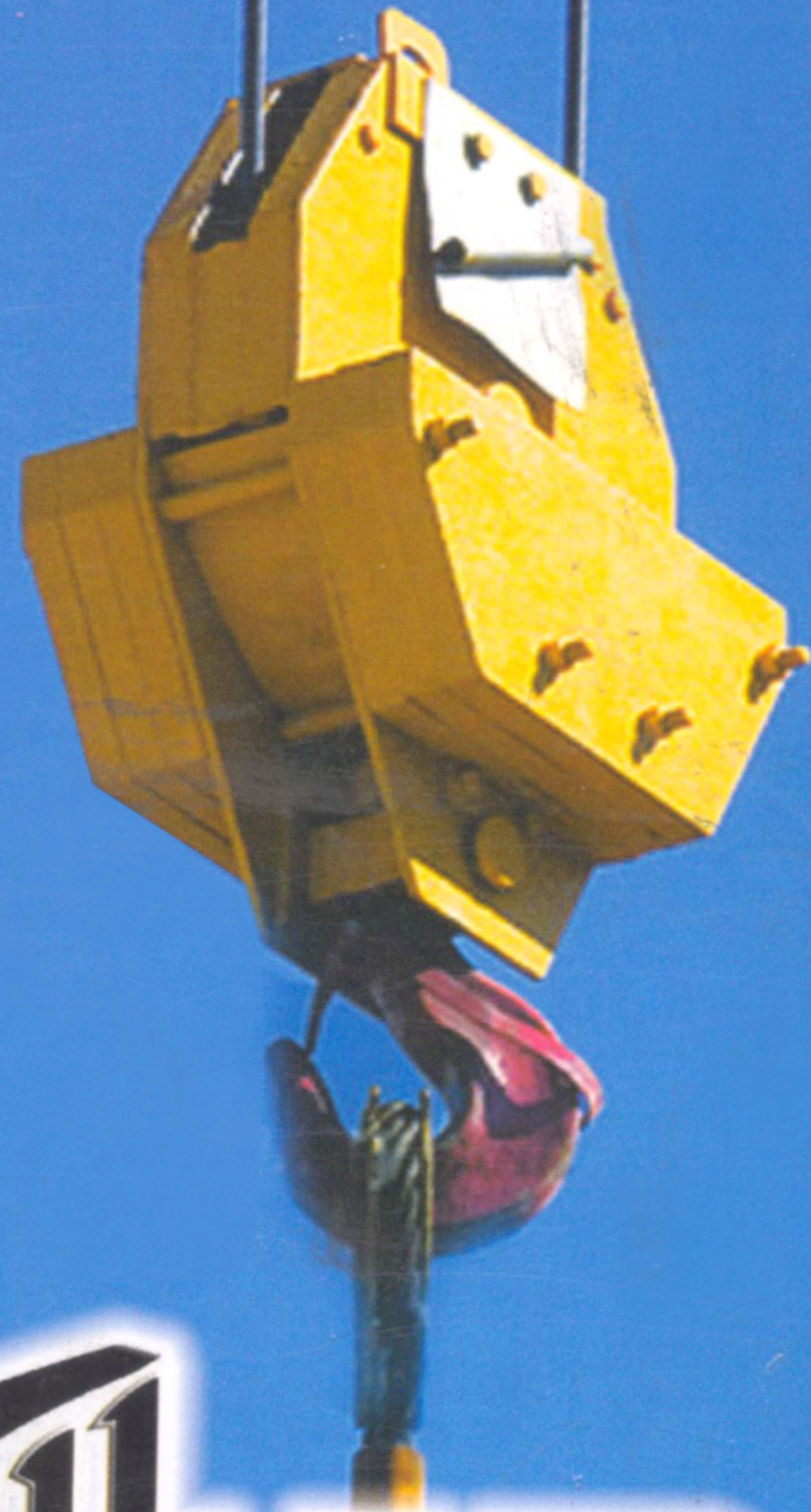
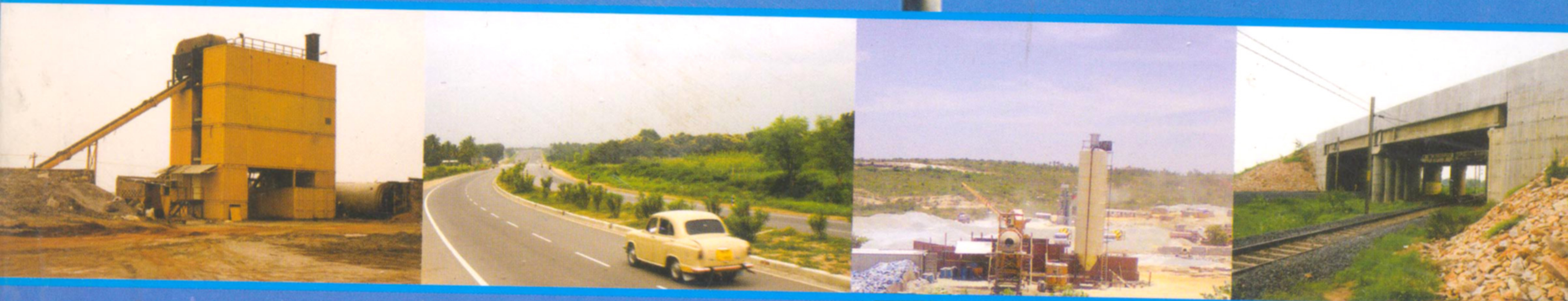




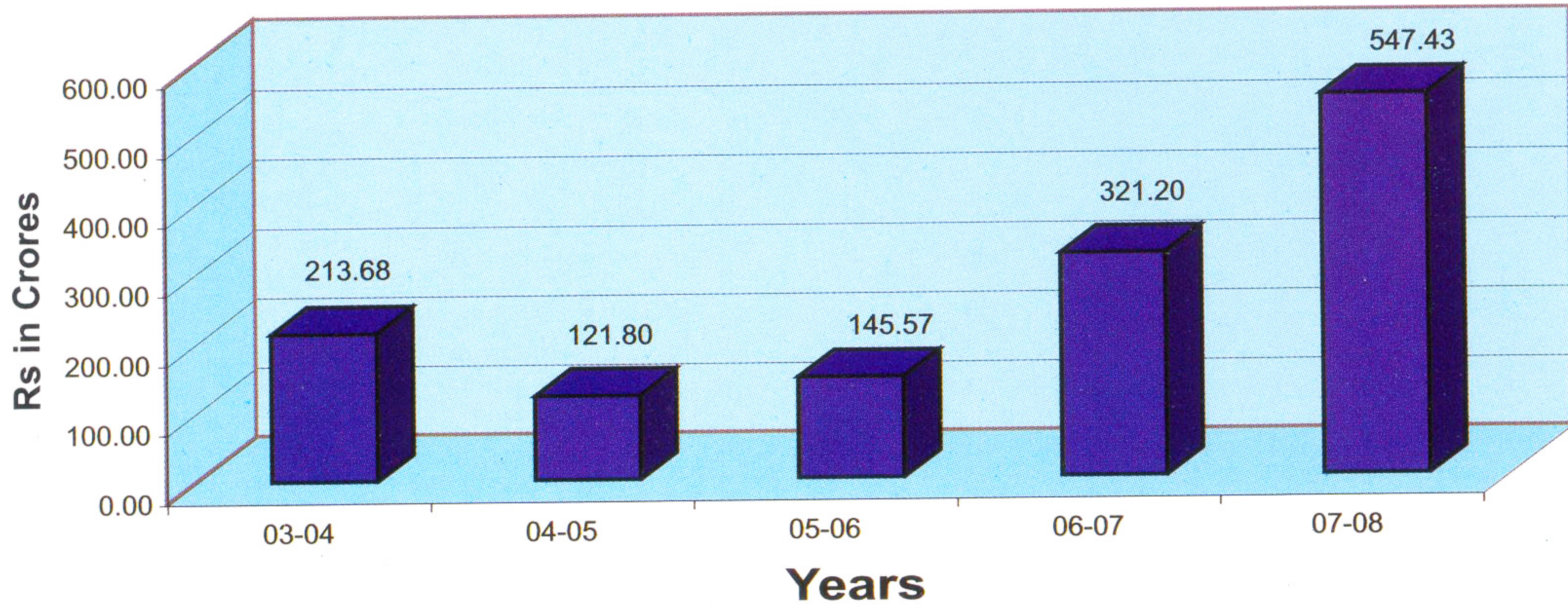
**13th  
Annual Report  
2007 - 2008**



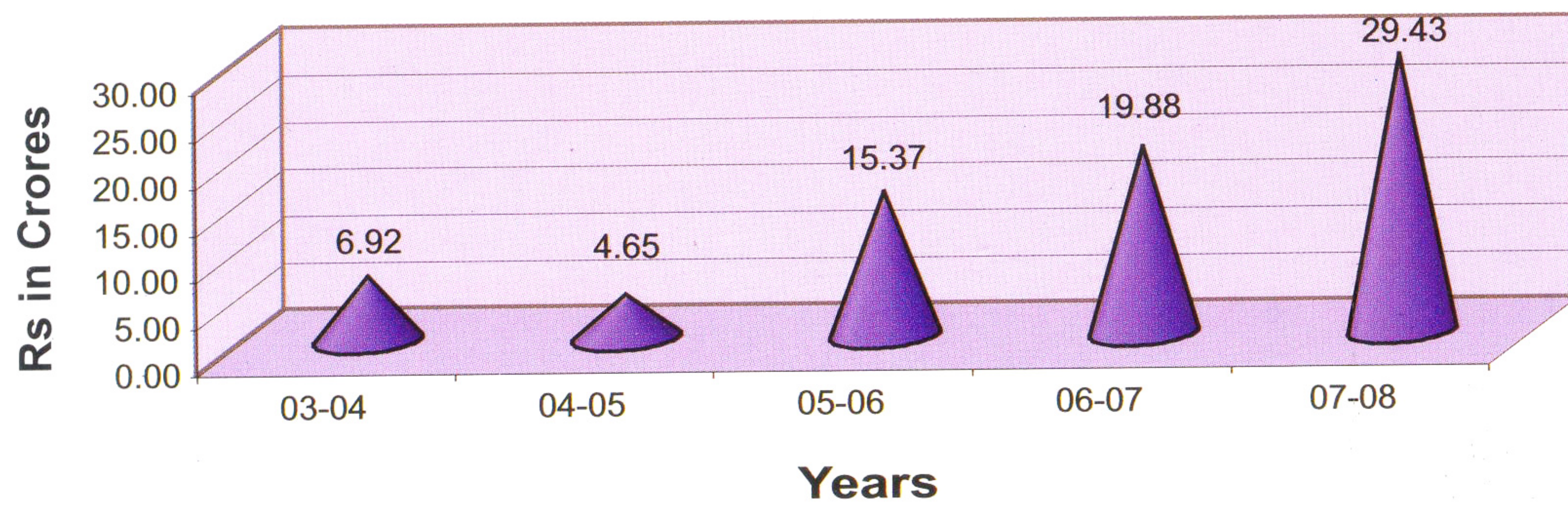
**KNR CONSTRUCTIONS LIMITED**



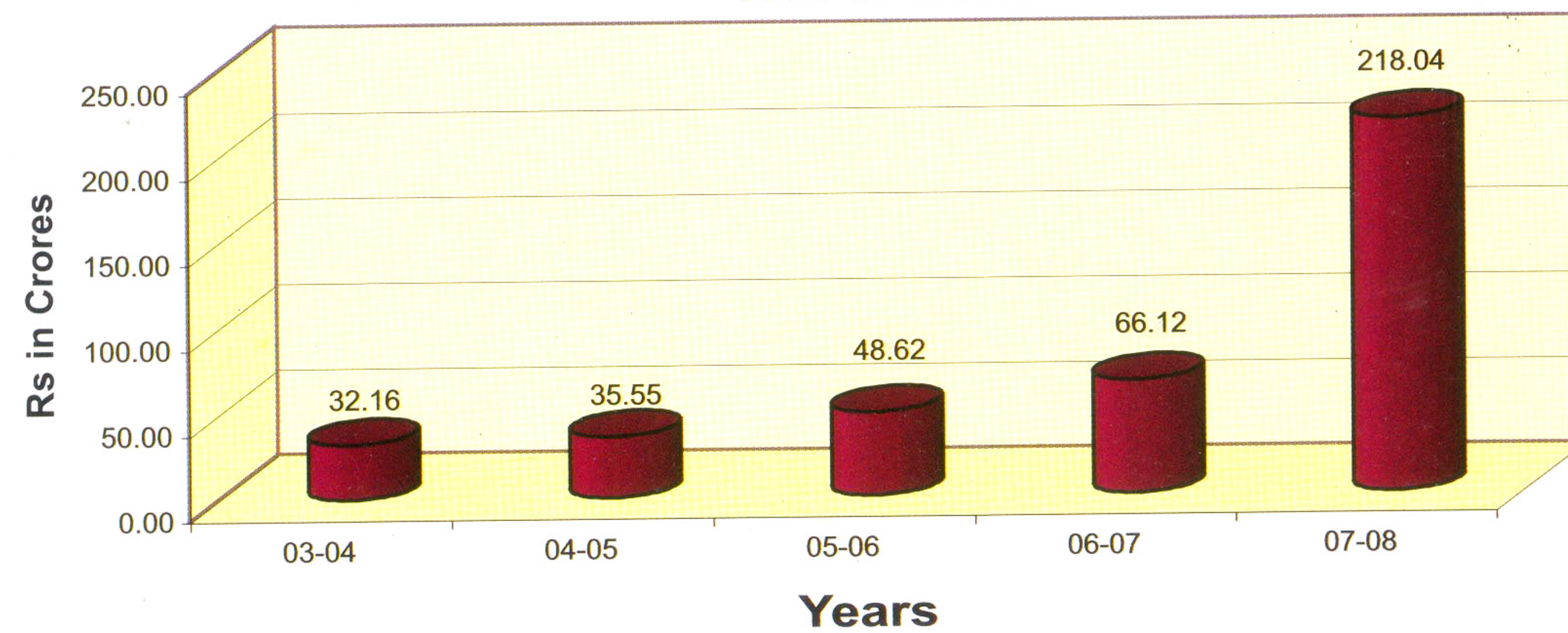
### TURNOVER



### NET PROFIT



### NET WORTH



**BOARD OF DIRECTORS**

<b>Shri B. V. Rama Rao</b>	Chairman
<b>Shri L. B. Reddy</b>	Director
<b>Shri D. Ramaiah</b>	Director
<b>Shri J S R Chandra Mouli</b>	Director
<b>Shri K. Narasimha Reddy</b>	Managing Director
<b>Shri K. Jalandhar Reddy</b>	Executive Director
<b>Shri J. V. Panindra Reddy</b>	Executive Director
<b>Shri M. Rajesh Reddy</b>	Executive Director

