



Creating Infrastructure Landmarks

Annual Report 2011-12



KNR Constructions Limited



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About Us

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

An ISO 9001:2000 certified company; KNRCL is geographically well diversified with state/NHA projects in Andhra Pradesh, Chattisgarh, Karnataka, Tamil Nadu, Orissa, Rajasthan and Madhya Pradesh. The Company's qualification in projects across the country lends confidence in its ability to bag bigger orders. Additionally, in line with its growth strategy, the Company has successfully partnered with joint ventures associates not only to diversify to other locations but also move to big-ticket orders.

Creating Infrastructure Landmarks

When KNRCL was incorporated in 1995 by professionals in the field of infrastructure development, an important goal was to exceed on what was set out to be accomplished and deliver more than promised. And in 2011-12, when the Company has created an enviable record of completing a prestigious project way ahead of schedule, it has indeed set new benchmarks in the infrastructure sector.



Unbelievable in an industry where delays are considered inevitable and correspondingly increased project cost an obvious occurrence. But at KNRCL, the mind-set has always been to challenge the difficult and achieve the impossible. The Company's crowning achievement has been completing the work of the prestigious Bijapur-Hungund section road project 11 months ahead of time. This stands as a record in early completion in the history of Indian Highway construction works of this magnitude. An achievement, which while reiterating KNRCL's unwavering commitment levels, has taken it to a special echelon.

KNRCL's confidence in constructing landmark infrastructure stems from its ability to consistently deliver innovative, high quality solutions within time, on budget and above expectations. Leveraging its infrastructure domain expertise, the team of dedicated and talented associates continue to provide exceptional customer service and uphold the Company image as a trusted brand in the industry.

While proud of what it has achieved, KNRCL's associates know that this is not the time to rest on the laurels. Rather recapitulate this engineering feat in its future projects and make the most of the burgeoning opportunities in the EPC sector with the Government thrust on improving rapidly the infrastructure services in the country for greater economic prosperity.



Landmark
Achievement

97.221 km
582 days
810m bridge





KNRCL has completed the work of a prestigious 97.221 km of road project in NH 13 Bijapur-Hungund section, in 582 days against the scheduled duration of 910 days which inturn translated in completion of project 328 days ahead of scheduled time (i.e. 11 months ahead of time). This is considered as a record in early completion in the history of Indian Highway construction works of this magnitude. The achievement also includes construction of 810m dual carriageway bridge over river Krishna on NH-13 (recently changed as NH-50) near Almatti in a record time of 11 months and 16 days which is an engineering feat unparalleled.



83.478 km

2 five lane toll plazas

35 minor bridges

6 pedestrian underpasses

The project consisted of 83.478 km of conversion from two lane to four lane, 3.9 km of conversion from two lane to six lane with service road; 9.843 km of new four lane road; five major bridges including 810m long bridge over Krishna river near Almatti Dam; 35 minor bridges; 6 pedestrian underpasses; 113 culverts; 2 five-lane toll plazas; 2 rest areas; 4 truck lay-bys and 36 bus shelters.

This project has taken KNRCL to a special echelon and we are aiming to have a culture of 'before time completion' in as many projects as possible in future.

This achievement is expected to open many opportunities and tie-ups for KNRCL as an EPC contractor from various concessionaires who are looking for good EPC contractors with strong execution skills.





Managing Director's Letter



“Riding on this accomplishment, we enter the next fiscal with high expectations for continued earnings growth as we focus on providing a full spectrum of EPC solutions across sectors such as roads and highways, irrigation and water management.”

Dear Shareholders,

2011-12 was highlighted by a landmark achievement by your Company as the year saw us complete toll road in the Bijapur-Hungund project in Karnataka in record time. The project was completed in a record time of 582 days against schedule duration of 910 days which in turn translates in to completion of project 328 days ahead of schedule time. The achievement also includes construction of 810m dual carriageway bridge over river Krishna on NH-13 (recently changed as NH-50) in a record time of 11 months and 16 days which is an engineering feat unparalleled.

Riding on this accomplishment, we enter the next fiscal with high expectations for continued earnings growth as we focus on providing a full spectrum of EPC solutions across sectors such as roads and highways, irrigation and water management.

Our confidence is derived from our commitment levels and infrastructure domain expertise which has been drawn from a wealth of experience and a consistent track performance of executing and completing projects on time. Our dedication to maintaining the highest standards of safety, ethics, quality and reliability in everything we do has ensured that our clients come back to us with repeated orders.

Let me take you through a more detailed review of our financial and operational results, as well as our outlook for the year ahead. For the financial year 2011-12, your Company has achieved a turnover of ₹ 865.99 crores



with an operating profit of ₹ 139.43 crores and net profit of ₹ 52.76 crores reflecting our success to execute projects on time and on budget. Our robust business model enabled us to earn a bonus of ₹ 50 crores for an early completion - a unique earnings opportunity vis-à-vis our peers. Though our financials have been impacted on account of the economic uncertainty, we are optimistic that the future unfolds a better picture.

Operationally, our ability to do everything in-house reduced our dependence on third party, helped to control costs more effectively thus ensuring better returns for our shareholders. Also, adopting a prudent policy of procuring and maintaining supply chain of raw materials worked in the favour of your Company's bottom line results.

We are acutely aware of the insecure economic climate and its impact on the construction industry and your Company. However, renewed thrust by both the Central and State Governments on road projects, to connect people and improve lives, fuels growth opportunities for us on the basis of our high comfort level in EPC contracts. In fact, the Central Government's initiative to expand investments in the infrastructure sector to \$1 trillion by 2017 augurs well for our business prospects. While our area of business has enormous growth potential, we also realise it is incumbent on us to be diligent and ensure expeditious execution while performing our road transportation engineering projects to maximise returns for our shareholders.

Going forward into 2012-13, we are pleased with the order book of ₹ 3,042 crores out of which ₹ 2,808 crores

is from road projects and the rest from irrigation and water management projects. We have a vision to touch an orderbook of ₹ 5,000 crores by 2015 with a portfolio mix of projects in PPP, BOT and EPC models. Business prospects in the field of water segments for pipelines, canal contracts and mining projects are also being given a serious consideration.

In summary, we are on the right path. We are focussing on our core strengths, investing in our people and being more decisive both operationally and administratively relative to cost control. Your Company is especially proud of the loyalty, dedication and tireless efforts of its employees which have made us a reputed leader in the provider of EPC services across the infrastructure sector. I would like to extend my thanks to our employees for their personal commitment to achieve the goals of your Company.

On a concluding note, I would like to express my gratitude to our suppliers, partners, government organisations, bankers and stakeholders for their unwavering support and belief in your Company and our future. We look forward to the coming year with confidence in our ability to sustain our excellent performance, win major new works, grow your Company and capitalise on the talent of our people to provide solid returns for our shareholders.

Thank you.

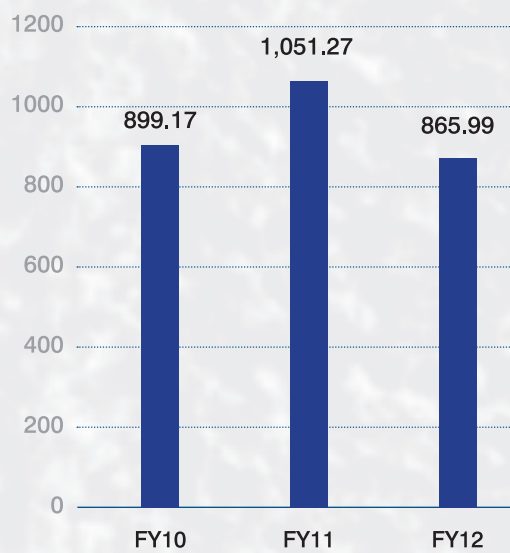
Yours Sincerely,
K Narasimha Reddy
Managing Director

Financial Highlights

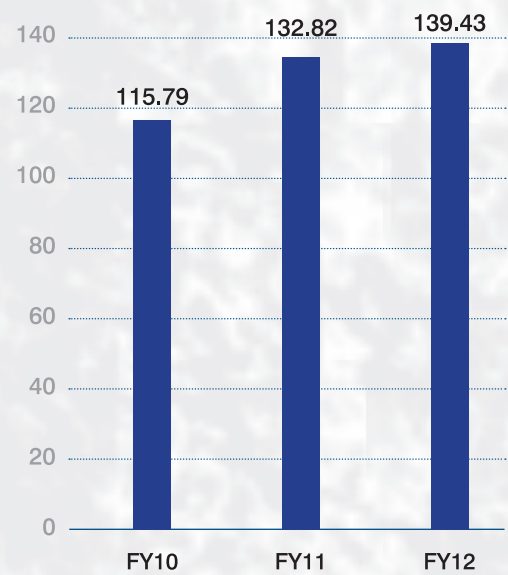
(₹ crores)			
INCOME STATEMENT	FY12	FY11	FY10
Orders in hand	3,042.02	1,443.36	1,818.38
Turnover (including share in JV's)	865.99	1,051.27	899.17
Operating Profit	139.43	132.82	115.79
Profit Before Tax (PBT)	78.42	83.56	82.62
Profit After Tax (PAT)	52.76	56.82	50.28
Cash Profit	104.14	98.27	77.35

(₹ crores)			
BALANCE SHEET	FY12	FY11	FY10
Share Capital	28.12	28.12	28.12
Reserves and Surplus	378.69	329.19	278.90
Net Worth	402.36	351.97	300.79
Secured Loans	109.17	161.61	110.32
Unsecured Loans	0.02	0.02	0.24
Capital Employed	511.55	513.60	411.35
EPS (₹)	18.76	20.21	17.88
Cash EPS (₹)	37.03	34.97	27.50
Book Value per share (₹)	143.07	125.15	106.95

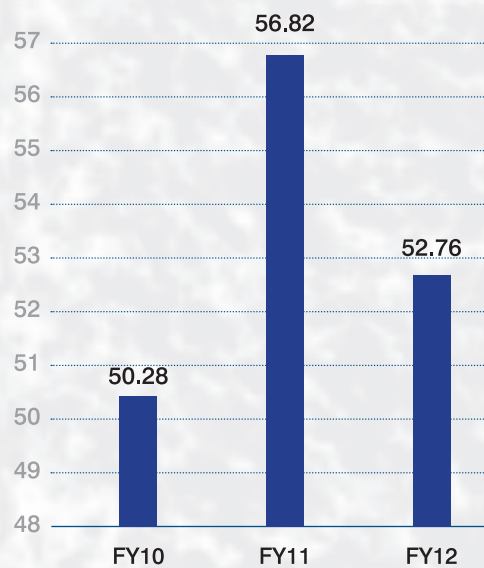
Turnover (₹ crores)



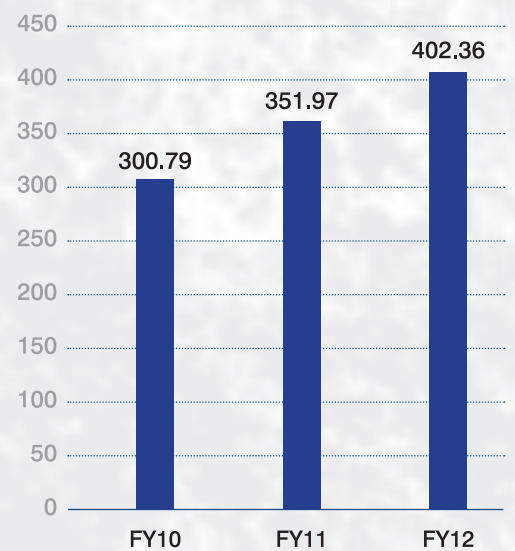
Operating Profit (₹ crores)



PAT (₹ crores)



Net Worth (₹ crores)



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Investor Grievance & Share Transfer Committee

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

Investor Service Centre

"KNR House", 3rd & 4th Floors,
Plot No. 114, Phase I, Kavuri Hills,
Hyderabad -500033
email: investors@knrcl.com

*Resigned w.e.f : 10.01.2012

Statutory Auditors

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

Company Secretary

Shri M V Venkata Rao

General Manager

(Finance & Accounts)

Shri G Sravana Kumar

Bankers

State Bank of Patiala
State Bank of India
State Bank of Mysore
IDBI Bank
Oriental Bank of Commerce
ICICI Bank Limited
Axis Bank Limite

Registered Office

C-125, Anand Niketan,
New Delhi - 110021

Notice

Notice is hereby given that the 17th Annual General Meeting of the KNR Constructions Limited will be held on Wednesday the 8th day of August, 2012 at 3.30 PM at Registered office of the Company at : C-125, Anand Niketan, New Delhi - 110021

Ordinary Business

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 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 M Rajesh Reddy, who retires by rotation and being eligible, offers himself for reappointment
- 4 To appoint a Director in place of Shri B V Rama Rao, who retires by rotation and being eligible, offers himself for reappointment.
- 5 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 (Registration No. 004188S) , be and are hereby re-appointed as Statutory Auditors of the Company from the Conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

By Order of the Board of Directors

Sd/-
M. V. Venkata Rao
Company Secretary

Place: Hyderabad
Date: 05.07.2012

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 6th August, 2012 to 8th August, 2012 (both days inclusive) in connection with the Annual General Meeting
- (iv) Re-appointment of directors; At the ensuing Annual General Meeting Shri M Rajesh Reddy and Shri B V Rama Rao Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. The details pertaining to these directors required to be provided pursuant to clause 49 of Listing Agreement are furnished in the statements on the Corporate Governance forming part of this Annual Report. The Board of Directors of your Company recommends the respective re-appointments of the aforesaid Directors.
- (v) Members / proxies should fill in the attendance slip for attending the Meeting.
- (vi) In case of joint holders attending the Meeting, only such joint holders who are higher in the order of the name will be entitled to vote.

Management Discussion and Analysis

Macroeconomic perspective

India is stepping into a challenging period. The year 2011 proved to be a roller-coaster ride, with a greater degree of negativity. The year began with the anti-corruption campaign, which attracted unprecedented support from the middle class, creating a Hero in Anna Hazare. But the year ended with the compromising 'Lokpal Bill', which is far from the expected success in terms of creating a strong institution that can solve the corruption cancer in the country.

The year was marked by economic slowdown across the globe, with the Euro crisis being the highlight. The Indian economy, despite its resilience, was not immune. The falling rupee, widening fiscal deficit, double-digit inflation, 13 interest rate hikes in a year, crucial policies like FDI in retail with strong backward linkages going on the back burner, the dismal feeling of policy paralysis in the country, all these marked critical developments in the course of 2011.

The government has at best only one and a half years to act before the election fever rises in anticipation of the 2014 national election. In the short term, economic activity may receive a boost from lower interest rates. Sustaining high growth is likely to be the over reaching concern in 2012, although the risk of inflation will remain, largely because of a weakening rupee.

Infrastructure creation

The Budget 2012 was strategically focused on the infrastructure sector and skills development to balance current challenges and long term needs. On an overall basis the Budget 2012 is positive for the infrastructure sector. The impetus that the Finance Minister has put on investment in this sector will further strengthen the involvement of private sector to ensure an overall improvement. To propel domestic investments in the infrastructure sector, the Finance Ministry has doubled the limit of tax free infra bonds to ₹60,000 crore from ₹30,000 crore and introduced 8800 km of road projects.

Over the last five years, thanks to good balance sheets and a benign business environment – aside from well laid out PPP models, the private sector has been taking an active role in the emerging opportunities in the infrastructure space in India. Thus, the private sector participation in India's infrastructure investment rising well above the targeted 30% levels in the 11th plan, to 36%. The increasing trend of private sector participation is evident from the following:

For the 12th Plan, the planning commission had set out an initial target in 2010 to double the infrastructure investment to USD 1 trillion, implying infrastructure investments could reach 10% of GDP during the plan period as against 8% levels in the final year of the 11th plan. Of this spend, about 45% is estimated to be done by the private sector. But, on account of a slowdown in the economy, targets may need to be relooked.

Going forward, it is estimated that the bulk of the growth in infrastructure capex is likely to be driven by sectors currently dominated by government companies or government budgetary support – railways, rural roads, electricity transmission and distribution. Only national highways and telecom, among the high outlay sectors have a wider participation of the private sector.

Roads

India's 12th plan expenditure is likely to see increased focus on roads with USD110 billion investment respectively.

NHAI (National Authority for development of National Highways) has thus far awarded 5,000 km in FY11 and 6,500 kms in FY12. Of these, 500 km of projects have already achieved financial closure and are coming up for construction in the coming three to six months. With a further 20,000 km of projects yet to be awarded by them as a part of the NHDP, we expect faster development in this segment. The wider and long participation of the private sector too, given the fairly evolved mechanisms for awarding projects, should help.

To boost road development, Mr. Mukherjee also announced an increased allocation of ₹25,360 crore towards the National Highways Development Programme, an increase of about 14 % over the previous year. He also said that the awarding of over 7,000 km of road projects had encouraged the government to set a target of about 8,800 km for the next fiscal. To give a push to road building in the rural areas, Rs 24,000 crore has been allocated towards the Pradhan Mantri Gram Sadak Yojna, an increase of 20 % over the previous year.

Irrigation

Irrigation Infrastructure is a critical component regarding the development of Indian agriculture as one third population of the country depends on agriculture sector directly or indirectly. The critical issues that plague Indian agriculture at present are the knowledge deficit and infrastructure deficit, especially in the rural areas. Problems related to irrigation infrastructure, market infrastructure and transport infrastructure add significant cost to farmers. In the budget 2012-13 Finance Minister Mr. Pranab Mukherjee announced "Unless we recognise water as a resource, the day is not far when water stress will start threatening our agricultural production. Focus on micro irrigation schemes to dovetail these with water harvesting schemes is necessary. To maximise the flow of benefits from investments in irrigation projects, structural changes in Accelerated Irrigation Benefit Programme (AIBP) are being made. The allocation for AIBP in 2012-13 is being stepped up by 13% to ₹ 14,242 crore". Further, to mobilise large resources to fund irrigation projects, a Government owned Irrigation and Water Resource Finance Company is being operationalised. The Company would start its operations in 2012-13 by focusing on financing sub-sectors like micro-irrigation, contract farming, waste water management and sanitation.

Company overview

KNR Constructions Limited ("KNRCL") was incorporated in 1995 by professionals having experience in the field of infrastructure development. An ISO 9001:2000 certified company and listed in Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), KNRCL is a multi-domain infrastructure project development company providing Engineering, Procurement and Construction (EPC) services across various fast growing sectors namely roads & highways, irrigation and urban water infrastructure management.

The Company has been executing infrastructure projects both independently as well as through joint ventures under EPC, PPP models in the country covering Uttar Pradesh, Madhya Pradesh, Assam, Andhra Pradesh, Karnataka, Tamil Nadu, Orissa, Bihar and others. Backed by high commitment levels and rich domain expertise, the Company has created a trusted brand in the industry.

Major achievements during the year

During the year under review, the Company bagged several accomplishments to its credit, to further strengthen its leading position in the industry.

