissioner, Deputy Secretary- Irrigation and Command Area Development Department, Deputy Secretary- General Administration Department & Director of Protocol of Government of

Andhra Pradesh, Secretary to the Pay Anomalies Commission, OSD (Protocol), Ex-Officio Joint Secretary (Protocol) and Director of Protocol, and as Member of Commissionerate of Inquiries, G.A.D., General Manager –A.P Scheduled Castes' Co-op Finance Corporation, Deputy Director of Anti- Corruption Bureau.

Shri Ramaiah joined the board of directors of our Company with effect from December 26, 2005 and currently he is acting as chairman of Remuneration Committee and Investors Grievance & Share Transfer Committee of the Company.

Shri Ramaiah does not hold any shares in the Company as on 31st March 2011

Shri J.S.R Chandra Mouli, aged 76 years, is Non-Executive and Independent Director of our Company. He holds a Bachelor's Degree in Civil Engineering from Mysore University. He started his career as an Assistant Engineer (Roads & Building Division), Public Works Department, Government of Andhra Pradesh. He has over 50 years of experience in various positions including as Executive Engineer and Senior Engineer in various government departments before retiring as Chief Engineer in the 1992.

Shri Mouli joined the board of directors of our Company with effect from December 26, 2005 and currently he is acting as member of Investors Grievance & Share Transfer Committee of the Company.

Shri Mouli does not hold any shares in the Company as on 31st March 2011

Shri K. Narasimha Reddy aged 62 years, is founder Promoter and Managing Director of the Company. He holds a Bachelor's degree in Arts from Kakatiya University. He has over 39 years of experience in the roads and infrastructure sector, and has been the driving force behind our Company's establishment and growth, and company has grown to our current size and scale under his able leadership. He started his career in 1968 as a sub-contractor for other construction companies. In 1979, he formed a partnership business in the name and style of M/s K Narasimha Reddy & Company, which was engaged in the business of undertaking civil and mechanical contracts. Shri Reddy has extensive knowledge and experience in project planning, scheduling, cost controls, and quantity surveying in addition to overall construction project management. Shri Reddy oversees the implementation of all our projects and has formulated the corporate vision of our Company.

Shri K Narasimha Reddy is presently the Managing Director of KNR Constructions Limited and director of Patel KNR Heavy Infrastructures Limited and Patel KNR Infrastructures Limited as on 31st March 2011

Shri Narasimha Reddy is holding 1,00,26,495 equity shares in the Company as on 31st March 2011.

Shri K Jalandhar Reddy, aged 39 years, is the promoter and executive director of KNR Constructions Limited. He is the son of the company's founder promoter and managing director, Shri K Narasimha Reddy. He holds a Bachelor's Degree in Computer Engineering from Bangalore University. He has over 15 years of experience in the roads and infrastructure sector. He started his career with KNR Constructions as a project manager and was elevated as Executive Director from the year 1997. He heads the tendering and bidding activities of the company, as also is in charge of the projects which are executed in southern India

Shri Jalandhar Reddy is presently the Executive Director of KNR Constructions Limited and director of KNR Infrastructures Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Private Limited, Mesmeric Software Solutions Private Limited, Nag Talent Ventures & Infotech Private Limited and KNR Agrotech & Beverages Private Limited as on 31st March 2011

Shri Jalandhar Reddy is holding 49,98,087 equity shares in the Company as on 31st March 2011.

Shri J.V. Panindra Reddy, aged 44 years, is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Civil Engineering from REC, Warrangal. He has over 20 years of experience in the roads and infrastructure sector. He has been closely associated with our Company since its inception. As Executive Director he is responsible and is in-charge of our projects which are executed in Northern and North-Eastern India.

Shri Panindra Reddy is presently the Executive Director of KNR Constructions Limited and director of KNR Infrastructure Projects Private Limited, Trapezoid Software Solutions Private Limited and Vishnu Publicity Solutions Private Limited

Shri J V Panindra Reddy is holding 19,02,835 equity shares in the Company as on 31st March 2011.

Shri M. Rajesh Reddy, aged 38 years, is the Promoter and Executive Director of our Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 12 years of work experience, of which he has five years experience in the roads and infrastructure sector. He is responsible for corporate finance, co-ordination with various construction sites all over India and the day to day administrative activities of our Company.

Shri Rajesh Reddy is presently the Executive Director of KNR Constructions Limited and director of KNR Infrastructures Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Private Limited, Mesmeric Software Solutions Private Limited, Nag Talent Venturs & Infotech Private Limited and KNR Agrotech & Beverages Private Limited as on 31st March 2011

Shri M Rajesh Reddy, is holding 18,32,115 Equity Shares in the Company as on 31st March 2011

3. Committees of the Board

The Company has the following standing committees of the Board.

a. Audit Committee

Composition, Name of the Members and Chairman

In terms of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, the Board of Directors of the Company has constituted an Audit Committee comprising of Two Non-Executive and Independent Directors and One Executive Director.

Name	Designation	Category
Shri L. B. Reddy	Chairman	Non-Executive and Independent Director
Shri B. V. Rama Rao	Member	Non-Executive and Independent Director
Shri K. Jalandhar Reddy	Member	Executive and Non-Independent Director

Mr. M. V. Venkata Rao is the Secretary to the Audit Committee.

The Minutes of the meetings of the Audit Committee are circulated to all the members of the Board along with the Agenda.

Terms of reference of the Committee are as follows:

- ◆ Review the un-audited quarterly results and Annual accounts of the company
- ◆ Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ◆ Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services
- ◆ Reviewing with the management, the annual financial statements before submission to the Board focusing primarily on:
 - (i) Any changes in accounting policies and practices
 - (ii) Major accounting entries based on exercise of judgment by the management
 - (iii) Qualifications in draft audit reports
 - (iv) Significant adjustments arising out of the audit
 - (v) The going concern assumption
 - (vi) Compliance with accounting standards
- ◆ Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large

- ◆ Reviewing with the management, the external and the internal auditor's, the adequacy of internal control systems
- ◆ Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- ◆ Discussion with internal auditors any significant findings and follow-up thereon.
- ◆ Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspicion of fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the board
- ◆ Discussion with external auditors before the audit commences, on the nature and scope of audit and also post-audit to ascertain any areas of concern
- ◆ Reviewing the company's financial and risk management policies
- ◆ To look into and review the reasons for substantial defaults, if any, in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

Attendance of the members at the Audit Committee Meetings:

During the current financial year 2010-2011 Five Audit Committee Meetings were held and the details of the Audit Committee Meetings are as under:-

Sl. No.	Dates	Committee Strength	No. of Directors Present
1	29th May 2010	3	3
2	9th August 2010	3	2
3	11th November 2010	3	2
4	14th February 2011	3	2
5	25th March 2011	3	3

B. Remuneration Committee

The Remuneration Committee has been constituted to formulate and recommend to the Board all elements of the remuneration package of the Managing Director and Executive Directors, including performance / achievement bonus and perquisites payable to the Whole Time Directors.

In terms of Clause 49 of the Listing Agreement, the Board of Directors of the Company has constituted this Committee comprising of all the Three Members being Non-Executive and Independent Directors:

Name	Designation	Category
Shri D Ramaiah	Chairman	Non-Executive and Independent Director
Shri L B Reddy	Member	Non-Executive and Independent Director
Shri B V Rama Rao	Member	Non-Executive and Independent Director

Mr. M. V. Venkata Rao is the Secretary to the Remuneration Committee.

The Minutes of the meetings of the Remuneration Committee are circulated to all the members of the Board along with the Agenda.

The terms of reference of the Remuneration Committee are as follows

- ◆ The Remuneration Committee recommends to the board the compensation terms of the executive directors
- ◆ Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOP, Pension Rights and any compensation payment
- ◆ Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors
- ◆ Ensuring the remuneration policy is good enough to attract, retain and motivate directors
- ◆ Bringing about objectivity in fixing the remuneration package while striking a balance between the interest of the Company and the shareholders

Attendance of the members at the Remuneration Committee Meetings

During the current financial year 2010-2011 One Remuneration Committee Meeting was held and all the members of the committee were present for the meeting.

Remuneration paid to the Directors during 2010-2011:

Amount in ₹

Name	Position	Sitting Fee	Salary & Perquisite	Total
INDEPENDENT DIRECTORS				
Shri B. V. Rama Rao	Chairman /Director	245000	–	245000
Shri L. B. Reddy	Director	245000	–	245000
Shri J. S. R. Chandra Mouli	Director	155000	–	155000
Shri D. Ramaiah	Director	170000	–	170000
WHOLE TIME DIRECTORS				
Shri K. Narasimha Reddy	Managing Director	–	7950000	7950000
Shri K. Jalandhar Reddy	Executive Director	–	3975000	3975000
Shri J. V. Panindra Reddy	Executive Director	–	3975000	3975000
Shri M. Rajesh Reddy	Executive Director	–	4258097	4258097

Shares held by the Non-Executive Directors as on 31st March 2011 are as under:

Name of the Non-Executive Directors	No. of shares held as on the date
Shri B. V. Rama Rao	Nil
Shri L. B. Reddy	Nil
Shri J. S. R. Chandra Mouli	Nil
Shri D. Ramaiah	Nil

C. Investor Grievance & Share Transfer Committee

This Committee comprises of the following members

Name	Designation	Category
Shri D. Ramaiah	Chairman	Non-Executive and Independent Director
Shri M. Rajesh Reddy	Member	Executive and Non-Independent Director
Shri J. V Panindra Reddy	Member	Executive and Non-Independent Director
Shri J S R Chandra Mouli	Member	Non-Executive and Independent Director

The terms of reference of the Investor Grievance & Share Transfer Committee are as follows:

To allot the equity shares of the Company, and to supervise and ensure:

- (i) Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;
- (ii) Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- (iii) Issue of duplicate / split / consolidated share certificates;
- (iv) Review of cases for refusal of transfer / transmission of shares and debentures;
- (v) Reference to statutory and regulatory authorities regarding investor grievances;
- (vi) And to otherwise ensure proper and timely attendance and redressal of investor queries and grievances.

Shareholders complaints Status:

Opening	Nil
Received During the Period	06
Resolved During the Period	06
Pending	Nil

Name and designation of Compliance Officer

Mr. M. V. Venkata Rao, Company Secretary

4. General Body Meetings:

The details of date, location and time of the last three Annual General Meetings held are as under:

Financial Year	Date and Time	Venue
2007-08	30th September 2008 10.00 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India
2008-09	9th September 2009 11.30 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India
2009-10	29th September 2010 11.00 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India

No Special Resolutions were passed in the Annual General Meetings during the last 3 years.

5. Postal Ballot:

During the year, Special Resolutions as proposed in Postal Ballot Notice dated 16.11.2010 were passed on 25.12.2010 through postal ballot which related to

- ◆ To increase remuneration to Managing Director and Executive Directors
- ◆ To Reappoint Shri K Narasimha Reddy as Managing Director and Shri K Jalandhar Reddy and Shri M Rajesh Reddy as Executive Directors

Shri Ch. Veeranjanyulu, Practicing Company Secretary was appointed as the scrutinizer for overseeing the Postal Ballot process. The above resolutions have been passed with the requisite majority as per the following details.

Postal Ballot results

Particulars Favour of the	No. of Votes in favour of the Resolution	% of votes in favour	No. of Votes against of the Resolution	% of votes in against
Item No. 1	2,08,67,990	99.98%	2,228	0.02%
Item No. 2	2,08,68,275	99.99%	1,913	0.01%
Item No. 3	2,08,68,310	99.99%	1,908	0.01%
Item No. 4	2,08,68,305	99.99%	1,908	0.01%
Item No. 5	2,08,68,850	99.99%	1,353	0.01%
Item No. 6	2,08,68,845	99.99%	1,343	0.01%
Item No. 7	2,08,68,835	99.99%	1,343	0.01%
Results	Approved with requisite majority			

The Company has complied with the procedures for the postal ballot in terms of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 and amendments thereto made from time to time.

6. DISCLOSURES;

- a. **Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the management, their relatives, or subsidiaries etc., that may have potential conflict with the interest of the Company at large**

The disclosures with regard to transactions with related parties are given in the Notes to the Accounts of the audited financial statements for the year ended 31st March 2011. These transactions are not in conflict with the interest of the Company.

- b. **Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchange or Securities Exchange Board of India (SEBI) or any other statutory authority or any matter related to the Capital Market during the last year**

There were no instances of non-compliances, penalty or strictures on any matter related to the capital markets, during the year ended 31st March 2011

- c. **Disclosure of Accounting Treatment**

The financial statements are prepared on accrual basis of accounting and in accordance with Indian GAAP and as per the provisions of the Companies Act, 1956 (the Act) and comply with material aspects with the accounting standards notified in Section 211 (3C) of the Act read with the Companies (Accounting Standard) Rules, 2006

d. Board Disclosures

i. Risk Management

Currently, the Company's risk management approach comprises of the following:

- ◆ Governance of Risk
- ◆ Identification of Risk
- ◆ Assessment and control of Risk

The risks have been prioritized through a company wide exercise. Members of Senior Management have undertaken the ownership and are working mitigating the same through co-ordination among the various departments, insurance coverage and personal accident coverage for lives of all employees.

Your company put in place the risk management framework, which helps to identify various risks cutting across its business lines. The risks are identified and are discussed by the representatives from various functions.

Presentation to the Board of Directors and the Audit Committee is made on risk management. The Board and the Audit Committee provides oversight and review the risk management policy periodically.

ii. Internal Control System

Your company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company's has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances.

e. Code of Conduct

The Board has laid down a Code of Conduct covering the ethical requirements to be complied with covering all the Board Members and Senior Management Personnel of the company. An affirmation of compliance with the code is received from them on an annual basis

f. CEO / CFO Certification

The CEO / CFO Certification on the financial statements and internal control are separately annexed.