**Mr. M. V. Venkata Rao**

Company Secretary

**Mr. G. Sravan Kumar**

Asst. General Manager (Finance &amp; Accounts)

**AUDITORS**

M/s. Sukumar Babu & Co.,  
Chartered Accountants,  
Flat. No: 513, Aditya Encalve,  
Annapurna Block,  
Ameerpet, Hyderabad – 500 016  
Andhra Pradesh, India

**BANKERS**

State Bank of Patiala  
State Bank of Indore  
State Bank of Mysore  
ING Vysya Bank Ltd.,  
Oriental Bank of Commerce

**REGISTERED OFFICE**

6-3-635, Akasha Ganga,  
III rd Floor, Khairathabad, Hyderabad - 500004, Andhra Pradesh, India  
Tel: +91-40- 66669379 Fax: +91-40-66669349  
Website: www.knrcl.com

**CORPORATE OFFICE**

12th Square Building, 3rd Floor, Road No.12, Banjara Hills, Hyderabad - 500034, Andhra Pradesh, India  
Tel: +91-40- 23323435 / 36 / 37 Fax: +91-40-23323439

**Website: www.knrcl.com**

**NOTICE**

Notice is hereby given that the 13th Annual General Meeting of the KNR Constructions Limited will be held on 30th day of September 2008 at 10.00 AM at Hotel Green Park, Ameerpet, Hyderabad - 500 016.

**ORDINARY BUSINESS :**

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2008 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 L B Reddy, who retires by rotation and being eligible, offers himself for reappointment
- 4 To appoint a Director in place of Shri D Ramaiah, who retires by rotation and being eligible, offers himself for reappointment
- 5 To appoint a Director in place of Shri J S R Chandra Mouli, who retires by rotation and being eligible, offers him self for reappointment
- 6 To appoint a Director in place of Shri K Jalandhar Reddy, who retires by rotation and being eligible, offers him self for reappointment
- 7 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.”

**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 25.09.2008 to 30.09.2008 (both days inclusive) in connection with the Annual General Meeting
- (iv) Shri L B Reddy, Shri D Ramaiah, Shri J S R Chandra Mouli and Shri K Jalandhar Reddy Directors will retire by rotation at the Annual General Meeting and, being eligible, offers themselves for re-election. The Board of Directors of your Company recommends the respective re-appointments of the aforesaid Directors.

By Order of the Board of Directors

Sd/-

**M. V. Venkata Rao**  
Company Secretary

Place: Hyderabad  
Date: 30-08-2008

**BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION**

Name	Shri L B Reddy	Shri D Ramaiah	Shri J S R Chandra Mouli	Shri K Jalandhar Reddy
Date of Birth	1st August 1942	13th March 1936	20th May 1934	8th June 1971
Appointed on	26th December 2005	26th December 2005	26th December 2005	11th July 1995
Qualifications	B. Com, FCA	M A	BE (Civil)	B E (Computers)
Directorships held in other Companies	<ul style="list-style-type: none"> <li>New Era Insurance Broking Services Limited</li> </ul>	Nil	Nil	<ul style="list-style-type: none"> <li>Vishnu Publicity Solutions Limited</li> <li>KNR Infrastructure Projects Pvt. Ltd.,</li> <li>Trapezoid Software Solutions Pvt. Ltd.,</li> <li>Mesmeric Software Solutions Pvt. Ltd.,</li> <li>KNR Agrotech and Beverages Pvt. Ltd.,</li> </ul>
Memberships / Chairmanships of committees across the public companies	Audit Committee and Remuneration Committee  KNR Constructions Limited	Remuneration Committee and Investor Grievance & Share Transfer Committee  KNR Constructions Limited	Investor Grievance & Share Transfer Committee  KNR Constructions Limited	Audit Committee and Executive Finance Committee  KNR Constructions Limited
Shareholding in the company	280	Nil	Nil	49,70,448

## Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the 13th Annual Report and the audited accounts for the financial year ended 31st March, 2008 and this is the first annual report and audited accounts provided after public issue.

## FINANCIAL RESULTS :

(Rs. Lakhs)

PARTICULARS	2007-08	2006-07
Gross Income	55406.25	33395.00
Profit before interest and depreciation	7147.88	4312.38
<b>Less:</b> Interest and financial charges	1003.84	890.67
Profit Before depreciation	6144.04	3421.71
<b>Less:</b> Depreciation	1449.40	736.42
<b>Profit before tax</b>	4694.64	2685.29
Provision for tax (including Wealth Tax, Fringe Benefit Tax and Deferred Tax )	1614.14	647.94
<b>Profit after tax</b>	3080.50	2037.35
<b>Less:</b> Prior year taxes and adjustments	125.65	49.65
<b>Net Profit for the year</b>	2954.85	1987.70
Profit brought forward from previous year	3837.65	2236.85
Profit available for appropriation	6792.50	4224.55
<b>Appropriations:</b>		
Transfer to General Reserve	150.00	150.00
Dividend @ 10%	281.23	202.49
Dividend tax	47.80	34.41
Balance carried forward	6313.47	3837.65
Paid –up capital	2812.35	2024.89
Reserves and Surplus	19812.79	4587.65

## 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 of Rs 54742.71 Lakhs as against Rs 32120.33 Lakhs in the previous year, thus registering an increase of 70.43 %. The company has earned a gross profit of Rs 7147.88 Lakhs before interest and depreciation as against Rs 4312.38 Lakhs in the previous year, thus registering a growth of 65.75%. After deducting an interest of Rs 1003.84 Lakhs, providing for Rs.1449.40 Lakhs towards depreciation, Rs 1614.14 Lakhs towards provision for income tax, wealth tax, fringe benefit tax and deferred tax, Rs 125.65 Lakhs towards prior period items and taxes, the operations resulted in a net profit of Rs 2954.85 Lakhs as against Rs. 1987.70 Lakhs last year, registering a growth of 48.66 %.

Following are the major works awarded to our Company from since April 2007

Sl. No.	Particulars of the Project	Amount (Rs. In Millions)
1	Package No: AP7 - Work order received from Patel Engineering Ltd., as back to back construction of Design and Construction part of the project from Islam Nagar (Km 230.00) to Kadtal (Km 278.00) of Nagpur-Hyderabad Section on NH-7 in the State of Andhra Pradesh .`	4810.00
2	Package No: NS-32 - Balance works of widening 4/6 laning and strengthening of existing 2 lane carriageway of NH-7 (Madurai – Kanniyakumari section) in the State of Tamil Nadu from KM 203.000 (of existing NH, Panagudy) to km 234.690 (end point of proposed kanniyakumari bypass) construction package no. NS-32 / TN (Balance) – Company share 50%	1029.98

With the above new orders, the order book position as on 30th June 2008 stands at Rs. 13,618.54 Millions.

#### Dividend

Your Directors have recommended a dividend of Rs.1/- per Equity share for the financial year ended 31st March 2008, amounting to Rs. 281.23 Lakhs. The dividend will be paid to the members whose names appear in the Register of Members as on 24.09.2008; 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.

#### Listing of Equity Shares

The Company's Equity Shares are listed at Bombay Stock Exchange Limited and National Stock Exchange of India Limited through our Initial Public Issue (IPO) which was opened on 24th January 2008 and closed on 29th January 2008. The listing permission from the both the stock exchanges was received on 14th February 2008 and got trading permission with effect from 18th February 2008.

The company has utilized the public issue proceeds in the following manner:

Particulars	Rupees in Lakhs	
	Proposed	Utilised As on 31-03-2008
Investment in Capital Equipment	2130.47	1359.63
Investment in BOT Projects		
a - As equity contribution	4234.60	600.00
b - As un-secured loan	3600.00	1800.00
Working Capital	2520.80	2520.80
Issue Expenses	900.90	899.64
<b>Total</b>	<b>13386.77</b>	<b>7180.07</b>

The unutilized sum of Rs.6206.70 lakhs was temporarily invested in mutual funds and fixed deposits with banks .

**Directors**

In accordance with the requirements of the Companies Act, 1956 Sri L B Reddy, Sri D. Ramaiah, Sri J S R Chandra Mouli, and Shri K Jalandhar Reddy, 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 hold office until the conclusion of the ensuing Annual General Meeting and are 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.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

**Explanation to Auditors Observations**

1. With reference to clause VII of Annexure for the Auditors Report, the management has taken note of the same and appropriate actions will be taken in the regard
2. With reference to clause 9(b) of Annexure of the Auditors Report, amount represents the provisions made for entry tax payable on the purchase of lubricants, HSD, tyres and bitumen. The company is entitled to the refund of special entry tax already paid by it and is awaiting the necessary assessment and refund orders. After receipt of the same the refund amount will be adjusted against this liability. Any excess or shortfall in the above provision will be accounted for the books of accounts.

**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 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, 2008 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 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 Company's main business is Civil Contract Works and mainly depends on heavy vehicles which run on diesel.

**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 need to be absorbed or adapted.

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.

**c) Foreign Exchange earnings and outgo**

Foreign Exchange Earnings – Nil  
Foreign Exchange outgo towards

- a) Travel – Rs. 1,11,760 (P.Y Rs. 20,038)
- b) Import of capital goods – Rs.7,10,23,975 (P.Y. Rs. 3,40,35,650)

**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 / Practicing Company Secretary 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, 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/-  
**M Rajesh Reddy**  
Executive Director

Place: Hyderabad  
Date: 30.08.2008

### Annexure to the Directors Report :

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 2008.

Sl. No	Name of the Employee & Age	Designation	Gross Remuneration	Qualification	Experience in years	Date of commencement of Employment	Particulars of last employment
1	Shri K Narasimha Reddy 61 Years	Managing Director	24,00,000	B. A	39 years	11th July 1995	First Employment

Notes:

1. 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/-

**M Rajesh Reddy**  
Executive Director

Place: Hyderabad  
Date: 30.08.2008

## Report On Corporate Governance :

Pursuant to Clause 49 of the Listing Agreement entered into with Stock Exchanges in India, compliance with the requirements of the Corporate Governance is set out below:

### 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:

Sl 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 T. R. Sridharan *	Director	Independent / Non- Executive Director
6.	Shri K. Narasimha Reddy	Managing Director	Promoter/ Executive Director
7.	Shri K. Jalandhar Reddy	Executive Director	Promoter/ Executive Director
8.	Shri J. V. Panindra Reddy	Executive Director	Promoter/ Executive Director
9.	Shri M. Rajesh Reddy	Executive Director	Promoter/ Executive Director

\* Shri T. R. Sridharan has resigned as a Director of the Company with effect from 21st August, 2007.

### Number of board meetings held

Seven Board Meetings were held during the year. The company held at least one Board Meeting in every three months and the time gap between two any such meetings are not more than four months. The details of the Board Meetings are as under:

Sl. No.	Date	Board Strength	No. of Directors Present
1	30th June 2007	9	6
2	20th August 2007	9	7
3	24th September 2007	8	7
4	13th November 2007	8	8
5	24th December 2007	8	8
6	15th January 2008	8	8
7	31st March 2008	8	8

Attendance of Directors at the Board Meetings, last Annual General Meeting (AGM) and number of other directorships and chairmanships / memberships of each Directors in various companies as on 31st March 2008 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	No	Nil	Nil
Shri L. B. Reddy	7	Yes	1	Nil
Shri J. S. R. Chandra Mouli	7	No	Nil	Nil
Shri D. Ramaiah	7	No	Nil	Nil
Shri T. R. Sridharan *	1	No	2	Nil
Shri K. Narasimha Reddy	7	Yes	1	Nil
Shri K. Jalandhar Reddy	5	Yes	1	1
Shri J. V. Panindra Reddy	5	Yes	1	1
Shri M. Rajesh Reddy	7	Yes	1	1

\* Shri T. R. Sridharan has resigned as a Director of the Company with effect from 21st August, 2007

# 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 substantial shareholders of the Company i.e. do not own 2 per cent or more of the block of voting shares.