A major milestone achieved by the Company was the completion of the Bijapur-Hungund toll road of National Highways Authority of India (NHAI) nearly 11 months ahead of schedule which is claimed to be a record in the history of Indian highways. The four laning of 97.22 kilometres of road project, valued at ₹ 905.5 crore, was completed in 582 days as against the scheduled duration of 910 days.

In the month of June, 2011 we received a contract worth ₹145.89 crore for the "Pichhore - Chanderi - Mungawali - Onder - Kurwai Road project in Bhopal. To be completed within a period of 24 months from the agreement date, the project was given under the Madhya Pradesh State Road Project-III.

The Company was awarded in July 2011, an order worth ₹ 580.17 crore towards rehabilitation, up gradation to two lane with paved shoulders and maintenance of an 86 km stretch of the Chhindwara-Linga-Umarnala-Saner section of NH-26B in Madhya Pradesh.

KNRCL successfully entered into Public Private Partnership in October 2011, for the two laning of Muzaffarpur-Barauni section of NH-28 in the state of Bihar. The project has been assigned under the Design, Build, Finance, Operate and Transfer (“DBFOT”) Toll basis under the National Highway Development Project Phase IV.

During December 2011, orders aggregating an amount over ₹ 390 crore were received by the Company from the Government of Karnataka.

It was also awarded an order worth ₹ 620 crore from GMR Projects Private Ltd. The project under the “DBFOT” scheme involves augmentation of certain roads of the National Highway in the states of Rajasthan and Gujarat.

Also adding to its order book were the contracts received from GVK, worth ₹ 675 crore, for the Designing, Engineering, Procurement and Construction of 4 laning of road that stretches of Shivpuri-Dewas Section of NH-3 in Madhya Pradesh.

Risks

Competition Risk –Unabated competition both from domestic as well as international players, poses a considerable risk to the market share and profitability of the Company. To tide over this risk, KNRCL forges strategic partnerships and joint ventures with large domestic and international players while bidding for large national and international projects. This provides a mutually beneficial relationship both in the technical and financial arena and helps us to compete with the larger players. Also, the Company with over four decades of specialised managerial experience is well-positioned to meet competition and move ahead on its growth trajectory.

Construction Risk –Construction is a high-risk sector as projects in this sector require huge volumes of finance, are highly capital intensive and have a long gestation period. Delay in completion of projects, technology failure, and cost overruns are common risks which can negatively impact the performance parameter of a project and thus the profit of the company. KNRCL, with its vast experience of project management, balanced capital structuring and efficient cost control measures, is well geared to mitigate these risks.

Interest Rates – Rising interest rates during the life span of a project, fuelled by inflation, can decrease profit margins. To mitigate these risks, the Company ensures that it considers the possibility of a higher interest rate and includes it in the cost of a project before bidding for it. Despite this, KNRCL is open to resorting to interest rate hedging in case the need arises.

Regulatory Risk –As common to all companies in the infrastructure sector, KNRCL is also vulnerable to the regulatory risk associated with this sector. Regulatory risks arise because infrastructure projects require interface with various regulatory authorities during its life span, leaving them exposed to regulatory action. To mitigate this risk, KNRCL has a strong regulatory compliance mechanism in place.

Political Risk –Political disharmony can interrupt or disturb the settled commercial terms of a project, as infrastructure projects with their high visibility have a strong element of public interest. With greater thrust on infrastructure by successive governments, this risk has been alleviated by a considerable extent. Further to ensure minimal intrusion from the political machinery, the Company ensures that its work speaks for itself. Also, years of experience in working with various Governments and its agencies in its life span, has made KNRCL fully capable of handling any changes in the political setup.

Discussion on financial performance and operational performance:

1. Turnover: The Gross Turnover of the Company declined from ₹1051.27 Crores in FY 2011 to ₹ 865.99 Crores, clocking a decline of 17 %

2. **Share Capital:** The Company has not allotted any shares during the year under review and the paid up share capital as on 31st March 2012 is ₹ 28,12,34,600 divided in to 2,81,23,460 Equity Shares of ₹ 10/- each.
3. **Reserves and Surplus:** The Reserves and Surplus of the Company has gone up from ₹ 329.19 Crores to ₹378.69 Crores in 2011-12 on account of profit made during the year.
4. **Net worth:** The Company's Net Worth increased from ₹ 351.97 Crores to ₹ 402.36 Crores mainly on account of internal generation of profit.
5. **Secured / unsecured loans:** There was an decrease of loans from ₹ 161.63 Crores to ₹109.20 Crores. The decrease is mainly on account of repayment of mobilization advances, Machinery advance and Term loans.
6. **Fixed Assets:** The Company's Fixed Assets (Gross Block) increased by ₹ 74.63 crore in 2011-12 from ₹ 398.96 crores to ₹ 473.59 crores which have been acquired for execution of new contracts awarded to the Company during the year.
7. **Provision for Tax:** The Company has provided for a sum of ₹ 25.65 Crore as current year tax including Deferred Tax.
8. **Net Profit:** The Company's Net Profit after Tax and extraordinary expenses during the year was ₹ 52.76 Crores as compared to ₹ 56.82 Crores in 2010-11.
9. **Dividend:** The Board of Directors have recommended a dividend of ₹1.00 per share (being 10%) and total payout works out to ₹ 3.27 Crores (including dividend tax).
10. **Earning Per Share (EPS):** The Company's EPS has decreased to ₹18.76 in the current year from ₹ 20.21 in the previous year.

Human resources

The success of a company is dependent on the competence of its professionals, making it essential to motivate them to achieve high standards. Interestingly, the word 'employee' does not exist in its work culture. All its employees are associates, who have an equal right and opportunity to learn, grow, contribute and excel – both personally and professionally. The Company believes on treating each associate with dignity and respect. The Company constantly reviews its human resource functions, leading to superior workforce planning, recruitment, induction and orientation with a focus on training and development, payroll, employee benefits, performance appraisal and organisational development. Competent systems and processes helped recruit quality professionals while matching responsibilities with skills. As on March 31, 2011, the Company's total human capital strength stood at 470.

Cautionary Statement

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

Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the 17th Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2012.

Financial Results	₹ in Lakhs	
PARTICULARS	2011-2012	2010-2011
Gross Income (including other income)	87267.10	106378.75
Profit before interest and depreciation	13943.06	13282.52
Less: Interest and financial charges	963.75	782.23
Profit Before depreciation	12979.31	12500.29
Less: Depreciation and amortization	5137.56	4144.10
Profit before tax	7841.75	8356.19
Provision for tax (including Deferred Tax)	2565.38	2673.67
Profit after tax	5276.37	5682.52
Net Profit for the year	5276.37	5682.52
Profit brought forward from previous year	17884.84	13436.04
Profit available for appropriation	23161.21	19118.56
Appropriations:		
Transfer to General Reserve	132.00	580.00
Dividend	281.23	562.47
Dividend tax	45.62	91.25
Balance carried forward	22702.36	17884.84
Paid-up capital	2812.35	2812.35
Reserves and Surplus	37868.98	32919.07

REVIEW OF PERFORMANCE:

Your company continues to be in the business of work contracts specializing in Roads and Bridges and other infrastructure projects like irrigation projects. During the year under consideration, your company has achieved a turnover (on stand alone basis) of ₹ 86599.78 Lakhs as against ₹105127.32 Lakhs in the previous year, thus registering an decrease of 17 %. The company has earned a gross profit of ₹13943.06 Lakhs before interest and depreciation as against ₹13282.52 Lakhs in the previous year, thus registering a growth of 5 %. After deducting an interest of ₹ 963.75 Lakhs, providing for ₹ 5137.56 Lakhs towards depreciation, ₹ 2565.38 Lakhs towards provision for income tax and deferred tax, the operations resulted in a net profit of ₹ 5276.37 Lakhs as against ₹ 5682.52 Lakhs last year, registering a growth of 0.68%.

Following are the major works awarded to our Company from April 2011 to March 2012

Sl. No.	Particulars of the Project	Amount (₹ In Millions)
1.	Pichhore - Chanderi - Mungawali - Onder - Kurwai Road: Package No. 03 under MPSRP-III	1458.99
2.	Rehabilitation and up gradation to two lane with paved shoulders and maintenance of (i) Chhindwara-Linga-Umarnala-Saner Section of NH-26B (from Ch. 1.000 Km to 87.00 Km - Length 86 Km) Including Part of Chhindwara by pass (Km 23.553 to Km. 29.275 - length - 5.722 Km), and (ii) Multai (Km. 244.425) upto near Imlikhera (Km 167.700) - Length 76.725 Km.	5801.70
3.	Two Laning of Muzaffarpur-Barauni Section of NH-28 from KM 519.600 to KM 627.000 in the state of Bihar under NHDP Phase IVB through Public Private Partnership (PPP) on Design, Build, Finance, Operate And Transfer Toll Basis DBFOT	3540.00
4.	Received 3 orders from Government of Karnataka Upgradation of the Road from Mangadi NH-48 (Km 0+000) to Koratagere (Km 68+200) of SH -3 Upgradation of the Road from Shelvadi (Km 0+000) to Mundargi (Km 68+400) of SH -45 Upgradation of the Road from Mudgal (Km 0+000) to Gangawathi (Km 74+200) of SH -29	3906.64
5.	Received an order from GMR Projects Private Limited towards, Design, Build, Finance, Operate, And Transfer (DBFOT) to Augment the Existing Road on the Kishangarh Udaipur Ahmedabad section of NH -79A, NH - 79, NH - 76 and NH - 8 in the States of Rajasthan and Gujarat	6200
6.	Received 2 orders from GVK towards, Engineering, Procurement And Construction of 4-Laning of Shivpuri – Dewas section of NH-3 in the State of Madhya Pradesh Package- 1 from Km 0+000 to km. 42+900 Package- 2 from Km 42+900 to km. 85+450	6750

With the above new orders, the order book position as on 31st March 2012 stands at ₹ 30420.25 Millions.

Dividend

Your Directors have recommended a dividend of ₹ 1/- per Equity share for the financial year ended 31st March 2012, amounting to ₹ 281.23 Lakhs. The dividend will be paid to the members whose names appear in the Register of Members as on 8th, August, 2012 in respect of shares held in the dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.

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

Reserves

It is proposed to transfer ₹132.00 Lakhs to the General Reserves of the Company, constituting 2.5 % of the profit made during the year.

Directors

In accordance with the requirements of the Companies Act, 1956 Shri M Rajesh Reddy and Shri B V Rama Rao 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.

During the year Shri D Ramaiah, Independent Director of the Company has resigned from the Company w.e.f 10.01.2012.

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

Auditor and Auditors Report:

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

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

Subsidiaries of the Company

Your company has the following subsidiaries:

- a. KNR Agrotech & Beverages Private Limited
- b. KNR Infrastructure Projects Private Limited
- c. KNR Energy Limited
- d. KNRC Holdings and Investments Private Limited
- e. KNR Muzaffapur Barauni Tollway Private Limited
- f. KNR Constructions LLC, Oman
- g. KNRCL FZE, Ras Al Khaima, UAE

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

Consolidated Financial Statements:

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

Management's Discussion and Analysis Report

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

Fixed Deposits:

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

Particulars of Employees:

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

Directors Responsibility Statement:

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

- i) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departure from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 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 to Conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo as required under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are as follows

a) Conservation of Energy

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

b) Technology absorption, Adoption and Innovation

There is no information to be furnished regarding Technology Absorption as your Company has not undertaken any research and development activity in any manufacturing activity nor any specific technology is obtained from any external sources, which needs to be absorbed or adopted.

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

Foreign Exchange earnings and outgo

Foreign Exchange Inwards

Advances received from subsidiaries – ₹ Nil (P.Y 189.58 Lakhs)

Foreign Exchange outgo towards

- a) Travel – ₹3.67 lakhs (P.Y ₹ 3.38 lakhs)
- b) Import of capital goods ₹163.80 lakhs (P.Y ₹1243.73 Lakhs)
- c) Advance / Loan to Subsidiaries – ₹12.31 lakhs (P.Y ₹ 46.67 Lakhs)
- e) Term Loan Repayment and interest – ₹165.95 Lakhs (P.Y ₹ 56.95)

Corporate Governance:

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

Acknowledgements:

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

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

Sd/-
K Narasimha Reddy
Managing Director

Sd/-
K Jalandhar Reddy
Executive Director

Place: Hyderabad
Date : 28.05.2012

Annexure A

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the period ended 31st March 2012.

SI. No	Name of the Employee & Age	Designation	Gross Remuneration	Qualification	Date of commencement of Employment	Particulars of last employment
1	Shri K Narasimha Reddy 63 Years	Managing Director	12720000	B. A	11th July 1995	First Employment
2	Shri K Jalandhar Reddy 40 Years	Executive Director	6360000	B.E (Computers)	11th July 1995	First Employment
3	Shri J V Panindra Reddy 45 Years	Executive Director	6360000	B.E (Civil)	4th June 1999	First Employment
4	Shri M Rajesh Reddy 39 Years	Executive Director	6360000	B.E (Electronics)	21st March 2005	First Employment

Notes:

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

On behalf of the Board of Directors
of KNR Constructions Limited

Sd/-
K Narasimha Reddy
Managing Director

Sd/-
K Jalandhar Reddy
Executive Director

Place: Hyderabad
Date: 28.08.2012

Amount in ₹

Annexure B

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

Sl. No.	Particulars	KNR Agrotech & Beverages Private Limited	KNR Constructions LLC	KNRC Holdings and Investments Private Limited	KNR Muzaffarpur – Barauni Tollway Private Limited	KNRCL FZE	KNR Infrastructure Projects Private Limited	KNR Energy Limited
1	Financial Year of the Company	31.03.2012	31.12.2011	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012
2.	(a) Number of Shares held by the Company at the end of the financial year of the Subsidiary Company	10,000	16,250	10,000	10,000	5	10,000	50,000
	(b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	100%	65%	100%	100%	100%	100%	100%
3	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary not dealt within the Company's Accounts							
	(a) for the financial year of the subsidiary – Profit /Loss	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	(b) For the previous financial years since it became subsidiary	Nil	Nil	Nil	Nil	Nil	Nil	Nil
4.	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary dealt within the Company's Accounts							
	(a) for the financial year of the subsidiary – Profit /Loss	Nil	(788418)	Nil	Nil	(1491229)	(37133340)	Nil
	(b) For the previous financial years since it became subsidiary	Nil	(788418)	Nil	Nil	Nil	Nil	Nil

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

1. There is no change in the Holding Companies interest in the Subsidiary Companies between the end of the financial year of the subsidiary companies and the end of the holding company's financial year (i.e 31.03.2012)
2. There are no material changes which have occurred between the end of the financial year of the subsidiary companies and the end of the holding company's financial year (i.e 31.03.2012) in respect of
 - a. Subsidiary's Fixed Assets
 - b. It s investments
 - c. The company lent by it
 - d. The money borrowed

Annexure C
Financial information regarding subsidiary companies

Particulars	Amount in ₹						
	KNR Agrotech & Beverages Private Limited	KNR Constructions LLC	KNRC Holdings and Investments Private Limited	KNR Muzaffarpur – Barauni Tollway Private Limited	KNRCL FZE	KNR Infrastructure Projects Private Limited	KNR Energy Limited
Capital	100,000	29205000	6070050	100000	100000	100000	500000
Reserves	Nil	(2570741)	(2172349)	(37133340)	Nil	Nil	Nil
Unsecured Loans	16128963	Nil	5363326	57105194	543026	Nil	4535587
Total Assets	16280013	27725825	9321727	20800206	653026	176696	5045587
Total Liabilities	16280013	27725825	9321727	20800206	653026	176696	5045587
Investments (except in case of investment in subsidiaries)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Turnover	Nil	Nil	4208839	260913254	Nil	Nil	Nil
Profit Before Taxation	Nil	(788418)	(1491229)	(37133340)	Nil	Nil	Nil
Provision for Taxation	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Profit After Taxation	Nil	(788418)	(1491229)	(37133340)	Nil	Nil	Nil
Proposed Dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Report on corporate governance

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

1. Company's Philosophy

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

2. Board of Directors:

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

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

(*resigned w.e.f 10.01.2012)

Conduct of Board Proceedings

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

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

- ◆ Review, monitor and approve major financial and business strategies and corporate actions
- ◆ Assess critical risk facing the company and review options for their mitigation
- ◆ Ensure that processes are in place for maintaining the integrity of
 - the Company;
 - the financial statements;
 - compliance with laws;
 - relationship with customers, suppliers and other stakeholders;
- ◆ Delegation of appropriate authority to the committees / executive directors / senior executives of the company for effective management of operations

Number of Board Meetings held

Nine Board Meetings were held during the year 2011-2012. The intervening period between two Board Meetings was well within the maximum gap of four months prescribed under Clause 49 of Listing Agreement.

The details of the Board Meetings are as under:

Sl. No.	Dates	Board Strength	No. of Directors Present
1	23rd April 2011	8	7
2	14th May 2011	8	5
3	8th August 2011	8	6
4	13th August 2011	8	7
5	22nd September 2011	8	6
6	14th November 2011	8	6
7	18th January 2012	7	6
8	14th February 2012	7	5
9	13th March 2012	7	6

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

Name	Attendance of the meetings during the Year		No. of other Directorships #	No. of Memberships / chairmanships of other companies @
	Board Meetings	Last AGM		
Shri B. V. Rama Rao	8	Yes	Nil	Nil
Shri L. B. Reddy	9	Yes	1	Nil
Shri J. S. R. Chandra Mouli	9	Yes	Nil	Nil
Shri D. Ramaiah *	6	Yes	Nil	Nil
Shri K. Narasimha Reddy	7	No	3	Nil
Shri K. Jalandhar Reddy	9	Yes	1	Nil
Shri J. V. Panindra Reddy	3	No	1	Nil
Shri M. Rajesh Reddy	4	Yes	Nil	Nil

(* resigned w.e.f 10.01.2012)

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

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

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

Details of Directors

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

Shri B. V. Rama Rao, aged 72 years, is Non-Executive and Independent Chairman of our Company. He holds a Masters Degree in Economics from Osmania University, Master's in Public Administration from Kennedy School of Government, Harvard, USA and was also conferred the title of Overseas Fellow Member of the Economic Development Institute, by the World Bank. Shri B V Rama Rao joined the Indian Administrative Service in 1973 and has over 34 years of experience in areas such as development, administration and industrial management. During his stint with the Indian Administrative Service, Shri B V Rama Rao has served in various positions including Chief Secretary to the Government of Andhra Pradesh and Chairman and Managing Director, Nizam Sugars Limited until his retirement in 1997.

Shri B V Rama Rao joined the Board of Directors of the Company with effect from 26th December 2005 and he is currently the Chairman of the Board and Member of Audit Committee and Remuneration Committee and Director of Yona Smelletes Private Limited.

Shri B V Rama Rao does not hold any Equity Shares in the Company as on 31st March 2012

Shri L. B Reddy, aged 69 years, is the Non-Executive and Independent Director of the 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 Account Firm. Shri Reddy started his career with Syndicate Bank and has worked in various capacities in the Bank before retiring as General Manager. He has over three decades of experience in areas such as planning, accounts, inspection, computer policy and development. He was also on deputation from Syndicate Bank to Rayalaseema Grameena Bank as Chairman for six years.