7. Compliance with Non-mandatory requirements

- a. Non-Executive Chairman's Office: The Company doesn't maintain any office of the Non-executive chairman and any expenditure incurred by him in performance of his duties will be reimbursed by the Company.
- b. Tenure of Independent Directors: In terms of the Governance Policy of the Company, all Directors including Independent Directors except Managing Director are appointed / re-appointed for a period of three to five years or a shorter duration in accordance with retirement guidelines as determined by the Board from time to time. No maximum tenure for Independent Directors has been specifically determined by the Board.
- c. Remuneration Committee: The Company has a Remuneration Committee under the nomenclature "Remuneration Committee", the details of which are provided in this Report under the section "Committees of Board – Remuneration Committee"
- d. Shareholders Rights: The Quarterly, half-yearly and annual financial results of the Company are published in newspapers on all India basis and complete set of annual report is sent to every Shareholder of the Company
- e. Audit Qualifications: During the financial year 2010-2011, there is no audit qualification in the Company's financial statements. The Company continues to adopt the best practices to ensure the regime of unqualified financial statements.
- f. Training of Board Members: Strategic supervision of the Company is the responsibility of the Board. To achieve this, the Board undertakes periodic review of various matters including business-wise performance and related matters, risk

management, borrowings, internal & external audit findings etc., Directors are also briefed on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislation and economic development.

- g. Mechanism for evaluation of Non-Executive Directors: The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board has not evolved any method/mechanism for appointment of non-executive directors.
- h. Whistle Blower Policy: The Company encourages open door policy where every employee have access to the Head of the Business / Department, employees are free to report existing / probable violation of laws, regulations or unethical conduct in the organization.

8. Means of Communication

Quarterly Results sent to each shareholders residence	No
Newspaper wherein Quarterly / Half-yearly / Yearly financial results are published	Financial Express, Business Standard, Financial Chronicle, Economic Times – English and Surya – Telugu
Any website where results or official news are displayed	www.knrcl.com
Whether it also displays official news release	Yes, the official news releases are posted on the Company's website
The presentations made to institutional investors or to the analysts	No presentations is made to institutional investors or the analysts
Whether Management discussion and analysis report is part of the Annual Report	Yes

9. General Shareholders Information

- i. Annual General Meeting : 16th Annual General Meeting
Thursday the 22nd September 2011
Time : 10.00 AM
Venue : Hotel Green Park, Ameerpet,
Hyderabad - 500016
- ii. Financial Year : 1st April 2010 to 31st March 2011
- iii. Book closure dates : 19th September 2011 to 22nd September 2011 (both days inclusive)
- iv. Dividend Payment date : After 22th September 2010
- v. Financial Calendar for the year 2011-2012
- Financial Reporting for the first quarter ended 30th June 2011 : on or before 14th August 2011
- Financial Reporting for the second quarter / half-year ended 30th September 2011 : on or before 14th November 2011
- Financial Reporting for the third quarter / nine months ended 31st December 2011 : on or before 14th February 2011
- Financial Reporting for the fourth quarter / year ended 31st March 2012 : on or before 14th May 2012

vi. Listing on Stock Exchanges

Bombay Stock Exchange Limited (BSE)
1st Floor, New Trading Ring,
Rotunda Building, P J Towers,
Dalal Street, Fort,
Mumbai – 400001
Tel: +91 22 2272 1233 / 34
Fax: +91 22 2272 2037 / 39 / 41 / 61

National Stock Exchange of India Limited (NSE)
Exchange Plaza, Floor 5, Plot #C/1,
Bandra Kurla Complex,
Bandra (E),
Mumbai – 400051
Tel: +91 22 2659 8235 / 8236
Fax: +91 22 2659 8237 / 38

The listing fees payable to BSE and NSE for 2011-11 have been paid in full.

vii. Script Code / Symbol

a. Stock Exchanges

Bombay Stock Exchange Limited : 532942
National Stock Exchange of India Limited : KNRCON

b. Demat ISIN Number in NSDL and CDSL for the equity shares : INE634I01011

The annual custodian fee for the financial year 2011-12 have been paid to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

c. Corporate Identity Number (CIN)

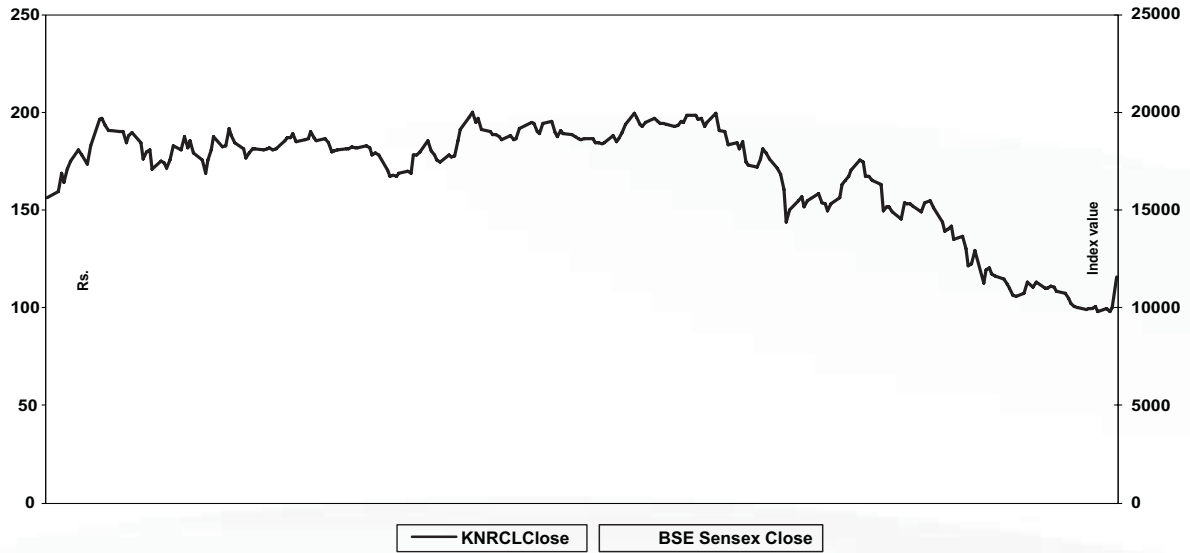
The CIN, allotted by the Ministry of Corporate Affairs, Government of India is L74210AP1995PLC021016, and the Company is registered within the jurisdictions of the Registrar of Companies, Andhra Pradesh, Hyderabad.

viii. Market Price Data

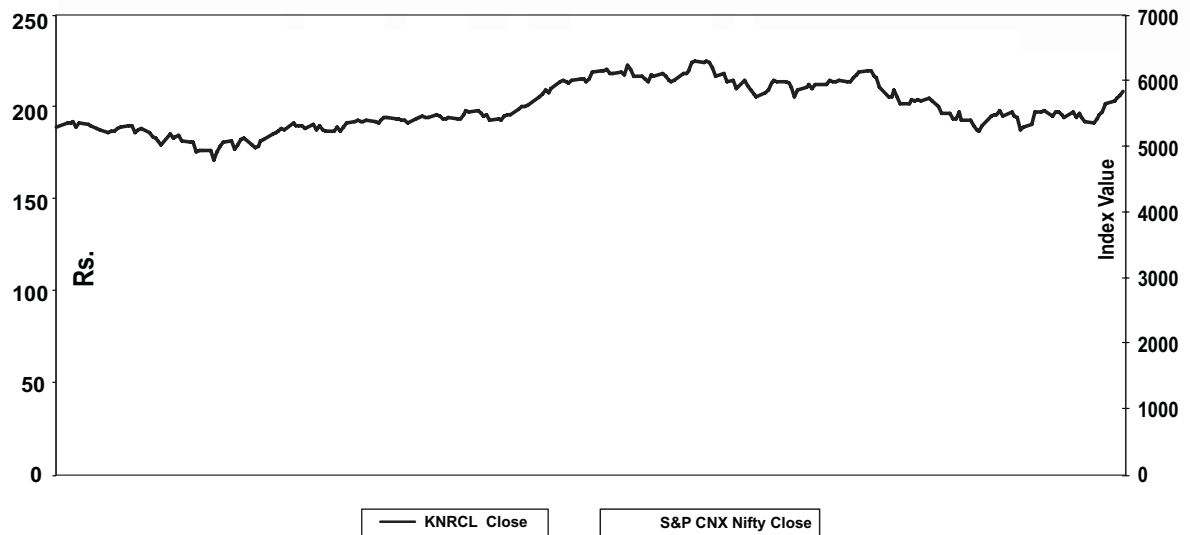
Month	Bombay Stock Exchange Limited , (BSE)		National Stock Exchange of India Limited (NSE)	
	High Price	Low Price	High Price	Low Price
April 2010	202.90	148.90	202.90	148.00
May 2010	192.90	162.30	193.00	163.20
June 2010	197.90	175.00	205.00	175.10
July 2010	189.95	164.00	190.50	165.40
August 2010	207.30	165.00	207.00	168.00
September 2010	198.80	170.10	199.00	183.10
October 2010	214.00	181.25	211.00	182.00
November 2010	205.00	163.00	204.30	160.50
December 2010	187.20	137.00	188.00	138.05
January 2011	177.70	140.05	177.30	139.90
February 2011	144.65	100.00	143.95	104.00
March 2011	119.80	97.00	119.30	97.15

ix. Performance in comparison to broad based indices – Sensex (BSE) and Nifty (NSE)

KNRCL - BSE Sensex Chart



KNRCL - S&P Nifty Chart



- x. **Registrar & Share Transfer Agents:**
(for shares held in both Physical and Demat mode)

Link Intime India Pvt Ltd

C-13, Pannalal Silk Mill Compound,
LBS Road, Bhandup (West),
Mumbai – 400078
Phone: +91 – 22 -25960320
Fax: +91 – 22 – 25960329

- xi. **Share Transfer System:**

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the documents being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Shares Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All requests for Dematerialisation of shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days of receipt.

EQUITY SHARES IN SUSPENSE ACCOUNT

As per Clause 5A of the Listing Agreement, the Company reports that 1085 Equity Shares are lying in the suspense account as on 31st March 2011

SECRETARIAL AUDIT

A Practicing Company Secretary of the Institute of Company Secretaries of India, has carried out secretarial audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/ paid-up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL

- xii. **Distribution of shareholding as on 31st March, 2011**

No. of Shares		No. of Shareholders		No of share held	
From	To	Number	% of total	Number	% of total
1	500	6642	91.13	703510	2.50
501	1000	350	4.80	253232	0.90
1001	2000	129	1.77	194335	0.70
2001	3000	54	0.74	137782	0.49
3001	4000	20	0.27	71242	0.25
4001	5000	18	0.25	85384	0.30
5001	10000	32	0.44	234330	0.83
10001	And above	44	0.60	26443645	94.03
	Total	7289	100.00	28123460	100.00

xiii. Pattern of Shareholding as on 31st March 2011

Sl. No.	Category	No. of Holders	No. of Shares	%
1	Promoter and Promoter Group	6	2,08,15,021	74.01
2	Mutual Funds	4	21,33,007	7.58
3	Financial Institutions	2	41,408	0.15
4	Foreign Institutional Investors	2	1,640	0.01
5	Corporate Bodies	218	21,82,565	7.76
6	Non-Resident Individuals	156	84,968	0.30
7	Residents (individuals / clearing members /office bearers and others)	6901	28,64,851	10.19
	Total	7289	2,81,23,460	100.00

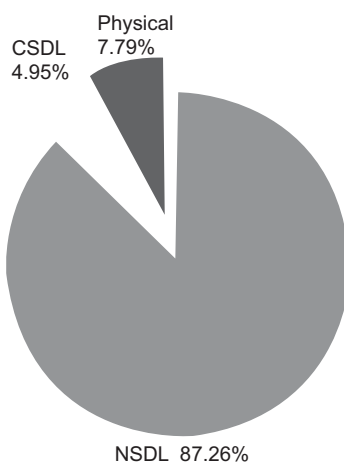
xiv. Dematerialisation of Shares & Liquidity

The Company's shares are available for dematerialization on both the Depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)

As on 31st March 2011 a total of 2,59,32,968 Equity Shares were dematerilaised representing 92.21 % of the total paid up equity share capital of the Company.

Dematerialisation of Shares and Liquidity as on 31st March 2011

	No. of Shares	% of Total
NSDL	2,45,41,925	87.26
CDSL	13,91,043	4.95
Physical	21,09,492	7.79
Total	2,81,23,460	100.00



xv. **Address for Correspondence:**

(Query on the Annual Report shall reach 10 days before the AGM)

Company Secretary
KNR Constructions Limited
“KNR House”, 4th Floor,
Plot No. 114, Phase I, Kavuri Hills,
Hyderabad – 5000033
Andhra Pradesh, India

Ph: + 91 - 40 - 40268759 / 61 / 62

Fax: + 91 - 40 – 40268760

Registrar & Share Transfer Agents:

(for shares held in both Physical and Demat mode)

Link Intime India Pvt Ltd

(Unit: KNR Constructions Limited)

C-13, Pannalal Silk Mill Compound,

LBS Road, Bhandup (West),

Mumbai – 400078

Phone: +91 – 22 -25960320

Fax: +91 – 22 – 25960329

DECLARATION

As provided under Clause 49 of Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for Board Members and senior management personnel in respect of the Financial Year ended 31st March 2011.