### **Re-Appointment of Directors**

Brief resume of Directors being reappointed, nature of their expertise in specific functional areas and name of the Companies in which they hold directorship and the membership of the committees of the Board are furnished hereunder:

**Shri L. B Reddy**, aged 66 years, is an 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 30 years of experience in areas such as planning, accounts, inspection, computer policy and development. He was also on deputation from Syndicate Bank with Rayalaseema Grameena 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 Committees in the Company.

Shri L B Reddy holds 280 equity shares in the Company as on 31st March 2008

Shri L B Reddy is not related to any other Directors of the Company.

**Shri D. Ramaiah**, aged 72 years is an 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 Committees of the Company.

Shri Ramaiah is not a Director in any other Company and he does not hold any shares in the Company and he is not related to any other Director of the company as on 31st March 2008

**Shri J.S.R Chandra Mouli**, aged 74 years, is an 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 Committees of the Company.

Shri Mouli is not a Director in any other Company and he does not hold any shares in the Company and he is not related to any other Director of the company as on 31st March 2008

**Shri K Jalandhar Reddy**, aged 37 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 on April 1, 1997. He heads the tendering and bidding activities of the company, as also is incharge 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 as on 31st March 2008

Shri Jalandhar Reddy is holding 49,70,448 equity shares in the Company.

Shri Jalandhar Reddy is son of Shri K Narasimha Reddy, Managing Director of and brother in law of Shri J V Panindra Reddy and Shri M Rajesh Reddy, Executive Directors of the Company. Other than this the said Director Shri Jalandhar Reddy is not related to any other Directors of the Company.

## Board Committees

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 Promoter and 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

Shri 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 Board Agenda.

### Terms of reference of the Committee are as follows:

- Review the un-audited quarterly results, half yearly 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 statement is 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 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 relative etc.; that may have potential conflict with the interests of the company at large
- Reviewing with management, external and 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 suspected of fraud or irregularity or a 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 as well as have post- audit discussion 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 applicable period from 18th February 2008 (date of listing) to 31st March 2008 One Audit Committee Meeting was held on 31st March 2008 and all the members of the committee have attended the meeting.

#### **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
Shri T R Sridharan	Member@	Non-Executive and Independent Director

\* appointed as Chairman as per postal ballot resolution passed on 12th September 2007

@ resigned as a Director of the Company with effect from 21st August, 2007

Shri 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 Board 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 deeming the remuneration package while striking a balance between the interest of our Company and the shareholders

**Remuneration paid to the Managing Director and the Whole Time Directors during 2007-2008:**

Name of the Executive Directors	Remuneration Taken during the period
Shri K. Narasimha Reddy	24,00,000
Shri K. Jalandhar Reddy	18,00,000
Shri J. V. Panindra Reddy	18,00,000
Shri M. Rajesh Reddy	18,00,000

**Sitting Fee paid to the Non-Executive Directors for 2007-2008 are as under:**

Name of the Non-Executive Directors	Sitting Fee taken during the period
Shri B. V. Rama Rao	82,500
Shri L. B. Reddy	92,500
Shri J. S. R. Chandra Mouli	70,000
Shri D. Ramaiah	70,000
Shri T. R. Sridharan *	10,000

\* Shri T. R. Sridharan has resigned as a Director of the Company with effect from 21st August, 2007

**Shares held by the Non-Executive Directors as on 31st March 2008 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	280
Shri J. S. R. Chandra Mouli	Nil
Shri D. Ramaiah	Nil
Shri T. R. Sridharan *	Nil

\* Shri T. R. Sridharan has resigned as a Director of the Company with effect from 21st August, 2007

### 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.

### Name and designation of Compliance Officer

Shri M. V. Venkata Rao, Company Secretary

### 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
2004-05	30th September 2005 11.00 a.m.	6-3-635, Akash Ganga, 3rd Floor, Khairatabad, Hyderabad – 500004 Andhra Pradesh, India.
2005-06	29th September 2006 11.00 a.m.	12th Square Building, 3rd Floor, Road No.12 Banjara Hills, Hyderabad-500034, Andhra Pradesh, India.
2006-07	24th September 2007 11.00 a.m.	12th Square Building, 3rd Floor, Road No.12, Banjara Hills, Hyderabad-500034, Andhra Pradesh, India.

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

### Special Resolutions passed through Extra Ordinary General Meeting

There is an Extra Ordinary General Meeting held on 12th day of July 2007 and the following Special Resolutions were passed:

- a. Issue of equity shares pursuant to Section 81(1A) of the Act
- b. Ratification of Rs.415 Crores Corporate Guarantee given to Patel KNR Infrastructure Private Limited a Special Purpose Vehicle (SPV) formed for the purpose of executing BOT Project
- c. To adopt new articles of association of the Company pursuant to Section 31 of the Companies Act, 1956 to comply with the listing agreement
- d. To make equity contribution for an amount not exceeding Rs. 25 Crores each in two Special Purposes Vehicles (SPV) namely Patel KNR Infrastructures Private Limited and Patel KNR Heavy Infrastructures Private Limited formed for the purpose of execution of BOT Projects

### Special Resolutions passed through Postal Ballot:

No Special Resolutions was passed through Postal Ballot during 2007-2008

### 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 period ended 31st March 2008. 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 last year (the company being entered into the capital market during the last year only we are commenting for that period)

- c. **Disclosure of Accounting Treatment**

In the preparation of financial statements, the Company has followed the accounting standards issued by Institute of Chartered Accountants of India. The significant accounting policies, which are consistently applied, have been set out in the Notes to the Accounts of the audited financial statements for the year end 31st March 2008

- d. **Whistle Blower Policy**

The company does not have any Whistle Blower Policy; however no person is denied access to the Audit Committee.

**e. Board Disclosures**

**a. 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 provide oversight and review the risk management policy periodically.

**b. 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.

**f. Proceeds from Public Issue**

During the financial year your company has entered in to capital market by an Initial Public Offer (IPO) of 78,74,570 Equity Shares of Rs.10/- each by raising an amount of Rs. 13386.77 Lakhs. The details of the utilisaiton of the public issue proceeds are as under:

(Amount in Lakhs)

Particulars	Raised	Utilised as on 31.03.2008	Balance	% of unutilised
Investment in Capital Equipment	2130.47	1359.63	770.84	36.18
Investment in BOT Projects				
a - as Equity Contribution	4234.60	600.00	3634.60	85.83
b - as Un-secured Loans	3600.00	1800.00	1800.00	50.00
Working Capital	2520.80	2520.80	0.00	0.00
Issue Expenses	900.90	899.64	1.26	0.14
<b>Total</b>	<b>13386.77</b>	<b>7180.07</b>	<b>6206.70</b>	<b>46.36</b>

**g. Code of Conduct**

The Board has laid down a Code of Conduct covering the ethical requirement 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

**h. CEO / CFO Certification**

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

**Means of Communication**

**a. Quarterly Results**

The Quarterly results of the Company are published in accordance with the requirements of the Listing Agreement in the newspapers having wide circulation Viz Financial Express (national edition, English Daily), Business Standard (Hyderabad Edition, English Daily) and Surya (Telugu Daily)

**b. News releases, presentations etc**

Official news releases, detailed presentations made to media, analysts, institutional investors etc if any will be displayed on the Company's website: [www.knrcl.com](http://www.knrcl.com)

**c. Management Discussion and Analysis (MDA) Report**

The report on MDA forms part of the Annual Report and Accounts sent to the shareholders.

**GENERAL SHAREHOLDERS INFORMATION**

- I. Annual General Meeting : 13th Annual General Meeting  
Date: 30-09-2008  
Time : 10.00 a.m  
Venue : Hotel Green Park, Ameerpet, Hyderabad - 500 016
- II. Financial Calendar : 01.04.2007 to 31.03.2008
- III. Book closure dates : 25.09.2008 to 30.09.2008
- IV. Dividend Payment date : The dividend, if declared, shall be paid/credited with in 30 days from the date of declaration of dividend
- V. Listing on Stock Exchanges :

Name and Address of the Stock Exchange	Script Code
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400001, India	532942
National Stock Exchange of India Limited Exchange Plaza, Floor 5, Plot #C/1, Bandra Kurla complex, Bandra (E), Mumbai – 400051, India	KNRCON

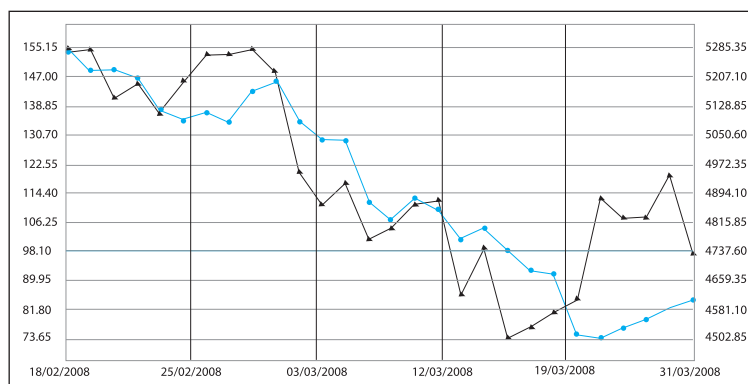
Annual listing fees for the 2008-09 have been paid to the above stock exchanges.

The Company was listed on the above stock exchanges, with effect from 18th February 2008.

VI. Market Price Data:

Month	Bombay Stock Exchange Limited , (BSE)		National Stock Exchange of India Limited (NSE)	
	High Price	Low Price	High Price	Low Price
Feb'2008	199.00	130.10	210.00	108.00
Mar' 2008	142.60	72.20	142.70	70.60

VII. Performance in comparison to broad based indices such as S&P CNX Nifty:



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

Intime Spectrum Registry Limited  
 C-13, Pannalal Silk Mill Compound,  
 LBS Road, Bhandup (West),  
 Mumbai – 400078  
 Phone: +91 – 22 -25960320  
 Fax: +91 – 22 – 25960329  
 Email: knr.ipo@intimespectrum.com

IX. 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 and 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.

X. Distribution of shareholding as on 31st March, 2008

No. of Shares	No. of Shareholders	% of Total	No of share held	% of total
1-500	7086	92.54	654362	2.33
501-1000	412	5.38	245014	0.87
1001-2000	68	0.88	99849	0.35
2001-3000	18	0.23	44419	0.18
3001-4000	16	0.20	59094	0.21
4001-5000	7	0.09	30843	0.11
5001-10000	8	0.10	58740	0.21
Above 10001	42	0.55	26931139	95.76
Total	7657	100.00	28123460	100.00



## XI. Shareholding pattern as on 31st March 2008

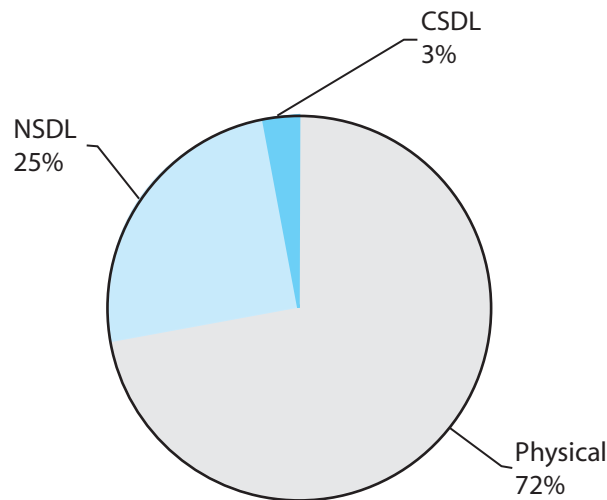
Category Code	Category of Shareholder	Number of Shareholders	Total Number of Shares	Number of Shares held in De-materialized form	Total shareholding as a percentage of total number of shares	
					As a Percentage of (A+B)	As a Percentage of (A+B+C)
<b>(A)</b>	<b>Shareholding of Promoter and Promoter</b>					
<b>1</b>	<b>Indian</b>					
a	Individuals / Hindu Undivided Family	6	20113890	0	71.52	71.52
b	Central Govt. / State Govt.	0	0	0	0	0
c	Bodies Corporate	0	0	0	0	0
d	Financial Institutions / Banks	0	0	0	0	0
e	Any Other (specify)	0	0	0	0	0
	<b>Sub-Total (A) 1</b>	<b>6</b>	<b>20113890</b>	<b>0</b>	<b>71.52</b>	<b>71.52</b>
<b>2</b>	<b>Foreign</b>					
a	Individual (Non-Resident Individuals/ Foreign Individuals)	0	0	0	0	0
b	Bodies Corporate	0	0	0	0	0
c	Institutions	0	0	0	0	0
d	Any Other (specify)	0	0	0	0	0
	<b>Sub-Total (A) 2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)=A(1)+A(2)</b>	<b>6</b>	<b>20113890</b>	<b>0</b>	<b>71.52</b>	<b>71.52</b>
<b>(B)</b>	<b>Public Shareholding</b>					
<b>1</b>	<b>Institutions</b>					
a	Mutual Funds / UTI	11	2359315	2359315	8.39	8.39
b	Financial Institutions / Banks	6	1502161	1502161	5.34	5.34
c	Central Govt. / State Govt.	0	0	0	0	0
d	Venture Capital Funds	0	0	0	0	0
e	Insurance Companies	0	0	0	0	0
f	Foreign Institutional Investors	2	239270	239270	0.85	0.85
g	Foreign Venture Capital Investors	0	0	0	0	0
h	Any other (specify)	0	0	0	0	0
	<b>Sub-Total (B) 1</b>	<b>19</b>	<b>4100746</b>	<b>4100746</b>	<b>14.58</b>	<b>14.58</b>
<b>2</b>	<b>Non-Institutions</b>					
a	Bodies Corporate	247	2193493	2193493	7.80	7.80
b	Individuals					
i	Individual shareholders holding nominal shares upto Rs.1 Lakh	7206	985628	985626	3.50	3.50
ii	Individual shareholders holding nominal shares excess of Rs.1 Lakh	9	645491	510491	2.30	2.30
c	Any other NRI - Repart	56	8443	8443	0.03	0.03
	NRI – Non- Repart	11	2910	2910	0.01	0.01
	Any other (Clearing Members/House)	103	72859	72859	0.26	0.26
	<b>Sub-Total (B) 2</b>	<b>7632</b>	<b>3908824</b>	<b>3773822</b>	<b>13.90</b>	<b>13.90</b>
	<b>Total Public Shareholding (B) = (B)1+(B)2</b>	<b>7651</b>	<b>8009570</b>	<b>7874568</b>	<b>28.48</b>	<b>28.48</b>
	<b>Total (A) + (B)</b>	<b>7657</b>	<b>28123460</b>	<b>7874568</b>	<b>100.00</b>	<b>100.00</b>
<b>(C)</b>	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>					
		0	0	0	0.00	0.00
	<b>Grand Total (A) + (B) + (C)</b>	<b>7657</b>	<b>28123460</b>	<b>7874568</b>	<b>100.00</b>	<b>100.00</b>

XII. 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 2008, 78,74,568 Equity Shares were dematerilaised representing 27.99% of the total paid up equity share capital of the Company.

