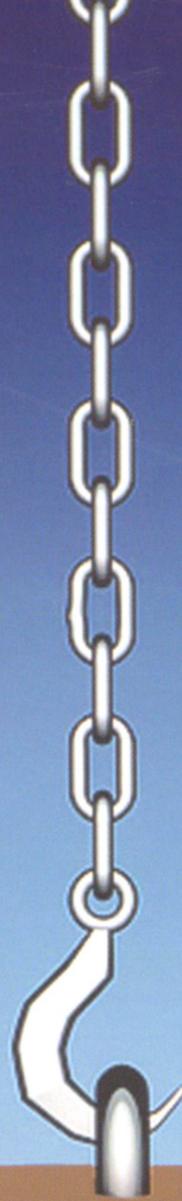
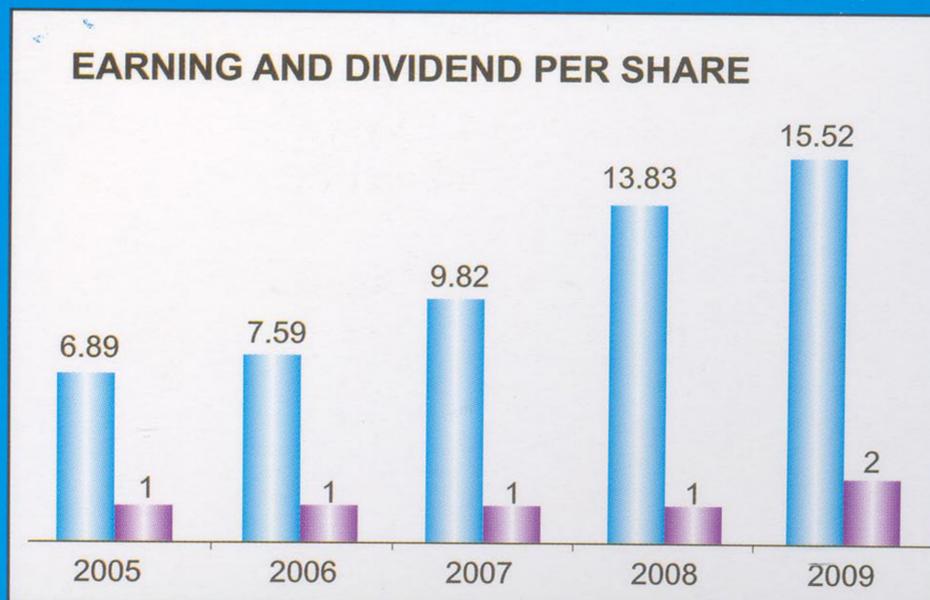
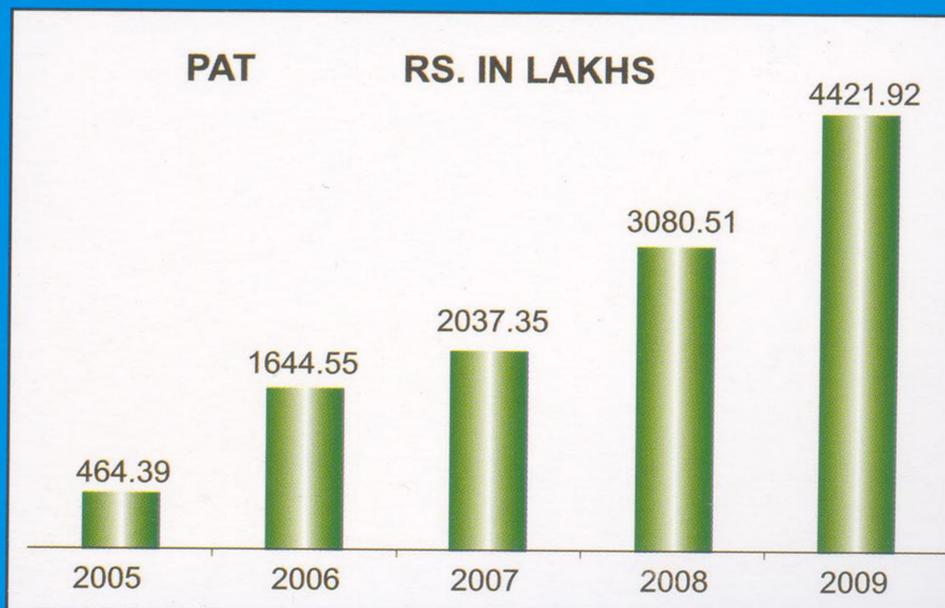
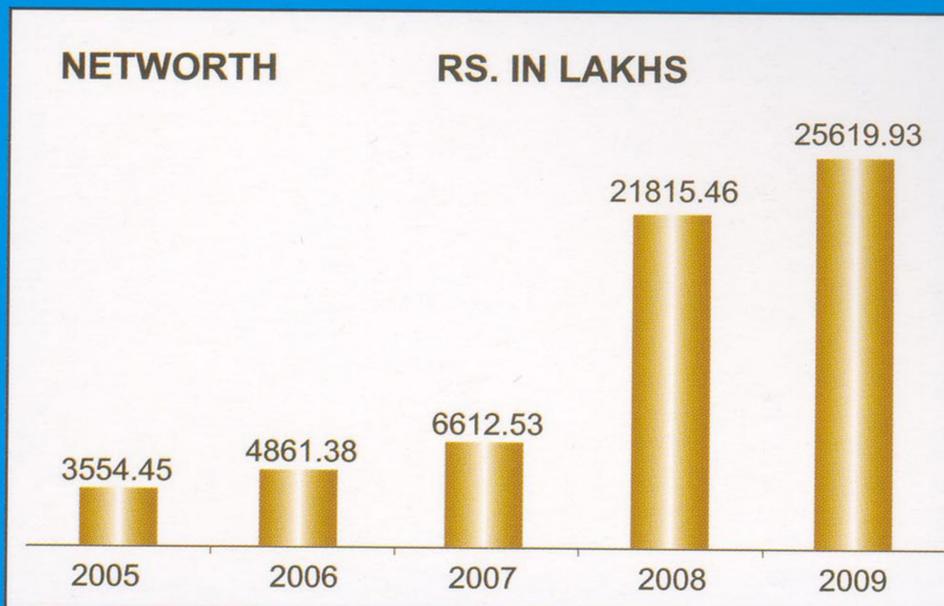
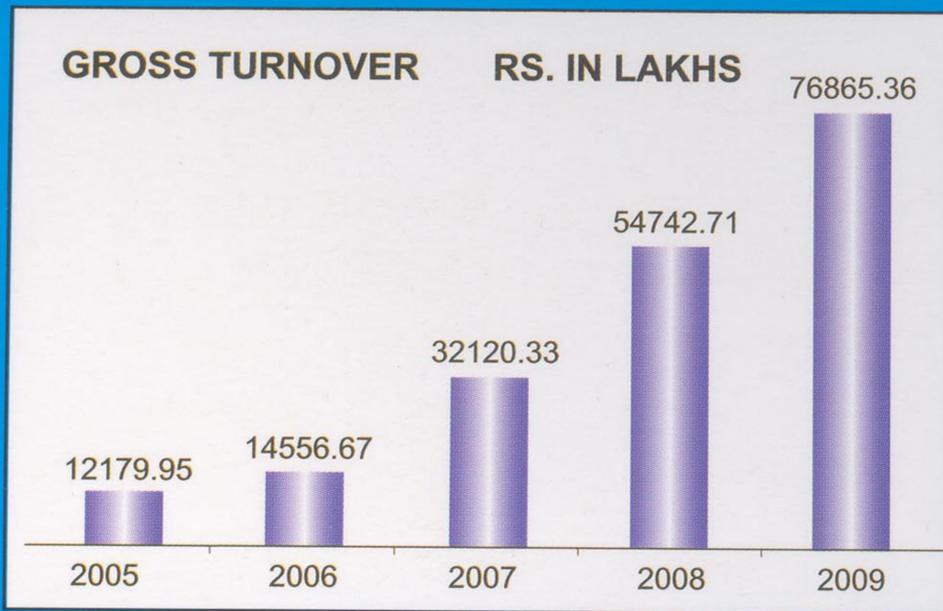