For KNR Constructions Limited

Sd/-

K Narasimha Reddy

Managing Director

Place: Hyderabad

Date: 08.08.2011

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
KNR Constructions Limited

We have examined the compliance with the conditions of the Corporate Governance by KNR Constructions Limited (“the company”) for the year ended 31st March 2011, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of the Company’s management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Sukumar Babu & Co
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C. Sukumar Babu
Partner
Membership No. 200/24293

Place: Hyderabad
Date: 08.08.2011

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

In relation to the Audited Financial Accounts of the Company as at 31st March, 2011, we hereby certify that

- a. We have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or volatile of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which are aware and the steps have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting

For KNR Constructions Limited

Sd/-

K. Narasimha Reddy
Managing Director

Sd/-

G. Sravana Kumar
GM (Finance & Accounts)

Place: Hyderabad

Date: 08.08.2011

AUDITORS' REPORT

The Members
KNR Constructions Limited

1. We have audited the attached Balance Sheet of KNR Constructions Limited as at March 31, 2011, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date both annexed thereto, in which are incorporated the returns from Dubai branch ("the Branches") audited by other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
 - b) in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books and proper returns, adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors Reports have been forwarded to us and appropriately dealt with;
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts and with the audited returns from the Branches;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011 ;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. On the basis of written representations received from the directors, as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Sukumar Babu & Co
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C. Sukumar Babu
Partner
M.No: 200/24293

Place: Hyderabad
Date: 08-08-2011

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our Report of even date)

- i) In respect of its fixed assets**
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets on the basis of available information.
 - b) As explained to us, all the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) The fixed assets disposed off during the year in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has in our opinion, not affected the going concern status of the Company.
- ii) In respect of its inventories**
- a) According to the information and explanations given to us, the Management has physically verified the inventory during the year. In our opinion, having regard to the nature of business and location of stocks, the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.
- iii)**
- a) According to the information and explanations given to us, the Company has granted unsecured loans to Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. There are companies under the same management as defined under Sub-section (1-B) of section 370 of the Companies Act, 1956.
 - b) There are no specific agreements for these transactions and were made on account basis. In the absence of agreements for these loans, the terms and conditions, their impact on the interests of the Company cannot be ascertained.
 - c) The Company has given advances / loans to its wholly owned subsidiaries (including foreign companies) during the year. In respect of the said advances / loans, the maximum amount outstanding at any time during the year is Rs.181.54 lakhs and the year end balance is Rs.181.54 lakhs.
 - d) In the absence of agreements, the transactions were made on an on-account basis and hence the question of regularity of payment of principal and interest does not arise.
 - e) In the absence of specific agreements for these transactions, the question of over- dues does not arise for these transactions.
 - f) The Company has taken unsecured loans during the year from other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. There are no specific agreements for these transactions and were made on an on- account basis. In the absence of agreements, the transactions were made on an on-account basis and hence the regularity of payment of principal and interest does not arise.
- iv)** In our opinion and according to the information and explanations given to us, the company has internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets.
- v)** In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:

- a) the Particulars of contracts or arrangements referred to in section 301 that needs to be entered into the register maintained under the said section have been so entered.
- b) in our opinion , the transactions (excluding loans reported under paragraph(iii) above) exceeding the value of Rs.5 lakhs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time where such market prices are available.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any of the products or activities of the company.
- ix) **In respect of statutory dues:**
 - a) According to the Information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
 - b) According to the Information and explanations given to us, there were no undisputed amounts payable in respect of wealth tax, customs duty, excise duty and cess which were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable, except Income Tax dues amounting to Rs. 44.56 lakhs relating to the financial year 2002-03.
 - c) The disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of statute	Nature of dues	Rupees in lakhs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	13.52	FY 2005-06	Deputy Commissioner of Income Tax , Circle 2(1), Hyderabad
	Income Tax	2096.70	FY 2006-07	Commissioner of Income Tax (Appeals) – III, Hyderabad
	Income Tax	223.37	FY 2007-08	Commissioner of Income Tax (Appeals) – III, Hyderabad
Andhra Pradesh Sales Tax Act, 1957	Sales Tax	21.39	FY 2000-01	Sales Tax Tribunal, General Hyderabad
Andhra Pradesh Value Added Tax Act, 2005	VAT	323.92	FY 2008-09	Appellate Deputy Commissioner (CT), Punjagutta Division, Hyderabad
	VAT	503.67	FY 2009-10	Appellate Deputy Commissioner (CT), Punjagutta Division, Hyderabad
Karnataka Value Added Tax Act, 2005	VAT	100.00	FY 2005-06	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	30.52	FY 2006-07	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	81.52	FY 2008-09	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	12.16	FY 2009-10	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.

Note: Company has given bank guarantees for Rs 241.63 lakhs to the Karnataka State Government against disputed demands.

- x) The Company does not have accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- xii) In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- xiii) In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual Benefit Fund/Society. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were prima facie applied by the Company during the year for the purposes for which the same were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used for long-term investment.
- xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares or warrants during the year to a company covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) According to the information and explanations given to us, no debentures have been issued by the Company. Accordingly the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) During the year covered by our audit report, the company has not raised any money by public issues.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for Sukumar Babu & Co.,
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C. Sukumar Babu
Partner
M.No: 200/24293

Place: Hyderabad
Date: 08-08-2011

BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
Share Capital	1	2,812.35	2,812.35
Reserves & Surplus	2	32,919.07	27,890.35
		35,731.42	30,702.70
LOAN FUNDS			
Secured Loans	3	16,161.29	11,032.54
Un-Secured loans	4	2.31	24.47
		16,163.60	11,057.01
DEFERRED TAX LIABILITY (NET) (refer note 6 of B of Schedule 16)		273.24	689.13
TOTAL		52,168.26	42,448.84
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	39,896.27	28,927.11
Less : Depreciation		11,774.92	7,931.93
Net Block		28,121.35	20,995.18
Capital work-in-progress		1,061.92	1,053.37
INVESTMENTS	6	6,858.35	6,506.79
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		2,208.60	1,367.71
Sundry Debtors		14,051.20	19,007.75
Cash & Bank Balance		3,811.39	3,912.95
Other Current Assets		8,188.19	7,945.89
Loans & Advances		17,249.30	19,624.72
		45,508.68	51,859.02
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	8	23,349.01	31,424.58
Provisions		6,567.61	7,164.61
		29,916.62	38,589.19
NET CURRENT ASSETS		15,592.06	13,269.83
MISCELLANEOUS EXPENDITURE	9	534.58	623.67
(To the extent not written off)			
TOTAL		52,168.26	42,448.84
Accounting Policies and Notes on Accounts	16		

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 200/24293

Place : Hyderabad

Date : 08-08-2011

For and on behalf of the Board

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

₹ in Lakhs

Particulars	Schedule	For the year ended 31st March, 2011	For the year ended 31st March, 2010
INCOME			
Total Work Contract Receipts (Construction of Road Highways and Irrigation Projects)		105,127.32	89,917.27
Less: Company's Share in Joint Ventures		26,829.75	19,047.04
		78,297.57	70,870.23
Other Operating Income	10	1,005.48	376.33
Other Income	11	245.95	369.48
		79,549.00	71,616.04
EXPENDITURE			
Materials Consumed	12	19,080.10	18,943.39
Work Contract Expenses	13	43,005.98	38,452.58
Administration And Other Expenses	14	3,563.44	2,551.91
Interest And Finance Charges	15	782.23	699.08
Depreciation		4,055.01	2,617.52
Issue Expenses Written off		89.09	89.09
		70,575.85	63,353.57
Profit Before Tax		8,973.15	8,262.47
Provision for Taxation			
- Current Tax		3,078.55	2,711.87
- Wealth Tax		3.53	3.05
- Deferred Tax		(415.88)	(22.76)
Profit After Tax		6,306.95	5,570.31
Add / (Less): Prior Period Items		(613.43)	87.15
Add / (Less): Prior Year's Taxation		(11.00)	(2.89)
Add / (Less): Prior Period Tax of JV's		-	(626.50)
Profit After Tax and Prior period Adjustments		5,682.52	5,028.07
Balance in Profit and Loss account brought forward		13,436.04	9,571.03
AMOUNT AVAILABLE FOR APPROPRIATIONS		19,118.56	14,599.10
APPROPRIATIONS			
Proposed Dividend		562.47	562.47
Corporate Dividend Tax		91.25	95.59
Transferred to General Reserve		580.00	505.00
Balance carried to Balance Sheet		17,884.84	13,436.04
		19,118.56	14,599.10
Earnings per share of face value of Rs.10/- each			
- Basic (Rs.)		20.21	17.88
- Diluted (Rs.)		20.21	17.88

Accounting Policies and Notes on Accounts 16

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 200/24293

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

Place : Hyderabad

Date : 08-08-2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

₹ in Lakhs

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	8,973.15	8,262.47
Adjustments for:		
Depreciation	4,055.01	2,617.52
Issues Expenses Written Off	89.09	89.09
Provision for Gratuity	16.68	85.08
Provision for Doubtful Advances	10.00	-
Loss on sale of assets and Discarded	49.72	0.57
Profit on sale of Assets	(0.46)	(0.02)
Dividend received on current investments	(0.38)	(217.49)
Interest and Financial Charges	848.58	908.19
Interest Received	(66.35)	(209.11)
	5,001.89	(209.11)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	13,975.04	11,536.30
(Increase)/Decrease in Trade and Other Receivables	6,805.26	(14,740.06)
(Increase)/Decrease in Inventories	(840.89)	487.05
Increase/(Decrease) in Trade Payables and Other Liabilities	(7,842.23)	9,568.45
CASH GENERATED FROM OPERATIONS	12,097.18	6,851.74
Prior Period Items	(613.43)	87.15
Taxes paid	(3,445.48)	(3,543.01)
NET CASH USED IN OPERATING ACTIVITIES	8,038.27	3,395.88
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and other Capital Expenditure	(11,335.27)	(3,746.86)
Proceeds from sale of Fixed Assets	96.28	0.99
Investments in Joint Ventures / SPV's / Mutual Funds	(351.56)	4,544.03
Foreign Exchange Translation Adjustment (arising on translation of Foreign branch transactions)	(0.08)	-
Dividend received on current investments	0.38	217.49
Interest Received	91.04	209.11
TDS on Interest Received	(7.22)	(20.70)
NET CASH USED IN INVESTING ACTIVITIES	(11,506.43)	1,204.06
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(309.89)	(3,494.45)
Mobilization and Machinery advances received from customers	5,180.53	65.64
Interest paid	(845.98)	(922.15)
Dividend and Dividend Tax paid	(658.06)	(658.06)
NET CASH FROM FINANCING ACTIVITIES	3,366.60	(5,009.02)
	(101.56)	(409.08)
Cash and Cash Equivalents as at April 1, 2010 (Opening Balance)	3,912.95	4,322.03
Cash and Cash Equivalents as at March 31, 2011 (Closing Balance)	3,811.39	3,912.95

Notes

- 1 Cash and Cash equivalents includes:
 - a. Rs. 3455.96 (P.Y Rs. 3597.54) margin money in fixed deposits account against letters of Guarantee issued
 - b. Rs.2.13 (P.Y 1.36) in Unclaimed Dividend Account and Rs. 0.09 (P.Y 0.09) in IPO refund account.
- 2 The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- 3 Previous year's figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.
- 5 Notes on accounts stated in Schedule 16 form an integral part of the Cash Flow Statement.

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 200/24293

Place : Hyderabad

Date : 08-08-2011

For and on behalf of the Board

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised Capital		
35,000,000 (P.Y 35,000,000) Equity Shares of Rs. 10/- each	3,500.00	3,500.00
Issued, Subscribed and Paid Up		
28,123,460 (P.Y 28,123,460) Equity Shares of Rs. 10/- each (Out of the above 13,499,260 Equity Shares of RS. 10/- each were allotted in 2005-06 as fully paid up Bonus Shares in the ratio of 2:1 by Capitalising Rs.1349.93 lakhs from General Reserve)	2,812.35	2,812.35
TOTAL	2,812.35	2,812.35
SCHEDULE 2		
RESERVES & SURPLUS		
Securities Premium		
As per Last Balance Sheet	12,599.31	12,599.31
Add: Addition during the year	-	-
	<u>12,599.31</u>	<u>12,599.31</u>
General Reserve		
As per last Balance Sheet	1,855.00	1,350.00
Add: Transfer from Profit & Loss Account	580.00	505.00
	<u>2,435.00</u>	<u>1,855.00</u>
Foreign Currency Translation Reserve	(0.08)	-
Balance in Profit Loss Account	<u>17,884.84</u>	<u>13,436.04</u>
TOTAL	32,919.07	27,890.35
SCHEDULE 3		
SECURED LOANS		
From Banks :		
- Term Loan (Rupee Loans)	1,100.92	-
- Term Loan (Foreign Currency Loans)	277.95	1,258.99
- Working Capital Demand Loans from consortium of Banks	5,944.59	5,708.64
From Others :		
-Term Loan	23.97	431.58
Secured Trade Advance : (Recoverable against Work done bills, against Bank Guarantees?)		
-Mobilization Advance	7,688.26	2,507.73
-Machinery Advance	1,125.60	1,125.60
TOTAL	16,161.29	11,032.54
Installments falling due within 12 months	1,129.62	1,513.55

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
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Notes:

a) **Working Capital Facilities: Cash Credit facilities from consortium of banks are secured by:**

- 1 Hypothecation of entire current assets on pari passu basis with other participating banks,
- 2 First pari passu charge on equitable mortgage of land & buildings, the WDV of which is Rs 1.38 crores as on 31.03.2009 .
- 3 First pari passu charge on equitable mortgage of 5 acres of agricultural land of approximate value of Rs 6.00 Crores
- 4 First pari passu charge on equitable mortgage of industrial factory buildings without machinery of approximate value of Rs 25.40 Crores
- 5 Hypothecation of certain equipment's of written down value as on 31.03.2010 is Rs 45.00 Crores
- 6 Personal guarantee of Managing Director.

b) **Term Loans :**

Terms Loans availed from bank and others are secured by hypothecation of specific assets, comprising plant and machinery, construction equipment and vehicles acquired out of the said loans and personal guarantee of a director.

c) **Advances :**

Mobilization and Machinery advances are received from clients against bank guarantees.