**ISIN: I N E 6 3 4 I 0 1 0 1 1**



XIII. Address for Correspondence:

**Company Secretary**  
**KNR Constructions Limited**  
**Corporate Office:** 12th Square Building, 3rd Floor,  
Road No.12, Banjara Hills,  
Hyderabad-500034.  
Ph: + 91 - 40 - 2332 3435 / 36 / 37  
Fax: + 91 - 40 - 2332 3439

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

**Intime Spectrum Registry Limited**  
(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 2008.

For KNR Constructions Limited

Sd/-

**K Narasimha Reddy**

Managing Director

Place: Hyderabad

Date: 30.08.2008

## CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
KNR Constructions Limited

We have audited the compliance of the Corporate Governance by KNR Constructions Limited (“the company”) for the period from 18th February 2008 to 31st March 2008, 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 state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency with which the management has conducted the affairs of the Company.

For Sukumar Babu & Co  
Chartered Accountants

Sd/-

**C. Sukumar Babu**

Partner

Membership No. 200/24293

Place: Hyderabad.

Date: 30.08.2008

**CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION**

In relation to the Audited Financial Accounts of the Company as at 31st March, 2008, 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 their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violate 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**  
AGM (F&A)

Place: Hyderabad  
Date: 30.08.2008

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

Our key strength is our ability to see opportunity in adversity. We are able to function efficiently and ensure the timely execution of projects amidst favorable and unfavorable operating conditions. These include climatic/weather conditions, political/security conditions, geographic conditions and access to resources such as personnel, machinery and raw materials.

In the growing economy of India, where infrastructure, a basic requirement, has become priority of Central Government and every State Government, your Company expects to do well in future on the basis of its excellent past performance. Participation with other leaders in the industry has also been explored where your Company feels that either getting a job is not possible individually because of the magnitude or that the other company provides value added services.

The Government's initiative on the public private partnerships has also led to foray of new players from unrelated businesses into the industry, who are building up their strengths in Construction / Operations & Maintenance, by engaging reputed Project Management consultants and strategic tie ups / alliances with global companies. Mobilization of skilled manpower and experienced Engineers for execution of the projects is also posing a major challenge. Your company is fully geared to meet these threats by properly capitalizing its efficient manpower and proven project management skills & rich experience in the industry.

Further the Government's initiative on the public private partnerships in the sector has opened doors of opportunities. The explosion of global capital markets and the associated expansion of private capital flows to emerging market economies like India provide new opportunities to finance infrastructure projects in the countries.

Further your Company intends to expand wings in the other infra sectors like transmission towers, water and sanitation, commercial property development which have immense potential.

### Industry Overview

#### Roads

India has road network of around 3.3 million kilometers which being second largest road network in the world. The main concern remains the fact that only about six percent of all roads are relatively well-developed.

One of the significant developments in road infrastructure in India is the NHDP involving a total investment of US \$ 49 billion upto 2012. The recent cabinet approval for phase NHDP V and NHDP VI are estimated at US \$ 13 billion. Projects are being financed using multiple methods, including tax inflow, foreign aid and private sector participation. Increasing private sector participation and BOT contracts are expected to drive road construction.

#### Irrigation

Indian agriculture is plagued by poor irrigation infrastructure. The government under Bharat Nirman programme has set out to address the situation through a targeted irrigated area of 10 million hectares by 2012. The Eleventh Plan also lays down similar initiatives through various major and medium irrigation projects envisaging the creation of 9 million hectares of irrigation potential 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.

## **Opportunities and Threats**

### **Competition Risk**

Increase in competition from domestic and international construction companies affects the market share and profitability. The Company is fully seized of the risk of being out bid by larger domestic and international players. Towards this, the company is making strategic partnership and joint ventures with quality players, which will give the company the balance sheet size to compete with the larger players. In addition the company's top management's skills of managing projects from drawing board to its final execution are unparalleled in the industry. The company is therefore uniquely poised to meet competition and enjoy continued growth, going forward.

### **Construction Risk**

Construction risk refers to unexpected developments during the construction period that lead to time and cost overruns or shortfalls in performance parameters of the project. High capital intensity and a relatively long construction period make project costs especially vulnerable to delays and cost overruns. As a result construction risk is generally higher in sectors such as roads. The Company with its vast experience of project management skills, balanced capital structuring and efficient cost control measures, is well geared to mitigate these risks.

### **Interest Rate Risk**

Interest rate risks arise because interest rates can vary during the life of the projects. The Company's current debt gearing ratio at 0.59 is relatively lower than the industry average. The Company while bidding for any project always takes a view on the likelihood of the interest rate appreciating over the life of contract and incorporates such possibilities in its bids. The Company is also free to consider interest hedging mechanisms, should the envisaged interest rate go beyond the budgeted estimates.

### **Regulatory Risk**

Regulatory risk arises because infrastructure projects have to interface with various regulatory authorities throughout the life of the project, making them especially vulnerable to regulatory action.

The Company has well placed regulatory compliance mechanism which regularly updates and makes any changes on the compliance part on a real time basis.

### **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.

The Company is of the firm opinion that infrastructure spending is an irreversible process. The political hue at the Centre or the State cannot stop the wheel of progress. At best the process of change in the political Spectrum can only marginally delay the awarding of fresh projects or completion of existing projects. With the Companies experience in working with various Governments and its agencies in its life span is fully capable of handling any changes in the political setup.

### **Internal Control**

KNRCL has adequate internal control systems and procedures with regards to purchase of stores, raw materials including components, plant and machinery, equipment and other assets.

KNRCL has clearly defined roles and responsibilities for all the managerial positions and all operating parameters are monitored and controlled.

### **Discussion on Financial Performance with respect to Operational Performance**

During the year under review KNRCL has achieved a turnover of Rs. 54742.71 Lakhs and Profit after tax of Rs.2954.87 Lakhs.

The Earning per share of the KNRCL as on 31st March 2008 is Rs.13.83 (basic & diluted).

The Paid up share capital of KNRCL as on 31st March 2008 is Rs.28,12,34,600 comprising of 2,81,23,460 equity shares of Rs.10/- each.

### **Human Resources Development and Industrial Relations**

KNRCL believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resources development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements. Industrial relations during the year continued to be cordial and KNRCL is committed to maintain good industrial relations through negotiations, meetings etc, As on 31st March 2008 KNRCL has a total strength of 534 employees

### **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.

On behalf of the Board of Directors  
For KNR Constructions Limited

Sd/-  
**K Narasimha Reddy**  
Managing Director

Sd/-  
**M Rajesh Reddy**  
Executive Director

Place: Hyderabad  
Date: 30.08.2008



## Auditors' Report

The Members

KNR Constructions Limited

1. We have audited the attached Balance Sheet of KNR Constructions Limited as at March 31, 2008, 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. 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 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 issued by the Central 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 the 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 ;
  - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - 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, 2008 ;
    - (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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 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

Sd/-

**C. Sukumar Babu**

Partner

M.No: 200/24293

Place: Hyderabad

Date: 30-08-2008

**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 taken loans secured or unsecured from Companies, firms or other parties 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. However interest is provided on these transactions @12% p.a as approved by the Board. In the absence of agreements for these loans, the terms and conditions, their impact on the interests of the Company cannot be ascertained.
  - c) In the absence of agreements, as the transactions were made on an account basis, the regularity of payment of principal and interest does not arise.
  - d) In the absence of specific agreements for these transactions, the question of over dues does not arise for these transactions.
- iv) In our opinion and according to the information and explanations given to us, the company has formal internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets.



- 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 loans 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) The monies raised during the year by way of Initial Public Offering have been used as per the terms of prospectus.
- 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  
Sd/-  
**C. Sukumar Babu**  
Partner  
M.No: 200/24293

Place: Hyderabad  
Date: 30-08-2008

## BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>I. SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
a) Share Capital	1	281,234,600	202,488,900
b) Reserves & Surplus	2	1,981,279,469	458,764,596
		2,262,514,069	661,253,496
<b>LOAN FUNDS</b>			
a) Secured Loans	3	1,626,671,569	1,102,693,381
b) Un-Secured loans	4	8,760,604	16,864,711
		1,635,432,173	1,119,558,092
<b>DEFERRED TAX LIABILITY</b>		65,622,085	62,015,594
<b>TOTAL</b>		<u>3,963,568,327</u>	<u>1,842,827,182</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	5		
Gross Block		2,086,118,719	1,168,816,558
Less : Depreciation		299,835,993	154,896,471
Net Block		1,786,282,726	1,013,920,087
<b>CAPITAL WORK IN PROGRESS</b>		9,026,385	2,740,549
<b>INVESTMENTS</b>	6	1,136,258,595	315,467,827
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	159,445,454	49,305,741
Sundry Debtors	8	598,353,629	421,493,325
Cash & Bank Balance	9	365,905,504	123,850,886
Other Current Assets	10	517,665,843	355,209,607
Loans & Advances	11	1,160,241,252	404,044,037
		2,801,611,682	1,353,903,596
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a) Current Liabilities	12	1,590,494,681	711,139,831
b) Provisions	13	260,084,003	132,065,046
		1,850,578,684	843,204,877
Net Current Assets		951,032,998	510,698,719
<b>MISCELLANEOUS EXPENDITURE</b>	14	80,967,623	-
(To the extent not written off)			
<b>TOTAL</b>		<u>3,963,568,327</u>	<u>1,842,827,182</u>

Accounting Policies and Notes on Accounts 22

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

for and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b>	<b>K.Narasimha Reddy</b>	<b>M.Rajesh Reddy</b>	<b>G.Sravana Kumar</b>	<b>M.V.Venkata Rao</b>
Partner	Managing Director	Executive Director	AGM (F&A)	Company Secretary

Place : Hyderabad  
Date : 30-08-2008

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedule	Year Ended 31st March, 2008 Rupees	Year Ended 31st March, 2007 Rupees
<b>I INCOME</b>			
Total Work Contract Receipts (Construction of Road Highways and Irrigation Projects)		5,474,271,346	3,212,032,527
Less: Company's Share in Joint Ventures		710,442,786	589,699,919
		<u>4,763,828,560</u>	<u>2,622,332,608</u>
Other Operating Income	15	48,067,279	47,635,128
Other Income	16	18,286,599	79,831,194
		<u>4,830,182,438</u>	<u>2,749,798,930</u>
<b>II EXPENDITURE</b>			
Materials Consumed	17	550,377,006	385,060,023
Work Contract Expenses	18	3,378,618,938	1,791,943,288
Administration And Other Expenses	19	177,401,720	98,491,627
Interest And Finance Charges	20	100,383,551	89,067,099
Depreciation		144,939,522	73,641,828
Increase/Decrease in Work-in-Progress	21	-	43,030,073
Preliminary Expenses / Issue Expenses Written off		8,996,403	35,952
		<u>4,360,717,140</u>	<u>2,481,269,890</u>
Profit Before Tax		469,465,298	268,529,040
Provision for Taxation			
- Current Tax		155,800,668	69,373,390
- Fringe Benefit Tax		1,852,852	553,860
- Wealth Tax		154,051	91,198
- Deferred Tax		3,606,491	(5,224,461)
Profit After Taxation		<u>308,051,236</u>	<u>203,735,053</u>
Add / (Less): Prior Period Items		(3,611,784)	388,740
Add / (Less): Prior Year's Taxation		(8,952,737)	(5,353,847)
		<u>295,486,715</u>	<u>198,769,946</u>
Balance in Profit and Loss account brought forward		383,764,596	223,684,839
Profit Available for Appropriation		<u>679,251,311</u>	<u>422,454,785</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		28,123,460	20,248,890
Dividend Tax		4,779,582	3,441,299
Transferred to General Reserve		15,000,000	15,000,000
Balance carried to Balance Sheet		<u>631,348,269</u>	<u>383,764,596</u>
		<u>679,251,311</u>	<u>422,454,785</u>
Earning Per share - Basic/Adjusted		13.83	9.82
- Diluted		13.83	9.82