Shri L B Reddy joined the Board of Directors of the Company with effect from December 26, 2005 and he is currently the Chairman of Audit Committee and Member of Remuneration Committee in the Company and Director of New Era Insurance Services Limited.

Shri L B Reddy does not hold any Equity Shares in the Company as on 31st March 2012

Shri J.S.R Chandra Mouli, aged 77 years, is the Non-Executive and Independent Director of the Company. He holds a Bachelor's Degree in Civil Engineering from Mysore University. He started his career as an Assistant Engineer (Roads & Buildings Division), Public Works Department, Government of Andhra Pradesh. He has over 50 years of experience in various positions as Executive Engineer and Senior Engineer in various government departments before retiring as Chief Engineer in the year 1992.

Shri Mouli joined the Board of Directors of the Company with effect from December 26, 2005 and currently he is the member of Investors Grievance & Share Transfer Committee of the Company.

Shri Mouli does not hold any Equity Shares in the Company as on 31st March 2012

Shri K. Narasimha Reddy aged 63 years, is the Founder Promoter and the Managing Director of the Company. He holds a Bachelor's degree in Arts from Kakatiya University. He has over 40 years of experience in the roads and infrastructure sector, and has been the driving force behind the Company's establishment and growth, and Company has grown to the current size and scale under his able leadership. He started his career in 1968 as sub-contractor for other construction companies. In 1979, he formed a partnership in the name and style of M/s K Narasimha Reddy & Company, which was engaged in the business of undertaking civil and mechanical contracts. Shri Reddy has extensive knowledge and experience in project planning, scheduling, cost controls, and quantity surveying in addition to overall construction project management. Shri Reddy oversees the implementation of all the projects and has formulated the corporate vision of the Company.

Shri K Narasimha Reddy is presently the Managing Director of KNR Constructions Limited and director of KNRC Holdings and Investments Private Limited, KNR Muzaffarpur Holdings Private Limited, KNR Muzaffarpur Barauni Tollway Private Limited, KNR Energy Limited, Patel KNR Heavy Infrastructures Limited and Patel KNR Infrastructures Limited as on 31st March 2012

Shri Narasimha Reddy is holding 95,26,495 Equity Shares in the Company as on 31st March 2012.

Shri K Jalandhar Reddy, aged 40 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 18 years of experience in the roads and infrastructure sector. He started his career with KNR Constructions as a project manager and was elevated as Executive Director from the year 1997. He heads the tendering and bidding activities of the company, as also is in charge of the projects of the Company which are executed in Southern India

Shri Jalandhar Reddy is presently the Executive Director of KNR Constructions Limited and Director of KNR Infrastructures Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Private Limited, Mesmeric Software Solutions Private Limited, Nag Talent Ventures & Infotech Private Limited, KNRC Holdings and Investments Private Limited, KNR Muzaffarpur Holdings Private Limited, KNR Muzaffarpur Barauni Tollway Private Limited, KNR Energy Limited, Sirdhvaitha Agrotech Private Limited and KNR Agrotech & Beverages Private Limited as on 31st March 2012

Shri Jalandhar Reddy is holding 49,98,087 Equity Shares in the Company as on 31st March 2012.

Shri J.V. Panindra Reddy, aged 45 years, is the Promoter and Executive Director of the Company. He holds a Bachelor's Degree in Civil Engineering from the REC, Warrangal. He has over 21 years of experience in the roads and infrastructure sector. He has been closely associated with the Company since its inception. As Executive Director, he is responsible and is in-charge of the projects of the Company which are executed in Northern and North-Eastern India.

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

Shri J V Panindra Reddy is holding 19,02,835 Equity Shares in the Company as on 31st March 2012.

Shri M. Rajesh Reddy, aged 39 years, is the Promoter and Executive Director of the Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 13 years of work experience, of which five years in the roads and infrastructure sector. He is responsible for corporate finance, co-ordination with various construction sites all over India and the day to day administrative activities of our Company.

Shri Rajesh Reddy is presently the Executive Director of KNR Constructions Limited and Director of KNR Infrastructures Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Private Limited, Mesmeric Software Solutions Private Limited, Nag Talent Ventures & Infotech Private Limited and KNR Agrotech & Beverages Private Limited as on 31st March 2012

Shri M Rajesh Reddy is holding 18,32,115 Equity Shares in the Company as on 31st March 2012

3. Committees of the Board

The Company has the following standing committees of the Board.

a. Audit Committee

Composition, Name of the Members and Chairman

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

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

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

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

Terms of reference of the Committee are as follows:

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

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

Attendance of the members at the Audit Committee Meetings:

During the current financial year 2011-2012 Six Audit Committee Meetings were held and the details of the Audit Committee Meetings are as under:-

Sl. No.	Dates	Committee Strength	No. of Directors Present
1	23rd April 2011	3	3
2	14th May 2011	3	2
3	8th August 2011	3	3
4	13th August 2011	3	3
5	14th November 2011	3	3
6	14th February 2012	3	3

b. Remuneration Committee

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

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

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

(* resigned w.e.f 10.01.2012)

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

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

The terms of reference of the Remuneration Committee are as follows:

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

Remuneration paid to the Directors during 2011-2012:

Name	Position	Sitting Fee	Salary & Perquisite	Total
INDEPENDENT DIRECTORS				
Shri B. V. Rama Rao	Chairman /Director	235000	-	235000
Shri L. B. Reddy	Director	275000	-	275000
Shri J. S. R. Chandra Mouli	Director	160000	-	160000
Shri D. Ramaiah *	Director	100000	100000	
WHOLE TIME DIRECTORS				
Shri K. Narasimha Reddy	Managing Director	-	12720000	12720000
Shri K. Jalandhar Reddy	Executive Director	-	6360000	6360000
Shri J. V. Panindra Reddy	Executive Director	-	6360000	6360000
Shri M. Rajesh Reddy	Executive Director	-	6360000	6360000

(* resigned w.e.f 10.01.2012)

Shares held by the Non-Executive Directors as on 31st March 2012 are as under:

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

(* resigned w.e.f 10.01.2012)

c. Investor Grievance & Share Transfer Committee

This Committee comprises of the following members

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

(* resigned w.e.f 10.01.2012)

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

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

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

Shareholders complaints Status:

Opening	Nil
Received During the Period	03
Resolved During the Period	03
Pending	Nil

Name and designation of Compliance Officer

Mr. M. V. Venkata Rao, Company Secretary

4. General Body Meetings:

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

Financial Year	Date and Time	Venue
2008-09	9th September 2009 11.30 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India
2009-10	29th September 2010 11.00 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India
2010-11	22th September 2011 10.00 A.M.	Hotel Green Park, Ameerpet, Hyderabad – 500016 Andhra Pradesh, India

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

5. Postal Ballot:

During the year, Special Resolutions as proposed in Postal Ballot Notice dated 26.11.2011 were passed on 03.01.2012 through postal ballot which related to following items:

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

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

Postal Ballot results

Particulars Favour of the	No. of Votes in favour of the Resolution	% of votes in favour	No. of Votes against of the Resolution	% of votes in against
Item No. 1	2,07,99,375	99.99%	52	0.01%
Item No. 2	2,07,98,982	99.99%	52	0.01%
Results	Approved with requisite majority			

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

6. DISCLOSURES;

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

The disclosures with regard to transactions with related parties are given in the Notes to the Accounts of the audited financial statements for the year ended 31st March 2012. These transactions are not in conflict with the interest of the Company.

- b. Disclosure of Accounting Treatment

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

- c. Board Disclosures

i. Risk Management

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

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

The risks are being identified by a detailed study. Senior Management are analysis and working in mitigating them through co-ordination among the various departments. Insurance coverage and personal accident coverage for lives of all employees are also being taken.

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

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

ii. Internal Control System

Your company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well-defined delegation of power and defined 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.

d. Code of Conduct

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

e. CEO / CFO Certification

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

7. Compliance with Non-mandatory requirements

- a. Non-Executive Chairman's Office: The Company doesn't maintain any office of the Non-executive chairman and any expenditure incurred by him in performance of his duties will be reimbursed by the Company.
- b. Tenure of Independent Directors: In terms of the Governance Policy of the Company, all Directors including Independent Directors except Managing Director are appointed / re-appointed for a period of three to five years or a shorter duration in accordance with retirement guidelines as determined by the Board from time to time. No maximum tenure for Independent Directors has been specifically determined by the Board.
- c. Remuneration Committee: The Company has a Remuneration Committee under the nomenclature "Remuneration Committee", the details of which are provided in this Report under the section "Committees of Board – Remuneration Committee"
- d. Shareholders Rights: The Quarterly, half-yearly and annual financial results of the Company are published in newspapers on all India basis and complete set of annual report is sent to every Shareholder of the Company
- e. Audit Qualifications: During the financial year 2011-2012, there is no audit qualification in the Company's financial statements. The Company continues to adopt the best practices to ensure the regime of unqualified financial statements.
- f. Training of Board Members: Strategic supervision of the Company is the responsibility of the Board. To achieve this, the Board undertakes periodic review of various matters including business-wise performance and related matters, risk management, borrowings, internal & external audit findings etc., Directors are also briefed on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislation and economic development.
- g. Mechanism for evaluation of Non-Executive Directors: The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board has not evolved any method/mechanism for appointment of non-executive directors.
- h. Whistle Blower Policy: The Company encourages open door policy where every employee have access to the Head of the Business / Department, employees are free to report existing / probable violation of laws, regulations or unethical conduct in the organization.

8. Means of Communication

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

9. GENERAL SHAREHOLDERS INFORMATION

- i. Annual General Meeting : 17th Annual General Meeting
Wednesday the 8th August, 2012
Time : 3.30 PM
Venue : C-125, Anand Niketan
New Delhi - 110021
- ii. Financial Year : 1st April 2011 to 31st March 2012
- iii. Book closure dates : 6th August, 2012 to 8th August, 2012
(both days inclusive)
- iv. Dividend Payment date : After 6th August, 2012

v. Financial Calendar for the year 2012-2013

Financial Reporting for the first quarter ended 30th June 2012	on or before 14th August 2012
Financial Reporting for the second quarter / half-year ended 30th September 2012	on or before 14th November 2012
Financial Reporting for the third quarter / nine months ended 31st December 2012	on or before 14th February 2012
Financial Reporting for the fourth quarter / year ended 31st March 2013	on or before 14th May 2013

vi. Listing on Stock Exchanges

Name and Address of the Stock Exchange
Bombay Stock Exchange Limited (BSE) 1st Floor, New Trading Ring, Rotunda Building, P J Towers, Dalal Street, Fort, Mumbai – 400001 Tel: +91 22 2272 1233 / 34 Fax: +91 22 2272 2037 / 39 / 41 / 61
National Stock Exchange of India Limited (NSE) Exchange Plaza, Floor 5, Plot #C/1, Bandra Kurla Complex, Bandra (E), Mumbai – 400051 Tel: +91 22 2659 8235 / 8236 Fax: +91 22 2659 8237 / 38

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

vii. Script Code / Symbol

a. Stock Exchanges

Bombay Stock Exchange Limited : 532942

National Stock Exchange of India Limited : KNRCON

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

The annual custodian fee for the financial year 2012-13 have been paid to National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

c. Corporate Identity Number (CIN)

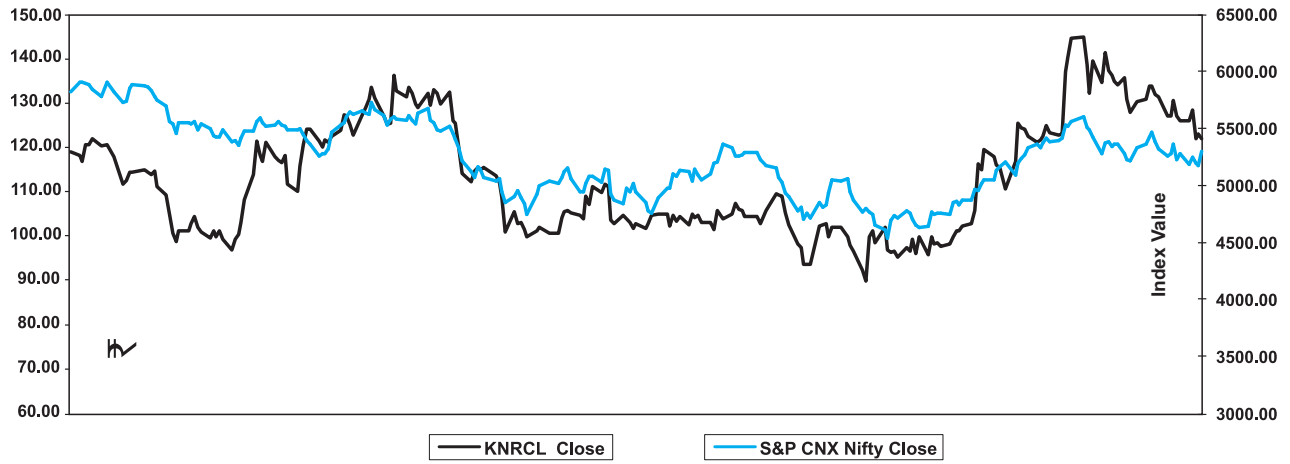
Our CIN, allotted by the Ministry of Corporate Affairs, Government of India is L74210DL1995PLC238364, and our Company is registered within the jurisdictions of the Registrar of Companies, National Capital Territory of Delhi and Haryana.

viii. Market Price Data

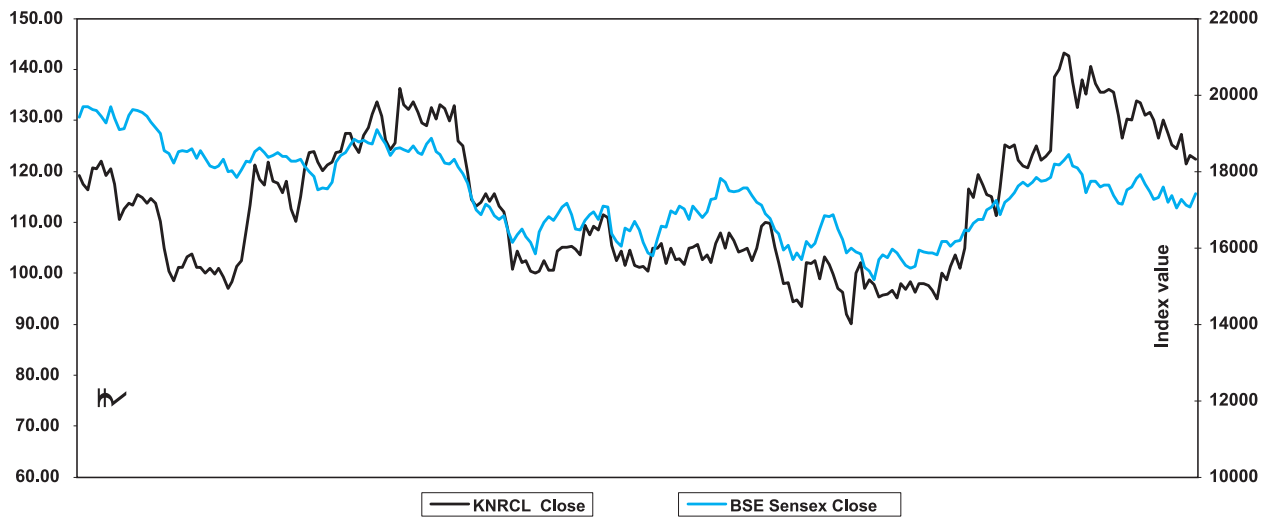
Month	Bombay Stock Exchange Limited , (BSE)		National Stock Exchange of India Limited (NSE)	
	High Price	Low Price	High Price	Low Price
April 2011	127.00	108.15	127.40	103.60
May 2011	122.70	94.30	123.00	95.25
June 2011	130.75	108.40	130.45	108.05
July 2011	142.50	122.50	142.10	120.10
August 2011	133.85	97.50	134.45	98.00
September 2011	114.80	98.00	117.90	98.00
October 2011	111.00	97.10	114.50	96.40
November 2011	114.05	90.00	113.80	90.00
December 2011	108.00	81.60	107.00	85.40
January 2012	133.00	93.80	133.95	92.05
February 2012	152.95	120.00	153.00	118.70
March 2012	140.00	118.00	143.75	117.05

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

KNRCL - S&P Nifty Price Chart



KNRCL - BSE Sensex Price Chart



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

Link Intime India Pvt Ltd

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

- xi. **Share Transfer System:**

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

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

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

EQUITY SHARES IN SUSPENSE ACCOUNT

As per Clause 5A of the Listing Agreement, the Company reports that 945 Equity Shares are lying in the suspense account as on 31st March 2012

SECRETARIAL AUDIT

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

SECRETARIAL AUDIT

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

xii. Distribution of shareholding as on 31st March, 2012

No. of Shares		No. of Shareholders		No of share held	
From	To	Number	% of total	Number	% of total
1	500	5896	91.75	591873	2.10
501	1000	287	4.47	211322	0.75
1001	2000	118	1.84	180321	0.64
2001	3000	33	0.51	86165	0.31
3001	4000	15	0.23	52150	0.18
4001	5000	12	0.18	56268	0.20
5001	10000	23	0.36	160087	0.57
10001	And above	42	0.66	26785274	95.25
	Total	6426	100.00	28123460	100.00

xiii. Pattern of Shareholding as on 31st March 2012

Sl. No.	Category	No. of Holders	No. of Shares	%
1	Promoter and Promoter Group	8	2,08,15,021	74.01
2	Mutual Funds	5	22,50,578	8.00
3	Foreign Institutional Investors	1	5000	0.02
4	Corporate Bodies	142	24,17,581	7.76
5	Non-Resident Individuals	126	60,347	0.20
6	Residents (individuals / clearing members/office bearers and others)	6144	25,74,933	10.01
	Total	6426	2,81,23,460	100.00

xiv. Dematerialisation of Shares & Liquidity

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

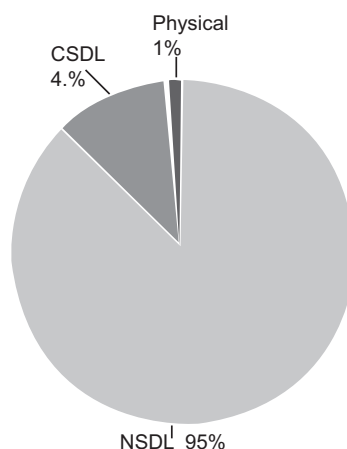
As on 31st March 2012 a total of 2,80,18,456 Equity Shares were dematerialised representing 99.67% of the total paid up equity share capital of the Company.