SCHEDULE 4

UN-SECURED LOANS

From Directors	2.31	24.47
TOTAL	2.31	24.47

SCHEDULE 5
FIXED ASSETS

₹ in Lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
		As at 01-04-10	Additions	Deductions/ Adjustments	As at 31-03-11	Up to 01-04-10	For the period	Deductions/ Adjustments	Up to 31-03-11	As at 31-03-11	As at 31-03-10
1.	Lands	3,592.53	247.66	-	3,840.19	-	-	-	-	3,840.19	3,592.53
2.	Buildings	253.00	41.11	-	294.11	39.61	12.15	-	51.76	242.35	213.39
3.	Plant and Machinery	24,491.44	10,625.00	350.45	34,765.99	7,613.17	3,912.54	209.69	11,316.02	23,449.97	16,878.27
4.	Office Equipment	46.99	21.19	-	68.18	18.52	6.01	-	24.53	43.65	28.47
5.	Furniture and Fittings	65.73	48.07	-	113.80	41.38	6.58	-	47.96	65.84	24.35
6.	Computers & Accessories	50.98	16.92	-	67.90	32.17	10.89	-	43.06	24.84	18.81
7.	Office Vehicles	426.44	324.34	7.11	743.67	187.08	106.75	2.33	291.50	452.17	239.36
8.	Ships	-	2.43	-	2.43	-	0.09	-	0.09	2.34	-
	TOTAL	28,927.11	11,326.72	357.56	39,896.27	7,931.93	4,055.01	212.02	11,774.92	28,121.35	20,995.18
	Capital Work in Progress									1,061.92	1,053.37
	As at 31st March, 2010	25,991.57	2,948.00	12.46	28,927.11	5,325.33	2,617.52	10.92	7,931.93	29,183.27	22,048.55

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 6		
INVESTMENTS		
A. Long Term (At Cost)		
i) In Govt. Securities		
National Savings Certificates	1.01	1.01
ii) In Subsidiary Companies - Unquoted (Fully Paid)		
1) KNR Agrotech & Beverages Pvt Ltd., (Wholly Owned Subsidiary) 10,000 Equity shares @ Rs.10/- each (P.Y 10,000 Equity shares @ Rs. 10/- each)"	1.00	1.00
2) KNR Constructions - LLC, at Oman 12,996 Equity shares @ (01 Omani Rials each) (P.Y 162,500 Equity Shares)"	206.07	206.07
3) KNRCL - FZE, at RAK 05 Equity shares purchased during the year @ (100000 AED each share) (P.Y Nil)	48.88	-
4) KNR Infrastructures Projects Pvt Ltd (Wholly Owned Subsidiary) 10,000 Equity shares @ Rs.10/- each (P.Y Nil)"	1.00	-
iii) In Associate Companies - Unquoted (Fully Paid)		
1) Patel-KNR Infrastructures Ltd., 14,800,000 Equity shares @ Rs.10/- each (P.Y 14,800,000 Equity shares @ Rs. 10/- each)"	1,480.00	1,480.00
2) Patel-KNR Heavy Infrastructure Ltd., 9,529,500 Equity shares @ Rs.10/- each (P.Y 9,529,500 Equity shares @ 10/- each) (these shares have been pledged to IDBI Trusteeship) "	952.95	952.95
iv) In Mutal Funds - Quoted		
SBI Infrastructure Fund 50,000 Units @ Rs. 10/- each (Market Value Rs.9.37/- (P.Y Rs. 10.34/-) each)"	5.00	5.00
SBI Magnum Comma Fund 50,000 Units purchased @ Rs. 10/- each (Market Value Rs.24.12/- (P.Y Rs. 16.37/-) each)"	5.00	5.00
SBI PSU Fund 50,000 Units purchased during the year @ Rs. 10/- each (Market Value Rs.9.84/- (P.Y Rs. Nil) each)	5.00	-
v) In Joint Ventures	4,152.44	3,855.76
	6,858.35	6,506.79
TOTAL	6,858.35	6,506.79
Aggregate Value of Quoted Investments		
- Cost	15.00	10.00
- Market Value	21.67	13.37
Aggregate Value of Un-Quoted Investments	6,843.35	6,496.79

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
Materials at Site (As certified by the Management)	2,208.60	1,367.71
TOTAL	2,208.60	1,367.71
Sundry Debtors *		
(Unsecured, considered good)		
Debts Over Six months	4,875.25	3,579.74
Others Debts	9,175.95	15,428.01
TOTAL	14,051.20	19,007.75
* includes Rs. 2442.52 (P.Y Rs. 4234.77) due from Company in which Company is Interested		
Cash and Bank Balances		
Cash on hand	17.80	19.67
Balances with Scheduled Banks		
i) In Current Accounts	337.63	295.74
ii) In Margin Money Deposits (Lodged with Banks against guarantee / Letters of credit issued and freehold)	3,455.96	3,597.54
TOTAL	3,811.39	3,912.95
Other Current Assets		
(Unsecured, considered good)		
Retention Money	3,522.56	3,319.11
Other Deposits	1,045.75	552.37
Due from Customer	3,586.38	3,871.90
Hire Charges Receivable	-	7.82
VAT Receivable	65.50	192.00
Interest Accrued But Not Received	-	24.69
	8,220.19	7,967.89
Less: Provision for Doubtful Deposits	32.00	22.00
TOTAL	8,188.19	7,945.89
Loans & Advances		
(Unsecured and Considered good unless otherwise stated)		
Advances to Subsidiary Companies	181.54	124.92
Advances to Associate Companies (SPV's)	5,594.56	9,212.21
Advances Recoverable in cash or kind or for value to be received	5,253.53	3,772.38
Prepaid Expenses	222.28	268.10
Advance Tax for Income Tax / Wealth Tax / FBT	5,997.39	6,247.11
TOTAL	17,249.30	19,624.72

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
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SCHEDULE 8

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Sundry Creditors	13,471.39	15,468.98
Advance from Clients / Subsidiaries *	2,443.00	757.67
Due to Customers	7,422.42	15,189.12
Interest Accrued But Not Due on loans	9.96	7.36
Liability towards Investors Education and Protection Fund	-	-
Unclaimed Dividend - Not Due	2.15	1.36
Unclaimed IPO Refund - Not Due	0.09	0.09
TOTAL	23,349.01	31,424.58

* includes Rs. 847.15 lakhs (P.Y Rs.493.72 lakhs) payable to Company in which Company is Interested and advance received from foreign subsidiaries Rs. 229.24 lakhs (P.Y Rs. Nil)

Provisions		
Provision for Taxation	5,790.42	6,400.89
Provision for Wealth Tax	3.53	2.40
Provision for Gratuity	119.94	103.26
Provision for Dividend Tax	91.25	95.59
Proposed Dividend	562.47	562.47
TOTAL	6,567.61	7,164.61

SCHEDULE 9

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
Opening Balance	623.67	712.76
Less: Written off during the period / year	89.09	89.09
TOTAL	534.58	623.67

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 10		
OTHER OPERATING INCOME		
Share of Profit / Loss from Joint Ventures	1,005.15	350.74
Hire Charges Received	0.33	25.59
TOTAL	1,005.48	376.33
SCHEDULE 11		
OTHER INCOME		
Profit on Sale of Assets	0.46	0.02
Liabilities no longer required written back	15.44	0.10
Foreign Currency Exchange Fluctuations	22.64	(0.66)
Dividend from Current Investments	0.38	217.49
Insurance Claims Received	46.15	15.32
Miscellaneous Receipts	160.88	137.21
TOTAL	245.95	369.48
SCHEDULE 12		
MATERIALS CONSUMED		
Stock at Commencement	1,367.71	1,854.76
Add: Net Purchases	19,920.99	18,456.34
	21,288.70	20,311.10
Less: Closing Stock	2,208.60	1,367.71
TOTAL	19,080.10	18,943.39
SCHEDULE 13		
WORK CONTRACT EXPENSES		
Sub-contractors Work Bills	29,661.75	27,448.20
Transport Charges	779.41	661.31
Power Charges	151.45	136.37
Seigniorage Charges	662.91	647.30
Value Added Tax (VAT) / Sales Tax	2,305.74	1,021.81
Recoveries by Clients	435.06	83.05
Repairs & Maintenance		
Plant & Machinery and Vehicles	197.58	259.88
Buildings & Others	6.64	12.35
Spreading & Assortment Exp.	8,179.41	7,431.55
Other Expenses	626.03	750.76
TOTAL	43,005.98	38,452.58

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 14		
ADMINISTRATION AND OTHER EXPENSES		
Salaries , Wages and Other Benefits	1,647.56	1,468.85
Contribution to Provident Fund and Other Funds	56.79	47.61
Staff Welfare Expenses	34.47	32.10
Directors Remuneration	187.50	150.00
Travelling & Conveyance	94.10	73.58
Boarding & Lodging Expenses	14.78	8.17
Printing & Stationery	39.73	31.87
Postage, Telegrams and Telephones	40.43	34.50
Rates & Taxes	245.76	92.94
Tender Expenses	92.19	27.78
Business Promotion Exp	27.81	15.60
Office Maintenance	18.42	15.88
Rent Expenses	74.32	63.81
Advertisement and publicity	38.86	26.11
Legal & Professional Charges	578.46	122.30
Electricity Charges	42.82	12.64
Insurance	189.75	255.79
Miscellaneous Expenses	66.64	59.96
Loss on Sale of Assets / Discarded	49.72	0.57
Loss on Redemption of Mutual Funds	0.16	-
Bad Debts / Advances written off	0.02	0.85
Provision for Doubtful Advances and Deposits	10.00	-
Director's Sitting Fees	8.15	6.00
Auditor Remuneration :		
Audit Fees	2.00	2.00
Tax Audit Fees	1.00	1.00
Other Services	2.00	2.00
TOTAL	3,563.44	2,551.91

SCHEDULE 15

INTEREST AND FINANCIAL CHARGES

Interest on

Working Capital Demand Loans and Cash Credit	265.95	260.20
Term Loans	158.33	310.59
Mobilization and Machinery Advances	-	-
Directors Advances	0.43	2.04
Others	29.89	3.21
	454.60	576.04
Less: Interest received from banks and others	66.35	209.11
(Gross of Tax Deducted at Source Rs. 07.22 (P.Y 20.70))	388.25	366.93
Financial Charges	393.98	332.15

TOTAL

782.23

699.08

SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule – 16

Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The Accounts have been prepared on accrual basis under historical cost convention in accordance with the Generally Accepted Accounting Principles in India and the provisions of the Companies Act, 1956.

b) Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenue, expenses and provisions etc., during the reported period. Actual figures could differ from those estimates.

c) Fixed Assets And Depreciation

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for plant & machinery in the case of KNT-01, AP-7 and OR-07 projects which are depreciated under SLM method based on the useful lives of the same. The management has estimated the useful life of the plant & machinery.

Assets costing up to Rs. 5,000 are depreciated fully in the year of purchase.

d) Borrowing Costs

Borrowing Costs that are directly attributable to the acquisition or the construction of a qualifying asset is capitalized for the period until the asset is ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time i.e., more than 12 months to get ready for intended use. All other borrowing costs are charged to revenue.

e) Impairment Of Assets

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the assets is estimated. The recoverable amount is the greater of the asset's net selling price and value in use which is determined based on the estimated future cash flow discounted to their present values. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount.

f) Investments

Investments are classified as long term and current investments. Long Term Investments are carried at cost less provision for permanent diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

g) Inventories

Raw Materials, construction materials and stores & spares are valued at weighted average cost. Cost excludes refundable duties and taxes.

h) Employee Benefits

A) Short Term Employee Benefits :

Short term employee benefits are recognized in the period during which the services have been rendered.

B) Long Term Employee Benefits :

i) Gratuity

The provision for gratuity is made based on valuation done by the independent actuaries. The company has taken Group Gratuity Policy of L.I.C. of India and premium paid is recognized as expenditure when it is incurred. Actuarial gains and losses in respect of gratuity are charged to profit and loss account.

ii) Provident Fund

Contributions to Provident Fund (a defined contribution plan) are made to Regional Provident Fund Commissioner and are charged to revenue.

iii) Other Benefits

Leave Encashment, Service Compensation, Bonus, and medical re-imburement are accounted on cash basis.

i) Share Issue Expenses

Share issue expenses are written off over a period of 10 years.

j) Revenue Recognition

Fixed price contracts received up to March 31, 2003

Contract revenue is recognized by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

Fixed price contracts received on or after April, 1, 2003

Contract revenue is recognized using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated contract cost. Full provision is made for any loss in the year in which it is foreseen.

k) Joint Venture Projects

In respect of Joint Ventures which are jointly controlled entities (JCE), the company's share in JCE profit is taken as income. The company's share of turnover in JCE is added to the turnover of the Company to arrive at the overall company's exposure to work contracts. Investments in joint ventures are stated at cost with adjustment to respective share of profit / loss in JCE.

l) Foreign Exchange Translation And Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognized in the profit and loss account.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions are recognized in the Profit and Loss Account.

Foreign branches are classified as non-integral foreign operations. Assets and Liabilities (both monetary and

non-monetary) are translated at the closing rate at the year end. Income and expenses are translated at the monthly average rate at the end of the respective month. All resulting exchange differences are accumulated in a separate account titled 'Foreign Currency Translation Reserve' till the disposal of the net investments.

m) Taxes

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable incomes and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is a virtual certainty that there will be sufficient taxable income in future.

n) Earnings per Share (EPS)

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings Per Share notified by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share is computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Share holders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive.

o) Leases

Lease rentals of Quarry Land is written off over the period of its useful life.

Leasehold land rental charges is written off over the period of the lease.

p) Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made in the notes on accounts when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. All amounts in the financial statements are presented in Indian Rupees in lakhs except per share data and as otherwise stated. Figures in brackets represent corresponding previous year figures in respect of Profit & Loss items and in respect of Balance Sheet items as on the Balance Sheet date of the previous year. Figures for the previous year have been regrouped / rearranged wherever considered necessary to confirm to the figures presented in the current year.

During the year ,the company has opened a branch at Dubai on 26-04-2010. This branch operations are controlled by Sri K.Jalandhar Reddy, Executive Director of the Company.