Accounting Policies and Notes on Accounts 22  
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

for and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b>	<b>K.Narasimha Reddy</b>	<b>M.Rajesh Reddy</b>	<b>G.Sravana Kumar</b>	<b>M.V.Venkata Rao</b>
Partner	Managing Director	Executive Director	AGM (F&A)	Company Secretary

Place : Hyderabad  
Date : 30-08-2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	Year Ended 31st March, 2008 Rupees	Year Ended 31st March, 2007 Rupees
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	469,465,298	268,529,040
Adjustments for		
Depreciation	144,939,522	73,641,828
Miscellaneous Expenditure / Issues Expenses Written Off	8,996,403	35,953
Provision for Doubtful Deposits	-	145,409
Loss on sale of assets and Discarded	-	870,011
Profit on sale of Assets	-	(72,553,044)
Profit on sale of Investments	-	-
Interest and Financial Charges	110,890,689	95,241,474
Interest Received	(10,507,138)	(6,174,375)
<b>Operating Profit before Working Capital Changes</b>	<b>723,784,774</b>	<b>359,736,296</b>
Adjustments for changes in		
Trade and Other Receivables	(964,091,279)	(436,794,193)
Inventories	(110,139,713)	18,577,294
Trade Payables and Other Liabilities	968,408,564	446,506,313
Cash generated from Operations	617,962,346	388,025,710
Prior Period Items	(3,611,784)	388,740
Taxes paid	(175,016,226)	(60,972,023)
<b>Net Cash from Operating Activities</b>	<b>439,334,336</b>	<b>327,442,427</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and other Capital Expenditure	(923,587,997)	(714,561,090)
Proceeds from sale of Fixed Assets	-	139,941,890
Proceeds from sale of Shares	-	-
Investments in Joint Ventures / SPV's / Mutual Funds	(820,790,768)	(8,324,629)
Interest Received	7,997,018	4,528,096
TDS on Interest Received	(1,704,925)	(862,948)
<b>Net Cash used in Investing Activities</b>	<b>(1,738,086,672)</b>	<b>(579,278,681)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Funds Borrowed / (Repaid)	286,919,253	227,053,136
Mobilisation and Machinery advances received from customers	138,892,466	167,921,943
Proceeds from IPO	1,338,676,900	-
Interest paid	(110,027,450)	(93,953,881)
Issue Expenses	(89,964,026)	-
Dividend and Dividend Tax paid	(23,690,189)	(23,088,797)
<b>Net Cash from Financing Activities</b>	<b>1,540,806,954</b>	<b>277,932,401</b>
<b>D) Net change in cash and cash equivalents (A+B+C)</b>	<b>242,054,618</b>	<b>26,096,147</b>
Cash and Cash Equivalents as at April 1 (Opening Balance)	123,850,886	97,754,739
Cash and Cash Equivalents as at March 31 (Closing Balance)	365,905,504	123,850,886
<b>Net Cash Flow</b>	<b>242,054,618</b>	<b>26,096,147</b>



**Notes:**

- 1 Cash and Cash equivalents includes:
  - a. Rs. 282,803,203 (P.Y Rs. 83,962,645) margin money in fixed deposits account against letters of Guarantee issued.
  - b. Restricted bank balances includes Rs. Nil (P.Y Rs. 10,000) towards unclaimed dividend.
- 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

for and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b>	<b>K.Narasimha Reddy</b>	<b>M.Rajesh Reddy</b>	<b>G.Sravana Kumar</b>	<b>M.V.Venkata Rao</b>
Partner	Managing Director	Executive Director	AGM (F&A)	Company Secretary

Place : Hyderabad  
Date : 30-08-2008

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised Capital</b> 35,000,000 (Previous Year 35,000,000) Equity Shares of Rs. 10/- each	<u>350,000,000</u>	<u>350,000,000</u>
<b>Issued, Subscribed and Paid Up</b> 28,123,460 (P.Y 20,248,890) Equity Shares of Rs. 10/- each	281,234,600	202,488,900
<b>TOTAL</b>	<u>281,234,600</u>	<u>202,488,900</u>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS :</b>		
<b>Securities Premium Account</b> As per Last Balance Sheet	-	-
Add: Addition during the year	1,259,931,200	-
	<u>1,259,931,200</u>	-
<b>General Reserve</b> As per last Balance Sheet	75,000,000	60,000,000
Add: Transfer from Profit & Loss Account	15,000,000	15,000,000
	<u>90,000,000</u>	<u>75,000,000</u>
<b>Balance in Profit Loss Account</b>	631,348,269	383,764,596
<b>TOTAL</b>	<u>1,981,279,469</u>	<u>458,764,596</u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS :</b>		
<b>Working Capital Demand Loan</b> Cash Credit	290,665,248	200,602,886
<b>Term Loans:</b>		
- From Banks	500,493,375	277,641,941
- Others	249,578,578	177,406,652
<b>Secured Trade Advance</b> (Recoverable against Work done bills, against Bank Guarantees)		
- Mobilisation Advance	566,852,421	281,046,852
- Machinery Advance	19,081,947	165,995,050
<b>TOTAL</b>	<u>1,626,671,569</u>	<u>1,102,693,381</u>
Installments falling due within 12 months	364,321,647	215,715,814

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**SCHEDULES FORMING PART OF THE BALANCE SHEET**


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	<b>As at</b>	<b>As at</b>
	<b>31st March, 2008</b>	<b>31st March, 2007</b>
	<b>Rupees</b>	<b>Rupees</b>

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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 1.49 crores as on 31.03.2006 and hypothecation of equipments, the Written Down Value of Rs which is 16.94 Crores as on 31.03.2006
  - 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) Personal guarantee of four Directors.
- 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 :
- Mobilisation and Machinery advances are received from clients against bank guarantees.

**SCHEDULE 4****UN-SECURED LOANS :**

From Directors	8,760,604	16,864,711
<b>TOTAL</b>	<b>8,760,604</b>	<b>16,864,711</b>

**SCHEDULE 5  
FIXED ASSETS**

Rupees

Sl No	PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
		As at 01-04-07	Additions	Deductions/ Adjustments	As at 31-03-08	Up to 01-04-07	For the 01-04-07 to 31-03-08	Deductions/ Adjustments	Up to 31-03-08	As at 31-03-08	As at 31-03-07
1	Lands	265,528,845	2,423,874	-	267,952,719	-	-	-	-	267,952,719	265,528,845
2	Buildings	12,654,797	5,517,264	-	18,172,061	1,060,458	799,051	-	1,859,509	16,312,552	11,594,339
3	Plant and Machinery	852,904,659	893,823,116	-	1,746,727,775	138,148,031	138,204,855	-	276,352,886	1,470,374,889	714,756,628
4	Office Equipment	2,043,061	904,632	-	2,947,693	741,688	253,300	-	994,988	1,952,705	1,301,373
5	Furniture and Fittings	5,135,937	712,564	-	5,848,501	2,149,797	587,005	-	2,736,802	3,111,699	2,986,140
6	Computers & Accessories	2,213,787	1,494,306	-	3,708,093	1,333,231	651,388	-	1,984,619	1,723,474	880,556
7	Constructions Accessories	6,832,846	849,000	-	7,681,846	2,953,248	584,174	-	3,537,422	4,144,424	3,879,598
8	Lab Equipments and Tools	4,156,272	6,373,590	-	10,529,862	1,381,488	762,413	-	2,143,901	8,385,961	2,774,784
9	Vehicles	17,346,354	5,203,815	-	22,550,169	7,128,530	3,097,336	-	10,225,866	12,324,303	10,217,824
	Capital Work in Progress				2,086,118,719	154,896,471	144,939,522	-	299,835,993	1,786,282,726	1,013,920,087
	Previous Year :	507,480,003	730,612,216	69,275,661	1,168,816,558	82,271,447	73,641,828	1,016,804	154,896,471	1,013,920,087	-
										9,026,385	2,740,549
										1,795,309,111	1,016,660,636

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>SHORT TERM INVESTMENTS</b>		
Mutual Funds - Quoted (Fully paid)		
50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs.10.730/- each)	500,000	-
10,000,000 Units @ Rs. 10/- each of Reliance Fixed Horizon Fund (Market Value Rs.10.001/- each)	100,121,334	-
20,090,971 Units @ Rs. 10.031/- each of HDFC Cash Management Fund (Market Value Rs.10.032/- each)	201,542,575	-
10,200,868 Units @ Rs. 10.013/- each of HSBC Liquid Plus (Market Value Rs.10.013/- each)	102,199,560	-
1,000,000 Units @ Rs. 10/- each of HSBC Interval Fund (Market Value Rs.10.027/- each)	100,314,597	-
5,034,543 Units @ Rs. 10.005/- each of SBI SHF Liquid Plus (Market Value Rs.10.005/- each)	50,370,599	-
5,002,190 Units @ Rs. 10.003/- each of Reliance Monthly Interval Fund (Market Value Rs.10.003/- each)	50,037,402	-
	<u>605,086,067</u>	<u>-</u>
<b>LONG TERM INVESTMENTS</b>		
<b>A) In Associate Companies - Unquoted (Fully paid)</b>		
14,800,000 Equity shares @ Rs.10/- each of Patel KNR Infrastructures Pvt Ltd.,	148,000,000	11,240,000
4,000 Equity shares @ Rs.10/- each of Share Application Money - (Pending Allotment) Patel KNR Heavy Infrastructure Pvt Ltd.,	40,000 <u>20,000,000</u> 168,040,000	50,000 - 11,290,000
<b>B) In Joint Ventures</b>	363,132,528	304,177,827
<b>TOTAL</b>	<u><u>1,136,258,595</u></u>	<u><u>315,467,827</u></u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 7</b>		
<b>INVENTORIES :</b>		
Materials at Site	159,445,454	49,305,741
Work in progress	-	-
<b>TOTAL</b>	<u>159,445,454</u>	<u>49,305,741</u>
<b>SCHEDULE 8</b>		
<b>SUNDRY DEBTORS :</b>		
(Unsecured, considered good)		
Over 6 months	178,507,838	82,894,022
Less than 6 months	419,845,791	338,599,303
<b>TOTAL</b>	<u>598,353,629</u>	<u>421,493,325</u>
<b>SCHEDULE 9</b>		
<b>CASH &amp; BANK BALANCES :</b>		
Cash on Hand	868,440	1,227,427
Balances with Scheduled Banks :		
In Current Account	82,233,861	38,660,814
In Margin Money Deposits (Lodged with Banks against guarantee / LC's)	282,803,203	83,962,645
<b>TOTAL</b>	<u>365,905,504</u>	<u>123,850,886</u>
<b>SCHEDULE 10</b>		
<b>OTHER CURRENT ASSETS :</b>		
(Unsecured, considered good)		
Retention Money	345,008,154	198,043,786
Other Deposits	41,482,421	16,691,453
Due from Customer	106,952,515	124,912,562
Hire Charges Receivable	4,921,287	5,653,011
VAT Receivable	6,882,551	-
Interest Accrued But Not Received	14,618,915	12,108,795
	519,865,843	357,409,607
Less: Provision for Doubtful Deposits	2,200,000	2,200,000
<b>TOTAL</b>	<u>517,665,843</u>	<u>355,209,607</u>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 11</b>		
<b>LOANS &amp; ADVANCES :</b>		
(Unsecured considered good unless otherwise stated)		
Advances Recoverable in cash or kind or for value to be received	930,307,815	307,642,349
Prepaid Expenses	13,433,995	8,814,602
Tax Deducted at Source and advances tax (incl. Fringe Benefit Tax)	216,499,442	87,587,086
<b>TOTAL</b>	<b>1,160,241,252</b>	<b>404,044,037</b>
<b>SCHEDULE 12</b>		
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors	854,644,487	499,822,339
Advance from Clients	104,405,327	209,282,339
Due to Customers	628,546,475	-
Interest Accrued But Not Due	2,898,392	1,988,552
Interest Accrued But Not Paid	-	46,601
<b>TOTAL</b>	<b>1,590,494,681</b>	<b>711,139,831</b>
<b>SCHEDULE 13</b>		
<b>PROVISIONS :</b>		
Provision for Taxation	225,174,058	107,584,390
Provision for Fringe Benefit Tax	1,852,852	553,860
Provision for Wealth Tax	154,051	91,198
Provision for Dividend Tax	4,779,582	3,441,299
Provision for Defective Liability Expenses	-	145,409
Proposed Dividend	28,123,460	20,248,890
<b>TOTAL</b>	<b>260,084,003</b>	<b>132,065,046</b>
<b>SCHEDULE 14</b>		
<b>MISCELLANEOUS EXPENDITURE :</b>		
(To the extent not written off or adjusted)		
Opening Balance	-	35,953
Add: Issue Expenses	89,964,026	-
Less: Written off during the year	8,996,403	35,953
<b>TOTAL</b>	<b>80,967,623</b>	<b>-</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 15</b>		
<b>OTHER OPERATING INCOME :</b>		
Share of Profit / Loss from Joint Ventures	13,352,894	15,512,970
Excise Duty Refund	25,126,796	-
Sales of Processed Materials	3,490,166	-
Hire Charges and Job Work Receipts	6,097,423	32,122,158
<b>TOTAL</b>	<b>48,067,279</b>	<b>47,635,128</b>
<b>SCHEDULE 16</b>		
<b>OTHER INCOME :</b>		
Profit on Sale of Assets	-	72,553,044
Liabilities no longer required written back	3,453,860	274,600
Foreign Currency Exchange Fluctuations	747,046	-
Dividend Received from Mutual Funds	5,356,082	-
Miscellaneous Receipts	8,729,611	7,003,550
<b>TOTAL</b>	<b>18,286,599</b>	<b>79,831,194</b>
<b>SCHEDULE 17</b>		
<b>MATERIALS CONSUMED :</b>		
Stock at Commencement	49,305,741	24,852,962
Add: Net Purchases	660,516,719	409,512,802
Less: Closing Stock	159,445,454	49,305,741
<b>TOTAL</b>	<b>550,377,006</b>	<b>385,060,023</b>
<b>SCHEDULE 18</b>		
<b>WORK CONTRACT EXPENSES :</b>		
Sub-contractors Work Bills	2,629,761,149	1,315,568,566
Transport Charges	25,317,217	17,631,600
Power Charges	17,277,734	735,486
Seigniorage Charges	109,650,777	31,750,310
Sales Tax / VAT	120,622,664	38,025,355
Recoveries by Clients	10,182,839	116,579
Repairs & Maintenance		
- Plant & Machinery and Vehicles	48,043,099	51,236,401
- Others	1,975,499	1,981,727