14th
Annual Report
2008 - 09



KNR Constructions Limited



■ EARNING PER SHARE ■ DIVIDEND PER SHARE

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Investor Grievance & Share Transfer Committee

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

Investor Service Centre

12th Square Building,
 3rd Floor, Road No. 12,
 Banjara Hills, Hyderabad – 500034
 e-mail: info@knrcl.com

Mr. M V Venkata Rao
 Company Secretary

Auditors

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

Mr. G Sravana Kumar
 Asst. General Manager (Finance & Accounts)

Registered Office

8-2-686/B/6/A/302,
 12th Square Building,
 3rd Floor, Road No. 12,
 Banjara Hills,
 Hyderabad – 500034

Bankers

State Bank of Patiala
 State Bank of Indore
 State Bank of Mysore
 IDBI Bank Limited
 ING Vysya Bank Limited
 Oriental Bank of Commerce

Registrar & Transfer Agents Link Intime India Private Limited

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

Notice

Notice is hereby given that the 14th Annual General Meeting of the KNR Constructions Limited will be held on Wednesday the 9th day of September 2009 at 11.30 AM at Hotel Green Park, Ameerpet, Hyderabad - 500016

Ordinary Business

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 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 B V Rama Rao, who retires by rotation and being eligible, offers himself for reappointment
- 4 To appoint a Director in place of Shri M Rajesh Reddy, 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, be and are hereby re-appointed as Statutory Auditors of the Company from the Conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company.”

Notes:

- (i) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY The instrument appointing proxy should, however be deposited at the Registered Office of the Company not less than 48 hours before commencement of the meeting
- (ii) Corporate Members intending to send their authorized representatives to attend the meeting are required to send a certified copy of their Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting
- (iii) Register of members and share Transfer Books shall remain closed from 04.09.2009 to 09.09.2009 (both days inclusive) in connection with the Annual General Meeting
- (iv) Re-appointment of directors; At the ensuing Annual General Meeting Shri B V Rama Rao and Shri M Rajesh Reddy Directors of the Company retire by rotation and being eligible offer themselves for re-appointment. The details pertaining these directors required to be provided pursuant to clause 49 of Listing Agreement are furnished in the statements on the Corporate Governance forming part of this Annual Report. The Board of Directors of your Company recommends the respective re-appointments of the aforesaid Directors.
- (v) Members / proxies should fill in the attendance slip for attending the Meeting.
- (vi) In case of joint holders attending the Meeting, only such joint holders who are higher in the order of the name will be entitled to vote.

By Order of the Board of Directors

Sd/-

M. V. Venkata Rao
Company Secretary

Place: Hyderabad
Date: 30.07.2009

Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting the 14th Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2009.

FINANCIAL RESULTS

Rupees in Lakhs

PARTICULARS	2008-09	2007-08
Gross Income (including other income)	77545.09	55406.25
Profit before interest and depreciation	10255.29	7147.89
Less: Interest and financial charges	1115.70	1003.84
Profit Before depreciation	9139.59	6144.04
Less: Depreciation	2501.90	1449.40
Profit before tax	6637.69	4694.65
Provision for tax (including Wealth Tax, Fringe Benefit Tax and Deferred Tax)	2215.77	1614.14
Profit after tax	4421.92	3080.50
Less: Prior year taxes and adjustments	56.31	125.65
Net Profit for the year	4365.61	2954.85
Profit brought forward from previous year	6313.48	3837.65
Profit available for appropriation	10679.09	6792.50
Appropriations:		
Transfer to General Reserve	450.00	150.00
Dividend	562.47	281.23
Dividend tax	95.59	47.80
Balance carried forward	9571.03	6313.48
Paid –up capital	2812.35	2812.35
Reserves and Surplus	23520.34	19812.79

REVIEW OF PERFORMANCE:

Your company continues to be in the business of work contracts specializing in Roads and Bridges and other infrastructure projects like irrigation projects. During the year under consideration, your company has achieved a turnover of Rs 76865.30 Lakhs as against Rs 54742.71 Lakhs in the previous year, thus registering an increase of 40.41 %. The company has earned a gross profit of Rs.10255.29 Lakhs before interest and depreciation as against Rs 7147.88 Lakhs in the previous year, thus registering a growth of 43.47%. After deducting an interest of Rs 1115.70 Lakhs, providing for Rs.9139.59 Lakhs towards depreciation, Rs 2215.77 Lakhs towards provision for income tax, wealth tax, fringe benefit tax and deferred tax, Rs 56.31 Lakhs towards prior period items and taxes, the operations resulted in a net profit of Rs 4365.61 Lakhs as against Rs. 2954.85 Lakhs last year, registering a growth of 47.74 %.

Following are the major works awarded to our Company since April 2008

Sl. No.	Particulars of the Project	Amount (Rs. In Millions)
1	Construction of Eight Lane Access Controlled Expressway as Outer Ring Road to Hyderabad City in the State of Andhra Pradesh, India in the Stretches from Patancheru to Shamirpet	5763.83

With the above new orders, the order book position as on 31st March 2009 stands at Rs. 11,418.00 Millions.

Dividend

Your Directors have recommended a dividend of Rs.2/- per Equity share for the financial year ended 31st March 2009, amounting to Rs. 562.46 Lakhs. The dividend will be paid to the members whose names appear in the Register of Members as on 3rd September 2009 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.

Directors

In accordance with the requirements of the Companies Act, 1956 Shri B V Rama Rao and Shri M Rajesh Reddy Directors of the Company are liable to retire by rotation at the Annual General Meeting and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

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

Auditor and Auditors Report:

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

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

Consolidated Financial Statements:

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

Management's Discussion and Analysis Report

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

Fixed Deposits:

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

Particulars of Employees:

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

Directors Responsibility Statement:

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

- i) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departure from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and profit for the year ended on that date;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) the Directors have prepared the annual accounts of the Company on a 'going concern' basis.