During the year, the company purchased all the equity shares in KNRCL FZE, a foreign company, which was owned by Sri K. Narasimha Reddy, M.D of KNR Constructions Ltd., on 29-11-2010. Against this transaction , the company has not paid the purchase consideration of Rs 48,88,337/- to Sri K. Narasimha Reddy as on 31-3-2011 . Sri K. Narasimha Reddy has been appointed as the Director of this company. Five Equity shares, face value of AED 100000 each have been purchased from Sri. K. Narasimha Reddy , M.D of KNR Constructions Ltd and purchase value of each share is AED 78174 as on 29-11-2010.

During the year ,the company purchased all the equity shares in KNR Infra Projects Pvt Ltd., Hyderabad on 28.03.2011 which was promoted by Sri K. Jalandhar Reddy and Sri J.V. Panindra Reddy. The total purchase consideration of Rs. 1,00,000/- has been paid to the said persons during the financial year .

Additional amount of depreciation has been charged to the Profit & Loss A/c to the tune of Rs 9,44,94,285/-during the financial year on account of the change in accounting policy of providing depreciation on plant and machinery for few projects only from Written Down Value Method to Straight Line Method based on the useful lives estimated by the management .

2. Contingent Liabilities not provided for

₹ in Lakhs

Sl No	Particulars	2010 -11	2009-10
a.	Bank Guarantees		
	- for Company	31434.05	19338.34
	- for Joint Ventures'	3197.36	4086.20
	-for Subsidiaries	Nil	Nil
	- for Associates (SPV's)	200.00	622.32
	Total	34831.41	24,046.86
b.	Corporate guarantees given to banks and financial institutions for financial assistance extended to Subsidiaries, Associates and Joint Ventures	13642.25	52642.25
c.	Counter Guarantees to Corporates	280.00	Nil
d.	Letters of Credit	Nil	Nil
e.	Demands against the Company not acknowledged as debts and not provided for in respect of which the Company has filed appeal.		
	- Income Tax	2954.75	4.68
	- Sales Tax / VAT / Entry Tax	1481.99	156.50
f.	Claims against the Company not acknowledged as debts	Nil	Nil
g.	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		

3. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for

₹ in Lakhs

Sl.No.	Particulars	2010-11	2009-10
a.	For Construction Equipments	1551.75	300.00
b.	For Equity investment in KNRCL-FZE foreign subsidiary	48.88	Nil
c.	For Immovable properties	720.00	Nil

4. Cash and Bank Balances

a)	Cash on hand includes Rs.1.51 lakhs (P.Y Rs.1.46 lakhs) held in foreign currency.
b)	Balances with banks in current account & deposit account represents balances with scheduled banks only.

5. Managerial Remuneration

₹ in Lakhs

Sl. No	Particulars	2010-11	2009-10
a.	Salaries, allowances and perquisites	190.33	151.99
b.	Sitting Fees	8.15	6.00
c.	Contribution to Provident Fund	11.25	9.00
Total		209.73	166.99

Note: The above figures does not include provision for gratuity.

Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956.

₹ in Lakhs

Sl. No.	Particulars	2010-11	2009-10
a.	Profit before Taxation	8973.15	8262.47
b.	Add: Managerial Remuneration	201.58	160.99
	Loss on Sale of Fixed Assets / Written off Assets	49.72	0.57
	Provision for doubtful advances	10.00	Nil
	Provision for Gratuity	16.68	85.08
Sub- Total		277.98	246.64
c.	Less: Profit on Sale of Fixed Assets	0.46	0.02
Total (Profit for the year as per Section 349)		9250.67	8509.09
Maximum remuneration payable		1017.57	936.00
Remuneration paid		201.58	160.99

6. Deferred Taxes

The composition of Deferred Tax assets and liabilities is a below:

₹ in Lakhs

Sl. No.	Particulars	2010-11	2009-10
A.	Deferred Tax Assets on timing difference due to: Expenditure not allowed u/s 43B and 40 a (ia)	-152.43	-27.68
B.	Deferred Tax Liabilities on timing difference due to : Depreciation	-263.45	4.93
Net Deferred Tax Liability (A-B)		-415.88	-22.75

7. Earning Per Share

₹ in Lakhs

Sl. No	Particulars	2010-11	2009-10
a.	Net Profit for the year after tax and prior year items	5682.52	5028.07
		Nos.	Nos.
b.	Weighted Average number of equity shares for basic EPS (in lakhs)	281.23	281.23
c.	Face Value per share	10	10
d.	Basic EPS	20.21	17.88

8. Expenditure / Remittance and Advances Received in Foreign Currency

₹ in Lakhs

Sl. No	Particulars	2010-11	2009-10
I Expenditure / Remittance			
a.	On account of Travel (including boarding & lodging Exp)	3.38	8.92
b.	On account of Capital Goods	1243.73	158.31
c.	On account of Investment	Nil	206.07
d.	On account of Advance / Loan	46.67	Nil
e.	On account of Term Loan re-payment (including interest and other charges)	5.95	Nil
II Income / Advances Received			
a.	Advances from KNR Constructions LLC	189.58	Nil

9. Remittance in foreign currencies for dividend

The company has not remitted any amount in foreign currencies on account of dividends during the year and does not have any information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made to/on behalf of non resident share holders. The particulars of dividend paid to non resident shareholders during the year ended March 31, 2011 are as under:

₹ in Lakhs

Sl. No.	Particulars	2010-11	2009-10
a.	Number of non-resident shareholders	115	83
b.	Number of equity shares held by them	75143	17640
c.	i) Amount of dividend paid	150286	35280
	ii) Year to which dividend relates	2009-10	2008-09

10. Disclosure pursuant to Accounting Standard – 7 (Revised) “Construction Contracts”

₹ in Lakhs

Sl. No.	Particulars	2010-11	2009-10
a.	Contract Revenue recognized as revenue during the year	77123.82	70870.23
b.	Contract costs incurred and recognized Profits, less losses	77123.82	70870.23
c.	Advances received, net of recoveries from Progressive bills	11027.62	4391.00
d.	Retention Deposits	3522.56	3319.11
e.	Gross amount due from customers	3586.38	3871.90
f.	Gross amount due to customers	7422.42	15189.12

11. Particulars of Loans and Advances in the nature of loans as required by clause 32 of the Listing Agreement

Sl. No.	Name of the Company	Balance as on		Maximum outstanding	
		31-03-2011	31-03-2010	2010-11	2009-10
A.	Subsidiaries				
	KNR Agrotech Beverage Pvt Ltd.,	138.05	124.92	138.05	124.92
	KNRCL - FZE #	43.49	Nil	43.49	Nil
	KNR Infrastructure Projects Pvt. Ltd., @	Nil	NA	Nil	NA
B.	Associates				
	Patel –KNR Infrastructure Ltd.,	0.40	4260.41	4260.41	4260.41
	Patel-KNR Heavy Infrastructure Ltd.,	5594.15	4951.79	6493.87	4981.08
C.	Loans and Advances where there is no repayment schedule				
	KNR Agrotech Beverage Pvt. Ltd.,	138.05	124.92	138.05	124.92
	KNRCL – FZE	43.49	Nil	43.49	Nil
	Patel –KNR Infrastructure Ltd.,	0.40	4260.41	4260.41	4260.41
	Patel-KNR Heavy Infrastructure Ltd.,	5594.15	4951.79	6493.87	4981.08
D.	Loans where no interest is charged or interest is below section 372A of Companies Act, 1956				
	KNR Agrotech Beverage Pvt Ltd., *	138.05	124.92	138.05	124.92
	KNRCL – FZE*	43.49	Nil	43.49	Nil
	Patel –KNR Infrastructure Ltd., **	0.40	4260.41	4260.41	4260.41
	Patel-KNR Heavy Infrastructure Ltd., **	5594.15	4951.79	6493.87	4981.08
E.	Loans to firms / Companies in which directors are interested				
		Nil	Nil	Nil	Nil

* These interest free un-secured loan given to wholly owned subsidiary company.

** These interest free un-secured loans are given to SPV's as per the terms and conditions of the respective concession agreements.

Has become a subsidiary with effect from 29-11-2010.

@ Has become a subsidiary with effect from 28-03-2011.

12. The Company has not received any intimation from 'Suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any relating to amounts unpaid as at the year end together with interest paid /payable as required under the said Act have not been given.

13. Segmental Reporting

The Company's operations consist of Construction activities. Hence, there are no reportable segments under Accounting Standard – 17. During the year under report, the Company has engaged in business in India only and not in any other Country. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

14. As per the Accounting Standard-27 on 'Financial Reporting of Interest in Joint Venture' issued by the Institute of Chartered Accountants of India, the particulars of Joint Venture and its interest there in are as follows:

Name of the Company	Per-centage of Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitment	Income	Expenditure
Patel-KNR-JV	50%	8236.49	8236.49	Nil	Nil	21861.44	20791.18
KNR-Patel-JV	51%	358.74	358.74	Nil	Nil	5.34	28.59
NCC-KNR-JV	Project wise	547.18	547.18	Nil	Nil	Nil	8.58
KNR-SLEC-JV	60%	355.34	355.34	Nil	Nil	34.91	33.37
KNR-BPL-JV	49%	289.90	289.90	77.05	Nil	Nil	Nil
KNR-GVR-JV	51%	7110.92	7110.92	Nil	Nil	21420.42	20754.35
KNR-JKM-KAMAL-JV	50%	2099.91	2099.91	Nil	Nil	10796.97	10473.36

15. Related Party Transactions

A. Following is the list of related parties and relationships:

Sl.No	Particulars	Sl.No	Particulars
A)	Subsidiaries KNR Agrotech Beverages Pvt Ltd., KNR Constructions LLC, Oman KNR – FZE * KNR Infrastructure Projects Pvt Ltd., **	D)	Key Management Personnel Sri K. Narasimha Reddy , M.D Sri K. Jalandhar Reddy, E.D Sri J.V. Panindra Reddy, E.D Sri M. Rajesh Reddy, E.D Sri M. V.Venaka Rao, C.S Sri G. Sravana Kumar, G.M
B)	Joint Ventures KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV KNR-GVR-JV KNR-JKM-KAMAL-JV	E)	Relatives of Key Management Personnel NIL
C)	Associates Patel-KNR Infrastructure Ltd., Patel-KNR Heavy Infrastructure Ltd.,	F)	Enterprises owned or significantly influenced by key management personnel or their relatives Yuvashakthi Enterprises (Firm) KNR Infrastructure Projects Pvt Ltd., Vishnu Publicity Solutions Pvt. Ltd., Trapezoid Software Solutions Pvt. Ltd., Mesmeric Software Solutions Pvt. Ltd., Nag Talent Ventures & Infotech Pvt. Ltd.,

* Has become a subsidiary with effect from 29-11-2010.

** Has become a subsidiary with effect from 28-03-2011.

B) Related party transactions during the year ended March 31, 2011 are as follows:

(Previous year's figures are given in brackets below the current year figures)

₹ in Lakhs

Sl. No	Particulars	Subsidiaries	Associates	Joint Ventures	Key Management Personnel	Enterprises own or significantly influenced by Key Management Personnel or their relatives
1	Net Investments	49.88 (206.07)	Nil (-)	-708.47 (-422.33)	- (-)	- (-)
2	Un-secured advance / loan given / (re-paid) – Rupee	13.13 (81.04)	-3617.65 (5067.10)	- (-)	- (-)	- (-)
3	Un-secured advance / loan given – Foreign currency	43.49 (-)	- (-)	- (-)	- (-)	- (-)
4	Un-secured loan received Rupee	- (-)	- (-)	- (-)	439.55 (36.50)	- (-)
5	Un-secured loan received at (Dubai branch , KNRCL –FZE, KNR Constructions -LLC) Foreign currency	189.58 (-)	- (-)	- (-)	8.38 (-)	- (-)
6	Un-secured loan re-paid	- (-)	- (-)	- (-)	462.16 (16.02)	- (-)
7	Purchase of Office Building from Patel-KNR-JV	- (-)	- (-)	36.00 (-)	- (-)	- (-)
8	Net Share of Profit	- (-)	- (-)	1005.15 (350.74)	- (-)	- (-)
9	Prior Period Tax of JV's	- (-)	- (-)	Nil (626.50)	- (-)	- (-)
10	Sub-Contract Jobs given	- (-)	- (-)	38.71 (281.82)	- (-)	- (-)
11	Sub-Contract / (EPC) / Maintenance Jobs received	- (-)	2206.84 (2893.87)	Nil (3963.55)	- (-)	- (-)
12	Remuneration paid (including other benefits and contribution to Provident Fund)	- (-)	- (-)	- (-)	222.42 (175.99)	- (-)
13	Land Lease and Office Rent Paid	- (-)	- (-)	- (-)	24.46 (24.09)	- (-)
14	Rent Received	- (-)	- (-)	- (-)	0.60 (0.60)	- (-)

15	Interest Paid	-	-	-	0.42	-
		(-)	(-)	(-)	(2.04)	(-)
16	Interest Received	-	1.87	-	-	-
		(-)	(3.73)	(46.98)	(-)	(-)
17	BG Commission received	-	5.57	42.68	-	-
		(-)	(-)	(57.50)	(-)	(-)
18	Professional Charges received from Patel-KNR_JV by Directors	-	-	-	118.96	(-)
		(-)	(-)	(-)	(98.13)	(-)
19	Purchase of Equity shares in KNR Infrastructure Projects Pvt Ltd., consideration amount paid	-	-	-	1.00	-
		(-)	(-)	(-)	(-)	(-)
20	Purchase of Equity shares in KNRCL - FZE consideration payable	-	-	-	48.88	-
		(-)	(-)	(-)	(-)	(-)
21	Corporate Guarantee Given	-	13142.50	500.00	-	-
		(-)	(52142.25)	(500.00)	(-)	(-)
22	Bank Guarantee Given	-	200.00	3197.36	-	-
		(-)	(622.32)	(4086.20)	(-)	(-)
23	Cost of construction of office building under development agreement (under capital work in progress)	-	-	-	223.14	223.14
		(-)	(-)	(-)	(-)	(-)
24	Debit balances outstanding as on 31st March, 2011 –	-	3.770	5942.12	10.00	10.00
		(-)	(1475.12)	(4343.36)	(10.00)	(10.00)
25.	Credit balances outstanding as on 31st March,2011 –	-	13.00	847.15	-	-
		(-)	(-)	(493.72)	(-)	(-)

Note: The amounts mentioned above in the case of M/s. Patel-KNR Heavy Infrastructure Ltd., an associate company are based on the un-audited balance sheet.