Dematerialisation of Shares and Liquidity as on 31st March 2011

	No. of Shares	% of Total
NSDL	2,68,15,076	95.39
CDSL	12,03,380	4.28
Physical	1,05,004	0.23
Total	2,81,23,460	100.00

xv. Address for Correspondence:

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



Company Secretary

KNR Constructions Limited

"KNR House", 4th Floor, Plot No. 114, Phase I, Kavuri Hills,
Hyderabad – 5000033, Andhra Pradesh, India

Ph: + 91 - 40 - 40268759 / 61 / 62, Fax: + 91 - 40 – 40268760

Registrar & Share Transfer Agents:

(for shares held in both Physical and Demat mode)

Link Intime India Pvt Ltd

(Unit: KNR Constructions Limited)

C-13, Pannalal Silk Mill Compound,

LBS Road, Bhandup (West), Mumbai – 400078

Phone: +91 – 22 -25960320, Fax: +91 – 22 – 25960329



DECLARATION

As provided under Clause 49 of Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for Board Members and senior management personnel in respect of the Financial Year ended 31st March 2012.

For KNR Constructions Limited

Sd/-

K Narasimha Reddy

Managing Director

Place: Hyderabad

Date: 28.05.2012

Certificate on corporate governance

To
The Members of
KNR Constructions Limited

We have examined the compliance with the conditions of the Corporate Governance by KNR Constructions Limited (“the company”) for the year ended 31st March 2012, 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 except noncompliance of optimum combination of executive and non-executive directors as per Clause 49(1)(A)(i) due to resignation of one independent director.

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

For Sukumar Babu & Co
Chartered Accountants

Sd/-
C. Sukumar Babu
Partner
Membership No. 024293

Place: Hyderabad
Date: 28.05.2012

Chief executive officer and chief financial officer certification

To
The Members of
KNR Constructions Limited

In relation to the Audited Financial Accounts of the Company as at 31st March, 2012, we hereby certify that

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

For KNR Constructions Limited

Sd/-
K. Narasimha Reddy
Managing Director

Sd/-
G. Sravana Kumar
GM (Finance & Accounts)

Place: Hyderabad
Date: 28.05.2012

Auditors' Report

The Members of
KNR Constructions Limited

1. We have audited the attached Balance Sheet of KNR Constructions Limited as at March 31, 2012, the Statement of Profit and Loss for the year ended on that date and the Cash Flow Statement for the year ended on that date both annexed thereto, in which are incorporated the returns from Dubai branch ("the Branches") audited by other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit ;
 - b) in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books and proper returns, adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors Reports have been forwarded to us and appropriately dealt with;
 - c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts and with the audited returns from the Branches;
 - d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the 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, 2012 ;
 - (ii) in the case of the Statement of Profit and Loss, 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, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **SUKUMAR BABU & CO.**,
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C.SUKUMAR BABU
Partner
M.No: 024293

Place : Hyderabad
Date : 28-05-2012

**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 accounts.

iii)

- a) According to the information and explanations given to us, the Company has granted unsecured loans to Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. There are companies under the same management as defined under Sub-section (1-B) of section 370 of the Companies Act, 1956.
- b) There are no specific agreements for these transactions and were made on an on account basis. In the absence of agreements for these loans, the terms and conditions and their impact on the interests of the Company cannot be ascertained.
- c) The Company has given advances / loans to its wholly owned subsidiaries (including foreign companies) during the year. In respect of the said advances / loans, the maximum amount outstanding at any time during the year is ₹ 3136.63 lakhs and the year ending balance is ₹ 526.68 lakhs.
- d) In the absence of agreements, the transactions were made on an on-account basis and hence the question of regularity of payment of principal and interest does not arise.
- e) In the absence of specific agreements for these transactions, the question of over- dues does not arise for these transactions.
- f) The Company has taken unsecured loans during the year from other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. There are no specific agreements for these transactions and were made on an on- account basis. In the absence of agreements, the regularity of payment of principal and interest could not be verified.

- iv) In our opinion and according to the information and explanations given to us, the company has internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets.
- v) In respect of contracts or arrangements entered into in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:
 - a) the Particulars of contracts or arrangements referred to in section 301 that needs to be entered into the register maintained under the said section have been so entered.
 - b) in our opinion, the transactions (excluding loans reported under paragraph(iii) above) exceeding the value of ₹ 5 lakhs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time where such market prices are available.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any of the products or activities of the company.
- ix) **In respect of statutory dues:**
 - a) According to the Information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
 - b) According to the Information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, customs duty, excise duty and cess which were in arrears as at March 31, 2012 for a period of more than six months from the date they became payable:
 - c) The disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of statute	Nature of dues	₹ in lakhs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	26.18	F.Y 1999-00	ITAT, Hyderabad
	Income Tax	116.05	F.Y 2001-02	ITAT, Hyderabad
	Income Tax	13.34	F.Y 2005-06	Deputy Commissioner of Income Tax, Circle 2(1), Hyderabad
	Income Tax	1141.80	F.Y 2006-07	ITAT, Hyderabad
	Income Tax	223.37	F.Y 2007-08	Deputy Commissioner of Income Tax, Circle 2(1), Hyderabad
	Interest on TDS delay payments	9.86	F.Y 2009-10	Deputy Commissioner of Income Tax, Circle 14(2), Hyderabad
Andhra Pradesh General Sales Tax Act, 1957	Sales Tax	21.39	F.Y 2000-01	Sales Tax Tribunal, Hyderabad
Andhra Pradesh Value Added Tax Act, 2005	VAT	307.36	F.Y 2008-09	Appellate Deputy Commissioner (CT), Punjagutta Division, Hyderabad
	VAT	431.72	F.Y 2009-10	Appellate Deputy Commissioner (CT), Punjagutta Division, Hyderabad
Karnataka Value Added Tax Act, 2005	VAT	100.00	F.Y 2005-06	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	30.52	F.Y 2006-07	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	81.52	F.Y 2008-09	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.
	VAT	12.16	F.Y 2010-11	Joint Commissioner of Commercial Taxes, (Appeals), Bangalore.

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

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

for **SUKUMAR BABU & CO.,**
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C.SUKUMAR BABU
Partner
M.No: 024293

Place : Hyderabad
Date : 28-05-2012

Balance sheet

AS AT 31ST MARCH, 2012

₹ in Lakhs

Particulars	Note No.	As at 31st March, 2012		As at 31st March, 2011	
I EQUITY AND LIABILITIES					
1) SHAREHOLDERS' FUNDS					
a) Share Capital	1	2,812.35		2,812.35	
b) Reserves and Surplus	2	37,868.98	40,681.33	32,919.07	35,731.42
2) SHARE APPLICATION MONEY PENDING ALLOTMENT					
			-		-
3) NON - CURRENT LIABILITIES					
a) Long-Term Borrowings	3	335.84		475.40	
b) Deferred Tax Liabilities (Net)	4	72.26		273.24	
c) Other Long Term Liabilities	5	6,702.17		10,122.48	
d) Long-Term Provisions	6	107.68	7,217.95	119.94	10,991.06
4) CURRENT LIABILITIES					
a) Short-Term Borrowings	7	4,650.49		5,946.90	
b) Trade Payables	8	10,203.07		10,094.25	
c) Other Current Liabilities	9	9,940.84		12,873.58	
d) Short-Term Provisions	10	8,895.19	33,689.59	6,447.67	35,362.40
TOTAL			81,588.87		82,084.88
II ASSETS					
1) NON-CURRENT ASSETS					
a) Fixed Assets	11				
i) Tangible Assets		30,979.78		28,115.60	
ii) Intangible Assets		5.07		5.75	
iii) Capital Work-In-Progress		42.85		1,061.92	
b) Non-Current Investments	12	2,910.60		2,783.30	
c) Long-Term Loans and Advance	13	6,891.37		6,245.49	
d) Other Non-Current Assets	14	504.68	41,334.35	593.79	38,805.85
2) CURRENT ASSETS					
a) Current Investments	15	2,553.67		4,075.05	
b) Inventories	16	2,676.69		2,208.60	
c) Trade Receivables	17	9,341.35		14,051.20	
d) Cash and Cash Equivalents	18	845.40		3,811.39	
e) Short-Term Loans and Advances	19	15,096.79		11,003.81	
f) Other Current Assets	20	9,740.62	40,254.52	8,128.98	43,279.03
TOTAL			81,588.87		82,084.88
Significant Accounting Policies					
Notes to Financial Statements		1 to 44			

Notes referred to above form an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 024293

Place : Hyderabad

Date : 28-05-2012

For and on behalf of the Board

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

Profit & loss accounts

FOR THE YEAR 31ST MARCH, 2012

₹ in Lakhs

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
I Gross Revenue from Operations		86,701.16	106,132.80
Less : Company Share's in Joint Ventures		11,650.81	26,829.75
Net Revenue from Operations	21	75,050.35	79,303.05
II Other income	22	565.94	245.95
III Total Revenue (I + II)		75,616.29	79,549.00
IV Expenses:			
Cost of materials consumed	23	28,736.34	19,080.10
Employee benefits expense	24	2,686.61	1,926.32
Finance costs	25	963.75	782.23
Depreciation and amortization expense	26	5,137.56	4,144.10
Other expenses	27	30,250.28	45,260.06
Total expenses		67,774.54	71,192.81
V Profit before exceptional and extraordinary items and tax (III - IV)		7,841.75	8,356.19
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V - VI)		7,841.75	8,356.19
VIII Extraordinary Items		-	-
IX Profit before tax (VII- VIII)		7,841.75	8,356.19
X Tax expense:	28		
1) Current tax		2,766.36	3,089.55
2) Deferred tax		(200.98)	(415.88)
XI Profit (Loss) for the period from continuing operations (IX - X)		5,276.37	5,682.52
XII Profit/(loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV Profit (Loss) for the period (XI + XIV)		5,276.37	5,682.52
XVI Earnings per equity share:	29		
1) Basic		18.76	20.21
2) Diluted		18.76	20.21
Significant Accounting Policies Notes to Financial Statements	1 to 44		

Notes referred to above form an integral part of the accounts
As per our report of even date attached

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

Sd/-

C.Sukumar Babu
Partner
Membership No. : 024293

For and on behalf of the Board

Sd/-

K.Narasimha Reddy
Managing Director

Sd/-

K.Jalandhar Reddy
Executive Director

Sd/-

G.Sravana Kumar
GM (F&A)

Sd/-

M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 28-05-2012

Cash flow statement

FOR THE YEAR 31ST MARCH, 2012

₹ in Lakhs

Particulars	For the year ended 31st March, 2012		For the year ended 31st March, 2011	
A) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax		7,841.75		8,356.19
Adjustments for				
Depreciation & Amortization Expenses	5,137.56		4,144.10	
Provision for Gratuity	(4.49)		16.68	
Provision for Doubtful Advances	-		10.00	
Loss on sale of assets and Discarded	-		49.72	
Profit on sale of Assets	(16.72)		(0.46)	
Dividend received on current investments	-		(0.38)	
Interest and Financial Charges	1,095.83		848.58	
Interest Received	(123.05)	6,089.13	(66.35)	5,001.89
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		13,930.88		13,358.08
(Increase)/Decrease in Trade and Other Receivables	5,498.98		6,946.84	
(Increase)/Decrease in Inventories	(468.09)		(840.89)	
Increase/(Decrease) in Trade Payables and Other Liabilities	(3,555.26)	1,475.63	(7,842.23)	(1,736.28)
CASH GENERATED FROM OPERATIONS		15,406.51		11,621.80
Taxes paid		(4,141.80)		(3,441.95)
NET CASH USED IN OPERATING ACTIVITIES		11,264.71		8,179.85
B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets and other Capital Expenditure	(7,211.64)		(11,335.27)	
Proceeds from sale of Fixed Assets	335.47		96.28	
Investments in Joint Ventures / SPV's / Mutual Funds	1,394.08		(351.56)	
"Foreign Exchange Translation Adjustment (arising on translation of Foreign branch transactions)"	0.39		(0.08)	
Dividend received on current investments	-		0.38	
Interest Received	123.05		91.04	
TDS on Interest Received	(20.18)		(7.22)	
NET CASH USED IN INVESTING ACTIVITIES		(5,378.83)		(11,506.43)
C) CASH FLOW FROM FINANCING ACTIVITIES				
Long Term Funds Borrowed / (Repaid)		(674.53)		(309.89)
Mobilization and Machinery advances received from customers		(3,443.90)		5,180.53
Interest paid		(1,102.33)		(845.98)
Dividend and Dividend Tax paid		(653.72)		(658.06)
NET CASH FROM FINANCING ACTIVITIES		(5,874.48)		3,366.60
		11.40		40.02
Cash and Cash Equivalents as at April 1, 2011 (Opening Balance)		355.43		315.41
Cash and Cash Equivalents as at March 31, 2012 (Closing Balance)		366.83		355.43

₹ in Lakhs

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
-------------	--	--

Notes:

1	Cash and Cash equivalents includes:		
	Cash in Hand	233.58	17.80
	Bank Balance -Current Account	133.25	337.63

The above current account balances includes ₹ 2.66 lakhs (P.Y ₹ 2.13 lakhs) in Unclaimed Dividend Account and ₹ 0.09 lakhs (P.Y 0.09 lakhs) in IPO refund account.

- 2 The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- 3 Previous year's figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.

Notes referred to above form an integral part of the accounts
As per our report of even date attached

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

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner
Membership No. : 024293

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

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

Sd/-
M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 28-05-2012

Notes to financial statements

FOR THE YEAR ENDED 31ST MARCH, 2012

₹ in Lakhs

Particulars	As at 31st March, 2012	As at 31st March, 2011
NOTE 1		
SHARE CAPITAL		
EQUITY SHARE CAPITAL		
Authorised Share capital		
35,000,000 (P.Y 35,000,000) Equity Shares of ₹10/- each	3,500.00	3,500.00
Issued, subscribed & fully paid share capital		
28,123,460 (P.Y 28,123,460) Equity Shares of ₹10/- each	2,812.35	2,812.35
(Out of the above 13,499,260 Equity Shares of ₹10/- each were allotted in the F.Y 2005-06 as fully paid up Bonus Shares in the ratio of 2:1 by Capitalising ₹1349.93 lakhs from General Reserve)		
Total	2,812.35	2,812.35

The Company has only one class of shares referred to as equity shares having a par value of ₹ 10/- . Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuring Annual General Meeting.

The Board of Directors, in their meeting on 28-05-2012 declared dividend of ₹ 1/- per equity share. The total dividend appropriation for the year ended March 31 , 2012 amounted to ₹ 326.86 Lakhs including corporate dividend tax of ₹ 45.62 Lakhs.

The details of shareholder holding more than 5% shares as at March 31, 2012 and March 31, 2011 is set out below:

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% held	No. of Shares	% held
Kamidi Narasimha Reddy	9,526,495	33.87	10,026,495	35.65
Kamidi Jalandhar Reddy	4,998,087	17.77	4,998,087	17.77
Kamidi Yashoda	2,025,489	7.20	2,025,489	7.20
Patel Engineering Ltd	1,942,574	6.91	1,942,574	6.91
Jetti Venkata Panindra Reddy	1,902,835	6.77	1,902,835	6.77
Merreddy Rajesh Reddy	1,832,115	6.51	1,832,115	6.51
HDFC Trustee Company Ltd	1,495,160	5.32	-	-

The reconciliation of the number of shares outstanding at 1st April, 2011 and 1st April, 2010 and the amount of share capital as at March 31, 2012 and March 31, 2011 is set out below:

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	Amount in Lakhs	No. of Shares	Amount in Lakhs
Number of Equity Shares at the beginning	28,123,460	2,812.35	28,123,460	2,812.35
Add:- Number of Shares Issued	-	-	-	-
Less: Number of Shares Brought Back	-	-	-	-
Number of Equity Shares at the end of the year	28,123,460	2,812.35	28,123,460	2,812.35

**NOTE 2
RESERVES AND SURPLUS**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURITIES PREMIUM RESERVE		
Opening Balance	12,599.31	12,599.31
Add : Additions in current year	-	-
Closing Balance	12,599.31	12,599.31
GENERAL RESERVE		
Opening Balance	2,435.00	1,855.00
Add : Transferred from Surplus	132.00	580.00
Closing Balance	2,567.00	2,435.00
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening Balance	(0.08)	-
Add: Additions in current year	0.39	(0.08)
Closing Balance	0.31	(0.08)
SURPLUS		
Opening balance	17,884.84	13,436.04
Add: Profit/(Loss) for the current year	5,276.37	5,682.52
Amount available for appropriation	23,161.21	19,118.56
Less: Appropriations		
Proposed Dividend	281.23	562.47
Dividend Tax	45.62	91.25
Transferred to General Reserve	132.00	580.00
Closing Balance	22,702.36	17,884.84
Total	37,868.98	32,919.07

NOTE 3
LONG- TERM BORROWINGS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURED LOANS		
Term Loan		
From Banks		
a) Rupee Loans	31.46	242.58
b) Foreign Currency Loans	-	150.77
c) Car Finance Loan	24.84	69.10
From Others		
Rupee Loans	276.16	-
Car Finance Loan	3.38	12.95
Total	335.84	475.40

3.1 Term Loans availed from banks and others are secured by hypothecation of specific assets comprising plant and equipment and vehicles acquired out of the said loans and personal guarantee of a director.