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

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

a) Conservation of Energy

The Company has taken suitable measures for conservation of energy. The Company's main business is Civil Contract Works and mainly depends on heavy vehicles which run on diesel.

b) Technology absorption, Adoption and Innovation

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

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

Foreign Exchange earnings and outgo

Foreign Exchange Earnings – Nil

Foreign Exchange outgo towards

- a) Travel – Rs. 0.44 lakhs (P.Y Rs. 1.12 lakhs)
- b) Professional Services Rs. 3.74 lakhs (P.Y Nil)
- c) Import of capital goods Rs.832.45 lakhs (P.Y Rs. 710.24 Lakhs)

Corporate Governance:

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

Acknowledgements:

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

On behalf of the Board of Directors
of KNR Constructions Limited

Sd/-
K Narasimha Reddy
Managing Director

Sd/-
M Rajesh Reddy
Executive Director

Place: Hyderabad

Date: 30.07.2009

Annexure to the Directors Report :

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the period ended 31st March 2009.

Sl. No	Name of the Employee & Age	Designation	Gross Remuneration	Qualification	Date of commencement of Employment	Particulars of last employment
1	Shri K Narasimha Reddy 60 Years	Managing Director	420000	B. A	11th July 1995	First Employment
2	Shri K Jalandhar Reddy 37 Years	Executive Director	240000	B.E (Computers)	11th July 1995	First Employment
3	Shri J V Panindra Reddy 42 Years	Executive Director	240000	B.E (Civil)	4th June 1999	First Employment
4	Shri M Rajesh Reddy 36 Years	Executive Director	240000	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/- Sd/-

K Narasimha Reddy M Rajesh Reddy
Managing Director Executive Director

Place: Hyderabad
Date: 30.07.2009

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:

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

Conduct of Board Proceedings

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

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

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

Number of Board Meetings held

Six Board Meetings were held during the year 2008-2009. 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.	Date	Board Strength	No. of Directors Present
1	30th April 2008	8	8
2	31st July 2008	8	7
3	30th August 2008	8	7
4	30th September 2008	8	8
5	30th October 2008	8	8
6	31st January 2009	8	8

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 2009 is as under:

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

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

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

- Apart from receiving sitting fee for attending meetings, the Independent Directors do not have any material pecuniary relationships or transactions with the Company, its promoters, Directors, senior management or its holding company, subsidiaries and associates which may affect the independence of the Director.
- The Independent Directors are not related to the promoters or persons occupying management positions at the Board level or at one level below the Board.
- The Independent Directors have not been executives of the Company in the immediately preceding three financial years.
- They are not partners or executives or were not so during the preceding three years of the
 - Statutory audit firm or the internal audit firm associated with the Company.
 - Legal firm(s) and consulting firm(s) that have a material association with the Company.
- The Independent Directors are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect their independence.
- They are not 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 69 years, is Non-Executive and Independent Chairman of our Company. He holds a Masters Degree in Economics from Osmania University, Master's in Public Administration from Kennedy School of Government, Harvard, USA and was also conferred the title of Overseas Fellow Member of the Economic Development Institute, by the World Bank. Shri B V Rama Rao joined the Indian Administrative Services in 1973 and has over 34 years of experience in areas such as development, administration and industrial management. During his stint with the Indian Administrative Services, Shri B V Rama Rao has served in various positions including as Chief Secretary to the Government of Andhra Pradesh and as Chairman and Managing Director, Nizam Sugars Limited until his retirement in 1997.

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

Shri B V Rama Rao is holding 21,476 Equity Shares in the Company as on 31st March 2009

Shri L. B Reddy, aged 66 years, is Non-Executive and Independent Director of our Company. Shri Reddy is a Fellow Member of The Institute of Chartered Accountants of India and is a senior partner in M/s L B Reddy & Co., a Chartered Accountancy firm. Shri Reddy started his career with Syndicate Bank and has worked in various capacities within the Bank before retiring as General Manager. He has over three decades of experience in areas such as planning, accounts, inspection, computer policy and development. He was also on deputation from Syndicate Bank with Rayalaseema Grammeena Bank as Chairman for six years.

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

Shri L B Reddy holds 1680 equity shares in the Company as on 31st March 2009

Shri D. Ramaiah, aged 72 years is Non-Executive and Independent Director of our Company. He holds a Master Degree in Arts from Osmania University. Shri Ramaiah has over 45 years of experience in areas such as planning, administrative and revenue related matters. Shri Ramaiah started his career in 1965 as an assistant lecturer in P.R College; Kakinada. In the year 1987 he joined the Indian Administrative Services and has been associated in various capacities with different government departments, including as Deputy Secretary-General Administration Department, Secretary to Excise Commissioner, Deputy Secretary- Irrigation and Command Area Development Department, Deputy Secretary- General Administration Department & Director of Protocol of Government of Andhra Pradesh, Secretary to the Pay Anomalies Commission, OSD (Protocol), Ex-Officio Joint Secretary (Protocol) and Director of Protocol, and as Member of Commissionerate of Inquiries, G.A.D., General Manager –A.P Scheduled Castes' Co-op Finance Corporation, Deputy Director of Anti- Corruption Bureau.

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

Shri Ramaiah does not hold any shares in the Company as on 31st March 2009

Shri J.S.R Chandra Mouli, aged 74 years, is Non-Executive and Independent Director of our Company. He holds a Bachelor's Degree in Civil Engineering from Mysore University. He started his career as an Assistant Engineer (Roads & Building Division), Public Works Department, Government of Andhra Pradesh. He has over 50 years of experience in various positions including as Executive Engineer and Senior Engineer in various government departments before retiring as Chief Engineer in the 1992.

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

Shri Mouli does not hold any shares in the Company as on 31st March 2009

Shri K. Narasimha Reddy, aged 60 years, is founder Promoter and Managing Director of the Company. He holds a Bachelor's degree in Arts from Kakatiya University. He has over 39 years of experience in the roads and infrastructure sector, and has been the driving force behind our Company's establishment and growth, and company has grown to our current size and scale under his able leadership. He started his career in 1968 as a sub-contractor for other construction companies. In 1979, he formed a partnership business in the name and style of M/s K Narasimha Reddy & Company, which was engaged in the business of undertaking civil and mechanical contracts. Shri Reddy has extensive knowledge and experience in project planning, scheduling, cost controls, and quantity surveying in addition to overall construction project management. Shri Reddy oversees the implementation of all our projects and has formulated the corporate vision of our Company.

Shri K Narasimha Reddy is presently the Managing Director of KNR Constructions Limited and director of Patel KNR Heavy Infrastructures Private Limited and Patel KNR Infrastructures Private Limited as on 31st March 2009

Shri Narasimha Reddy is holding 97,16,297 equity shares in the Company.

Shri K Jalandhar Reddy, aged 37 years, is the promoter and executive director of KNR Constructions Limited. He is the son of the company's founder promoter and managing director, Shri K Narasimha Reddy. He holds a Bachelor's Degree in Computer Engineering from Bangalore University. He has over 16 years of experience in the roads and infrastructure sector. He started his career with KNR Constructions as a project manager and was elevated as Executive Director from the year 1997. He heads the tendering and bidding activities of the company, as also is in charge of the projects which are executed in southern parts of 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, and KNR Agrotech & Beverages Private Limited as on 31st March 2009

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

Shri J.V. Panindra Reddy, aged 42 years, is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Civil Engineering from REC, Warrangal. He has over 20 years of experience in the roads and infrastructure sector. He has been closely associated with our Company since its inception. As Executive Director he is responsible and is in-charge of our projects which are executed in Northern and North-Eastern parts of India.