**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
Spreading & Assortment Exp.	385,951,956	278,479,280
Preparatory Works Expenses	-	46,236,068
Other Expenses	29,836,004	10,181,916
<b>TOTAL</b>	<b>3,378,618,938</b>	<b>1,791,943,288</b>

**SCHEDULE 19**

**ADMINISTRATION AND OTHER EXPENSES :**

Salaries , Wages and Other Benefits	78,978,958	30,618,174
Contribution to Provident Fund and Other Funds	1,951,244	278,374
Staff Welfare Expenses	2,980,884	1,151,548
Directors Remuneration	7,800,000	7,650,000
Traveling & Conveyance	6,069,170	3,307,791
Boarding & Lodging Expenses	852,026	241,298
Printing & Stationery	2,658,404	1,413,202
Postage, Telegrams and Telephones	3,153,588	1,771,560
Rates & Taxes	4,652,755	13,213,038
Tender Expenses	223,472	112,500
Business Promotion Exp	151,792	599,326
Office Maintenance	946,069	554,083
Rent Expenses	3,479,846	1,334,583
Advertisement and publicity	210,444	596,853
Legal & Professional Charges	35,959,583	21,462,772
Electricity Charges	506,702	522,743
Insurance	15,173,332	7,107,511
Miscellaneous Expenses	7,738,739	4,068,412
Loss on Sale of Assets / discarded	-	870,011
Bad Debts / Advances written off	3,089,712	992,847
Directors Sitting Fees	325,000	225,000
Auditor Remuneration :		
Audit Fees	187,500	150,000
Tax Audit Fees	93,750	75,000
Out of Pocket Expenses	218,750	175,000
<b>TOTAL</b>	<b>177,401,720</b>	<b>98,491,626</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

	As at 31st March, 2008 Rupees	As at 31st March, 2007 Rupees
<b>SCHEDULE 20</b>		
<b>INTEREST AND FINANCIAL CHARGES :</b>		
Interest on Working Capital Loans	30,842,579	17,295,656
Interest on Term Loans	53,756,568	29,272,919
Interest on Mobilisation and Machinery Advances	7,937,203	21,100,391
Interest to others	9,167,868	12,505,741
	<u>101,704,218</u>	<u>80,174,707</u>
Less: Interest received from banks and others (Gross of Tax Deducted at Source Rs. 1,704,925 (P.Y 862,948))	<u>10,507,138</u>	<u>6,174,375</u>
	<u>91,197,080</u>	<u>74,000,332</u>
Financial Charges	9,186,471	15,066,767
<b>TOTAL</b>	<u><u>100,383,551</u></u>	<u><u>89,067,099</u></u>

**SCHEDULE 21**

**(INCREASE)/DECREASE IN WORK-IN-PROGRESS:**

Opening Work in Progress	-	43,030,073
Less : Closing Work in Progress and Aggregates	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u><u>-</u></u>	<u><u>43,030,073</u></u>

**SCHEDULE - 22****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 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 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.

**d) BORROWING COSTS**

Borrowing Costs that are directly attributable to acquisition or 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 has been 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

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

**h) 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 "Employee Benefits" issued by the Companies (Accounting Standard) Rules, 2006.

**i) Gratuity**

In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity covering eligible employees. Liability on account of gratuity is covered through a recognized Gratuity Fund managed by Life Insurance Corporation of India and contributions are charged to revenue on cash basis.

**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, there being no exchange differences arising on acquisition of fixed assets.

**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 virtual certainty that there will be sufficient taxable income in future.

**n) CONTINGENT LIABILITIES**

Contingent liabilities are not provided for and are disclosed by way of notes.

**B) NOTES ON ACCOUNTS**

1. All amounts in the financial statements are presented in Rupees 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.

## 2. Contingent Liabilities not provided for

Rupees

	Particulars	2007-08	2006-07
1.	Bank Guarantees - for Company - for Joint Ventures' - for SPV's	<b>1,555,218,310</b> <b>200,107,949</b> <b>152,080,000</b>	829,157,792 184,870,000 80,600,000
	<b>Total</b>	<b>1,907,406,259</b>	1,094,627,792
2.	Corporate guarantee	<b>4,200,000,000</b>	500,000,000
3.	Letter of Credit	<b>3,259,440</b>	Nil
4.	Demands against the Company not acknowledged as debts and not provided for in respect of which the Company has filed appeal. - Income Tax - Sales Tax	<b>467,553</b> <b>16,341,438</b>	467,553 22,081,028
5.	Claims against the Company not acknowledged as debts	<b>Nil</b>	Nil
6.	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

Rupees

Sl.No.	Purpose	2007-08	2006-07
1	For Construction Equipments	<b>69,792,947</b>	11,546,370
2	For Equity investment in BOT Project	<b>403,500,000</b>	303,480,000
3	For un-secured loan in BOT Project	<b>833,300,000</b>	Nil

## 4. Managerial Remuneration

Rupees

Particulars	2007-08	2006-07
Salaries, allowances and perquisites	<b>7,800,000</b>	7,650,000
Sitting Fees	<b>325,000</b>	225,000
Total	<b>8,125,000</b>	7,875,000

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

Rupees

Particulars	2007-08	2006-07
Profit before Taxation	469,465,298	268,529,040
Add: Managerial Remuneration	7,800,000	7,650,000
Loss on Sale of Fixed Assets / Written off Assets	-	870,011
Sub- Total	477,265,298	277,049,051
Less: Profit on Sale of Fixed Assets	-	2,773,808
Profit on Sale of Land	-	72,553,044
Profit on Sale of Shares / Mutual Funds	-	-
Total ( Profit for the year as per Section 349)	477,265,298	201,722,199
<b>Maximum remuneration payable</b>	<b>52,499,183</b>	<b>22,189,442</b>
Remuneration paid	7,800,000	7,650,000

#### 5. Deferred Taxes

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

Rupees

Particulars	2007-08	2006-07
<b>A - Deferred Tax Assets on timing difference due to:</b>		
Expenditure not allowed u/s 43B and 40 a (ia)	1,357,023	2,631,847
<b>B - Deferred Tax Liabilities on timing difference due to :</b>		
Depreciation	4,963,514	(2,592,614)
<b>Net Deferred Tax Liability (A-B)</b>	<b>3,606,491</b>	<b>(5,224,461)</b>

#### 6. Earning Per Share

Rupees

Sl. No	Particulars	31.03.2008	31.03.2007
1	Net Profit for the year after tax and prior year items	295,486,715	198,769,946
		<b>Nos.</b>	<b>Nos.</b>
2	Weighted Average number of equity shares for basic EPS	21,367,681	20,248,890
3	Face Value per share	10	10
4	Basic EPS	13.83	9.82

#### 7. Expenditure / Remittance in Foreign Currency

Rupees

Particulars	2007-08	2006-07
On account of Travel	111,760	20,038
On account of Capital Goods	71,023,975	34,035,650

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

Rupees

Sl.No	Particulars	2007-08	2006-07
1.	Contract Revenue recognized as revenue during the year	4,763,828,560	2,622,332,608
2.	Contract costs incurred and recognized Profits, less losses	4,763,828,560	2,622,332,608
3.	Advances received, net of recoveries from Progressive bills	690,339,695	654,794,884
4.	Retention Deposits	345,008,154	198,043,786
5.	Gross amount due from customers	106,952,515	170,685,258
6.	Gross amount due to customers	628,546,475	- Nil -

Interest accrued on claims awarded during the year amounting to Rs. 1,650,789 was recognized as revenue during the year.

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

Name of the Company	Balance as on		Maximum outstanding	
	31-03-2008	31-03-2007	2007-08	2006-07
<b>A. Subsidiaries</b>	Nil	Nil	Nil	Nil
<b>B. Associates</b>				
Patel –KNR Infrastructure Pvt Ltd.,	101,363,400	Nil	101,363,400	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,	183,981,830	Nil	183,981,830	Nil
<b>C. Loans and Advances where there is no repayment schedule</b>				
Patel –KNR Infrastructure Pvt Ltd.,	101,363,400	Nil	101,363,400	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,	183,981,830	Nil	183,981,830	Nil
<b>D. Loans where no interest is charged or interest is below section 372A of Companies Act, 1956</b>				
Patel –KNR Infrastructure Pvt Ltd.,*	101,363,400	Nil	101,363,400	Nil
Patel-KNR Heavy Infrastructure Pvt Ltd.,#	183,981,830	Nil	183,981,830	Nil
<b>E. Loans to firms / Companies in which directors are interested</b>	Nil	Nil	Nil	Nil

\* These interest free unsecured loans are made as per clause No. 2 of the other terms & conditions of the loans sanction letter of Axis Bank Ltd., for BOT Projects

# These interest free unsecured loans are made as per clause No. 6 of the other terms & conditions of the loans sanction letter of ICICI Bank Ltd., for BOT Projects

### 10. Details of utilization of IPO proceeds

During the year 2007-08, the company completed the Initial Public Offering of its equity shares comprising of 7,874,570 equity shares. In this regard, equity shares of Rs. 10/- each were issued at Rs. 170/- each aggregating to Rs. 1,338,676,900/-

The Company has utilized the public issue proceeds in the following manner:

Particulars	Proposed	Rupees in Lakhs
		Utilised As on 31-03-2008
Investment in Capital Equipment	2130.47	1359.63
Investment in BOT Projects		
a - As equity contribution	4234.60	600.00
b - As un-secured loan	3600.00	1800.00
Working Capital	2520.80	2520.80
Issue Expenses	900.90	899.64
<b>Total</b>	<b>13386.77</b>	<b>7180.07</b>

The total proceeds from the Issue was Rs. 13,386.77 lakhs. The unutilized sum of Rs.6206.70 lakhs was temporarily invested in mutual funds and fixed deposits with banks .

11. 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.

### 12. 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.

13. 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	Rupees in Lakhs					
		Assets	Liabilities	Contingent Liabilities	Capital Commitment	Income	Expenditure
Patel-KNR-JV	50%	7018.42	7018.42	279.88	637.77	13930.25	13807.76
KNR-Patel-JV	51%	326.82	326.82	67.32	Nil	01.51	12.35
NCC-KNR-JV	Project wise	537.01	537.01	Nil	Nil	Nil	18.34
KNR-SLEC-JV	60%	161.08	161.08	Not ascertainable	Nil	1056.80	1006.71
KNR-BPL-JV	49%	264.88	264.88	Nil	Nil	422.88	422.88
Patel KNR Infra-structure Pvt Ltd.,	40%	7782.91	7782.91	482.40	14000.00	Nil	Nil
Patel KNR Heavy Infrastructure Pvt Ltd.,	40%	951.08	951.08	1037.20	20720.00	Nil	Nil



14. As per Accounting Standard 18, "Related Party Disclosure" issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard are given below:

A. List of Related Parties and relationships

	Name of the Related Party	Relationship
A	KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV	Joint Venture
	Patel-KNR Infrastructure Pvt Ltd., Patel-KNR Heavy Infrastructure Pvt Ltd.,	Associate
	KNR Infrastructure Pvt Ltd., Vishnu Publicity Solutions Ltd., Trapezoid Software Solutions Pvt. Ltd.,	As Key Management Personnel (KMP)
	Yuvashakthi Enterprises (Firm)	As Key Management Personnel (KMP)
B	Sri K.Narasimha Reddy Sri K.Jalandhar Reddy Sri J.V.Panindra Reddy Sri M.Rajesh Reddy	Key Management Personnel (KMP)

B. Related party transactions during the year ended March 31, 2008 are as follows:  
(Previous year's figures are given in brackets below the current year figures)

Sl. . No	Particulars	Rupees			
		Joint Ventures	Associates	Key Management Personnel	Enterprises owned or significantly influenced by Key Management Personnel or their relatives
1	Net Investments	58,954,701 (-2,965,370)	136,750,000 (11,290,000)	- (-)	- (-)
2	Share Application Money pending allotment	- (-)	20,000,000 (-)	- (-)	- (-)
3	Un-secured loan given	- (-)	285,345,230 (-)	(-) (-)	- (-)