3.2 All term loans from banks and others are repayable in 35 equal monthly installments

NOTE 4
DEFERRED TAX LIABILITIES (NET)

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Deferred Tax Liability		
Related to fixed assets	160.98	468.24
Deferred Tax Assets		
Disallowances under the Income Tax Act, 1961	88.72	195.00
Total	72.26	273.24

NOTE 5
OTHER LONG TERM LIABILITIES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Others		
Retention Deposits	1,036.57	798.24
Security Deposits	295.64	510.38
Trade Advances received from Clients against BG's		
Mobilization Advance	4,406.99	7,688.26
Machinery Advance	962.97	1,125.60
Total	6,702.17	10,122.48

NOTE 6
LONG TERM PROVISIONS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Provision for employee benefits Gratuity	107.68	119.94
Total	107.68	119.94

NOTE 7
SHORT TERM BORROWINGS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURED LOANS		
Loans Repayable on demand		
From Banks		
Working Capital Loans from consortium of Banks	4,647.85	5,944.59
Sub- total	4,647.85	5,944.59
UNSECURED LOANS		
Loans and advances from related parties (referred note no: 39)		
From Directors		
(There is no specific agreement with above parties)	2.64	2.31
Sub- total	2.64	2.31
Total	4,650.49	5,946.90

7.1 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 ₹ 1.38 crores (Market Value approx. ₹5.25 Crores) as on 31.03.2009 .
- 3 First pari passu charge on equitable mortgage of 5 acres of agricultural land of approximate value of ₹ 6.00 Crores
- 4 First pari passu charge on equitable mortgage of industrial factory buildings without machinery of approximate value of ₹ 25.40 Crores
- 5 Hypothecation of certain equipment's of written down value as on 31.03.2010 is ₹ 45.00 Crores
- 6 Personal guarantee of Directors.
- 7 First pari passu charge on equitable mortgage of property in the name of Company and Director of approximate value of ₹ 25.40 Crores

**NOTE 8
TRADE PAYABLES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Sundry Creditors (Suppliers/Service/)	2,714.74	2,711.95
Bills Payable (Sub-contractors/Labour)	7,488.33	7,382.30
Total	10,203.07	10,094.25

**NOTE 9
OTHER CURRENT LIABILITIES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Current maturities of long-term debt		
Term Loan		
From Banks		
a) Rupee Loans	211.13	748.48
b) Foreign Currency Loans	127.18	127.18
c) Car Finance Loan	44.26	40.76
From Others		
a) Rupee Loans	171.64	-
b) Car Finance Loan	9.57	11.02
	563.78	927.44
Interest accrued but not due on borrowings;	3.46	9.96
Due to Customers	4,332.66	7,422.42
Unclaimed dividends and IPO Refund	2.79	2.24
Outstanding Expenses	855.35	836.73
Material Advance received from clients	2,598.63	2,443.00
Other Payables		
Income Tax	27.11	61.08
Provident Fund	14.69	14.16
Employee State Insurance	0.16	0.15
TDS/TCS	123.57	167.00
Entry Tax	6.67	4.91
Service Tax	9.40	15.45
VAT	525.96	968.49
Professional Tax	0.93	0.55
Labour Welfare Cess	875.68	-
Total	9,940.84	12,873.58

NOTE 10
SHORT TERM PROVISIONS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity (Funded)	7.77	-
Sub- total	7.77	-
OTHERS		
Provision for Income Tax	8,556.81	5,790.42
Provision for Wealth Tax	3.76	3.53
Proposed Dividend	281.23	562.47
Provision for Dividend Tax	45.62	91.25
Sub- total	8,887.42	6,447.67
Total	8,895.19	6,447.67

**NOTE 11
FIXED ASSETS**

₹ in Lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at April 1, 2011	Additions	Deductions/ Adjustments	As at March 31, 2012	As at April 1, 2011	For the period	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
I	Tangible Assets										
	Land - Free Hold	3,840.19	1,267.26	-	5,107.45	-	-	-	-	5,107.45	3,840.19
	Buildings	294.11	1,381.41	-	1,675.52	51.76	48.65	-	100.41	1,575.11	242.35
	Plant and Equipment	34,765.99	5,255.24	763.09	39,258.14	11,316.02	4,812.41	446.17	15,682.26	23,575.88	23,449.97
	Furniture and Fixtures	113.80	123.18	-	236.98	47.96	27.43	-	75.39	161.59	65.84
	Vehicles	743.67	148.39	4.34	887.72	291.50	133.77	2.51	422.76	464.96	452.17
	Office equipment	68.18	31.31	-	99.49	24.53	9.85	-	34.38	65.11	43.65
	Computers & Accessories	58.77	21.88	-	80.65	39.68	13.29	-	52.97	27.68	19.09
	Ships	2.43	-	-	2.43	0.09	0.34	-	0.43	2.00	2.34
	Sub-total	39,887.14	8,228.67	767.43	47,348.38	11,771.54	5,045.74	448.68	16,368.60	30,979.78	28,115.60
II	Intangible Assets										
	Computer software	9.13	2.04	-	11.17	3.38	2.72	-	6.10	5.07	5.75
	Mining Rights										
	Sub-total	9.13	2.04	-	11.17	3.38	2.72	-	6.10	5.07	5.75
III	Capital Work In Progress										
	Sub-total	-	-	-	-	-	-	-	-	42.85	1,061.92
	TOTAL	39,896.27	8,230.71	767.43	47,359.55	11,774.92	5,048.46	448.68	16,374.70	31,027.70	29,183.27

As at 31st March, 2011 28,927.11 11,326.72 357.56 39,896.27 7,931.93 4,055.01 212.02 11,774.92 28,121.35

**NOTE 12
NON-CURRENT INVESTMENTS**

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/Controlled Entity / Others	Nature of the Share	Face value of the share	No. of Shares/ Units		Quoted / Unquoted	Partly Paid/ Fully paid	Extent of Holding (%)		Amount in Lakhs			"Whether stated at Cost Yes / No"	"If Answer to Column (14) is 'No' - Basis of Valuation"
					31-03-12	31-03-11			31-03-12	31-03-11	31-03-12	31-03-11	31-03-12		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
I	TRADE INVESTMENTS														
	A Investment in Equity Instruments														
	KNR Agrotech & Beverages Pvt Ltd.	Subsidiary	Equity	10	10000	10000	Unquoted	Fully Paid	100%	100%	1.00	1.00	Yes		
	KNR Infrastructure Projects Pvt Ltd	Subsidiary	Equity	10	10000	10000	Unquoted	Fully Paid	100%	100%	1.00	1.00	Yes		
	KNR Energy Ltd	Subsidiary	Equity	10	10000	-	Unquoted	Fully Paid	100%	0%	5.00	-	Yes		
	KNRC Holding & Investment Private Ltd	Subsidiary	Equity	10	10000	-	Unquoted	Fully Paid	100%	0%	1.00	-	Yes		
	KNR Muzaffarpur Barauni Tollway Pvt Ltd	Subsidiary	Equity	10	10000	-	Unquoted	Fully Paid	100%	0%	1.00	-	Yes		
	KNR Constructions - LLC, at Oman	Subsidiary	Equity	1 Ommani Rial	162500	162500	Unquoted	Fully Paid	65%	65%	206.07	206.07	Yes		
	KNRCL - FZE, at RAK	Subsidiary	Equity	100000 AED	5	5	Unquoted	Fully Paid	100%	100%	48.88	48.88	Yes		
	Patel-KNR Infrastructures Ltd.	Associate	Equity	10	14800000	14800000	Unquoted	Fully Paid	40%	40%	1,480.00	1,480.00	Yes		
	Patel-KNR Heavy Infrastructure Ltd	Associate	Equity	10	9529500	9529500	Unquoted	Fully Paid	40%	40%	952.95	952.95	Yes		
II	OTHER INVESTMENTS														
	A Investments in Government or Trust securities														
	National Savings Certificates	Others									1.01	1.01	Yes		
	Kisan Vikas Patra	Others									-	-			
	B Investments in Mutual Funds														
	SBI Infrastructure Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
	SBI Magnum Comma Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
	SBI PSU Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
	Total										2,910.60	2,783.30			

NOTE 12
NON-CURRENT INVESTMENTS

DETAILS OF INVESTMENT IN THE CAPITAL OF FIRM / AOP BY THE COMPANY

₹ in Lakhs

NAME OF THE FIRM	NAMES OF THE PARTNER	2012	2011
NCC-KNR -JV	Nagarjuna Construction Company Limited	-	-
	KNR Constructions Limited	571.06	547.18
	Total Capital	571.06	547.18
KNR-SLEC -JV	KNR Constructions Limited	(31.73)	(34.86)
	Sri Laxmi Engineering Company	90.31	101.50
	Total Capital	58.58	66.64
KNR- BPL- JV	KNR Constructions Limited	1.93	1.93
	Backbone Projects Limited	(0.26)	(0.26)
	Total Capital	1.67	1.67
KNR- GVR-JV	KNR Constructions Limited	(14.71)	(66.47)
	GVR Infra Projects Limited	-	-
	Total Capital	(14.71)	(66.47)
KNR- JKM -KAMALA- JV	KNR Constructions Limited	79.39	18.15
	JKM Infra Projects Private Limited	112.37	81.75
	KAMALA Constructions	112.37	81.75
	Total Capital	304.13	181.65
KNR- PATEL-JV	KNR Constructions Limited	(408.25)	(386.85)
	Patel Engineering Limited	336.57	358.74
	Total Capital	(71.68)	(28.11)
Aggregate amount of non current-investments		2012	2011
a) Aggregate Value of Quoted Investment			
- Cost		15.00	15.00
- Market Value		18.65	21.67
b) Aggregate Value of Unquoted Investment		2,895.60	2,768.30

**NOTE 13
LONG TERM LOANS AND ADVANCES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD;		
Capital Advance		
Advances paid for properties	160.86	469.39
Loans and advances to related parties (refer note no 40)		
Subsidiary Company	526.68	181.54
Associate Company	6,203.83	5,594.56
Total	6,891.37	6,245.49

**NOTE 14
OTHER NON-CURRENT ASSETS**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Others		
Deposits	59.21	59.21
IPO Expenses (Unamortized) - Miscellaneous Asset	445.47	534.58
Total	504.68	593.79

**NOTE 15
CURRENT INVESTMENTS**

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/Controlled Entity / Others	Nature of the Share	Face value of the share	No. of Shares/ Units		Quoted / Unquoted	Partly Paid/ Fully paid	Extent of Holding (%)		Amount in Lakhs		"Whether stated at Cost Yes / No"	"If Answer to Column (14) is 'No' - Basis of Valuation"
					31-03-12	31-03-11			31-03-12	31-03-11	31-03-12	31-03-11		
I	TRADE INVESTMENTS													
	Investments in partnership firms / AOP													
	PATEL - KNR - JV	Joint Ventures							50%	50%	2,553.67	4,075.05		
	Total										2,553.67	4,075.05		

DETAILS OF INVESTMENT IN THE CAPITAL OF FIRM / AOP BY THE COMPANY

NAME OF THE FIRM	NAMES OF THE PARTNER	Amount in Lakhs	
		2012	2011
PATEL - KNR -JV	Patel Engineering Limited	1,822.59	3,928.84
	KNR Constructions Limited	1,684.64	4,075.05
	Total Capital	3,507.23	8,003.89

**NOTE 16
INVENTORIES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Inventory in Hand		
Raw materials	2,660.01	2,208.60
Stores and spares	16.68	-
(The above inventories are valued at weighted average cost. Cost excludes refundable duties and taxes.)		
Total	2,676.69	2,208.60

**NOTE 17
TRADE RECEIVABLE**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD *		
Over Six months	3,756.85	4,875.25
Others	5,584.50	9,175.95
* Includes ₹ 1356.91 lakhs (P.Y ₹ 2442.52 Lakhs) due from company in which Company is interested		
Total	9,341.35	14,051.20

**NOTE 18
CASH AND BANK BALANCES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Cash And Cash Equivalents		
Balance with Banks		
Current accounts	130.50	335.41
Un-claimed Dividend	2.66	2.13
Un-Claimed IPO Refund	0.09	0.09
Cash on hand	233.58	17.80
Sub- total	366.83	355.43
Other Bank Balances		
Margin Money deposits against guarantees	287.91	693.63
FDR / TD Deposit accounts more than 12 months maturity	190.66	2,762.33
Sub- total	478.57	3,455.96
Total	845.40	3,811.39

NOTE 19
SHORT TERM LOANS AND ADVANCES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD		
Others		
Advances to Sub-contractors and Labour	3,909.45	3,682.34
Advances to Suppliers and others (Other than capital advances)	736.28	1,053.12
Staff Imprest and Salary Advances	72.54	48.68
Advance Taxes paid (including Wealth Tax)	10,159.63	5,997.39
Prepaid Expenses	203.51	222.28
Advance for Land Lease	4.18	-
Sub- total	15,085.59	11,003.81
Capital Advances		
Advances paid for capital assets	11.20	-
Sub- total	11.20	-
Total	15,096.79	11,003.81

NOTE 20
OTHER CURRENT ASSETS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Retention Money	3,954.15	3,522.56
VAT Receivable	293.54	65.50
Due from Customers / Unbilled Revenue	4,451.34	3,586.38
Receivables from Others	15.59	-
Interest receivable	16.47	-
Sub- total	8,731.09	7,174.44
Deposits and Other Receivables	1,041.53	986.54
Less: Provision for Doubtful Deposits	32.00	32.00
Sub- total	1,009.53	954.54
Total	9,740.62	8,128.98

**NOTE 21
REVENUE FROM OPERATIONS**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Work Contract Revenue	74,948.97	78,297.57
Other Operating Revenues		
Share Of Profit / Loss From Joint Ventures	93.25	1,005.15
Hire Charges Received	8.13	0.33
	<u>75,050.35</u>	<u>79,303.05</u>
Less: Excise Duty	-	-
Total	75,050.35	79,303.05

**NOTE 22
OTHER INCOME**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Interest Income	19.64	-
Dividend Income	-	0.38
Other non-operating income		
Profit on Sale of Asset	16.72	0.46
Scrap Sales	0.03	53.99
Rental Income	0.43	0.60
Discount Received from suppliers	0.71	88.21
Liabilities no longer required Written Back	310.92	15.44
Insurance Claim Received	21.56	46.15
Forex Gains	-	22.64
Miscellaneous Income	195.93	18.08
Total	565.94	245.95

**NOTE 23
COST OF MATERIALS CONSUMED**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Stock at Commencement	2,208.60	1,367.71
Add: Net Purchases	29,204.43	19,920.99
	<u>31,413.03</u>	<u>21,288.70</u>
Less: Closing Stock	2,676.69	2,208.60
Total	28,736.34	19,080.10

**NOTE 24
EMPLOYEE BENEFITS EXPENSE**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Salaries, Wages and Other Benefits	2,265.44	1,647.56
Directors Remuneration	300.00	187.50
Contribution to Provident and Other Funds	79.39	56.79
Staff welfare Expenses	41.78	34.47
Total	2,686.61	1,926.32

**NOTE 25
FINANCE COSTS**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Interest Expense		
Interest on Working Capital	411.57	265.95
Interest on Term Loans	57.82	158.33
Interest on Advance from Directors	-	0.43
Interest on Other advances	31.57	29.89
	500.96	454.60
Less: Interest received from Banks & Others	123.05	66.35
	377.91	388.25
Other Borrowing Costs		
Bank Charges	45.95	13.03
Processing Charges	112.26	100.12
BG / LC Charges	436.66	280.83
Net gain/loss on foreign currency transactions and translation	(9.03)	-
Total	963.75	782.23

**NOTE 26
DEPRECIATION AND AMORTIZATION EXPENSE**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Depreciation	5,048.47	4,055.01
Issue Expense Written off	89.09	89.09
Total	5,137.56	4,144.10

NOTE 27
OTHER EXPENSES

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Work Contract Expenses		
Sub-contract Expenses	8,812.68	29,661.75
Spreading & Assortment Exp. (Labour Charges)	12,888.29	8,179.41
Power and Fuel	148.51	151.45
Seigniorage charges / Royalty	1,106.08	662.91
Transport, Loading & Un Loading Charges	1,343.72	779.41
Recoveries by Clients (Including Labour Welfare Cess & Other Tax)	971.52	435.06
Sales Tax / VAT	2,040.14	2,305.74
Repairs to Buildings & Others	32.75	6.64
Repairs to Machinery	107.09	108.58
Repairs to Vehicles	74.59	89.00
Miscellaneous expenses	673.19	626.03
Sub-Total	28,198.56	43,005.98
Administration And Other Expenses		
Travelling & Conveyance (includes Boarding & Lodging Expenses)	139.67	108.88
Postage & Telegrams and Telephones	43.57	40.43
Business Promotion Expenses	25.97	27.81
Advertisement and publicity	22.72	38.86
Legal & Professional Charges	202.43	578.46
Insurance	214.39	189.75
Rates and taxes excluding taxes of Income	214.18	249.29
Payments to the auditor		
for Audit	2.00	2.00
for taxation matters	1.00	1.00
for other services	2.00	2.00
Prior period items (Net off Expenses / Income)	21.40	613.43
Printing & Stationery	37.82	39.73
Tender Expenses	47.27	92.19
Office Maintenance	30.82	18.42
Rent Expenses	105.82	74.32
Electricity Charges	105.54	42.82
Directors Sitting Fees	7.70	8.15
Loss on sale of Assets / Discarded	-	49.72
Loss on Redemption of Mutual Funds	-	0.16
Bad Debts / Advances/ Debit Bal. Written Off	781.47	0.02
Provision for Doubtful Advances and Deposits	-	10.00
Donation	3.73	6.29
Miscellaneous Expenses	42.22	60.35
Sub-Total	2,051.72	2,254.08
Total	30,250.28	45,260.06

NOTE 28
TAX EXPENSE

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
A - Current Tax		
Current tax on profits for the year	2,763.26	3,078.55
Adjustments in respect of prior years	3.10	11.00
Sub-Total	2,766.36	3,089.55
B - Deferred Tax		
Deferred Tax Liability / (Assets) due to timing difference	(200.98)	(415.88)
Sub-Total	(200.98)	(415.88)
Total	2,565.38	2,673.67

Significant Accounting Policies

a) Basis of Preparation of Financial Statements

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

b) Use of Accounting Estimates

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

c) Fixed Assets And Depreciation

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except for plant & equipment in the case of AP-7, OR-07, Bijapur, Chennai-OR, MP-Chindwara and MP-NH69 projects which are depreciated under SLM method based on the useful lives of the same. The management has estimated the useful life of the plant & equipment. Assets costing up to ₹ 5,000 are depreciated fully in the year of purchase.

d) Borrowing Costs

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

e) Impairment of Assets

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

f) Investments

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

g) Inventories

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

h) Employee Benefits

A) Short Term Employee Benefits :

Short term employee benefits such as Leave Encashment, Bonus and Medical re-imburement are recognized in the period during which the services have been rendered.

B) Long Term Employee Benefits :

i) Gratuity

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

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

Service Compensation is accounted for on cash basis.

i) Share Issue Expenses

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

j) Revenue Recognition

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 statement of profit and loss.