16. There was no impairment Loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard-28 issued by the Institute of Chartered Accountants of India. Further during the review of assets of the company, those assets which are found having nil market value have been written off in the accounts.
17. Debit and credit balances of parties are subject to confirmation by the respective parties.
18. The Company has taken unsecured advances / loans from its directors, the details of which are furnished below:

₹ in Lakhs

Name of the Party	Relation-ship	Opening Balance as on 01-04-2010	Loan received during the year	Interest (net of TDS)	Loan re-paid during the year	Outstanding as on 31-03-2011
K. Narasimha Reddy	M.D	0.13	340.15	Nil	340.28	Nil
K. Jalandhar Reddy	E.D	0.70	99.40	0.01	100.11	Nil
J.V. Panindra Reddy	E.D	23.63	Nil	0.37	24.00	Nil
K. Narasimha Reddy -at Dubai Branch	M.D	0.00	2.31	Nil	0.00	2.31

19. Additional information pursuant to provisions of Para 3, 4C and 4D of Part – II of Schedule VI of Companies Act, 1956 – not applicable.

20. Figures of previous year have been regrouped / rearranged wherever necessary to conform to the current year presentation.

Signatures to Schedules 1 to 16 forming part of the financial statements.

As per our report of even date

For **Sukumar Babu & Co.,**
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu
Partner

Membership No. : 200/24293

For and on behalf of the Board

Sd/-

K.Narasimha Reddy
Managing Director

Sd/-

K.Jalandhar Reddy
Executive Director

Sd/-

G.Sravana Kumar
GM (F&A)

Sd/-

M.V.Venkata Rao
Company Secretary

Place : Hyderabad

Date : 08-08-2011

AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
KNR Constructions Limited

1. We have audited the attached Consolidated Balance Sheet of KNR Constructions Limited ('the Company') and its Subsidiaries, Joint Ventures and Associates (collectively referred to as 'the Group') as at March 31, 2011 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto in which are incorporated the returns from Oman and Duabi and certain Joint Ventures, audited by other auditors. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard-23 (Accounting for Investments in Associates in Consolidated Financial Statements) and jointly controlled entities accounted in accordance with Accounting Standard-27 (Financial Reporting of Interests in Joint Ventures) as notified under Companies (Accounting Standards) Rules, 2006. These consolidated financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, jointly controlled entities and associates, whose financial statements reflect Group's share of assets of Rs. 11891.43 lakhs as at March 31, 2011, Group's share of total revenue of Rs. 26872.74 lakhs, and Group's share of profit of Rs. 996.66 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it related to the amounts included in respect of these Subsidiaries, Joint Ventures, Associates is based solely on the report of other auditors, except in case of those concerns referred in item no. 7 in notes on accounts.
4. We report that:
 - a. the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21 (Consolidated Financial Statements), Accounting Standard-23 (Accounting for Investments in Associates in Consolidated Financial Statements), and Accounting Standard-27 (Financial Reporting of Interests in Joint Ventures) as notified by the Companies (Accounting Standards) Rules, 2006 ;
 - b. Based on our audit and on consideration of reports of the other auditors on separate statements and on the other financial information of the components, subject to 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

for **Sukumar Babu & Co.**,
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu
Partner

M.No: 200/24293

Place: Hyderabad
Date: 08-08-2011

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	Schedule	As at 31st March, 2011	As at 31st March, 2010
I. SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
Share Capital	1	2,812.35	2,812.35
Reserves & Surplus	2	34,593.31	29,454.47
		37,405.66	32,266.82
Minority Interest		101.85	99.56
LOAN FUNDS			
Secured Loans	3	17,922.09	15,574.79
Un-Secured loans	4	15.23	59.47
		17,937.32	15,634.26
DEFERRED TAX LIABILITY			
		280.89	696.77
	TOTAL	55,725.72	48,697.41
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	45,259.09	34,624.24
Less : Depreciation		14,527.76	10,307.34
Net Block		30,731.33	24,316.90
Capital work-in-progress		1,117.66	1,102.47
Goodwill on Consolidation		1.52	0.58
INVESTMENTS			
	6	3,533.36	3,404.64
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	4,590.13	3,694.19
Sundry Debtors		14,498.52	19,114.40
Cash & Bank Balance		4,574.61	5,395.81
Other Current Assets		8,714.20	8,726.48
Loans & Advances		21,002.32	24,271.23
		53,379.78	61,202.11
CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	8	26,742.10	34,590.47
Provisions		6,830.39	7,362.48
		33,572.49	41,952.95
Net Current Assets		19,807.29	19,249.16
MISCELLANEOUS EXPENDITURE (To the extent not written off)	9	534.56	623.66
	TOTAL	55,725.72	48,697.41

Accounting Policies and Notes on Accounts 17
Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 200/24293

Place : Hyderabad

Date : 08-08-2011

For and on behalf of the Board

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

₹ in Lakhs

Particulars	Schedule	For the year ended 31st March, 2011	For the year ended 31st March, 2010
I. INCOME			
Total Work Contract Receipts		105,170.31	89,917.27
Other Operating Income	10	0.33	28.09
Other Income	11	272.80	466.27
		<u>105,443.44</u>	<u>90,411.63</u>
II. EXPENDITURE			
Materials Consumed	12	23,303.77	23,971.70
Work Contract Expenses	13	62,913.76	48,993.62
Administration And Other Expenses	14	4,237.89	3,397.39
Interest And Finance Charges	15	970.68	1,187.10
Depreciation		4,617.98	3,202.03
Increase/Decrease in Work-in-Progress	16	(250.93)	988.09
Issue Expenses Written off		89.09	89.09
		<u>95,882.24</u>	<u>81,829.02</u>
Profit Before Tax		9,561.20	8,582.61
Provision for Taxation			
- Current Tax		3,677.90	3,052.63
- Wealth Tax		3.53	3.05
- Deferred Tax		(415.88)	(15.11)
Profit After Taxation		<u>6,295.65</u>	<u>5,542.04</u>
Add/(Less): Prior Period Items		(613.43)	87.16
Add/(Less) Less: Prior Year's Taxation		(11.00)	(4.99)
Profit After Tax before Minority Interest		<u>5,671.22</u>	<u>5,624.21</u>
Add/(Less) Share of profit from Associates		123.72	960.42
Add/(Less) Minority Interest		2.81	10.00
Profit after Tax and Minority Interest		<u>5,797.75</u>	<u>6,594.63</u>
Balance in Profit and Loss account brought forward		15,002.62	9,571.05
AMOUNT AVAILABLE FOR APPROPRIATIONS		<u>20,800.37</u>	<u>16,165.68</u>
APPROPRIATIONS			
Proposed Dividend		562.47	562.47
Corporate Dividend Tax		91.25	95.59
Transferred to General Reserve		580.00	505.00
Balance carried to Balance Sheet		<u>19,566.65</u>	<u>15,002.62</u>
		<u>20,800.37</u>	<u>16,165.68</u>
Earning Per share - Basic/Adjusted		20.62	23.45
- Diluted		20.62	23.45

Accounting Policies and Notes on Accounts 17

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

Sd/-
G.Sravana Kumar
GM (F&A)

Sd/-
M.V.Venkata Rao
Company Secretary

Membership No. : 200/24293

Place : Hyderabad

Date : 08-08-2011

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

₹ in Lakhs

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	9,561.20	8,582.61
Adjustments for:		
Depreciation	4,617.98	3,202.03
Issues Expenses Written Off	89.09	89.09
Provision for Gratuity	16.68	85.08
Provision for Doubtful advances	10.00	-
Loss on sale of assets and Discarded	84.29	1.10
Profit on sale of Assets	(0.46)	(1.98)
Dividend Received on Current Investments	(0.38)	(217.49)
Interest and Financial Charges	1,493.32	1,398.64
Interest Received	(522.64)	(211.54)
	5,787.88	4,344.93
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	15,349.08	12,927.54
Adjustments for changes in		
Trade and Other Receivables	7,543.04	(17,377.35)
Inventories	(895.94)	1,508.78
Trade Payables and Other Liabilities	(7,615.02)	8,732.12
	(967.92)	(7,136.45)
Cash generated from Operations	14,381.16	5,791.09
Prior Period Items, Minority Interest and Share of profit from Associates	(486.90)	1,057.58
Taxes paid	(3,885.11)	(2,756.99)
NET CASH FROM OPERATING ACTIVITIES	10,009.15	4,091.68
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and other Capital Expenditure	(11,359.71)	(3,943.71)
Proceeds from sale of Fixed Assets	222.30	24.46
Dividend Received on Current Investments	0.38	217.49
Investment in Mutual Funds, Associates and others	(128.72)	3,091.60
Foreign Exchange Translation adjustment (arising on consolidation)	5.19	2.46
Goodwill on Consolidation	(0.94)	(0.12)
Minority Interest	2.29	99.56
Interest Received	517.75	209.69
TDS on Interest Received	(7.22)	(20.70)
NET CASH USED IN INVESTING ACTIVITIES	(10,748.68)	(319.27)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(1,182.24)	(4,972.36)
Mobilization and Machinery advances received from customers	3,249.35	2,766.42
Interest paid	(1,490.72)	(1,412.60)
Issue Expenses	-	-
Dividend and Dividend Tax paid	(658.06)	(658.06)
NET CASH FROM FINANCING ACTIVITIES	(81.67)	(4,276.60)
D. NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	(821.20)	(504.19)
Cash and Cash Equivalents as at April 1, 2010 (Opening Balance)	5,395.81	5,900.00
Cash and Cash Equivalents as at March 31, 2011 (Closing Balance)	4,574.61	5,395.81
Net Cash Flow	(821.20)	(504.19)

Notes

- 1 Cash and Cash equivalents includes:
“Rs. 3455.96 (P.Y Rs. 4142.54) margin money in fixed deposits account against letters of Guarantee issued
“Rs.2.15 (P.Y 1.36) in Unclaimed Dividend Account and Rs. 0.09 (P.Y 0.09) in IPO refund account.
- 2 The Cash flow statement is prepared under ‘indirect method’ as set out in Accounting Standard - 3 on
Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 3 Previous year’s figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.

As per our report of even date attached

For **Sukumar Babu & Co.,**
Chartered Accountants
(ICAI Registration No.004188S)

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner
Membership No. : 200/24293

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

Sd/-
G.Sravana Kumar
GM (F&A)

Sd/-
M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 08-08-2011

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 1		
SHARE CAPITAL		
Authorised Capital		
35,000,000 (P.Y 35,000,000) Equity Shares of Rs. 10/- each	3,500.00	3,500.00
Issued, Subscribed and Paid Up		
28,123,460 (P.Y 28,123,460) Equity Shares of Rs. 10/- each (Out of the above 13,499,260 Equity Shares of RS. 10/- each were allotted in 2005-06 as fully paid up Bonus Shares in the ratio of 2:1 by Capitalising Rs.1349.93 lakhs from General Reserve)	2,812.35	2,812.35
TOTAL	2,812.35	2,812.35
SCHEDULE 2		
RESERVES & SURPLUS		
Securities Premium		
As per Last Balance Sheet	12,599.31	12,599.31
Add: Addition during the year	-	-
	12,599.31	12,599.31
General Reserve		
As per last Balance Sheet	1,855.00	1,350.00
Add: Transfer from Profit & Loss Account	580.00	505.00
	2,435.00	1,855.00
Foreign Currency Translation Reserve	(7.65)	(2.46)
Balance in Profit Loss Account	19,566.65	15,002.62
TOTAL	34,593.31	29,454.47
SCHEDULE 3		
SECURED LOANS		
From Banks		
Term Loans (Rupees Loans)	1,100.92	-
Term Loans (Foreign Currency Loans)	324.02	1,904.95
All CC A/cs	5,944.59	5,708.64
From Others		
Term Loans	94.20	752.19
Secured Trade Advance (Recoverable against Work done bills, against Bank Guarantees*)		
- Mobilization Advance	9,332.76	5,807.20
- Machinery Advance	1,125.60	1,401.81
TOTAL	17,922.09	15,574.79
Installments falling due within 12 months	1,129.62	1,513.55

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
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Notes:

a) Working Capital Facilities: Cash Credit facilities from banks are secured by:

- 1) Hypothecation of entire current assets.
- 2) First charge on equitable mortgage of land & buildings and hypothecation of equipment's.
- 3) Personal guarantee of Directors and corporate guarantees.

b) Term Loans :

Terms Loans availed from bank and others are secured by hypothecation of specific assets, comprising plant and machinery, construction equipment and vehicles acquired out of the said loans and personal guarantee of a director.

c) Advances :

Mobilization and Machinery advances are received from clients against bank guarantees.