4	Un-secured loan received	- (-)	- (-)	20,220,000 (52,014,388)	- (-)
5	Un-secured loan re-paid	- (-)	- (-)	29,620,621 (36,030,164)	- (-)
6	Mobilisation / Machinery / Material Advance Received	- (853,920)	302,500,000 (-)	- (-)	- (-)
7	Net Share of Profit	13,352,894 (15,512,970)	- (-)	- (-)	- (-)
8	Sub-Contract Jobs given	15,890,175	-	-	-
9	Sub-Contract / (EPC) Jobs received	1,008,331,882 (958,758,546)	1,182,642,906 (35,449,357)	- (-)	- (-)
10	Remuneration paid	- (-)	- (-)	7,800,000 (7,650,000)	- (-)
11	Rent Received	- (-)	- (-)	60,000 (60,000)	- (-)
12	Interest Paid	- (-)	- (-)	1,462,179 (-)	- (-)
13	Interest Received	- (-)	622,320 (-)	- (-)	- (-)
14	Debit balances outstanding as on 31st March, 2008 –	224,243,255 (229,765,524)	280,192,196 (35,449,357)	- (-)	- (-)
15	Credit balances outstanding as on 31st March,2008 –	67,372,094 (141,460,738)	564,993,735 (-)	- (-)	- (-)

15. 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 to be having nil market value have been written off in the accounts.
16. Debit and credit balances of parties are subject to confirmation by the respective parties.
17. The company has taken unsecured loans from its directors, The details of which are furnished below:

Rupees

Name of the Party	Relation -ship	Opening Balance as on 31-03-2007	Loan received during the year	Interest (net of TDS)	Loan re-paid during the year	Outstanding as on 01-04-2008
K.Narasimha Reddy	M.D	3,683,538	11,400,000	358,604	13,501,973	1,940,169
K.Jalandhar Reddy	E.D	13,181,173	4,470,000	910,684	11,768,648	6,793,209
M.Rajesh Reddy	E.D	0	4,350,000	27,226	4,350,000	27,226

18. Additional information pursuant to provisions of Para 3, 4C and 4D of Part – II of Schedule VI of Companies Act, 1956 – not applicable.
19. Figures of previous year have been regrouped / rearranged wherever necessary to conform to the current year presentation

As per our report of even date attached  
for Sukumar Babu & Co.,  
Chartered Accountants

for and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b> Partner	<b>K.Narasimha Reddy</b> Managing Director	<b>M.Rajesh Reddy</b> Executive Director	<b>G.Sravana Kumar</b> AGM (F&A)	<b>M.V.Venkata Rao</b> Company Secretary

Place : Hyderabad  
Date : 30-08-2008

## Auditors' Report on 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 associates and joint ventures ('the Company, its associates and joint ventures (collectively referred as 'the Group') as at March 31, 2008 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto. 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 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 five joint ventures and one associate, whose financial statements reflect Group's share of total assets of Rs. 192.23 crores as at March 31, 2008, Group's share of total revenue of Rs. 71.04 crores, and Group's share of profit of Rs. 1.34 crores 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 Joint Ventures, Associates is based solely on the report of other auditors.
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 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, 2008;

- 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

Sd/-

**C. Sukumar Babu**

Partner

M.No: 200/24293

Place: Hyderabad

Date: 30-08-2008

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule		As at 31st March, 2008 Rupees
<b>I. SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
a) Share Capital	1	281,234,600	
b) Reserves & Surplus	2	<u>1,981,279,455</u>	2,262,514,055
<b>LOAN FUNDS</b>			
a) Secured Loans	3	2,388,799,116	
b) Un-Secured loans	4	<u>43,982,181</u>	2,432,781,297
<b>DEFERRED TAX LIABILITY</b>			
<b>TOTAL</b>			<u>65,622,085</u>
			<u>4,760,917,437</u>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
5			
Gross Block			2,552,505,276
Less : Depreciation			<u>445,492,307</u>
Net Block			2,107,012,969
<b>CAPITAL WORK IN PROGRESS</b>			
			802,340,089
<b>INVESTMENTS</b>			
6			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	600,891,758	
Sundry Debtors	8	557,777,745	
Cash & Bank Balance	9	385,434,976	
Other Current Assets	10	558,346,735	
Loans & Advances	11	<u>1,272,685,050</u>	
			3,375,136,264
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a) Current Liabilities	12	1,950,757,495	
b) Provisions	13	<u>260,084,003</u>	
			2,210,841,498
Net Current Assets			1,164,294,766
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off)	14		82,157,986
<b>TOTAL</b>			<u>4,760,917,437</u>

Accounting Policies and Notes on Accounts 22

Schedules referred to above from an integral part of the accounts

As per our report of even date attached  
for Sukumar Babu & Co.,

for and on behalf of the Board

Chartered Accountants

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b>	<b>K.Narasimha Reddy</b>	<b>M.Rajesh Reddy</b>	<b>G.Sravana Kumar</b>	<b>M.V.Venkata Rao</b>
Partner	Managing Director	Executive Director	AGM (F&A)	Company Secretary

Place : Hyderabad  
Date : 30-08-2008

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008**

	Schedule	As at 31st March, 2008 Rupees
<b>I INCOME</b>		
Total Work Contract Receipts		5,474,271,346
Other Operating Income	15	34,714,385
Other Income	16	19,252,099
		<u>5,528,237,830</u>
<b>II EXPENDITURE</b>		
Materials Consumed	17	857,783,388
Work Contract Expenses	18	3,708,895,633
Administration And Other Expenses	19	251,808,519
Interest And Finance Charges	20	139,781,728
Depreciation		215,487,951
Increase/Decrease in Work-in-Progress	21	(124,967,169)
Preliminary Expenses / Issue Expenses Written off		8,996,403
		<u>5,057,786,453</u>
Profit Before Tax		470,451,377
Provision for Taxation		
- Current Tax		156,103,503
- Fringe Benefit Tax		1,937,111
- Wealth Tax		154,051
- Deferred Tax		3,606,491
Profit After Taxation		<u>308,650,221</u>
Add/(Less): Prior Period Items		(3,611,784)
Add/(Less)Less: Prior Year's Taxation		(9,551,736)
		<u>295,486,701</u>
Balance in Profit and Loss account brought forward		<u>383,764,596</u>
Profit Available for Appropriation		<u>679,251,297</u>
<b>APPROPRIATIONS</b>		
Proposed Dividend		28,123,460
Dividend Tax		4,779,582
Transferred to General Reserve		15,000,000
Balance carried to Balance Sheet		631,348,255
		<u>679,251,297</u>
Earning Per share - Basic/Adjusted		13.83
- Diluted		13.83

Accounting Policies and Notes on Accounts 22

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

for Sukumar Babu &amp; Co.,

for and on behalf of the Board

Chartered Accountants

Sd/-  
**C.Sukumar Babu**  
PartnerSd/-  
**K.Narasimha Reddy**  
Managing DirectorSd/-  
**M.Rajesh Reddy**  
Executive DirectorSd/-  
**G.Sravana Kumar**  
AGM (F&A)Sd/-  
**M.V.Venkata Rao**  
Company SecretaryPlace : Hyderabad  
Date : 30-08-2008

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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 1  
SHARE CAPITAL :**
**Authorised Capital**

35,000,000 (Previous Year 35,000,000) Equity Shares of Rs. 10/- each 350,000,000

**Issued, Subscribed and Paid Up**

28,123,460 (P.Y 20,248,890) Equity Shares of Rs. 10/- each 281,234,600

**TOTAL** 281,234,600

**SCHEDULE 2**
**RESERVES & SURPLUS :**
**Securities Premium Account**

As per Last Balance Sheet

Add: Addition during the year 1,259,931,200

1,259,931,200

**General Reserve**

As per last Balance Sheet

Add: Transfer from Profit & Loss Account 15,000,000

90,000,000

Balance in Profit Loss Account

631,348,255

**TOTAL** 1,981,279,455

**SCHEDULE 3**
**SECURED LOANS :**

Working Capital Demand Loan

Cash Credit 291,508,161

**Term Loans:**

- From Banks 1,225,322,199

- Others 261,300,929

**Secured Trade Advance**

(Recoverable against Work done bills, against Bank Guarantees)

- Mobilisation Advance 538,727,496

- Machinery Advance 71,940,331

**TOTAL** 2,388,799,116

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Installments falling due within 12 months 364,321,647

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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**


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As at  
31st March, 2008  
Rupees

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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
  - 2) First charge on equitable mortgage of land & buildings and hypothecation of equipments
  - 3) Personal guarantee of four Directors.
- 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 :  
Mobilisation and Machinery advances are received from clients against bank guarantees.

**SCHEDULE 4**

**UN-SECURED LOANS :**

From Corporate		35,221,577
From Directors		8,760,604
<b>TOTAL</b>		<u>43,982,181</u>

**SCHEDULE 5  
FIXED ASSETS**

Rupees

Sl No	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at 01-04-07	Additions	Deductions/ Adjustments	As at 31-03-08	Up to 01-04-07	For the 01-04-07 to 31-03-08	Deductions/ Adjustments	Up to 31-03-08	As at 31-03-08	As at 31-03-07
1	Lands	273,035,801	2,697,807	-	275,733,608	679,625	63,303	-	742,928	274,990,680	272,356,176
2	Buildings	14,747,029	5,517,264	-	20,264,293	1,234,811	833,922	-	2,068,733	18,195,560	13,512,218
3	Plant and Machinery	1,256,866,576	943,448,850	14,502,350	2,185,813,076	212,534,166	206,687,466	4,621,078	414,600,554	1,771,212,522	1,044,332,410
4	Office Equipment	3,510,097	1,032,907	-	4,543,004	1,253,361	500,223	-	1,753,584	2,789,420	2,256,736
5	Furniture and Fittings	6,517,122	736,582	-	7,253,704	2,999,257	811,931	-	3,811,188	3,442,516	3,517,865
6	Computers & Accessories	3,964,653	1,718,843	-	5,683,496	2,532,484	979,260	-	3,511,744	2,171,752	1,432,169
7	Constructions Accessories	6,832,846	849,000	-	7,681,846	2,953,248	584,174	-	3,537,422	4,144,424	3,879,598
8	Lab Equipments and Tools	4,156,272	6,373,590	-	10,529,862	1,381,488	762,413	-	2,143,901	8,385,961	2,774,784
9	Vehicles	29,175,050	6,325,729	498,392	35,002,387	9,181,286	4,381,830	240,863	13,322,253	21,680,134	19,993,764
		1,598,805,446	968,700,572	15,000,742	2,552,505,276	234,749,726	215,604,522	4,861,941	445,492,307	2,107,012,969	1,364,055,720
	Capital Work in Progress									802,340,089	15,039,814
										2,909,353,058	1,379,095,534

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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 6****INVESTMENTS****SHORT TERM INVESTMENTS**

Mutual Funds - Quoted (Fully paid)	
50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs.10.730/- each)	500,000
10,000,000 Units @ Rs. 10/- each of Reliance Fixed Horizon Fund (Market Value Rs.10.001/- each)	100,121,334
20,090,971 Units @ Rs. 10.031/- each of HDFC Cash Management Fund (Market Value Rs.10.032/- each)	201,542,575
10,200,868 Units @ Rs. 10.013/- each of HSBC Liquid Plus (Market Value Rs.10.013/- each)	102,199,560
1,000,000 Units @ Rs. 10/- each of HSBC Interval Fund (Market Value Rs.10.027/- each)	100,314,597
5,034,543 Units @ Rs. 10.005/- each of SBI SHF Liquid Plus (Market Value Rs.10.005/- each)	50,370,599
5,002,190 Units @ Rs. 10.003/- each of Reliance Monthly Interval Fund (Market Value Rs.10.003/- each)	50,037,402
	605,086,067
<b>LONG TERM INVESTMENTS</b>	
Others	25,560
<b>TOTAL</b>	<b>605,111,627</b>

**SCHEDULE 7****INVENTORIES :**

Materials at Site	202,044,917
Work in progress	398,846,841
<b>TOTAL</b>	<b>600,891,758</b>

**SCHEDULE 8****SUNDRY DEBTORS :**

(Unsecured, considered good)

Over 6 months	112,424,858
Less than 6 months	445,352,887
<b>TOTAL</b>	<b>557,777,745</b>

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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 9****CASH & BANK BALANCES :**

Cash on Hand	961,805
Balances with Scheduled Banks :	
In Current Account	100,912,350
In Margin Money Deposits (Lodged with Banks against guarantee / LC's)	283,560,821
<b>TOTAL</b>	<u><u>385,434,976</u></u>

**SCHEDULE 10****OTHER CURRENT ASSETS :**

(Unsecured, considered good)

Retention Money	377,235,404
Other Deposits	49,839,679
Due from Customer	106,952,515
Hire Charges Receivable	4,921,287
VAT Receivable	6,882,551
Interest Accrued But Not Received	14,715,299
	<u>560,546,735</u>
Less: Provision for Doubtful Deposits	2,200,000
<b>TOTAL</b>	<u><u>558,346,735</u></u>

**SCHEDULE 11****LOANS & ADVANCES :**

(Unsecured considered good unless otherwise stated)

Advances Recoverable in cash or kind or for value to be received	948,236,055
Prepaid Expenses	35,714,241
Tax Deducted at Source and advances tax (incl. Fringe Benefit Tax)	288,734,754
<b>TOTAL</b>	<u><u>1,272,685,050</u></u>

**SCHEDULE 12****CURRENT LIABILITIES :**

Sundry Creditors	776,769,311
Advance from Clients	167,871,112
Due to Customers	1,003,218,680
Interest Accrued But Not Due	2,898,392
Interest Accrued But Not Paid	-
<b>TOTAL</b>	<u><u>1,950,757,495</u></u>

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**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 13  
PROVISIONS :**

Provision for Taxation	225,174,058
Provision for Fringe Benefit Tax	1,852,852
Provision for Wealth Tax	154,051
Provision for Dividend Tax	4,779,582
Provision for Defective Liability Expenses	-
Proposed Dividend	28,123,460