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

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

m) Taxes

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

n) Earnings per Share (EPS)

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

o) Leases

Lease rentals of Quarry Land is written off over the period of its useful life. Leasehold land rental charges is written off over the period of the lease.

p) Provisions, Contingent Liabilities and Contingent Assets

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

29. Earning Per Share

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	Net Profit for the year after tax	5276.37	5682.52
		Nos.	Nos.
b.	Weighted Average number of equity shares for basic EPS (in lakhs)	281.23	281.23
c.	Face Value per share	10	10
d.	Basic EPS	18.76	20.21

30. Contingent Liabilities not provided for

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	Bank Guarantees - for Company - for Joint Ventures' -for Subsidiaries - for Associates (SPV's) - for Tax matters	42121.82 2264.81 Nil 200.00 241.63	31434.05 3197.36 Nil 200.00 241.63
	Total	44828.26	35073.04
b.	Corporate guarantees given to banks and financial institutions for financial assistance extended to Subsidiaries, Associates and Joint Ventures	11142.25	13642.25
c.	Counter Guarantees to Corporates	Nil	280.00
d.	Letters of Credit	1164.65	Nil
e.	Demands against the Company not acknowledged as debts and not provided for in respect of which the Company has filed appeal. - Income Tax and Interest on TDS	3106.83	2954.75
	- Sales Tax / VAT / Entry Tax	1882.88	1481.99
f.	Claims against the Company not acknowledged as debts	176.77	Nil
g.	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		

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

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	For Construction Equipments	640.71	1551.75
b.	For Equity investment in BOT Projects	6436.00	Nil
c.	For Immovable properties	94.50	720.00

32. Managerial Remuneration

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	Salaries, allowances and perquisites	300.00	190.33
b.	Sitting Fees	7.70	8.15
c.	Contribution to Provident Fund	18.00	11.25
	Total	325.70	209.73

Note: The Salaries does not include provision for gratuity

33. Expenditure / Remittance and Advances received in Foreign Currency

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
I	Expenditure / Remittance		
a.	On account of Travel (including boarding & lodging Expenses)	3.67	3.38
b.	On account of Capital Goods & Spares	163.80	1243.73
c.	On account of Advance / Loan	12.31	46.67
d.	On account of Term Loan re-payment (including interest and other charges)	165.95	56.95
II	Income / Advances Received		
a.	Advances from KNR Constructions LLC	Nil	189.58

34. Remittance in foreign currencies for dividend

The company has not remitted any amount in foreign currencies on account of dividends during the year and has remitted dividend to the non resident shareholders in Indian currency during the year ended March 31, 2012 and the details of the same as given below:

Sl. No.	Particulars	2011-12	2010-11
a.	Number of non-resident shareholders	108	115
b.	Number of equity shares held by them	56072	75143
c.	i) Amount of dividend paid (Amount in ₹)	112144	150286
	ii) Year to which dividend relates	2010-11	2009-10

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

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	Contract Revenue recognized as revenue during the year	74074.31	77123.82
b.	Contract costs incurred and recognized Profits, less losses	74074.31	77123.82
c.	Advances received net of recoveries from Progressive bills	7721.62	11027.62
d.	Retention Deposits	3954.15	3522.56
e.	Gross amount due from customers	4451.34	3586.38
f.	Gross amount due to customers	4332.66	7422.42

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

Sl.No	Name of the Company	₹ in Lakhs			
		Balance as on		Maximum outstanding	
		31-03-2012	31-03-2011	2011-12	2010-11
A.	Subsidiaries				
	KNR Agrotech & Beverages Pvt Ltd.,	159.43	138.05	160.38	138.05
	KNRCL - FZE	48.62	43.49	48.62	43.49
	KNR Infrastructure Projects Pvt. Ltd.,	267.63	Nil	2876.63	Nil
	KNR Energy Ltd.,	45.36	Nil	45.36	Nil
	KNRC Holdings and Investments Pvt Ltd.,	5.43	Nil	5.43	Nil
	KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,	0.21	Nil	0.21	Nil
B.	Associates				
	Patel –KNR Infrastructure Ltd.,	-0.81	0.40	1060.40	4260.41
	Patel-KNR Heavy Infrastructure Ltd.,	6182.83	5594.15	6571.47	6493.87
C.	Loans and Advances where there is no repayment schedule				
	KNR Agrotech Beverage Pvt. Ltd.,	159.43	138.05	159.43	138.05
	KNRCL – FZE	48.62	43.49	48.62	43.49
	KNR Infrastructure Projects Pvt. Ltd.,	267.63	Nil	2876.63	Nil
	KNR Energy Ltd.,	45.36	Nil	45.36	Nil
	KNRC Holding and Investments Pvt Ltd.,	5.43	Nil	5.43	Nil
	KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,	0.21	Nil	0.21	Nil
	Patel –KNR Infrastructure Ltd.,	-0.81	0.40	1060.40	4260.41
	Patel-KNR Heavy Infrastructure Ltd.,	6182.83	5594.15	6571.47	6493.87

D.	Loans where no interest is charged or interest is below section 372A of Companies Act, 1956				
	KNR Agrotech Beverage Pvt Ltd., *	159.43	138.05	159.43	138.05
	KNRCL – FZE*	48.62	43.49	48.62	43.49
	KNR Infrastructure Projects Pvt. Ltd.,*	267.63	Nil	2876.63	Nil
	KNR Energy Ltd., *	45.36	Nil	45.36	Nil
	KNRC Holdings and Investments Pvt Ltd.,*	5.43	Nil	5.43	Nil
	KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,*	0.21	Nil	0.21	Nil
	Patel –KNR Infrastructures Ltd., **	-0.81	0.40	1060.40	4260.41
	Patel-KNR Heavy Infrastructures Ltd., **	6182.83	5594.15	6571.47	6493.87
E.	Loans to firms / Companies in which directors are interested	Nil	Nil	Nil	Nil

* These un-secured loans are given to wholly owned subsidiary companies and are interest free except in the case of M/s. KNR Infrastructure Projects Pvt. Ltd.

** These interest free un-secured loans are given to Special Purpose Vehicles (SPV's) formed for the purpose of execution of BOT Annuity (Road) Projects as per the terms and conditions of the respective concession agreements.

37. 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.

38. 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.

39. 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:

₹ in Lakhs

Name of the company	Per-centage of Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitment	Income	Expenditure
Patel-KNR-JV*	50%	9499.49	9499.49	Nil	Nil	8780.77	9092.85
KNR-Patel-JV*	51%	455.17	455.17	Nil	Nil	Nil	45.47
NCC-KNR-JV	Project wise	571.06	571.06	Nil	Nil	88.96	73.24
KNR-SLEC-JV	60%	273.96	273.96	Nil	Nil	53.46	49.87
KNR-BPL-JV*	49%	302.76	302.76	Nil	Nil	191.60	191.60
KNR-GVR-JV	51%	2400.28	2400.28	Nil	Nil	13085.73	12509.00
KNR-JKM-KAMALA-JV	50%	3307.53	3307.53	Nil	Nil	5488.96	5311.69

* As per the Un-Audited financial statements.

40. Related Party Transactions

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

SI.No	Particulars	SI.No	Particulars
A)	Subsidiaries KNR Agrotech & Beverages Pvt Ltd., KNR Constructions LLC, Oman KNR – FZE, Dubai KNR Infrastructure Projects Pvt Ltd., KNR Energy Ltd., KNRC Holdings and Investments Pvt. Ltd., KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,	E)	Key Management Personnel Sri K. Narasimha Reddy , M.D Sri K. Jalandhar Reddy, E.D Sri J.V. Panindra Reddy, E.D Sri M. Rajesh Reddy, E.D Sri M. V.Venaka Rao, C.S Sri G. Sravana Kumar, G.M
B)	Fellow Subsidiaries KNR Muzaffarpur Holdings Pvt. Ltd.,		
C)	Joint Ventures KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV KNR-GVR-JV KNR-JKM-KAMALA-JV	F)	Relatives of Key Management Personnel NIL
D)	Associates Patel-KNR Infrastructures Ltd., Patel-KNR Heavy Infrastructures Ltd.,	G)	Enterprises owned or significantly influenced by key management personnel or their relatives Yuvashakthi Enterprises (Firm) Vishnu Publicity Solutions Pvt. Ltd., Trapezoid Software Solutions Pvt. Ltd., Mesmeric Software Solutions Pvt. Ltd., Nag Talent Ventures & Infotech Pvt. Ltd., Mincom Enterprises Pvt Ltd., RR Movie Makers (Firm) RR Distributors (Firm) Siriadhvaitha Agrotech Pvt. Ltd.,

B. Related party transactions during the year ended 31st March 2012 are as follows:

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

₹ in Lakhs

Sl. No.	Particulars	Subsidiaries	Associates	Joint Ventures	Key Management Personnel	Enterprises owned or significantly influenced by Key Management Personnel or their relatives
1	Net Investments / (-Returns)	7.00 (49.88)	- Nil	-1496.00 (-708.47)	- -	- -
2	Un-secured advance / loan given / (re-paid) – Rupee	340.01 (13.13)	600.47 (-3617.65)	- -	- -	- -
3	Un-secured advance / loan given – Foreign currency	5.14 (43.49)	- (-)	- (-)	- (-)	- (-)
4	Un-secured loan received - Rupee	- (-)	- (-)	- (-)	265.31 (439.55)	- (-)
5	Un-secured loan received at (Dubai branch , KNRCL –FZE, KNR Constructions -LLC) – Foreign currency	- (189.58)	- (-)	- (-)	0.33 (8.38)	- (-)
6	Un-secured loan re-paid	- (-)	- (-)	- (-)	265.31 (462.16)	- (-)
7	Fixed Assets purchased from Patel-KNR-JV	- (-)	- (-)	1308.89 (36.00)	- (-)	- (-)
8	Net Share of Profit	- (-)	- (-)	93.25 (1005.15)	- (-)	- (-)
9	Prior Period Tax of JV's	- (-)	- (-)	- (-)	- (-)	- (-)
10	Sub-Contract Jobs given	- (-)	- (-)	- (38.71)	- (-)	- (-)
11	Sub-Contract / (EPC) / Maintenance Jobs received	- (-)	1112.47 (2206.84)	93.880 (-)	- (-)	- (-)
12	Remuneration paid (including other benefits and contribution to Provident Fund)	- (-)	- (-)	- (-)	346.27 (222.42)	- (-)
13	Land Lease and Office Rent Paid	- (-)	- (-)	- (-)	24.86 (24.46)	- (-)
14	Rent Received	- (-)	- (-)	- (-)	0.30 (0.60)	- (-)
15	Interest Paid	- (-)	- (-)	- (-)	- (0.42)	- (-)

16	Interest Received	67.13 (-)	- (1.87)	- (-)	- (-)	- (-)
17	BG Commission received	- (-)	- (5.57)	25.08 (42.68)	- (-)	- (-)
18	Professional Charges received from Patel-KNR_JV by Directors	- (-)	- (-)	- (-)	103.38 (118.96)	- (-)
19	Purchase of Equity shares in KNR Infra Projects Pvt Ltd., consideration amount paid	- (-)	- (-)	- (-)	1.00 (1.00)	- (-)
20	Purchase of Equity shares in KNRCL - FZE consideration payable	- (-)	- (-)	- (-)	- (48.88)	- (-)
21	Corporate Guarantee Given	- (-)	10642.25 (13142.50)	500.00 (500.00)	- (-)	- (-)
22	Bank Guarantee Given	- (-)	200.00 (200.00)	2264.81 (3197.36)	- (-)	- (-)
23	Cost of construction of office building under development agreement (under capital work in progress)	- (-)	- (-)	- (-)	- (223.14)	- (223.14)
24	Debit balances outstanding as on 31st March, 2012 –	- (-)	16.91 (3.770)	2869.25 (5942.12)	10.00 (10.00)	10.00 (10.00)
25	Credit balances outstanding as on 31st March,2012 –	- (-)	- (13.00)	883.16 (847.15)	- (-)	- (-)

Note: The amounts mentioned above in the case of 1) M/s. Patel-KNR-JV 2) M/s. KNR-Patel-JV 3) M/s. KNR-BPL-JV and M/s. KNR Constructions LLC are based on the un-audited financial statements of the respective entities.

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

Name of the Party	Relation-ship	Opening Balance as on 01-04-2011	Loan received during the year	Loan re-paid during the year	Outstanding as on 31-03-2012
K. Narasimha Reddy	M.D	Nil	262.50	262.50	Nil
J.V. Panindra Reddy	E.D	Nil	2.81	2.81	Nil
K. Narasimha Reddy –at Dubai Branch	M.D	2.31	0.33*	Nil	2.64

* The amount has arisen on account translation of closing balance in foreign currency.

44. The Revised schedule VI to the Companies Act ,1956 has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure & presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification /disclosure.
-

Notes referred to above form an integral part of the accounts
As per our report of even date attached

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

For and on behalf of the Board

Sd/-
C.Sukumar Babu

Sd/-
K.Narasimha Reddy
Partner

Sd/-
K.Jalandhar Reddy
Managing Director

Sd/-
G.Sravana Kumar
Executive Director

Sd/-
M.V.Venkata Rao
GM (F&A)

Company Secretary
Membership No. : 024293

Place : Hyderabad
Date : 28-05-2012



Consolidated Financial Statements

Auditors' Report

The Board of Directors of
KNR Constructions Limited

1. We have audited the attached Consolidated Balance Sheet of KNR Constructions Limited ('the Company') and its Subsidiaries, Joint Ventures and Associates (collectively referred to as 'the Group') as at March 31, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto in which are incorporated the returns from Oman and Dubai and certain Joint Ventures, audited by other auditors. The Consolidated Financial Statements include investments in associates accounted on the equity method in accordance with Accounting Standard-23 (Accounting for Investments in Associates in Consolidated Financial Statements) and jointly controlled entities accounted in accordance with Accounting Standard-27 (Financial Reporting of Interests in Joint Ventures) as notified under Companies (Accounting Standards) Rules, 2006. These consolidated financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, jointly controlled entities and associates, whose financial statements reflect Group's share of total assets of ₹4082.35 lakhs as at March 31, 2012, Group's share of total revenue of ₹ 12107.76 lakhs, and Group's share of profit/(loss) of ₹ (131.18) lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these Subsidiaries, Joint Ventures, Associates is based solely on the report of other auditors except in case of those concerns referred in note no: 34 forming part of the accounts.
4. We report that:
 - a. the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21 (Consolidated Financial Statements), Accounting Standard-23 (Accounting for Investments in Associates in Consolidated Financial Statements) and Accounting Standard-27 (Financial Reporting of Interests in Joint Ventures) as notified by the Companies (Accounting Standards) Rules, 2006 ;
 - b. Based on our audit and on consideration of reports of the other auditors on separate statements and on the other financial information of the components subject to 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2012;
 - ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

for SUKUMAR BABU & CO.,
Chartered Accountants
(ICAI Registration No.004188S)

Sd/-
C.SUKUMAR BABU
Partner
M.No: 024293

Place : Hyderabad
Date : 28-05-2012

Consolidated Balance sheet

AS AT 31ST MARCH, 2012

₹ in Lakhs

Particulars	Note No.	As at 31st March, 2012		As at 31st March, 2011	
I EQUITY AND LIABILITIES					
1) SHAREHOLDERS' FUNDS					
a) Share Capital	1	2,812.35		2,812.35	
b) Reserves and Surplus	2	38,966.38	41,778.73	34,593.31	37,405.66
2) SHARE APPLICATION MONEY PENDING ALLOTMENT					
			-		-
3) MINORITY INTEREST					
			108.94		101.85
4) NON - CURRENT LIABILITIES					
a) Long-Term Borrowings	3	641.96		591.70	
b) Deferred Tax Liabilities (Net)	4	79.90		280.89	
c) Other Long Term Liabilities	5	8,279.81		12,602.36	
d) Long-Term Provisions	6	107.68	9,109.35	119.94	13,594.89
5) CURRENT LIABILITIES					
a) Short-Term Borrowings	7	4,650.49		5,959.82	
b) Trade Payables	8	10,815.62		11,532.98	
c) Other Current Liabilities	9	10,014.25		13,992.56	
d) Short-Term Provisions	10	10,311.76	35,792.12	6,710.45	38,195.81
TOTAL			86,789.14		89,298.21
II ASSETS					
1) NON-CURRENT ASSETS					
a) Fixed Assets	11				
i) Tangible Assets		32,121.24		30,725.58	
ii) Intangible Assets		8.31		7.27	
iii) Capital Work-In-Progress		117.68		1,117.66	
b) Non-Current Investments	12	3,298.70		3,533.36	
c) Long-Term Loans and Advance	13	6,389.69		6,063.95	
d) Other Non-Current Assets	14	506.21	42,441.83	534.56	41,982.38
2) CURRENT ASSETS					
a) Inventories	15	6,431.70		4,590.13	
b) Trade Receivables	16	8,832.69		14,498.52	
c) Cash and Bank Balances	17	1,160.76		4,574.61	
d) Short-Term Loans and Advances	18	17,025.02		14,938.37	
e) Other Current Assets	19	10,897.14	44,347.31	8,714.20	47,315.83
TOTAL			86,789.14		89,298.21

Significant Accounting Policies

Notes to Financial Statements 1 to 38

Notes referred to above form an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

C.Sukumar Babu

Partner

Membership No. : 024293

Place : Hyderabad

Date : 28-05-2012

Sd/-

K.Narasimha Reddy

Managing Director

Sd/-

K.Jalandhar Reddy

Executive Director

Sd/-

G.Sravana Kumar

GM (F&A)

Sd/-

M.V.Venkata Rao

Company Secretary

For and on behalf of the Board

Consolidated profit & loss accounts

FOR THE YEAR 31ST MARCH, 2012

₹ in Lakhs

Particulars	Note No.	For the year ended 31st March, 2012	For the year ended 31st March, 2011
I Gross Revenue from Operations	20	89,223.14	105,170.64
II Other income	21	1,110.52	272.80
III Total Revenue (I + II)		90,333.66	105,443.44
IV Expenses:			
Cost of materials consumed	22	32,045.61	23,303.77
Changes in Inventories of Finished Goods, Stock-in-Process	23	(1,530.26)	(250.93)
Employee benefits expense	24	3,017.77	2,309.22
Finance costs	25	1,181.38	970.68
Depreciation and amortization expense	26	5,560.28	4,707.07
Other expenses	27	42,459.98	65,459.39
Total expenses		82,734.76	96,499.20
V Profit before exceptional and extraordinary items and tax (III - IV)		7,598.90	8,944.24
VI Exceptional items		-	-
VII Profit before extraordinary items and tax (V - VI)		7,598.90	8,944.24
VIII Extraordinary Items		-	-
IX Profit before tax (VII- VIII)		7,598.90	8,944.24
X Tax expense:	28		
1) Current tax		2,884.63	3,688.90
2) Deferred tax		(200.98)	(415.88)
XI Profit for the year (before adjustment for Minority Interest)		4,915.25	5,671.22
Add / (Less) Share of profit from Associates		(418.95)	123.72
Add / (Less) Prior Year Share of profit from Associates		184.29	-
Add: Share of Loss transferred to Minority Interest		0.02	2.81
Profit for the year (after adjustment for Minority Interest)		4,680.61	5,797.75
XII Profit/(loss) from discontinuing operations		-	-
XIII Tax expense of discontinuing operations		-	-
XIV Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV Profit (Loss) for the period (XI + XIV)		4,680.61	5,797.75
XVI Earnings per equity share:	29		
1) Basic		16.64	20.62
2) Diluted		16.64	20.62
Significant Accounting Policies			
Notes to Financial Statements	1 to 38		

Notes referred to above form an integral part of the accounts
As per our report of even date attached

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

C.Sukumar Babu
Partner
Membership No. : 024293

Place : Hyderabad
Date : 28-05-2012

For and on behalf of the Board

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

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

Sd/-
M.V.Venkata Rao
Company Secretary

Consolidated cash flow statement

FOR THE YEAR 31ST MARCH, 2012

₹ in Lakhs

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	7,598.90	9,561.20
Adjustments for		
Depreciation & Amortization Expenses	5,560.28	4,707.07
Provision for Gratuity	(4.49)	16.68
Provision for Doubtful Advances	-	10.00
Loss on sale of assets and Discarded	-	84.29
Profit on sale of Assets	(209.72)	(0.46)
Dividend received on current investments	-	(0.38)
Interest and Financial Charges	1,381.33	1,493.32
Interest Received	(249.55)	(522.64)
	6,477.85	5,787.88
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,076.75	15,349.08
(Increase)/Decrease in Trade and Other Receivables	8,446.50	4,087.08
(Increase)/Decrease in Inventories	(1,841.57)	(895.94)
Increase/(Decrease) in Trade Payables and Other Liabilities	(5,213.23)	1,391.70
	1,391.70	(7,615.02)
	15,468.45	10,925.20
Minority Interest and Share of profit from associates	(234.64)	(486.90)
Taxes paid	(3,380.92)	(3,885.11)
NET CASH USED IN OPERATING ACTIVITIES	11,852.89	6,553.19
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and other Capital Expenditure	(7,247.59)	(11,359.71)
Proceeds from sale of Fixed Assets	1,582.30	222.30
Investments in Joint Ventures / SPV's / Mutual Funds	234.66	(128.72)
"Foreign Exchange Translation Adjustment (arising on translation of Foreign branch transactions)"	19.31	5.19
GoodWill on Consolidation	-	(0.94)
Minority Interest	7.09	2.29
Dividend received on current investments	-	0.38
Interest Received	228.91	517.75
TDS on Interest Received	(20.18)	(7.22)
NET CASH USED IN INVESTING ACTIVITIES	(5,195.50)	(10,748.68)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(325.99)	(1,182.24)
Mobilization and Machinery advances received from customers	(4,731.57)	3,249.35
Interest paid	(1,387.83)	(1,490.72)
Dividend and Dividend Tax paid	(653.72)	(658.06)
NET CASH FROM FINANCING ACTIVITIES	(7,099.11)	(81.67)
	(441.72)	(4,277.16)
Cash and Cash Equivalents as at April 1, 2011 (Opening Balance)	1,118.65	5,395.81
Cash and Cash Equivalents as at March 31, 2012 (Closing Balance)	676.93	1,118.65

₹ in Lakhs

Particulars	For the year ended 31st March, 2012	For the year ended 31st March, 2011
-------------	--	--

Notes:

- 1 Cash and Cash equivalents includes:
- | | | |
|-------------------------------|--------|----------|
| Cash in Hand | 261.34 | 26.31 |
| Bank Balance -Current Account | 415.59 | 1,092.34 |

The above current account balances includes ₹ 2.66 lakhs (P.Y ₹ 2.13 lakhs) in Unclaimed Dividend Account and ₹ 0.09 lakhs (P.Y ₹ 0.09 lakhs) in IPO refund account.