SCHEDULE 4

UN-SECURED LOANS

From Others	5.00	33.15
From Directors	10.23	26.32
TOTAL	<u>15.23</u>	<u>59.47</u>

SCHEDULE 5
FIXED ASSETS

₹ in Lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION/AMORTIZATION			NET BLOCK			
		As at 01-04-10	Additions	Deductions/ Adjustments	As at 31-03-11	Up to 01-04-10	For the period	Deductions/ Adjustments	Up to 31-03-11	As at 31-03-11	As at 31-03-10
1.	Land	3,763.64	251.53	-	4,015.17	8.69	0.11	-	8.80	4,006.37	3,754.95
2.	Buildings	273.92	53.73	20.92	306.73	42.40	12.37	2.88	51.89	254.84	231.52
3.	Plant and Machinery	29,794.06	10,625.77	655.01	39,764.82	9,887.80	4,462.36	387.81	13,962.35	25,802.47	19,906.26
4.	Office Equipment	63.22	21.59	0.43	84.38	28.71	8.17	0.23	36.65	47.73	34.51
5.	Furniture and Fittings	79.63	48.07	5.38	122.32	53.28	7.37	5.38	55.27	67.05	26.35
6.	Computers & Accessories	71.63	17.06	-	88.69	48.77	13.15	-	61.92	26.77	22.86
7.	Vehicles	578.14	324.34	27.93	874.55	237.69	120.34	7.24	350.79	523.76	340.45
8.	Ships	-	2.43	-	2.43	-	0.09	-	0.09	2.34	-
	TOTAL	34,624.24	11,344.52	709.67	45,259.09	10,307.34	4,623.96	403.54	14,527.76	30,731.33	24,316.90
	Capital Work in Progress									1,117.66	1,102.47
										31,848.99	25,419.37
	Previous Year	31,629.36	3,095.75	100.87	34,624.24	7,180.74	3,203.89	77.29	10,307.34	24,316.90	-

Note: Depreciation Rs. 5,98 lakhs trd. To Capital Work in Progress, instead of debit to P&L.a/c

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 6		
INVESTMENTS		
A. Long Term Investments (At cost)		
i) In Govt. Securities		
National Savings Certificates & Kisan Vikas Patras	1.27	1.27
ii) In Associate Companies - Fully Paid - (Unquoted)		
a) Patel-KNR Infrastructure Ltd.,	1,480.00	1,480.00
Add/Less: Share of profit / (Loss) from reserves	352.80	960.42
b) Patel-KNR-Heavy Infrastructure Ltd.,		
- 66,70,000 no. shares were pledged to IDBI trusteeship services”	952.95	952.95
Add/Less: Share of profit / (Loss) from reserves	731.34	-
iii) In Mutal Funds - Quoted		
“ 50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs. 9.37/- (P.Y Rs. 10.34/-) each)”	5.00	5.00
“50,000 Units @ Rs. 10/- each of SBI Magnum Comma Fund (Market Value Rs. 24.12/- (P.Y 16.37/-) each)”	5.00	5.00
“50,000 Units @ Rs. 10/- each of SBI PSU Fund (Market Value Rs. 9.84/- (P.Y Nil/-) each)”	5.00	-
	3,533.36	3,404.64
TOTAL	3,533.36	3,404.64
Aggregate Value of Quoted Investments		
- Cost	15.00	10.00
- Market Value	21.67	13.37
Aggregate Value of Un-Quoted Investments	2,434.22	2,434.22

SCHEDULE 7

CURRENT ASSETS, LOANS AND ADVANCES

Inventories

Materials at Site	2,620.33	1,975.32
Work in progress	1,969.80	1,718.87
	4,590.13	3,694.19

Sundry Debtors

(Unsecured, considered good)

Over 6 months	3,388.10	2,867.05
Less than 6 months	11,110.42	16,247.35
	14,498.52	19,114.40

Cash and Bank Balances

Cash on Hand	26.31	23.98
Balances with Scheduled Banks		
- In Current Account	1,092.34	1,229.29
- In Margin Money Deposits	3,455.96	4,142.54
(Lodged with Banks against guarantee / LC's and free hold)		
	4,574.61	5,395.81
TOTAL	4,574.61	5,395.81

CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
Other Current Assets		
(Unsecured, considered good)		
Retention Money	3,974.23	3,343.79
Deposits and Other Receivables	1,057.34	1,304.93
Due from Customer	3,586.38	3,871.90
Hire Charges Receivable	-	7.82
VAT Receivable	95.32	192.00
Interest Accrued But Not Received	32.93	28.04
	8,746.20	8,748.48
Less: Provision for Doubtful Deposits	32.00	22.00
TOTAL	8,714.20	8,726.48
Loans & Advances		
(Unsecured considered good unless otherwise stated)		
Loans to Associate Companies (SPV's)	5,594.56	9,212.21
Advances Recoverable in cash or kind or for value to be received	8,360.02	7,538.78
Prepaid Expenses	292.99	416.57
Advance Tax for Income Tax / Wealth Tax / FBT	6,754.75	7,103.67
TOTAL	21,002.32	24,271.23

SCHEDULE 8

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Sundry Creditors	16,181.33	18,255.78
Unclaimed Dividend	2.15	1.36
Unclaimed IPO Refund	0.09	0.09
Advance from Clients	3,126.15	1,136.76
Due to Customers	7,422.42	15,189.12
Interest Accrued But Not Due	9.96	7.36
	26,742.10	34,590.47
Provisions		
Provision for Taxation	6,053.20	6,598.76
Provision for Wealth Tax	3.53	2.40
Provision for Gratuity	119.94	103.26
Proposed Dividend	562.47	562.47
Provision for Dividend Tax	91.25	95.59
TOTAL	6,830.39	7,362.48

SCHEDULE 9

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
Opening Balance	623.66	712.76
Less: Written off during the year	89.10	89.10
TOTAL	534.56	623.66

CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 10		
OTHER OPERATING INCOME :		
Share of Profit / (Loss) from Joint Ventures	-	-
Excise Duty Refund	-	-
Sales of Processed Materials	-	-
Hire Charges Received	0.33	28.09
TOTAL	0.33	28.09
SCHEDULE 11		
OTHER INCOME :		
Profit on Sale of Assets	0.46	1.98
Liabilities no longer required written back	23.01	7.65
Foreign Currency Exchange Fluctuations	22.64	(0.27)
Dividend Received from Current Investments	0.38	217.49
Insurance Claim Received	46.31	15.32
Miscellaneous Receipts	180.00	224.10
TOTAL	272.80	466.27
SCHEDULE 12		
MATERIALS CONSUMED :		
Stock at Commencement	1,975.33	2,496.01
Add: Net Purchases	23,950.06	23,451.02
Less: Closing Stock	2,621.62	1,975.33
TOTAL	23,303.77	23,971.70
SCHEDULE 13		
WORK CONTRACT EXPENSES :		
Sub-contractors Work Bills	44,005.69	36,006.58
Transport Charges	790.02	697.92
Power Charges	168.49	160.69
Seigniorage Charges	2,162.80	843.06
Sales Tax / VAT	2,647.13	1,410.68
Recoveries by Clients	501.13	139.98
Repairs & Maintenance		
- Plant & Machinery and Vehicles	739.65	1,071.69
- Buildings & Others	23.72	20.26
Spreading & Assortment Exp.	11,134.60	7,578.49
Preparatory Works Expenses	55.87	110.99
Other Expenses	684.66	953.28
TOTAL	62,913.76	48,993.62

CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 14		
ADMINISTRATION AND OTHER EXPENSES :		
Salaries , Wages and Other Benefits	1,959.20	1,863.73
Contribution to Provident Fund and Other Funds	57.13	48.06
Staff Welfare Expenses	105.39	46.74
Directors Remuneration	187.50	150.00
Traveling & Conveyance	113.42	95.46
Boarding & Lodging Expenses	16.93	12.86
Printing & Stationery	45.52	40.62
Postage, Telegrams and Telephones	47.96	44.76
Rates & Taxes	270.76	115.70
Tender Expenses	96.66	87.84
Business Promotion Exp	32.20	15.60
Office Maintenance	18.42	15.88
Rent Expenses	89.92	78.62
Advertisement and publicity	38.91	26.27
Legal & Professional Charges	682.30	311.43
Electricity Charges	42.82	12.64
Insurance	235.37	326.92
Miscellaneous Expenses	81.40	86.39
Loss on Sale of Assets / discarded	84.29	1.10
Loss on Redemption of Mutual Funds	0.16	-
Bad Debts / Advances written off	3.71	1.50
Provision for Doubtful Debts/ Advances	10.00	-
Directors Sitting Fees	8.15	6.00
Auditor Remuneration :		
Audit Fees	6.77	6.27
Tax Audit Fees	1.00	1.00
Other Services	2.00	2.00
TOTAL	4,237.89	3,397.39

SCHEDULE 15

INTEREST AND FINANCIAL CHARGES :

Interest on		
Working Capital Demand Loans and Cash Credit	308.59	260.20
Term Loans	158.33	533.51
Mobilization and Machinery Advances	455.06	71.40
Directors Advances	0.43	2.04
Others	75.79	118.66
	<u>998.20</u>	<u>985.81</u>
Less: Interest received from banks and others	522.64	211.54
(Gross of Tax Deducted at Source Rs. 7.22 (P.Y 20.70))	<u>475.56</u>	<u>774.27</u>
Financial Charges	495.12	412.83
TOTAL	970.68	1,187.10

CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2011

₹ in Lakhs

Particulars	As at 31st March, 2011	As at 31st March, 2010
SCHEDULE 16		
(INCREASE)/DECREASE IN WORK-IN-PROGRESS:		
Opening Work in Progress	1,718.87	2,706.96
Less : Closing Work in Progress and Aggregates	1,969.80	1,718.87
TOTAL	(250.93)	988.09

SCHEDULE – 17

Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements relates to KNR Constructions Limited (“the Company”) its subsidiary companies, jointly controlled entities and associates (the “Group”). The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and un-realised profits or losses on intra-group transactions as per Accounting Standard 21 – “Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- b) Interest in jointly controlled entities have been consolidated by using the ‘proportionate consolidation’ method as per Accounting Standard 27 - ‘Financial Reporting of Interests in Joint Ventures’ notified by the Companies (Accounting Standard) Rules, 2006.
- c) In case of associates where the Company directly or indirectly through its subsidiaries holds more than 20% of equity, investments in associates are accounted under the equity method as per Accounting Standard 23 - “Accounting for Investments in Associates in Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- d) The financial statements of the subsidiaries, jointly controlled entities and the associates used in consolidation are drawn up to the same reporting date as that of the Company, i.e. March 31, 2011 except the foreign subsidiary KNR Constructions LLC in which case the reporting period is from 1-1-10 to 31-12-10.
- e) The excess of cost to the Company, of its investment in the subsidiaries and the jointly controlled entities over the Company’s share of equity is recognized in the financial statements as Goodwill and tested for impairment annually.
- f) The excess of the Company’s share of equity of the subsidiaries and jointly controlled entities on the acquisition date, over its cost of investment is treated as Capital Reserve.
- g) Minority interest in the net assets of the consolidated subsidiaries is identified and presented in consolidated balance sheet separately from current liabilities and equity of the company.
 - i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - ii) The minorities’ share of movements in the equity since the date the parent- subsidiary relationship came into existence.

- h) Minority interest in the net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- i) Intra-group balances and intra-group transactions and the resulting unrealized profits have been eliminated.
- j) In case of foreign subsidiaries being non- integral foreign operations, revenue items are consolidated at monthly average of exchange rates prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in “ Foreign Currency Translation Reserve”.
- k) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate financial statements.

2. Investments in subsidiaries, jointly controlled entities and associates have been accounted as per Accounting Standard 13– “Accounting for Investments” notified by the Companies (Accounting Standard) Rules, 2006.

3. **Other significant accounting policies:**

- a) The consolidated accounts have been prepared on accrual basis under historical cost convention in accordance with the Generally Accepted Accounting Principles in India and Accounting Standards prescribed in Companies (Accounting Standard) Rules, 2006 to the extent applicable.

b) **Use of Estimates :**

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenue, expenses and provisions etc., during the reported period. Actual figures could differ from those estimates.

c) **Fixed Assets and Depreciation:**

Fixed Assets of KNRCL are stated at cost of acquisition or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, except for plant & machinery in the case of KNT-01, AP-7 and OR-07 projects which are depreciated under SLM method based on useful lives of the assets. The management has estimated the useful life of the assets of plant & machinery.

Assets costing up to Rs. 5,000 are depreciated fully in the year of purchase.

Fixed Assets of Subsidiaries, Joint Ventures and Associates are depreciated using straight-line method based on useful lives as estimated by the management. As this practice is followed by the subsidiaries and joint ventures and associates consistently, it is not practicable to make adjustments to the financial statements of the Subsidiaries, Joint Ventures and Associates when there are used by the company in applying proportionate consolidation.

d) **Borrowing Costs:**

Borrowing Costs that are directly attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset. A qualifying asset is one that necessarily takes substantial period of time i.e., more than 12 months to get ready for its intended use. All other borrowing costs are charged to revenue.

e) **Investments:**

Investments are classified as long term and current investments. Long Term Investments are carried at cost less provision for permanent diminution, if any, in value of such investments. Current investments are carried at lower of cost and fair value.

f) Inventories:

Work in progress is valued at cost whereas in the case of joint ventures, the same is valued at contract rates. Raw Materials and Stores & Spares of the company are valued on weighted average cost method. Cost comprises of all costs of purchase (other than refundable duties and taxes), where as in the case of Joint Ventures, the same are valued at cost.

g) Employee Benefits :

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment are accounted in accordance with Accounting Standard (AS)-15 on "Employee Benefits" issued by the Companies (Accounting Standard) Rules, 2006.

i) Gratuity

The provision for gratuity is made based on valuation by the independent actuaries . The company has taken Group Gratuity Policy of L.I.C. of India and premium paid is recognized as expenses when it is incurred. Actuarial gains and losses in respect of gratuity are charged to profit and loss account.

ii) Provident Fund

Contributions to Provident Fund (a defined contribution plan) are made to Regional Provident Fund Commissioner and are charged to revenue

iii) Other Benefits

Leave Encashment, Service Compensation, Bonus, and medical re-imburement are accounted on cash basis.

h) Preliminary/Issue Expenses

Preliminary / Issue expenses are amortized over a period of 10 years.

i) Revenue Recognition :

a) Fixed price contracts received up to March 31, 2003
Income is recognized by applying percentage of completion to the contract value. Percentage of completion is determined as a proportion of the progress billing to contract value.

b) Fixed price contracts received on or after April, 1, 2003
Contract revenue is recognized using the percentage completion method. Percentage of completion is determined as a proportion of cost incurred to date to the total estimated contract cost. Full provision is made for any loss in the year in which it is foreseen.