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

Shri J V Panindra Reddy is holding 18,32,115 equity shares in the Company.

Shri M. Rajesh Reddy, aged 36 years, is the Promoter and Executive Director of our Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 12 years of work experience, of which he has five years experience in the roads and infrastructure sector. He is responsible for corporate finance, co-ordination with various construction sites all over India and the day to day administrative activities of our Company.

Shri Rajesh Reddy is presently the Executive Director of KNR Constructions Limited and director of KNR Infrastructures Projects Private Limited, Trapezoid Software Solutions Private Limited, Vishnu Publicity Solutions Private Limited, Mesmeric Software Solutions Private Limited, and KNR Agrotech & Beverages Private Limited as on 31st March 2009

Shri M Rajesh Reddy, is holding 18,32,115 Equity Shares in the Company as on 31st March 2009

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 statement is correct, sufficient and credible.
- Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment of any other services

- Reviewing with the management, the annual financial statements before submission to the Board focusing primarily on:
 - (i) Any changes in accounting policies and practices
 - (ii) Major accounting entries based on exercise of judgment by management
 - (iii) Qualifications in draft audit reports
 - (iv) Significant adjustments arising out of the audit
 - (v) The going concern assumption
 - (vi) Compliance with accounting standards
- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relative etc.; that may have potential conflict with the interests of the company at large
- Reviewing with management, external and internal auditor's, the adequacy of internal control systems
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected of fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
- Discussion with external auditors before the audit commences, on the nature and scope of audit as well as have post- audit discussion to ascertain any areas of concern
- Reviewing the company's financial and risk management policies
- To look into and review the reasons for substantial defaults, if any, in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

Attendance of the members at the Audit Committee Meetings:

During the current financial year 2008-2009 Five Audit Committee Meetings were held and the details of the Audit Committee Meetings are as under:-

Sl. No.	Date	Committe Strength	No. of Directors Present
1	30th April 2008	3	3
2	31st July 2008	3	3
3	30th August 2008	3	3
4	30th October 2008	3	3
5	31st January 2009	3	3

b. Remuneration Committee

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

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

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

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

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

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

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

Attendance of the members at the Remuneration Committee Meetings:

During the current financial year 2008-2009 One Remuneration Committee Meeting was held and all the members of the committee were present for the meeting.

Remuneration paid to the Directors during 2008-2009:

Name	Position	Sitting Fee	Salary & Perquisite	Total
Shri B. V. Rama Rao	Chairman /Director	130000	–	130000
Shri L. B. Reddy	Director	130000	–	130000
Shri J. S. R. Chandra Mouli	Director	70000	–	70000
Shri D. Ramaiah	Director	85000	–	85000
Shri K. Narasimha Reddy	Managing Director	–	4200000	4200000
Shri K. Jalandhar Reddy	Executive Director	–	2400000	2400000
Shri J. V. Panindra Reddy	Executive Director	–	2400000	2400000
Shri M. Rajesh Reddy	Executive Director	–	2400000	2400000

Shares held by the Non-Executive Directors as on 31st March 2009 are as under:

Name of the Non-Executive Directors	No. of shares held as on the date
Shri B. V. Rama Rao	21,476
Shri L. B. Reddy	1,680
Shri J. S. R. Chandra Mouli	Nil
Shri D. Ramaiah	Nil

c. Investor Grievance & Share Transfer Committee

This Committee comprises of the following members

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

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

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

- (i) Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;

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

Shareholders complaints Status:

Opening	2
Received During the Period	41
Resolved During the Period	43
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
2005-06	29th September 2006 11.00 a.m.	12th Square Building, 3rd Floor, Road No.12 Banjara Hills, Hyderabad-500034, Andhra Pradesh, India.
2006-07	24th September 2007 11.00 a.m.	12th Square Building, 3rd Floor, Road No.12, Banjara Hills, Hyderabad-500034, Andhra Pradesh, India.
2007-08	30th September 2008 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 31.07.2008 were passed on 05.09.2008 through postal ballot which related to (i) to provide corporate guarantee, (ii) to add an object under incidental and ancillary objects, (iii) to add an object under Other objects and (iv) to commence the business in other objects of the Company. Shri V Bhaskara Rao, 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

Sl. No.	Particulars of the Resolutions	% of votes cast in favour of the resolution
1	Special Resolution for providing Corporate Guarantee to Patel KNR (JV) and Patel KNR Infrastructures Private Limited	99.98 %
2	Special Resolution for adding an object after the existing incidental and ancillary objects	99.98 %
3	Special Resolution for adding an object after the existing other objects	99.98 %
4	Special Resolution to Commence the Business mentioned in Other Objects of the Company	99.98 %

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 period ended 31st March 2009. These transactions are not in conflict with the interest of the Company.

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

There were no instances of non-compliances, penalty or strictures on any matter related to the capital markets, during the period ended 31st March 2009

c. Disclosure of Accounting Treatment

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

d. Board Disclosures

i. Risk Management

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

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

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

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

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

ii. Internal Control System

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

e. Proceeds from Public Issue

During the financial year 2007-08 your company has entered in to capital market by an Initial Public Offer (IPO) of 78,74,570 Equity Shares of Rs.10/- each by raising an amount of Rs. 13386.77 Lakhs. The details of the utilisaiton of the public issue proceeds are as under:

Rupees in Lakhs

Particulars	Raised	Utilised as on 31.03.2009	Balance
Investment in Capital Equipment Investment in BOT Projects	2130.47	2130.47	0.00
a - as Equity Contribution	4234.60	952.55	3282.05
b - as Un-secured Loans	3600.00	3447.39	152.61
Working Capital	2520.80	2520.80	0.00
Issue Expenses	900.90	899.64	1.260
Total	13386.77	9950.85	3435.92

f. Code of Conduct

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

g. CEO / CFO Certification

The CEO / CFO Certification on the financial statements and internal control is 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 2008-2009 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 evaluated 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 send to each shareholders residence	No
Newspaper wherein Quarterly / Half-yearly / Yearly financial results are published	Financial Express, Business Standard, Financial Chronicle, DNA Money – English and Surya, Andhra Bhoomi, Sakshi – Telugu
Any website where results or official news are displayed	www.knrcl.com
Whether it also displays official news release on the Company's website	Yes, the official news releases are posted
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** : 14th Annual General Meeting
Wednesday the 9th September 2009

Time : 11.30 a.m
Venue : Hotel Green Park, Ameerpet,
Hyderabad - 500 016
- ii. **Financial Year** : 1st April 2008 to 31st March 2009
- iii. **Book closure dates** : 4th September 2009 to 9th September
2009 (both days inclusive)
- iv. **Dividend Payment date** : After 10th September 2009
- v. **Financial Calendar for the year 2009-2010**
- Financial Reporting for the first quarter ended
30th June 2009 : on or before 31st July 2009
- Financial Reporting for the second quarter /
half-year ended 30th September 2009 : on or before 31st October 2009
- Financial Reporting for the third quarter /
nine months ended 31st December 2009 : on or before 31st January 2010
- Financial Reporting for the fourth quarter /
year ended 31st March 2010 : on or before 30th June 2010

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 2009-10 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 2009-10 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 **L74210AP1995PLC021016**, and our Company is registered within the jurisdictions of the Registrar of Companies, Andhra Pradesh, Hyderabad.