- 2 The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- 3 Previous year's figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.

As per our report of even date attached

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

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner
Membership No. : 024293

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

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

Sd/-
M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 28-05-2012

Consolidated notes to financial statements

FOR THE YEAR ENDED 31ST MARCH, 2012

₹ in Lakhs

Particulars	As at 31st March, 2012	As at 31st March, 2011
NOTE 1		
SHARE CAPITAL		
EQUITY SHARE CAPITAL		
Authorised Share capital		
35,000,000 (P.Y 35,000,000) Equity Shares of ₹10/- each	3,500.00	3,500.00
Issued, subscribed & fully paid share capital		
28,123,460 (P.Y 28,123,460) Equity Shares of ₹10/- each	2,812.35	2,812.35
(Out of the above 13,499,260 Equity Shares of ₹10/- each were allotted in the F.Y 2005-06 as fully paid up Bonus Shares in the ratio of 2:1 by Capitalising ₹1349.93 lakhs from General Reserve)		
Total	2,812.35	2,812.35

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/- . Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuring Annual General Meeting.

The Board of Directors, in their meeting on 28-05-2012 declared dividend of ₹ 1/- per equity share. The total dividend appropriation for the year ended March 31, 2012 amounted to ₹ 326.85 Lakhs including corporate dividend tax of ₹ 45.62 Lakhs.

The details of shareholder holding more than 5% shares as at March 31, 2012 and March 31, 2011 is set out below:

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% held	No. of Shares	% held
Kamidi Narasimha Reddy	9,526,495	33.87	10,026,495	35.65
Kamidi Jalandhar Reddy	4,998,087	17.77	4,998,087	17.77
Kamidi Yashoda	2,025,489	7.20	2,025,489	7.20
Patel Engineering Ltd	1,942,574	6.91	1,942,574	6.91
Jetti Venkata Panindra Reddy	1,902,835	6.77	1,902,835	6.77
Merreddy Rajesh Reddy	1,832,115	6.51	1,832,115	6.51
HDFC Trustee Company Ltd	1,495,160	5.32	-	-

The reconciliation of the number of shares outstanding at 1st April, 2011 and 1st April, 2010 and the amount of share capital as at March 31, 2012 and March 31, 2011 is set out below:

₹ in Lakhs

Name of the shareholder	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	Amount in Lakhs	No. of Shares	Amount in Lakhs
Number of Equity Shares at the beginning	28,123,460	2,812.35	28,123,460	2,812.35
Add:- Number of Shares Issued	-	-	-	-
Less: Number of Shares Brought Back	-	-	-	-
Number of Equity Shares at the end of the year	28,123,460	2,812.35	28,123,460	2,812.35

NOTE 2 RESERVES AND SURPLUS

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURITIES PREMIUM RESERVE		
Opening Balance	12,599.31	12,599.31
Add : Additions in current year	-	-
Closing Balance	12,599.31	12,599.31
GENERAL RESERVE		
Opening Balance	2,435.00	1,855.00
Add : Transferred from Surplus	132.00	580.00
Closing Balance	2,567.00	2,435.00
FOREIGN CURRENCY TRANSLATION RESERVE		
Opening Balance	(7.65)	(2.46)
Add: Additions in current year	19.31	(5.19)
Closing Balance	11.66	(7.65)
SURPLUS		
Opening balance	19,566.65	15,002.62
Add: Profit/(Loss) for the current year	4,680.61	5,797.75
Amount available for appropriation	24,247.26	20,800.37
Less: Appropriations		
Proposed Dividend	281.23	562.47
Dividend Tax	45.62	91.25
Transferred to General Reserve	132.00	580.00
Closing Balance	23,788.41	19,566.65
Total	38,966.38	34,593.31

NOTE 3
LONG- TERM BORROWINGS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURED LOANS		
Term Loan		
From Banks		
a) Rupee Loans	31.46	242.58
b) Foreign Currency Loans	-	196.84
c) Car Finance Loan	24.84	69.10
From Others		
Rupee Loans	276.16	70.23
Car Finance Loan	3.38	12.95
Sub-total	335.84	591.70
UN SECURED LOANS		
Loans & Advances from Related Parties		
From Director	305.28	-
Sub- total	305.28	-
Total	641.96	591.70

3.1 Term Loans availed from banks and others are secured by hypothecation of specific assets comprising plant and equipment and vehicles acquired out of the said loans and personal guarantee of a director.

3.2 All term loans from banks and others are repayable in 35 equal monthly installments

NOTE 4
DEFERRED TAX LIABILITIES (NET)

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Deferred Tax Liabilities	79.90	280.89
Total	79.90	280.89

**NOTE 5
OTHER LONG TERM LIABILITIES**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Others		
Retention Deposits	2,257.38	1,633.49
Security Deposits	295.64	510.51
Trade Advances received from Clients against BG's		
Mobilization Advance	4,745.76	9,332.76
Machinery Advance	981.03	1,125.60
Total	8,279.81	12,602.36

**NOTE 6
LONG TERM PROVISIONS**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Provision for employee benefits		
Gratuity	107.68	119.94
Total	107.68	119.94

**NOTE 7
SHORT TERM BORROWINGS**

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
SECURED LOANS		
Loans Repayable on demand		
From Banks		
Working Capital Loans from consortium of Banks	4,647.85	5,944.59
Sub- total	4,647.85	5,944.59
UNSECURED LOANS		
Loans and advances from related parties (referred note no: 35)		
From Directors	2.64	2.23
From others	-	5.00
(There is no specific agreement with above parties)		
Sub- total	2.64	15.23
Total	4,650.49	5,959.82

7.1 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 ₹ 1.38 crores (Market Value approx. ₹ 5.25 Crores) as on 31.03.2009.
- 3 First pari passu charge on equitable mortgage of 5 acres of agricultural land of approximate value of ₹ 6.00 Crores
- 4 First pari passu charge on equitable mortgage of industrial factory buildings without machinery of approximate value of ₹ 25.40 Crores
- 5 Hypothecation of certain equipment's of written down value as on 31.03.2010 is ₹ 45.00 Crores
- 6 Personal guarantee of Directors.
- 7 First pari passu charge on equitable mortgage of property in the name of Company and Director of approximate value of ₹ 25.40 Crores

NOTE 8 TRADE PAYABLES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Sundry Creditors (Suppliers/Service)	2,717.11	3,271.01
Bills Payable (Sub-contractors/Labour)	8,098.51	8,261.97
Total	10,815.62	11,532.98

NOTE 9 OTHER CURRENT LIABILITIES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Current maturities of long-term debt		
Term Loan		
From Banks		
a) Rupee Loans	211.13	748.48
b) Foreign Currency Loans	127.18	127.18
c) Car Finance Loan	44.26	40.76
From Others		
a) Rupee Loans	171.64	-
b) Car Finance Loan	9.57	11.02
	563.78	927.44

Interest accrued but not due on borrowings;	3.46	9.96
Due to Customers	4,332.66	7,422.42
Unclaimed dividends and IPO Refund	2.79	2.24
Outstanding Expenses	1,043.26	964.67
Security Deposits	0.10	-
Material Advance received from clients	2,419.72	3,126.15

Other Payables

Income Tax	27.11	169.91
Provident Fund	14.69	14.16
Employee State Insurance	0.16	0.15
TDS/TCS	172.76	335.60
Entry Tax	6.67	4.91
Service Tax	10.29	15.50
VAT	540.04	998.32
Professional Tax	1.08	1.13
Labour Welfare Cess	875.68	-

Total

10,014.25

13,992.56

NOTE 10

SHORT TERM PROVISIONS

Particulars	As at	
	March 31, 2012	March 31, 2011
PROVISION FOR EMPLOYEE BENEFITS		
Gratuity (Funded)	7.77	-
Sub- total	7.77	-
OTHERS		
Provision for Income Tax	9,973.38	6,053.20
Provision for Wealth Tax	3.76	3.53
Proposed Dividend	281.23	562.47
Provision for Dividend Tax	45.62	91.25
Sub- total	10,303.99	6,710.45
Total	10,311.76	6,710.45

**NOTE 11
FIXED ASSETS**

₹ in Lakhs

SI No	PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK		
		As at April 1, 2011	Additions	Deductions/ Adjustments	As at March 31, 2012	As at April 1, 2011	For the period	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2011
I	Tangible Assets									
	Land - Free Hold	4,015.17	1,267.26	-	5,282.43	-	-	8.80	5,273.63	4,006.37
	Buildings	306.73	1,381.41	-	1,688.14	-	-	101.16	1,586.98	254.84
	Plant and Equipment	39,764.82	5,264.85	2,862.22	42,167.45	2,862.22	1,516.68	17,672.22	24,495.23	25,802.47
	Furniture and Fixtures	122.32	125.09	0.41	247.00	0.41	0.38	83.33	163.67	67.05
	Vehicles	874.55	150.45	55.28	969.72	350.79	28.32	466.81	502.91	523.76
	Office equipment	84.38	32.87	0.29	116.96	36.65	0.27	48.38	68.58	47.73
	Computers & Accessories	79.56	21.88	0.19	101.25	58.54	0.16	73.01	28.24	21.02
	Ships	2.43	-	-	2.43	0.09	-	0.43	2.00	2.34
	Sub-total	45,249.96	8,243.81	2,918.39	50,575.38	14,524.38	1,545.81	18,454.14	32,121.24	30,725.58
II	Intangible Assets									
	Computer software	9.13	2.04	-	11.17	3.38	-	6.10	5.07	5.75
	Goodwill	1.52	1.72	-	3.24	-	-	-	3.24	1.52
	Sub-total	10.65	3.76	-	14.41	3.38	-	6.10	8.31	7.27
III	Capital Work In Progress								117.68	1,117.66
	Sub-total	-	-	-	-	-	-	-	117.68	1,117.66
	TOTAL	45,260.61	8,247.57	2,918.39	50,589.79	14,527.76	1,545.81	18,460.24	32,247.23	31,850.51
	As at 31st March, 2011	34,624.24	11,344.52	709.67	45,259.09	10,307.34	403.54	14,527.76	4,623.96	14,527.76

**NOTE 12
NON-CURRENT INVESTMENTS**

Sr. No.	Name of the Body Corporate	Subsidiary / Associate / JV/Controlled Entity / Others	Nature of the Share	Face value of the share	No. of Shares/ Units		Quoted / Unquoted	Partly Paid/ Fully paid	Extent of Holding (%)			Amount in Lakhs		"Whether stated at Cost Yes / No"	"If Answer to Column (14) is 'No' - Basis of Valuation"
					31-03-12	31-03-11			31-03-12	31-03-11	31-03-12	31-03-11			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
I TRADE INVESTMENTS															
A Investment in Equity Instruments															
	Patel-KNR Infrastructures Ltd. Add: Share of profit from reserves	Associate	Equity	10	14800000	14800000	Unquoted	Fully Paid	40%	40%	1,480.00 73.50 1,553.50	1,480.00 352.80 1,832.80	Yes		
	Patel-KNR Heavy Infrastructure Ltd Add: Share of profit from reserves	Associate	Equity	10	9529500	9529500	Unquoted	Fully Paid	40%	40%	952.95 775.98 1,728.93	952.95 731.34 1,684.29	Yes		
II OTHER INVESTMENTS															
A Investments in Government or Trust securities															
	National Savings Certificates	Others									1.12	1.12	Yes		
	Kisan Vikas Patra	Others									0.15	0.15	Yes		
B Investments in Mutual Funds															
	SBI Infrastructure Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
	SBI Magnum Comma Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
	SBI PSU Fund	Others		10	50,000	50,000	Quoted	Fully Paid			5.00	5.00	Yes		
Total											3,298.70	3,533.36			

Aggregate amount of investments	Amount in Lakhs	
	2012	2011
a) Aggregate Value of Quoted Investment		
- Cost	15.00	15.00
- Market Value	18.65	21.67
b) Aggregate Value of Unquoted Investment		
	3,283.70	3,518.36

NOTE 13
LONG TERM LOANS AND ADVANCES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD;		
Capital Advance		
Advances paid for properties	185.86	469.39
Loan and advances to related parties (refer note no 35)		
Associate Companies	6,203.83	5,594.56
Total	6,389.69	6,063.95

NOTE 14
OTHER NON-CURRENT ASSETS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Others		
Deposits	60.74	-
IPO Expenses (Unamortized) - Miscellaneous Asset	445.47	534.56
Total	506.21	534.56

NOTE 15
INVENTORIES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Inventory in Hand		
Raw materials	2,741.17	81.93
Stores and spares	16.68	2,538.40
Work in Progress	3,500.06	1,969.80
Stock In Trade	173.79	-
(The above inventories are valued at weighted average cost. Cost excludes refundable duties and cost)		
Total	6,431.70	4,590.13

NOTE 16
TRADE RECEIVABLE

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD *		
Over Six months	2,802.43	3,388.10
Others	6,030.26	11,110.42
Total	8,832.69	14,498.52

NOTE 17
CASH AND BANK BALANCES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Cash And Cash Equivalents		
Balance with Banks		
Current accounts	412.84	1,090.12
Un-claimed Dividend	2.66	2.13
Un-Claimed IPO Refund	0.09	0.09
Cash on hand	261.34	26.31
Sub- total	676.93	1,118.65
Other Bank Balances		
Margin Money deposits against guarantees	289.95	693.63
FDR / TD Deposit accounts more than 12 months maturity	193.88	2,762.33
Sub- total	483.83	3,455.96
Total	1,160.76	4,574.61

NOTE 18
SHORT TERM LOANS AND ADVANCES

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
UNSECURED, CONSIDERED GOOD		
Others		
Advances to Sub-contractors, Labour	4,685.43	6,435.48
Advances to Suppliers and others (Other than capital advances)	809.01	1,403.38
Staff Imprest and Salary Advances	97.16	51.77
Advance Taxes paid (including Wealth Tax)	11,198.72	6,754.75
Prepaid Expenses	211.32	292.99
Advance for Land Lease	12.18	-
Sub- total	17,013.82	14,938.37
Capital Advances		
Advances paid for capital assets	11.20	-
Sub- total	11.20	-
Total	17,025.02	14,938.37

NOTE 19
OTHER CURRENT ASSETS

₹ in Lakhs

Particulars	As at	
	March 31, 2012	March 31, 2011
Retention Money	4,648.75	3,974.23
VAT Receivable	293.54	95.32
Interest Receivable / Interest accrued but not received	53.57	32.93
Due from Customers / Unbilled Revenue	4,451.34	3,586.38
Receivables from Others	406.87	-
Interest receivable	16.47	-
Preliminary Expenses not Writtenoff	5.33	-
Sub- total	9,875.87	7,688.86
Deposits and Other Receivables	1,053.27	1,057.34
Less: Provision for Doubtful Deposits	32.00	32.00
Sub- total	1,021.27	1,025.34
Total	10,897.14	8,714.20

NOTE 20
GROSS REVENUE FROM OPERATIONS

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Work Contract Revenue	86,599.78	105,127.32
Sale of Goods (Export)	2,615.23	42.99
	89,215.01	105,170.31
Other Operating Revenues		
Hire Charges Received	8.13	0.33
	89,223.14	105,170.64
Less: Excise Duty	-	-
Total	89,223.14	105,170.64

NOTE 21
OTHER INCOME

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Interest Income	154.97	-
Dividend Income	-	0.38
Other non-operating income		
Profit on Sale of Asset	209.72	0.46
Scrap Sales	0.03	53.99
Rental Income	0.43	0.60
Discount Received from suppliers	0.71	88.21
Liabilities no longer required Written Back	317.32	23.01
Insurance Claim Received	21.70	46.31
Forex gains	-	22.64
Miscellaneous Income	405.64	37.20
Total	1,110.52	272.80

NOTE 22
COST OF MATERIALS CONSUMED

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Stock at Commencement	2,621.62	1,975.33
Add: Net Purchases	32,355.63	23,950.06
	34,977.25	25,925.39
Less: Closing Stock	2,931.64	2,621.62
Total	32,045.61	23,303.77

NOTE 23
CHANGES IN INVENTORIES OF FINISHED GOODS, STOCK-IN-PROCESS

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Opening Balance of WIP	1,969.80	1,718.87
Less: Closing Balance of WIP	3,500.06	1,969.80
Total	(1,530.26)	(250.93)

NOTE 24
EMPLOYEE BENEFITS EXPENSE

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Salaries, Wages and Other Benefits	2,565.79	1,959.20
Directors Remuneration	300.00	187.50
Contribution to Provident and Other Funds	79.39	57.13
Staff welfare Expenses	72.59	105.39
Total	3,017.77	2,309.22

NOTE 25
FINANCE COSTS

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Interest Expense		
Interest on Working Capital	485.26	308.59
Interest on Term Loans	57.82	158.33
Interest on Advance from Directors	-	0.43
Interest on Other Advances	184.05	530.85
	727.13	998.20
Less: Interest received from Banks & Others	249.55	522.64
	477.58	475.56
Other Borrowing Costs		
Bank Charges	51.71	13.78
Processing Charges	112.26	100.13
BG / LC Charges	490.23	381.21
Net gain/loss on foreign currency transactions and translation	49.60	-
Total	1,181.38	970.68