Work done but not yet billed in the case of Joint ventures which has been consolidated proportionately is accounted as work-in-progress

j) Joint Venture Projects

i) In respect of Joint Venture Contracts in the nature of jointly controlled operations, the assets controlled, liabilities incurred, the share of income and expenses incurred are recognized in the agreed proportions under respective heads in the financial statements.

ii) Assets, Liabilities and Expenditure arising out of contracts executed wholly by the Company pursuant to a joint venture agreement are recognized under respective head in the financial statements. Income from the contract is accounted net of joint venturer's share under turnover in these financial statements.

iii) Share of turnover attributable to the Company in respect of contracts executed by the other joint venture partners pursuant to Joint Venture Agreement, is accounted under Turnover in these financial statements.

k) Foreign exchange translation and foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognized in the profit and loss account.

Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realised gains and losses on foreign exchange transactions are recognized in the Profit and Loss Account.

Foreign branches are classified as non-integral foreign operations. Assets and Liabilities (both monetary and non-monetary) are translated at the closing rate at the year end. Income and expenses are translated at the monthly average rate at the end of the respective month. All resulting exchange differences are accumulated in a separate account titled 'Foreign Currency Translation Reserve' till the disposal of the net investments.

l) Leases

Lease rentals of Quarry Land is written off over the period of its useful life.

Leasehold land rental charges is written off over the period of the lease.

m) Preparatory Work Expenses

Preparatory work expenses in the case of joint ventures are written off in proportion to the value of work done.

n) Taxes

Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws applicable. Provision for deferred tax is made for timing differences arising between taxable income and accounting income using the tax laws and tax rates enacted or subsequently enacted as of the balance sheet date. Deferred Tax Assets are recognized only if there is a virtual certainty that there will be sufficient taxable income in future.

Provision for tax is made after considering deduction u/s 80IA of the Income Tax Act, 1961 for which the Joint Venture is eligible.

o) Impairment of Assets

Any losses on account of impairment of assets on each balance sheet date arrived in terms of AS-28 issued by the ICAI is charged to the profit and loss account of the respective period.

p) Earnings per Share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20, Earnings Per Share notified by the Companies (Accounting Standards) Rules, 2006. Basic earnings per equity share is computed by dividing the net profit for the year attributable to the Equity Shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the net profit for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Share holders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive.

q) Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be an outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for Contingent liabilities is made in the notes on accounts when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

B. NOTES ON ACCOUNTS

1. The Subsidiaries, Jointly Controlled Entities and Associate companies considered in the consolidated financial statements are:

Name of the Entity	Country of Incorporation	Proportion of Ownership Interest	
		Current Year	Previous Year
Subsidiaries			
KNR Agrotech & Beverages Pvt Ltd.,	India	100%	100%
KNR Constructions LLC.	Sultanate of Oman	65%	NA
KNRCL – FZE *	UAE	100%	NA
KNR Infrastructure Projects Pvt. Ltd., **	India	100%	NA
Associates			
Patel KNR Infrastructures Ltd.,	India	40%	40%
Patel KNR Heavy Infrastructures Pvt Ltd.,	India	40%	40%
Joint Controlled Entities			
Patel-KNR-JV	India	50%	50%
KNR-Patel-JV	India	51%	51%
KNR-SLEC-JV	India	60%	60%
KNR-BPL-JV	India	49%	49%
NCC-KNR-JV	India	Project wise	Project wise
KNR-GVR-JV	India	51%	NA
KNR-JKM-KAMALA-JV	India	50%	NA

* Has become a subsidiary with effect from 29-11-2010.

** Has become a subsidiary with effect from 28-03-2011.

2. **Contingent liabilities not provided for:**

Sl. No	Particulars	₹ in Lakhs	
		2010-11	2009-10
a	Corporate Guarantee	13642.25	52642.25
b	Bank Guarantees	34831.41	24046.80
c	Counter Guarantees	280.00	Nil
d	Claims not acknowledged as debts	Nil	Nil
e	Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.		
	Income Tax *	2992.50	4.68
	Sales Tax	1430.65	165.61
f	Letter of Credit	Nil	Nil
g	Estimated amount of contracts remaining to be executed on capital account	1634.39	300.00
h	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		
*	This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.		

3. Cash and Bank Balances

- 1 Cash on hand includes Rs. 1.51 lakhs (P.Y Rs. 1.46 lakhs) held in foreign currency.
- 2 Balances with banks in current account & deposit account includes balances with non-schedules banks as follows:

4. Deferred Tax

₹ in Lakhs

Sl.No	Particulars	2010-11	2009-10
A	Deferred Tax Assets on timing difference due to: Expenditure not allowed u/s 43B and 40 a (ia)	-152.43	-27.68
B	Deferred Tax Liabilities on timing difference due to :		
	Depreciation	-236.46	4.93
	Share of JCE	7.64	Nil
	Total Deferred Tax Liability	-255.82	4.93
	Net Deferred Tax Liability (B-A)	-408.25	-22.75

5. The Company has not received any intimation from 'Suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

6. Segmental Reporting

The Company's operations consist of construction activities. Hence, there are no reportable segments under Accounting Standard – 17. During the year under report, the company has engaged in business in India only and not in any other Country. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

7. Financial Reporting of Foreign Subsidiary and Associates

The financial statements of the foreign subsidiary, KNR Constructions LLC are drawn upto 31st December 2010 and are un-audited. There are no significant transactions between the reporting dates of the said subsidiary and the parent company necessitating adjustments to its accounts.

The financial statements of the associate company, PATEL-KNR Heavy Infra Projects Ltd., are un-audited and share of profit of the company for the same has been accounted for .

8. Related Party Transactions

A. List of Related Parties

Sl.No	Particulars	Sl.No	Particulars
A)	Subsidiaries KNR Agrotech Beverages Pvt Ltd., KNR Constructions LLC, Oman KNRCL – FZE W.e.f 29-11-2010 KNR Infrastructure Projects Pvt. Ltd., W.e.f 28-03-2011	D)	Key Management Personnel Sri K.Narasimha Reddy , M.D. Sri K.Jalandhar Reddy, E.D. Sri J.V.Panindra Reddy, E.D. Sri M.Rajesh Reddy, E.D. Sri. M.V.Venkata Raoy, C.S. Sri. G.Sravana Kumar, G.M.
B)	Joint Ventures KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV KNR-GVR-JV KNR-JKM-KAMAL-JV	E)	Relatives of Key Management Personnel Nil
C)	Associates Patel-KNR Infrastructures Ltd., Patel-KNR Heavy Infrastructures Pvt Ltd.,	F)	Enterprises owned or significantly influenced by key management personnel or their relatives Yuvashakthi Enterprises (Firm) KNR Infrastructure Projects Pvt Ltd., Vishnu Publicity Solutions Ltd., Trapezoid Software Solutions Pvt. Ltd., Mesmeric Software Solutions Pvt. Ltd., Nag Talent Ventures & Infotech Pvt Ltd.,

B. Related party transactions during the year ended March 31, 2011 are as follows:

(Previous year's figures are given in brackets below the current year figures)

₹ in Lakhs

Sl. No	Particulars	Associates	Joint Ventures	Key Management Personnel	Enterprises own or significantly influenced by Key Management Personnel or their relatives
1	Un-secured loan given	2170.59 (3040.26)	- (-)	- (-)	- (-)
2	Un-secured loan received Rupee	- (-)	- (-)	439.55 (36.50)	- (-)
3	Un-secured loan received Foreign currency	- (-)	- (-)	8.38 (-)	- (-)
4	Un-secured loan re-paid	- (-)	- (-)	462.16 (16.02)	- (-)
5	Purchase of Office Building	- (-)	36.00 (-)	- (16.02)	- (-)
6	Sub-Contract Jobs given	- (-)	19.36 (140.91)	- (-)	- (-)
7	Sub-Contract / (EPC) Jobs received	2206.84 (1736.32)	- (1984.59)	- (-)	- (-)
8	Remuneration paid (including other benefits) and contribution to Provident Fund)	- (-)	- (-)	222.42 (175.99)	- (-)
9	Land Lease and Office Rent Paid	- (-)	- (-)	24.46 (24.09)	- (-)
10	Rent Received	- (-)	- (-)	0.60 (0.60)	- (-)
11	Interest Paid	- (-)	- (-)	0.42 (2.04)	- (-)
12	Interest Received	1.87 (2.24)	- (23.49)	- (-)	- (-)
13	BG Commission received	5.57 (-)	21.34 (28.75)	(-) (-)	(-) (-)
14	Professional Charges Received from Patel-KNR-JV by Directors	- (-)	- (-)	59.48 (49.06)	- (-)
15	Purchase of Equity shares in KNR Infrastructure Projects Pvt.Ltd., consideration amount paid	(-) (-)	(-) (-)	1.00 (-)	- (-)
16	Purchase of Equity shares in KNRCL-FZE, consideration amount payable	- (-)	- (-)	48.88 (-)	- (-)
17	Cost of construction of office building under development agreement (under capital work in progress)	- (-)	- (-)	263.42 (-)	263.42 (-)
18	Debit balances outstanding as on 31st March, 2011-	3.77 (885.07)	2281.60 (2529.99)	10.00 (-)	10.00 (-)
19	Credit balances outstanding as on 31st March,2011-	13.00 (-)	427.92 (251.00)	- (-)	- (-)

9. There was no impairment Loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard-28 issued by the Institute of Chartered Accountants of India. Further during the review of assets of the company, those assets which were found having nil market value have been written off in the accounts.
10. Debit and credit balances of parties are subject to confirmation by the respective parties.
11. Additional information pursuant to provisions of Para 3, 4C and 4D of Part – II of Schedule VI of Companies Act, 1956 – not applicable.
12. Figures of previous year have been regrouped / rearranged wherever necessary to confirm to the current year presentation.

As per our report of even date attached
For **Sukumar Babu & Co.,**
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C.Sukumar Babu
Partner
Membership No. : 200/24293

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

Sd/-
G.Sravana Kumar
GM (F&A)

Sd/-
M.V.Venkata Rao
Company Secretary

For and on behalf of the Board

Place : Hyderabad
Date : 08-08-2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION NUMBER U74999AP2008PTC058829 STATE CODE 0 1
BALANCE SHEET DATE 3 1 0 3 2 0 11

II. CAPITAL RAISED DURING THE YEAR

PUBLIC ISSUE RIGHTS ISSUE
N I L N I L
BONUS ISSUE PRIVATE PLACEMENT
N I L N I L

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS : (AMOUNT IN RS'000)

TOTAL LIABILITIES TOTAL ASSETS
5 2 1 6 8 2 6 . 0 0 5 2 1 6 8 2 6 . 0 0

SOURCES OF FUNDS

PAID UP CAPITAL RESERVES AND SURPLUS
2 8 1 2 3 4 . 6 0 3 2 9 1 9 0 7 . 0 0
SECURED LOANS UNSECURED LOANS
1 6 1 6 1 2 9 . 0 0 2 3 1 . 0 0
SHARE APPLICATION MONEY
N I L

APPLICATION OF FUNDS

NET FIXED ASSETS INVESTMENTS
2 8 1 2 1 3 5 . 0 0 6 8 5 8 3 5 . 0 0
NET CURRENT ASSETS MISC. EXPENSES ACCUMULATED LOSSES
1 5 5 9 2 0 6 . 0 0 5 3 4 5 8 . 0 0 N I L

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RS'000)

TURNOVER / INCOME TOTAL EXPENDITURE
1 0 5 1 2 7 3 2 . 0 0 7 0 5 7 5 8 5 . 0 0
PROFIT/(LOSS) BEFORE TAX PROFIT/ (LOSS) AFTER TAX
8 9 7 3 1 5 . 0 0 6 3 0 6 9 5 . 0 0
EARNING PER SHARE DIVIDEND
2 0 . 2 1 RS. 2 PER SHARE (20%)

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

ITEM CODE NO. 4 5 2 0 3
(ITC CODE) PRODUCT DESCRIPTION CONSTRUCTION ACTIVITY

KNR CONSTRUCTIONS LIMITED

Registered Office: "KNR HOUSE", Plot No. 114, Phase I, Kavuri Hills,
Jubilee Hills, Hyderabad - 500033

ATTENDANCE SLIP

Folio No. / Depository A/c No.

No. of Shares Held:

Name and Address of the Shareholder

I hereby record my presence at the SIXTEENTH ANNUAL GENERAL MEETING of the members of the Company at Hotel Green Park, Ameerpet, Hyderabad at 10.00 a.m on 22nd September 2011

.....
Name of the Shareholder / Proxy

.....
Signature of Member / Proxy

Note: Members are requested to bring their copies of Annual Report to the meeting

KNR CONSTRUCTIONS LIMITED

Registered Office: "KNR HOUSE", Plot No. 114, Phase I, Kavuri Hills,
Jubilee Hills, Hyderabad - 500033

PROXY FORM

Folio No. / Depository A/c No.

No. of Shares Held:

I/We being a member / members of KNR Constructions Limited, hereby appoint in the District of as my/our Proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 22nd September 2011 at 10.00 a.m at Hotel Green Park, Ameerpet, Hyderabad, and at any adjournment (s) thereof.

Singed this Day of 2011

Signature
(Proxy)

Please Affix
Re. 1
Revenue
Stamp

Note: The Proxy Form duly completed should be deposited at the Registered Office of the Company not less the 48 hours before the time fixed for holding the meeting.



Consolidated Financial Statements

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Forward looking statement

In this annual report we have disclosed forward looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements, written and oral, that we periodically make contain forward looking statements that set out anticipated results based on the management's plan and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'project', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future information or otherwise.

BOOK POST

If undelivered please return to:

KNR Constructions Limited

KNR House, 3rd & 4th Floors, Plat No. 114, Phase – I,
Kavuri Hills, Hyderabad – 500033, Andhra Pradesh.



www.knrcl.com