Viii. **Market Price Data:**

Month	Bombay Stock Exchange Limited , (BSE)		National Stock Exchange of India Limited (NSE)	
	High Price	Low Price	High Price	Low Price
April 2008	118.00	84.35	117.90	80.00
May 2008	127.80	100.00	128.40	100.90
June 2008	103.30	66.10	103.85	65.80
July 2008	75.00	48.10	69.50	48.50
August 2008	87.90	59.05	87.70	59.85
September 2008	87.00	44.10	76.90	43.80
October 2008	60.00	29.10	56.00	28.60
November 2008	37.45	21.00	39.00	20.00
December 2008	41.50	21.85	42.75	21.90
January 2009	51.95	29.05	52.55	29.00
February 2009	39.50	30.45	40.35	30.15
March 2009	41.00	33.20	40.10	32.65

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



x. **Registrar & Share Transfer Agents:**

(for shares held in both Physical and Demat mode)

Link Intime India Pvt Ltd
 (Formerly: Intime Spectrum Registry Limited)
 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 and shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days of receipt.

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, 2009

	No. of Shares	No. of Shareholders	% of Total	No of share held	% of total
Upto	500	6653	92.49	648059	2.30
501	1000	366	5.09	227717	0.81
1001	2000	82	1.14	116453	0.41
2001	3000	20	0.28	51593	0.18
3001	4000	12	0.17	41686	0.15
4001	5000	5	0.07	22011	0.08
5001	10000	19	0.26	137689	0.49
10001	And above	36	0.50	26878252	95.58
Total		7193	100.00	28123460	100.00

xiii. Pattern of Shareholding as on 31st March 2009

Sl. No.	Category	No. of Holders	No. of Shares	%
1	Promoter and Promoter Group	7	20406464	72.56
2	Mutual Funds	5	1999866	7.11
3	Financial Institutions	3	611106	2.17
4	Foreign Institutional Investors	2	1093240	3.89
5	Corporate Bodies	190	2173329	7.73
6	Non-Resident Individuals	74	14314	0.05
7	Residents (individuals / clearing members/office bearers and others)	6912	1825141	6.49
	Total	7193	28123460	100.00

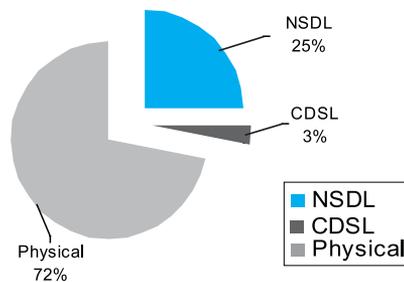
xiv. Dematerialisation of Shares & Liquidity

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 2009 a total of 78,74,568 Equity Shares were dematerialised representing 28.00 % of the total paid up equity share capital of the Company.

Dematerialisation of Shares and Liquidity as on 31st March 2009

	No. of Shares	% of Total
NSDL	7004761	24.91
CDSL	869807	3.09
Physical	20248892	72.00
Total	28123460	100.00



xv. Address for Correspondence:

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

Company Secretary

KNR Constructions Limited

8-2-686/B/6/A/302,

12th Square Building, 3rd Floor,

Road No.12, Banjara Hills,

Hyderabad-500034

Andhra Pradesh, India

Ph: + 91 - 40 - 2332 3435 / 36 / 37

Fax: + 91 - 40 - 2332 3439

xvi. Registrar & Share Transfer Agents:

(for shares held in both Physical and Demat mode)

Link Intime India Pvt Ltd

(Formerly: Intime Spectrum Registry Limited)

(Unit: KNR Constructions Limited)

C-13, Pannalal Silk Mill Compound,

LBS Road, Bhandup (West),

Mumbai – 400078

Phone: +91 – 22 -25960320

Fax: +91 – 22 – 25960329

DECLARATION

As provided under Clause 49 of Listing Agreement with the Stock Exchanges, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for Board Members and senior management personnel in respect of the Financial Year ended 31st March 2009.

For KNR Constructions Limited

Sd/-

K Narasimha Reddy

Managing Director

Place: Hyderabad

Date: 30.07.2009

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 2009, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges in India.

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

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

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

For Sukumar Babu & Co
Chartered Accountants

Sd/-

C. Sukumar Babu
Partner
Membership No. 200/24293

Place: Hyderabad.
Date: 30.07.2009

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

In relation to the Audited Financial Accounts of the Company as at 31st March, 2009, we hereby certify that

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

For KNR Constructions Limited

Sd/-

K. Narasimha Reddy
Managing Director

Sd/-

G. Sravana Kumar
AGM (Finance & Accounts)

Place: Hyderabad

Date: 30.07.2009

Management Discussion and Analysis

Industry Structure and Development

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

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

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

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

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

Industry Overview

Roads

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

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

The Government of India introduced policies aiding public private participation (PPPs) to bridge the gap between demand and supply of urban infrastructure.

Irrigation

Indian agriculture is plagued by poor irrigation infrastructure. The government under Bharat Nirman programme has set out to address the situation through a targeted irrigated area of 10 million hectares by 2012. The Eleventh Plan also lays down similar initiatives through various major and medium irrigation projects envisaging the creation of 9 million hectares of irrigation potential at a total cost of Rs. 1544 billion. A bulk of these investments is likely to be funded from budgetary grants while the rest will be mobilised through market borrowings.

Opportunities and Threats

Competition Risk

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

Construction Risk

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

Interest Rate Risk

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

Regulatory Risk

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

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

Political Risk

Infrastructure projects have high visibility and there is always a strong element of public interest. This makes them vulnerable to political action that can interrupt or upset settled commercial terms.

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

Internal Control

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

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

Discussion on Financial Performance and Operational Performance (standalone)

1. **Turnover:** During the year under review, the Company has achieved a turnover of Rs. 768.65 Crores, registering a growth of 40.41% over last year's turnover of Rs. 547.42 Crores.
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 2009 is Rs. 28,12,34,600 divided in to 2,81,23,460 Equity Shares of Rs. 10/- each.
3. **Reserves and Surplus:** The reserves and surplus of the Company has gone up from 198.13 Crores to Rs. 235.20 Crores in 2008-2009 and the increase on account of profit made during the year.
4. **Net worth:** The Company's net worth increased from Rs. 218.15 Crores to Rs. 256.20 Crores mainly on account of internal generation of profit.
5. **Secured / unsecured loans:** There was a decrease of loans from Rs. 162.66 Crores to Rs. 135.96 Crores. The decrease was partly due to repayment of term loans to banks and other and reduction of mobilization advances.
6. **Fixed Assets:** The Company's fixed assets (gross block) increased by Rs. 51.30 Crores in 2008-2009 from Rs. 208.61 Crores to Rs. 259.91 Crores. During the year there are additions of Rs. 54.17 Crores and sales of Rs. 2.87 Crores and the net results to increase of Rs. 51.30 Crores
7. **Provision for Tax:** The Company has provided for a sum of Rs. 22.16 Crores as current year tax including fringe benefit tax and wealth tax and Rs. 55.66 Lakhs as deferred tax liability.
8. **Net Profit:** The Company's operating profit during the year under review have resulted in a net profit of Rs. 44.22 Crores as against Rs. 30.80 Crores in the previous year
9. **Dividend:** The Board of Directors have recommended a dividend of Rs. 2.00 per share (being 20%) and total payout works out to Rs. 6.58 Crores as against Rs. 3.29 Crores in previous year (including dividend tax).
10. **Earning Per Share (EPS):** The Company's EPS has increased from Rs. 13.83 in the previous year to Rs. 15.52 in the current year.