**NOTE 26
DEPRECIATION AND AMORTIZATION EXPENSE**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Depreciation	5,471.09	4,617.98
Issue Expense Written off	89.19	89.09
Total	5,560.28	4,707.07

**NOTE 27
OTHER EXPENSES**

₹ in Lakhs

Particulars	As at 31, 2012	As at 31, 2011
Operating Expenses		
Customs Duty	515.91	-
Port Statutory Charges	31.09	-
Stevedoring Charges	71.96	-
Chemical Analysis Charges	5.59	-
Testing Charges	0.19	-
Ground Preparation Expenses	11.90	-
Sub-Total	636.64	-
Work Contract Expenses		
Sub-contract Expenses	17,310.76	44,005.69
Spreading & Assortment Exp. (Labour Charges)	14,718.96	11,134.60
Power and Fuel	155.79	168.49
Seigniorage charges / Royalty	1,406.75	2,162.80
Transport, Loading & Un Loading Charges	1,384.17	790.02
Recoveries by Clients (Including Labour Welfare Cess & Other Tax)	1,074.14	501.13
Sales Tax / VAT	2,192.04	2,647.13
Project Maintenance Expenses	109.41	-
Repairs to Buildings & Others	49.70	23.72
Repairs to Machinery	107.09	108.58
Repairs to Vehicles	248.81	631.07
Miscellaneous expenses	712.73	684.66
Preparatory Expenses Writtenoff	46.94	55.87
Sub-Total	39,517.29	62,913.760

Administration And Other Expenses

Travelling & Conveyance (Including Boarding & Lodging Expenses)	166.54	130.35
Postage & Telegrams and Telephones	48.82	47.96
Business Promotion Expenses	25.97	32.20
Advertisement and publicity	22.86	38.91

Legal & Professional Charges	282.89	682.29
Insurance	242.17	235.37
Rates and taxes excluding taxes of Income	288.86	274.29
Payments to the auditor for Audit	6.66	6.77
for taxation matters	1.00	1.00
for other services	2.00	2.00
for reimbursement of expenses		
Prior period items (Net off Expenses / Income)	21.40	613.43
Printing & Stationery	41.58	45.52
Tender Expenses	47.27	96.66
Office Maintenance	32.54	18.42
Rent Expenses	112.49	89.92
Electricity Charges	105.92	42.82
Directors Sitting Fees	7.70	8.15
Loss on sale of Assets / Discarded	-	84.29
Loss on Redemption of Mutual Funds	-	0.16
Bad Debts / Advances/ Debit Bal. Written Off	785.66	3.71
Provision for Doubtful Advances and Deposits	-	10.00
Donation	3.73	6.79
Miscellaneous Expenses	59.99	74.62

Sub-Total	2,306.05	2,545.63
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Total	42,459.98	65,459.39
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NOTE 28
TAX EXPENSE

Particulars	As at 31, 2012	As at 31, 2011
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A - Current Tax

Current tax on profits for the year	2,881.53	3,677.90
Adjustments in respect of prior years	3.10	11.00

Sub-Total	2,884.63	3,688.90
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B - Deferred Tax

Deferred Tax Liability / (Assets) due to timing difference	(200.98)	(415.88)
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Sub-Total	(200.98)	(415.88)
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Total	2,683.65	3,273.02
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Significant Accounting Policies

1. Principles of Consolidation

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

- a) The financial statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and un-realised profits or losses on intra-group transactions as per Accounting Standard 21 – “Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- b) Interest in jointly controlled entities has been consolidated by using the ‘proportionate consolidation’ method as per Accounting Standard 27 - ‘Financial Reporting of Interests in Joint Ventures’ notified by the Companies (Accounting Standard) Rules, 2006.
- c) In case of associates where the Company directly or indirectly through its subsidiaries holds more than 20% of equity, investments in associates are accounted under the equity method as per Accounting Standard 23 - “Accounting for Investments in Associates in Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- d) The financial statements of the subsidiaries, jointly controlled entities and the associates used in consolidation are drawn up to the same reporting date as that of the Company , i.e. March 31, 2012 except the foreign subsidiary KNR Constructions LLC in which case the reporting period is from 1-1-11 to 31-12-11.
- e) The excess of cost to the Company of its investment in the subsidiaries and the jointly controlled entities over the Company’s share of equity is recognized in the financial statements as Goodwill and tested for impairment annually.
- f) The excess of the Company’s share of equity of the subsidiaries and jointly controlled entities on the acquisition date, over its cost of investment is treated as Capital Reserve.
- g) Minority interest in the net assets of the consolidated subsidiaries is identified and presented in consolidated balance sheet separately from current liabilities and equity of the company.
 - i) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - ii) The minorities’ share of movements in the equity since the date the parent- subsidiary relationship came into existence.
- h) Minority interest in the net profit for the year in the case of subsidiaries whose accounts are consolidated is identified and adjusted against the profit after tax of the group.
- i) Intra-group balances and intra-group transactions and the resulting unrealized profits have been eliminated.
- j) In case of foreign subsidiaries being non- integral foreign operations, revenue items are consolidated at monthly average of exchange rates prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in “ Foreign Currency Translation Reserve”.

- k) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
2. Investments in subsidiaries, jointly controlled entities and associates have been accounted as per Accounting Standard 13 – "Accounting for Investments" notified by the Companies (Accounting Standard) Rules, 2006.

3. Other significant accounting policies:

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

b) Use of Estimates :

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

c) Fixed Assets and Depreciation:

Fixed Assets of KNRCL are stated at cost of acquisition or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, except for plant & machinery in the case of AP-7, OR-07, Bijapur, Chennai-OR, MP-Chindwara and MP-NH69 projects which are depreciated under SLM method based on useful lives of the assets. The management has estimated the useful life of the assets of plant & machinery. Assets costing up to ₹ 5,000 are depreciated fully in the year of purchase.

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

d) Borrowing Costs:

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

e) Investments:

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

f) Inventories:

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

g) Employee Benefits :

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

i) Gratuity

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

ii) Provident Fund

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

ii) Other Benefits

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

h) Preliminary/Issue Expenses

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

i) Revenue Recognition :

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

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

j) Joint Venture Projects

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

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

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

k) Foreign exchange translation and foreign currency transactions

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

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

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

l) Leases

Lease rentals of Quarry Land is written off over the period of its useful life. Leasehold land rental charges is written off over the period of the lease.

m) Preparatory Work Expenses

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

n) Taxes

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

o) Impairment of Assets

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

p) Earnings per Share

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

earnings per share is computed by dividing the net profit for the year, adjusted for the effects of dilutive potential equity shares, attributable to the Equity Share holders by the weighted average number of the equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive.

q) Provisions, Contingent Liabilities and Contingent Assets

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

29. Earning Per Share

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a.	Net Profit for the year after tax	4680.61	5797.75
b.	Weighted Average number of equity shares for basic EPS (in lakhs)	No's 281.23	No's 281.23
c.	Face Value per share	10	10
d.	Basic and Diluted EPS	16.64	20.62

30. The subsidiaries, jointly controlled entities and associates companies considered in the consolidated financial statement are:

₹ in Lakhs

Name of the Entity	Country of Incorporation	Propotion of Ownership Interest	
		Current Year	Previous Year
Subsidiaries			
KNR Agrotech & Beverages Pvt Ltd.,	India	100%	100%
KNR Constructions LLC.	Sultanate of Oman	65%	65%
KNRCL – FZE	UAE	100%	100%
KNR Infrastructure Projects Pvt. Ltd.,	India	100%	100%
KNR Energy Ltd.,	India	100%	Nil
KNRC Holdings and Investments Pvt Ltd.,	India	100%	Nil
KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,	India	100%	Nil
Fellow Subsidiary			
KNR Muzaffarpur Holdings Pvt Ltd.,	India	100%	Nil

Associates				
	Patel KNR Infrastructures Ltd.,	India	40%	40%
	Patel KNR Heavy Infrastructures Ltd.,	India	40%	40%
Jointly Controlled Entities				
	Patel-KNR-JV	India	50%	50%
	KNR-Patel-JV	India	51%	51%
	KNR-SLEC-JV	India	60%	60%
	KNR-BPL-JV	India	49%	49%
	NCC-KNR-JV	India	Project wise	Project wise
	KNR-GVR-JV	India	51%	51%
	KNR-JKM-KAMALA-JV	India	50%	50%

31. Contingent liabilities not provided for:

₹ in Lakhs

Sl. No.	Particulars	2011-12	2010-11
a	Corporate Guarantee	11142.25	13642.25
b	Bank Guarantees	44828.26	35353.04
c	Counter Guarantees	Nil	280.00
d	Claims not acknowledged as debts	176.77	Nil
e	Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.		
	- Income Tax and Interest on TDS *	3106.83	2954.75
	- Sales Tax / VAT	1882.88	1481.99
f	Letters of Credit	1164.65	Nil
g	Estimated amount of contracts remaining to be executed on capital account	7171.21	1600.63
h	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		
*	This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.		

32. 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.

33. 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.

34. Financial Reporting of Foreign Subsidiary , Associates and Joint Ventures

The financial statements of the foreign subsidiary, M/s. KNR Constructions LLC are drawn up to 31st December 2011 and are un-audited. The financial statements of M/s Patel- KNR-JV, M/s KNR-Patel-JV and M/s. KNR-BPL-JV are also un-audited. There are no significant transactions between the reporting dates of the said subsidiary and the parent company necessitating adjustments to its accounts.

35. Related Party Transactions

A. List of Related Parties

SI.No	Particulars	SI.No	Particulars
A)	Subsidiaries KNR Agrotech & Beverages Pvt Ltd., KNR Constructions LLC, Oman KNRCL – FZE KNR Infrastructure Projects Pvt Ltd., KNR Energy Ltd., KNRC Holdings and Investments Pvt. Ltd., KNR Muzaffarpur-Barauni Tollway Pvt. Ltd.,	E)	Key Management Personnel Sri K. Narasimha Reddy , M.D Sri K. Jalandhar Reddy, E.D Sri J.V. Panindra Reddy, E.D Sri M. Rajesh Reddy, E.D Sri M. V.Venaka Rao, C.S Sri G. Sravana Kumar, G.M
B)	Fellow Subsidiaries KNR Muzaffarpur Holdings Pvt. Ltd.,	F)	Relatives of Key Management Personnel NIL
C)	Joint Ventures KNR – Patel JV Patel – KNR JV NCC-KNR JV KNR – SLEC JV KNR-BPL JV KNR-GVR-JV KNR-JKM-KAMALA-JV	G)	Enterprises owned or significantly influenced by key management personnel or their relatives Yuvashakthi Enterprises (Firm) Vishnu Publicity Solutions Ltd., Trapezoid Software Solutions Pvt. Ltd., Mesmeric Software Solutions Pvt. Ltd., Nag Talent Ventures & Infotech Pvt Ltd., Mincom Enterprises Pvt Ltd., RR Movie Makers (Firm) RR Distributors (Firm) Siriadhvaitha Agrotech Pvt. Ltd.,
D)	Associates Patel-KNR Infrastructures Ltd., Patel-KNR Heavy Infrastructures Ltd.,		

B. Related party transactions during the year ended 31st March 2012 are as follows:

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

₹ in Lakhs

Sl. No.	Particulars	Associates	Joint Ventures	Key Management Personnel	Enterprises owned or significantly influenced by Key Management Personnel or their relatives
1	Un-secured loan given	360.28 (2170.59)	- (-)	- (-)	- (-)
2	Un-secured loan received - Rupee	- (-)	- (-)	265.31 (439.55)	- (-)
3	Un-secured loan received – Foreign currency	- (-)	- (-)	0.33 (8.38)	- (-)
4	Un-secured loan re-paid	- (-)	- (-)	265.31 (462.16)	- (-)
5	Fixed Assets Purchased from Patel-KNR-JV	- (-)	1308.89 (36.00)	- -	- (-)
6	Sub-Contract Jobs given	- (-)	- (19.36)	- (-)	- (-)
7	Sub-Contract / (EPC) Jobs received	1112.47 (2206.84)	- -	- (-)	- (-)
8	Remuneration paid (including other benefits and contribution to Provident Fund)	- (-)	- (-)	346.27 (222.42)	- (-)
9	Land Lease and Office Rent Paid	- (-)	- (-)	24.86 (24.46)	- (-)
10	Rent Received	- (-)	- (-)	0.30 (0.60)	- (-)
11	Interest Paid	- (-)	- (-)	- (0.42)	- (-)
12	Interest Received	- (1.87)	- -	- (-)	- (-)
13	BG Commission received	- (5.57)	12.54 (21.34)	- (-)	- (-)
14	Professional Charges Received from Patel-KNR-JV by Directors	- (-)	- (-)	103.38 (59.48)	- (-)
15	Purchase of Equity shares in KNR Infra Projects Pvt.Ltd., consideration amount paid	- (-)	- (-)	- (1.00)	- (-)
16	Purchase of Equity shares in KNRCL-FZE, consideration amount payable	- (-)	- (-)	- (48.88)	- (-)

17	Cost of construction of office building under development agreement (under capital work in progress)	- (-)	- (-)	- (263.42)	- (263.42)
18	Debit balances outstanding as on 31st March, 2012 –	16.91 (3.77)	1751.64 (2281.60)	10.00 (10.00)	10.00 (10.00)
19	Credit balances outstanding as on 31st March, 2012 –	- (13.00)	445.89 (427.92)	- (-)	- (-)

36. There was no impairment Loss on fixed assets on the basis of review carried out by the management in accordance with Accounting Standard-28 issued by the Institute of Chartered Accountants of India. Further during the review of assets of the company, those assets which were found having nil market value have been written off in the accounts.
37. Debit and credit balances of parties are subject to confirmation by the respective parties.
38. The Revised schedule VI to the Companies Act , 1956 has become effective from 1st April 2011 for the preparation of financial statements. This has significantly impacted the disclosure & presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification /disclosure.

Notes referred to above form an integral part of the accounts
As per our report of even date attached

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

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner
Membership No. : 024293

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
K.Jalandhar Reddy
Executive Director

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

Sd/-
M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 28-05-2012



KNR CONSTRUCTIONS LIMITED

Registered Office: C-125, Anand Niketan, New Delhi - 110021

ATTENDANCE SLIP

Folio No. / Depository A/c No.

No. of Shares Held:

Name and Address of the Shareholder

I hereby record my presence at the SEVENTEENTH ANNUAL GENERAL MEETING of the members of the Registered Office of the Company at C-125, Anand Niketan, New Delhi - 110021 at 3.30 p.m on 8th August, 2012

.....
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: C-125, Anand Niketan, New Delhi - 110021

PROXY FORM

Folio No. / Depository A/c No.

No. of Shares Held:

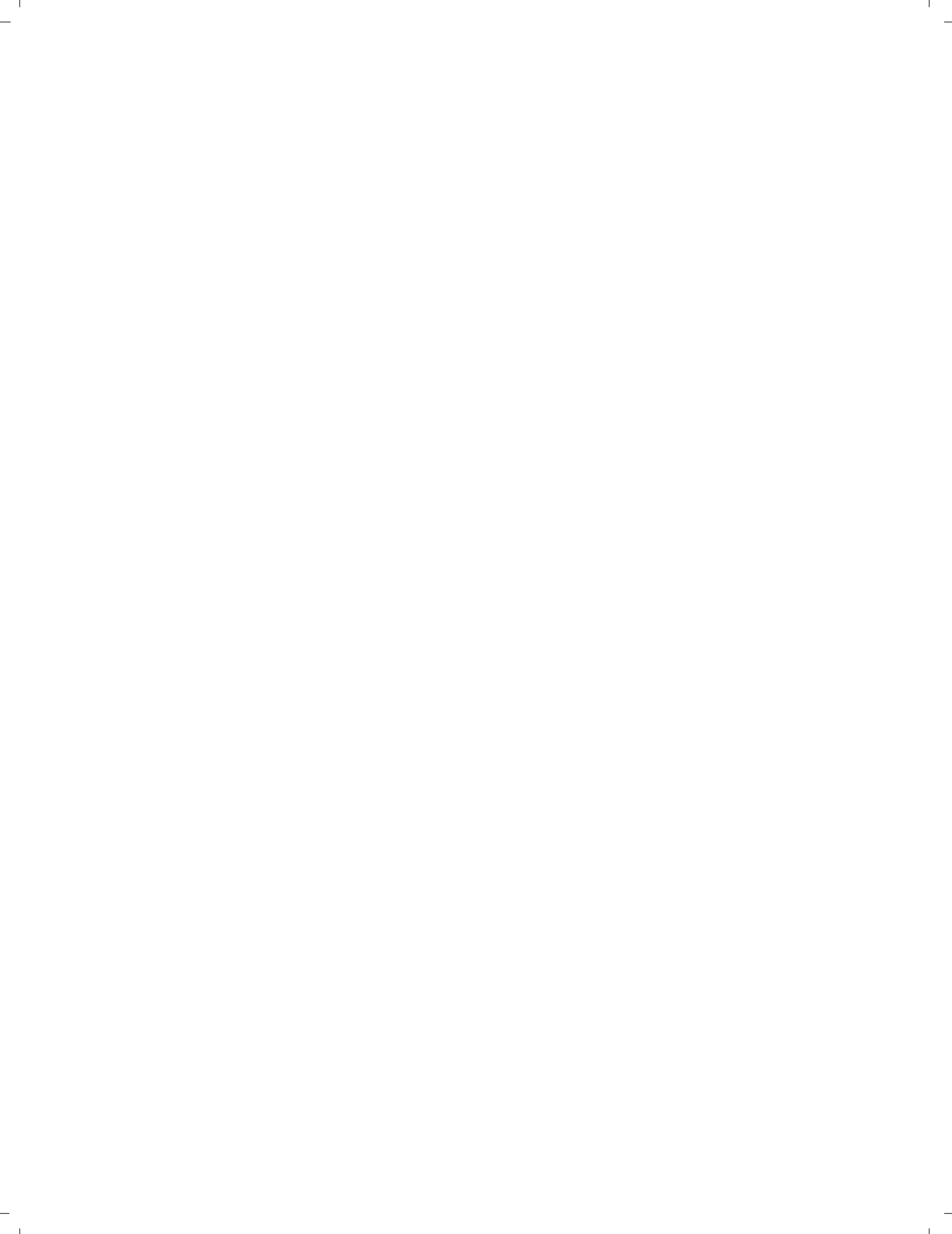
I/We being a member / members of KNR Constructions Limited, hereby appoint in the District of as my/our Proxy to attend and to vote for me/us on my/our behalf at the Annual General Meeting of the Registered Office of the Company at C-125, Anand Niketan, New Delhi - 110021 at 3.30 p.m on 8th August, 2012 and at any adjournment (s) thereof.

Singed this Day of 2012

Please Affix
Re. 1
Revenue
Stamp

Signature
(Proxy)

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.



Forward looking statement

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

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

BOOK POST



If undelivered, please return to:

KNR Constructions Limited
"KNR House", 3rd & 4th Floors,
Plot No. 114, Phase I, Kavuri Hills,
Hyderabad -500033

www.knrcl.com