<b>TOTAL</b>	<b>260,084,003</b>
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**SCHEDULE 14**
**MISCELLANEOUS EXPENDITURE :**

(To the extent not written off or adjusted)

Opening Balance	1,190,363
Add: Issue Expenses and Preliminary Expenses	89,964,026
Less: Written off during the year	8,996,403

<b>TOTAL</b>	<b>82,157,986</b>
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**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 15****OTHER OPERATING INCOME :**

Excise Duty Refund	25,126,796
Sales of Processed Materials	3,490,166
Hire Charges and Job Work Receipts	6,097,423
<b>TOTAL</b>	<b>34,714,385</b>

**SCHEDULE 16****OTHER INCOME :**

Liabilities no longer required written back	4,049,294
Foreign Currency Exchange Fluctuations	747,046
Dividend Received from Mutual Funds	5,356,082
Miscellaneous Receipts	9,099,677
<b>TOTAL</b>	<b>19,252,099</b>

**SCHEDULE 17****MATERIALS CONSUMED :**

Stock at Commencement	75,943,407
Add: Net Purchases	941,285,435
Less: Closing Stock	159,445,454
<b>TOTAL</b>	<b>857,783,388</b>

**SCHEDULE 18****WORK CONTRACT EXPENSES :**

Sub-contractors Work Bills	2,921,515,054
Transport Charges	31,737,294
Power Charges	20,054,549
Seigniorage Charges	122,785,152
Sales Tax / VAT	120,622,664
Recoveries by Clients	10,182,839
Repairs & Maintenance	
- Plant & Machinery and Vehicles	48,043,099
- Others	1,975,767
Spreading & Assortment Exp.	393,126,415
Preparatory Works Expenses	5,237,103
Other Expenses	33,615,697
<b>TOTAL</b>	<b>3,708,895,633</b>

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**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 19****ADMINISTRATION AND OTHER EXPENSES :**

Salaries , Wages and Other Benefits	101,525,310
Contribution to Provident Fund and Other Funds	1,991,514
Staff Welfare Expenses	7,749,153
Directors Remuneration	7,800,000
Traveling & Conveyance	7,406,842
Boarding & Lodging Expenses	1,168,991
Printing & Stationery	3,243,920
Postage, Telegrams and Telephones	4,107,740
Rates & Taxes	28,798,305
Tender Expenses	268,472
Business Promotion Exp	151,792
Office Maintenance	946,069
Rent Expenses	4,363,376
Advertisement and publicity	341,786
Legal & Professional Charges	40,912,466
Electricity Charges	506,702
Insurance	18,414,041
Miscellaneous Expenses	12,368,843
Loss on Sale of Assets / discarded	5,372,131
Bad Debts / Advances written off	3,237,057
Directors Sitting Fees	325,000
Auditor Remuneration :	
Audit Fees	496,509
Tax Audit Fees	93,750
Out of Pocket Expenses	218,750
<b>TOTAL</b>	<b>251,808,519</b>

**SCHEDULE 20****INTEREST AND FINANCIAL CHARGES :**

Interest on Working Capital Loans	47,116,251
Interest on Term Loans	53,756,568
Interest on Mobilisation and Machinery Advances	18,652,976
Interest to others	16,602,180
	136,127,975
Less: Interest received from banks and others	12,393,984
(Gross of Tax Deducted at Source Rs. 1,704,925 (P.Y 862,948))	123,733,991
Financial Charges	16,047,737
<b>TOTAL</b>	<b>139,781,728</b>

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**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**


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As at  
31st March, 2008  
Rupees

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**SCHEDULE 21  
(INCREASE)/DECREASE IN WORK-IN-PROGRESS:**

Opening Work in Progress	273,879,672
Less : Closing Work in Progress and Aggregates	398,846,841
<b>TOTAL</b>	<b><u>(124,967,169)</u></b>

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**Schedules forming part of the Consolidated Accounts  
Schedule – 22**
**A. SIGNIFICANT ACCOUNTING POLICIES**
**1. Principles of Consolidation**

The consolidated financial statements comprise the KNR Constructions Limited (“the Company”) and its associates and joint ventures as at March 31, 2008 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiaries are combined 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 intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard 21 on “Consolidated Financial Statements” issued by the Companies (Accounting Standard) Rules, 2006.
- b) The financial statements of the jointly controlled entities have been accounted using the ‘proportionate consolidation’ method as per Accounting Standard 27 on ‘Financial Reporting of Interests in Joint Ventures’ issued 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 in accordance with Accounting Standard 23 on “Accounting for Investments in Associates in Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- d) The financial statements of the jointly controlled entities and the associates used in the consolidation are drawn up to the same reporting date as that of the Company, i.e. March 31, 2008.
- e) Intra-group balances and intra-group transactions and resulting unrealized profits have been eliminated.
- f) The audited consolidated financial statements were made for the first time for the FY 2007-2008. As such Cash Flow Statement for the year 2007-08 is not made as no comparative audited consolidated financial figures are available



- g) 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 in the same manner as the Company's separate financial statements, except in the case of inventories, work in progress, depreciation and taxes on income accounted by JCE.
2. Investments other than in subsidiaries, jointly controlled entities and associates have been accounted as per Accounting Standard 13 issued by Companies (Accounting Standard) Rules, 2006 on "Accounting for Investments."
3. **Other significant accounting policies:**
- a) 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 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.
- Fixed Assets of 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 joint ventures and associates consistently, it is not practicable to make adjustments to the financial statement of the Joint Ventures and Associates when there are used by KNRCL in applying proportionate consolidation.
- Capital Work in Progress: All costs incurred towards construction of "Concessionaire Assets" on Build, Operate and Transfer (BOT) basis are accumulated under capital work in progress till the completion of construction.
- 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 where as in the case of joint ventures the sme is valued at contract rates. Raw Materials and Stores & Spares of KNRCL 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**

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity covering eligible employees. Liability on account of gratuity is covered through a recognized Gratuity Fund managed by the Life Insurance Corporation of India and contributions are charged to revenue on cash basis.

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-imbusement are accounted on cash basis.

h) **Share Issue Expenses:**

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

i) **Revenue Recognition**

**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.

**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) Leases**

Lease hold land is written off over the period of lease.

**k) Preparatory Work Expenses**

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

**l) 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.

**m) 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.

**n) Preliminary/Issue Expenses**

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

## B. NOTES ON ACCOUNTS

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

Name of the Subsidiaries	Country of Incorporation	Proportion of Ownership Interest
Subsidiaries	Nil	Nil
Associates		
- Patel KNR Infrastructure Pvt Ltd.,	India	40%
- Patel KNR Heavy Infrastructure Pvt Ltd.,	India	40%
Joint Controlled Entities		
- Patel-KNR-JV	India	50%
- KNR-Patel-JV	India	51%
- KNR-SLEC-JV	India	60%
- KNR-BPL-JV	India	49%
- NCC-KNR-JV	India	Project wise

### 2. Contingent liabilities not provided for:

Sl. No.	Particulars	Rupees
1	Corporate Guarantee	4,200,000,000
2	Bank Guarantees	2,059,366,259
3	Claims not acknowledged as debts	Nil
4	Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.	
-	Income Tax*	9,968,593
-	Sales Tax	16,341,438
5	Letter of Credit	28,477,541
6	Estimated amount of contracts remaining to be executed on capital account	4,842,369,925

\* 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. Deferred Tax

	Particulars	Amount in Rs.
A -	<b>Deferred Tax Assets on timing difference due to:</b> Expenditure not allowed u/s 43B and 40 a (ia)	1,357,023
B -	<b>Deferred Tax Liabilities on timing difference due to :</b> Depreciation	4,963,514
	<b>Net Deferred Tax Liability (A-B)</b>	3,606,491

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

Sl.No	Particulars	Amount in Rs.
1.	Contract Revenue recognized as revenue during the year	5,681,284,560
2.	Contract costs incurred and recognized Profits, less losses	7,071,852,560
3.	Advances received, net of recoveries from Progressive bills	724,177,195
4.	Retention Deposits	394,612,654
5.	Gross amount due from customers	344,374,515
6.	Gross amount due to customers	628,546,475

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.

- A. As per Accounting Standard 18, “Related Party Disclosure” issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the Related

Parties as defined in the Accounting Standard are given below:

**A. List of Related Parties and relationships**

	Name of the Related Party	Relationship
A	KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV	Joint Venture
	Patel-KNR Infrastructure Pvt Ltd., Patel-KNR Heavy Infrastructure Pvt Ltd.,	Associate
	KNR Infrastructure Pvt Ltd., Vishnu Publicity Solutions Ltd., Trapezoid Software Solutions Pvt. Ltd.,	As Key Management Personnel (KMP)
	Yuvashakthi Enterprises (Firm)	As Key Management Personnel (KMP)
B	Sri K.Narasimha Reddy Sri K.Jalandhar Reddy Sri J.V.Panindra Reddy Sri M.Rajesh Reddy	Key Management Personnel (KMP)
C	Relative of key managerial personnel	Nil

- B. Related party transactions during the year ended March 31, 2008 are as follows:  
(Previous year’s figures are given in brackets below the current year figures)

Sl. . No	Particulars	Joint Ventures	Associates	Key Management Personnel	Enterprises owned or significantly influenced by Key Management Personnel or their relatives
1	Un-secured loan given	-	171,207,138	-	-
2	Un-secured loan received	-	-	20,220,000	-
3	Un-secured loan re-paid	-	-	29,620,621	-

4	Mobilisation / Machinery / Material Advance Received	-	181,500,000	-	-
5	Sub-Contract Jobs given	7,945,088	-	-	-
6	Sub-Contract / (EPC) Jobs received	504,588,817	709,585,744	-	-
7	Remuneration	-	-	7,800,000	-
8	Rent Received	-	-	60,000	-
9	Interest`	-	-	1,462,179	-
10	Interest Received	-	373,392	-	-
11	Debit balances outstanding as on 31st March, 2008	133,168,852	136,826,936	-	-
12	Credit balances outstanding as on 31st March,2008	1,917,490	-	-	-

Note: the above amounts are after excluding the company's share of inter-related transactions with joint ventures and associates.

7. 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 to be having nil market value have been written off in the accounts.
8. Debit and credit balances of parties are subject to confirmation by the respective parties.
9. Additional information pursuant to provisions of Para 3, 4C and 4D of Part – II of Schedule VI of Companies Act, 1956 – not applicable.
10. Figures of previous year have been regrouped / rearranged wherever necessary to conform to the current year presentation

As per our report of even date attached  
for Sukumar Babu & Co.,  
Chartered Accountants

for and on behalf of the Board

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
<b>C.Sukumar Babu</b> Partner	<b>K.Narasimha Reddy</b> Managing Director	<b>M.Rajesh Reddy</b> Executive Director	<b>G.Sravana Kumar</b> AGM (F&A)	<b>M.V.Venkata Rao</b> Company Secretary

Place : Hyderabad  
Date : 30-08-2008

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. REGISTRATION DETAILS

REGISTRATION NUMBER  STATE CODE   
 BALANCE SHEET DATE

### II. CAPITAL RAISED DURING THE YEAR

PUBLIC ISSUE  RIGHTS ISSUE   
 BONUS ISSUE  PRIVATE PLACEMENT

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

#### SOURCES OF FUNDS

TOTAL LIABILITIES	<input type="text" value="3963568"/>	TOTAL ASSETS	<input type="text" value="3963568"/>
PAID UP CAPITAL	<input type="text" value="281235"/>	RESERVES AND SURPLUS	<input type="text" value="1981279"/>
SECURED LOANS	<input type="text" value="1626672"/>	UNSECURED LOANS	<input type="text" value="8761"/>
SHARE APPLICATION MONEY	<input type="text" value="NIL"/>		

#### APPLICATION OF FUNDS

NET FIXED ASSETS	<input type="text" value="1786283"/>	INVESTMENTS	<input type="text" value="1136259"/>
NET CURRENT ASSETS	<input type="text" value="951033"/>	MISC. EXPENSES	<input type="text" value="80968"/>

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

TURNOVER	<input type="text" value="4830182"/>	TOTAL EXPENDITURE	<input type="text" value="4360717"/>
PROFIT/(LOSS) BEFORE TAX	<input type="text" value="469465"/>	PROFIT/ (LOSS) AFTER TAX	<input type="text" value="295487"/>
EARNING PER SHARE	<input type="text" value="13.83"/>	DIVIDEND	<input type="text" value="10%"/>

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

ITEM CODE NO.   
 (ITC CODE) PRODUCT DESCRIPTION





# KNR CONSTRUCTIONS LIMITED

Registered Office: 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad-500004

## ATTENDANCE SLIP

Folio No. / Depository A/c No.

No. of Shares Held:

Name and Address of the Shareholder

I hereby record my /our presence at the 13th ANNUAL GENERAL MEETING of the members of the Company held on Tuesday, the 30th September, 2008 at 10.00 a.m at Hotel Green Park, Ameerpet, Hyderabad-500 016

.....  
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: 6-3-635, 3rd Floor, Akash Ganga, Khairatabad, Hyderabad-500004

## 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 13th Annual General Meeting of the Company to be held on Tuesday, the 30th September, 2008 at 10.00 a.m at Hotel Green Park, Ameerpet, Hyderabad-500 016 and at any adjournment (s) thereof.

Singed this ..... Day of ..... 2008

Signature .....  
(Proxy)

Please Affix  
15 Paise  
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.