Human Resources Development and Industrial Relations

KNRCL believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resources development and training opportunities to equip them with skill, which enables them to adapt to contemporary technological advancements. Industrial relations during the year continued to be cordial and KNRCL is committed to maintain good industrial relations through negotiations, meetings etc, As on 31st March 2009 KNRCL has a total strength of 557 employees

Cautionary Statement

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

On behalf of the Board of Directors
For KNR Constructions Limited

Sd/-
K Narasimha Reddy
Managing Director

Sd/-
M Rajesh Reddy
Executive Director

Place: Hyderabad
Date: 30.07.2009

Auditors' Report

The Members

KNR Constructions Limited

1. We have audited the attached Balance Sheet of KNR Constructions Limited as at March 31, 2009, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test 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 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
 - b) in our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of those books ;
 - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009 ;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. On the basis of written representations received from the directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for SUKUMAR BABU & CO.,
Chartered Accountants

Sd/-

C. Sukumar Babu

Partner

M.No: 200/24293

Place: Hyderabad

Date: 30-06-2009

Annexure to the Auditors' Report

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

i) In respect of its fixed assets:

- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets on the basis of available information.
- b) As explained to us, all the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) The fixed assets disposed off during the year in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has in our opinion, not affected the going concern status of the Company.

ii) In respect of its inventories:

- a) According to the information and explanations given to us, the Management has physically verified the inventory during the year. In our opinion, having regard to the nature of business and location of stocks, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

- iii)**
 - a) According to the information and explanations given to us, the Company has granted loans secured or unsecured to Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. There are companies under the same management as defined under Sub-section (1-B) of section 370 of the Companies Act, 1956.
 - b) There are no specific agreements for these transactions and were made on account basis. In the absence of agreements for these loans, the terms and conditions, their impact on the interests of the Company cannot be ascertained.
 - c) The Company has given loans to its wholly owned subsidiary during the year. In respect of the said loans, the maximum amount outstanding at any time during the year is Rs. 43.88 lakhs and the year end balance is Rs. 43.88 lakhs.
 - d) In the absence of agreements, the transactions were made on an account basis and hence the 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 loans, secured or unsecured during the year from companies, firms or 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 account basis. In the absence of agreements, the transactions were made on an account basis and hence the regularity of payment of principal and interest dose not arise.
- iv) In our opinion and according to the information and explanations given to us, the company has internal control system commensurate with its size and the nature of its business for the purchase of inventory and fixed assets.
- v) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956 to the best of our knowledge and belief and according to the information and explanations given to us:
- a) The Particulars of contracts or arrangements referred to in section 301 that needs to be entered into the register maintained under the said section have been so entered.
 - b) In our opinion , the transactions (excluding loans reported under paragraph(iii) above) exceeding the value of Rs.5 lakhs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time where such market prices are available.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any of the products or activity of the company.
- ix) In respect of statutory dues:
- a) According to the Information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
 - b) According to the Information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, customs duty, excise duty and cess which were in arrears as at March 31, 2009 for a period of more than six months from the date they became payable except the following .

Entry Tax - Rs. 2.61 lakhs

Name of statute	Nature of dues	Rs. in Lakhs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	44.55	F.Y 2002-03 Hyderabad	Appellate Tribunal,
Andhra Pradesh Sales Tax Act, 1957	Sales Tax	54.48 78.00 28.82	F.Y 2000-01 F.Y 1999-00 F.Y 1998-99	Sales Tax Tribunal, Hyderabad

- 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) The end use of money raised through IPO has been disclosed by the management and the same has been verified.
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for SUKUMAR BABU & CO.,
Chartered Accountants

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

Place: Hyderabad
Date: 30-06-2009

BALANCE SHEET AS AT 31ST MARCH, 2009

Rupees in Lakhs

Particulars	Schedule	As at 31st March, 2009	As at 31st March, 2008
I. SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
a) Share Capital	1	2,812.35	2,812.35
b) Reserves & Surplus	2	23,520.34	19,812.79
		26,332.69	22,625.14
LOAN FUNDS			
a) Secured Loans	3	13,596.05	16,266.71
b) Un-Secured loans	4	2.14	87.61
		13,598.19	16,354.32
DEFERRED TAX LIABILITY			
		711.88	656.22
TOTAL		40,642.76	39,635.68
II. APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	25,991.57	20,861.19
Less : Depreciation		5,325.33	2,998.36
Net Block		20,666.24	17,862.83
Capital work-in-progress		254.51	90.26
INVESTMENTS			
	6	11,050.82	11,362.59
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	1,854.76	1,594.45
Sundry Debtors	8	12,844.05	5,983.54
Cash & Bank Balance	9	4,322.03	3,659.06
Other Current Assets	10	5,291.78	5,176.66
Loans & Advances	11	10,797.90	11,602.41
		35,110.52	28,016.12
LESS: CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	12	22,757.73	15,904.96
b) Provisions	13	4,394.36	2,600.84
		27,152.09	18,505.80
NET CURRENT ASSETS			
		7,958.43	9,510.32
MISCELLANEOUS EXPENDITURE			
(To the extent not written off)	14	712.76	809.68
TOTAL		40,642.76	39,635.68

Accounting Policies and Notes on Accounts 21

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

For and on behalf of the Board

Chartered Accountants

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

Place : Hyderabad

Date : 30-06-2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

Rupees in Lakhs

Particulars	Schedule	For the year ended 31st March, 2009	For the year ended 31st March, 2008
I INCOME			
Total Work Contract Receipts (Construction of Road Highways and Irrigation Projects)		76,865.36	54,742.71
Less: Company's Share in Joint Ventures		12,120.19	7,104.43
		<u>64,745.17</u>	<u>47,638.28</u>
Other Operating Income	15	215.65	480.67
Other Income	16	464.08	182.87
		<u>65,424.90</u>	<u>48,301.82</u>
II EXPENDITURE			
Materials Consumed	17	18,105.89	5,503.77
Work Contract Expenses	18	34,480.84	33,786.18
Administration And Other Expenses	19	2,494.66	1,774.02
Interest And Finance Charges	20	1,115.70	1,003.84
Depreciation		2,501.90	1,449.40
Issue Expenses Written off		88.22	89.96
		<u>58,787.21</u>	<u>43,607.17</u>
Profit Before Tax		<u>6,637.69</u>	<u>4,694.65</u>
Provision for Taxation			
- Current Tax		2,131.01	1,558.01
- Fringe Benefit Tax		26.75	18.53
- Wealth Tax		2.35	1.54
- Deferred Tax		55.66	36.06
Profit After Tax		<u>4,421.92</u>	<u>3,080.51</u>
Add / (Less): Prior Period Items		(26.36)	(36.12)
Add / (Less): Prior Year's Taxation		(29.95)	(89.53)
		<u>4,365.61</u>	<u>2,954.86</u>
Balance in Profit and Loss account brought forward		6,313.48	3,837.65
AMOUNT AVAILABLE FOR APPROPRIATIONS		<u>10,679.09</u>	<u>6,792.51</u>
APPROPRIATIONS			
Proposed Dividend		562.47	281.23
Dividend Tax		95.59	47.80
Transferred to General Reserve		450.00	150.00
Balance carried to Balance Sheet		9,571.03	6,313.48
		<u>10,679.09</u>	<u>6,792.51</u>
Earning Per share - Basic/Adjusted		15.52	13.83
- Diluted		15.52	13.83

Accounting Policies and Notes on Accounts 21

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

For and on behalf of the Board

Chartered Accountants

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

Place : Hyderabad

Date : 30-06-2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

Rupees in Lakhs

Particulars	For the year ended 31st March, 2009	For the year ended 31st March, 2008
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	6,637.69	4,694.65
Adjustments for		
Depreciation	2,501.90	1,449.40
Issues Expenses Written Off	88.22	89.96
Provision for Gratuity	18.18	
Loss on sale of assets and Discarded	83.47	-
Profit on sale of Assets	(8.72)	-
Interest and Financial Charges	1,308.83	1,108.91
Interest Received	(193.13)	(105.07)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	10,436.44	7,237.85
(Increase)/Decrease in Trade and Other Receivables	(5,115.07)	(9,640.91)
(Increase)/Decrease in Inventories	(260.31)	(1,101.40)
Increase/(Decrease) in Trade Payables and Other Liabilities	8,774.79	9,684.09
CASH GENERATED FROM OPERATIONS	13,835.85	6,179.63
Prior Period Items	(26.36)	(36.12)
Taxes paid	(1,886.27)	(1,750.16)
NET CASH FROM OPERATING ACTIVITIES	11,923.22	4,393.35
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and other Capital Expenditure	(5,581.82)	(9,235.88)
Proceeds from sale of Fixed Assets	37.51	-
Investments in Joint Ventures / SPV's / Mutual Funds	311.77	(8,207.91)
Interest Received	314.63	79.97
TDS on Interest Received	(35.03)	(17.05)
NET CASH USED IN INVESTING ACTIVITIES	(4,952.94)	(17,380.87)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(2,378.84)	2,869.19
Mobilization and Machinery advances received from customers	(2,291.65)	1,388.92
Proceeds from IPO	-	13,386.77
Interest paid	(1,316.49)	(1,100.27)
Issue Expenses	8.70	(899.64)
Dividend and Dividend Tax paid	(329.03)	(236.90)
NET CASH FROM FINANCING ACTIVITIES	(6,307.31)	15,408.07
D) NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		
Cash and Cash Equivalents as at April 1 (Opening Balance)	662.97	2,420.55
Cash and Cash Equivalents (Closing Balance)	3,659.06	1,238.51
Cash and Cash Equivalents (Closing Balance)	4,322.03	3,659.06
NET CASH FLOW	662.97	2,420.55

Notes:

- 1 Cash and Cash equivalents includes:

“Rs. 3740.73 (P.Y Rs. 2828.03) margin money in fixed deposits account against letters of Guarantee issued Rs.0.68 (P.Y Nil) in Unclaimed Dividend Account and Rs. 0.27 (P.Y Nil) in IPO refund account.
- 2 The Cash flow statement is prepared under ‘indirect method’ as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 3 Previous year’s figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.

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

For and on behalf of the Board

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

Place : Hyderabad
Date : 30-06-2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
SCHEDULE 1		
SHARE CAPITAL :		
Authorised Capital		
35,000,000 (P.Y 35,000,000) Equity Shares of Rs. 10/- each	<u>3,500.00</u>	<u>3,500.00</u>
Issued, Subscribed and Paid Up		
28,123,460 (P.Y 28,123,460) Equity Shares of Rs. 10/- each (Out of the above 13,499,260 Equity Shares in earlier year are issued as fully paid up Bonus Shares by Capitalisation of Rs.1349.93 lakhs From General Reserve)	<u>2,812.35</u>	<u>2,812.35</u>
TOTAL	<u><u>2,812.35</u></u>	<u><u>2,812.35</u></u>
SCHEDULE 2		
RESERVES & SURPLUS :		
Securities Premium Account		
As per Last Balance Sheet	12,599.31	-
Add: Addition during the year	-	12,599.31
	<u>12,599.31</u>	<u>12,599.31</u>
General Reserve		
As per last Balance Sheet	900.00	750.00
Add: Transfer from Profit & Loss Account	450.00	150.00
	<u>1,350.00</u>	<u>900.00</u>
Balance in Profit Loss Account	<u>9,571.03</u>	<u>6,313.48</u>
TOTAL	<u><u>23,520.34</u></u>	<u><u>19,812.79</u></u>
SCHEDULE 3		
SECURED LOANS :		
Working Capital Demand Loan		
- Cash Credit	4,821.01	2,906.65
Term Loans		
- From Banks	3,903.88	5,004.93
-Others	1,303.47	2,495.79
Secured Trade Advance		
(Recoverable against Work done bills, against Bank Guarantees)		
-Mobilization Advance	3,567.69	5,668.52
-Machinery Advance	-	190.82
T	<u><u>13,596.05</u></u>	<u><u>16,266.71</u></u>
Installments falling due within 12 months	<u>3,309.44</u>	<u>3,643.22</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
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Notes:

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

- 1 Hypothecation of entire current assets on pari passu basis with other participating banks,
- 2 First pari passu charge on equitable mortgage of land & buildings, the WDV of which is Rs 1.42 crores as on 31.03.2008 and hypothecation of equipments, the Written Down Value of Rs which is 16.94 Crores as on 31.03.2006
- 3 First pari passu charge on equitable mortgage of 5 acres of agricultural land of approximate value of Rs 6.00 Crores
- 4 First pari passu charge on equitable mortgage of industrial factory buildings without machinery of approximate value of Rs 25.40 Crores
- 5 Hypothecation of certain equipments of written down value as on 31.03.2008 is Rs 17.85 Crores
- 6 Personal guarantee of four Directors.

b) Term Loans :

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

c) Advances :

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

SCHEDULE 4

UN-SECURED LOANS :

From Directors	2.14	87.61
TOTAL	<u>2.14</u>	<u>87.61</u>

**SCHEDULE 5
FIXED ASSETS**

Rupees in Lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST					DEPRECIATION				NET BLOCK	
		As at 01-04-08	Additions	Deductions/ Adjustments	As at 31-03-09	Up to 01-04-08	For the year	Deductions/ Adjustments	Up to 31-03-09	As at 31-03-09	As at 31-03-08	
1	Lands	2,679.53	4.80	-	2,684.33	-	-	-	-	2,684.33	2,679.53	
2	Buildings	181.72	68.22	-	249.94	18.60	9.86	-	28.46	221.48	163.12	
3	Plant and Machinery	17,467.28	4,400.07	258.36	21,608.99	2,763.53	2,383.50	150.09	4,996.94	16,612.05	14,703.75	
4	Office Equipment	29.48	12.73	-	42.21	9.95	4.03	-	13.98	28.23	19.53	
5	Furniture and Fittings	58.49	1.61	-	60.10	27.37	5.71	-	33.08	27.02	31.12	
6	Computers & Accessories	37.08	14.92	-	52.00	19.85	9.32	-	29.17	22.83	17.23	
7	Constructions Accessories	76.82	727.78	-	804.60	35.37	23.23	-	58.60	746.00	41.45	
8	Lab Equipments and Tools	105.30	82.13	-	187.43	21.44	18.65	-	40.09	147.34	83.86	
9	Vehicles	225.50	105.31	28.84	301.97	102.26	47.60	24.85	125.01	176.96	123.24	
	TOTAL	20,861.20	5,417.57	287.20	25,991.57	2,998.37	2,501.90	174.94	5,325.33	20,666.24	17,862.83	
	Capital Work in Progress									254.51	90.26	
	Previous Year :	11,688.17	9,173.02	-	20,861.19	1,548.96	1,449.40	-	2,998.36	20,920.75	17,953.09	
										17,862.83	-	

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
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SCHEDULE 6**INVESTMENTS****Trade Investments : Long Term**

A) In Wholly Owned Subsidiary Company - Unquoted (Fully Paid)		
10,000 Equity shares @ Rs.10/- each of KNR Agrotech & Beverages Pvt Ltd.,	1.00	-
B) In Associate Companies - Unquoted (Fully Paid)		
14,800,000 Equity shares @ Rs.10/- each of Patel KNR Infrastructures Pvt Ltd.,	1,480.00	1,480.00
9,529,500 Equity shares @ Rs.10/- each of Patel KNR Heavy Infrastructure Pvt Ltd.,	952.95	0.40
Share Application Money - (Pending Allotment)	-	200.00
C) In Mutual Funds - Quoted		
50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund 5.00	5.00	
(Market Value Rs. 5.650/- (P.Y Rs. 10.730/-) each)		
D) In Joint Ventures	4,553.84	3,631.33
E) In Govt. Securities		
National Savings Certificates	1.01	-
	<u>6,993.80</u>	<u>5,316.73</u>
Current Investments - Quoted (Fully Paid)		
“Un-Utilised IPO Funds and Surplus Funds		
- Invested in Mutual Funds “	4,057.02	6,045.86
Note: All amounts are invested in liquid funds only 4,057.02	6,045.86	
TOTAL	<u>11,050.82</u>	<u>11,362.59</u>
Aggregate Value of Quoted Investments		
- Cost	4,062.02	6,050.86
- Market Value	4,064.85	6,056.23
Aggregate Value of Un-Quoted Investments	2,433.95	1,680.40

SCHEDULE 7**INVENTORIES :**

(As certified by the Management)

Materials at Site	1,854.76	1,594.45
TOTAL	<u>1,854.76</u>	<u>1,594.45</u>

SCHEDULE 8**SUNDRY DEBTORS :**

(Unsecured, considered good)

Over 6 months	1,347.64	1,785.08
Less than 6 months *	11,496.41	4,198.46
TOTAL	<u>12,844.05</u>	<u>5,983.54</u>

* includes Rs. 3073.77 (P.Y Rs.2180.45) due from Company in which Directors are Interested

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
SCHEDULE 9		
CASH & BANK BALANCES :		
Cash on Hand	2.39	8.69
Balances with Scheduled Banks :		
In Current Account	578.91	822.34
In Margin Money Deposits (Lodged with Banks against guarantee / LC's)	3,740.73	2,828.03
TOTAL	4,322.03	3,659.06
SCHEDULE 10		
OTHER CURRENT ASSETS :		
(Unsecured, considered good)		
Retention Money	3,612.69	3,450.08
Other Deposits	541.44	414.82
Due from Customer	855.85	1,069.53
Hire Charges Receivable	15.04	49.21
VAT Receivable	264.07	68.83
Interest Accrued But Not Received	24.69	146.19
	5,313.78	5,198.66
Less: Provision for Doubtful Deposits	22.00	22.00
TOTAL	5,291.78	5,176.66
SCHEDULE 11		
LOANS & ADVANCES :		
(Unsecured considered good unless otherwise stated)		
Loans to Subsidiary Companies	43.88	-
Loans to Associate Companies (SPV's)	4,145.11	2,853.45
Advances Recoverable in cash or kind or for value to be received	3,042.58	6,449.63
Prepaid Expenses	223.79	134.34
Advance Tax for Income Tax / Wealth Tax /FBT	3,342.54	2,164.99
TOTAL	10,797.90	11,602.41
SCHEDULE 12		
CURRENT LIABILITIES :		
Sundry Creditors	9,172.56	8,546.47
Advance from Clients *	743.14	1,044.05
Due to Customers	12,819.76	6,285.46
Interest Accrued But Not Due	21.32	28.98
Unclaimed Dividend	0.68	-
Unclaimed IPO Refund	0.27	-
TOTAL	22,757.73	15,904.96

* includes Rs. 400.00 (PY Rs.400.00) payable to Company in which Directors are Interested

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
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SCHEDULE 13**PROVISIONS :**

Provision for Taxation	3,689.02	2,251.74
Provision for Fringe Benefit Tax	26.75	18.53
Provision for Wealth Tax	2.35	1.54
Provision for Gratuity	18.18	-
Provision for Dividend Tax	95.59	47.80
Proposed Dividend	562.47	281.23
TOTAL	<u>4,394.36</u>	<u>2,600.84</u>

SCHEDULE 14**MISCELLANEOUS EXPENDITURE :**

(To the extent not written off or adjusted)

Opening Balance	809.68	-
Add/ (Less): Issue Expenses / Adjustments	(8.70)	899.64
Less: Written off during the year	88.22	89.96
TOTAL	<u>712.76</u>	<u>809.68</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Particulars	Rupees in Lakhs	
	31st March, 2009	31st March, 2008
SCHEDULE 15		
OTHER OPERATING INCOME :		
Share of Profit / Loss from Joint Ventures	143.52	133.53
Excise Duty Refund	-	251.27
Sales of Processed Materials	-	34.90
Hire Charges and Job Work Receipts	72.13	60.97
TOTAL	215.65	480.67
SCHEDULE 16		
OTHER INCOME :		
Profit on Sale of Assets	8.72	-
Liabilities no longer required written back	1.98	34.54
Foreign Currency Exchange Fluctuations	1.93	7.47
Dividend Received from Mutual Funds	282.37	53.56
Insurance Claims Received	54.21	-
Miscellaneous Receipts	114.87	87.30
TOTAL	464.08	182.87
SCHEDULE 17		
MATERIALS CONSUMED :		
Stock at Commencement	1,594.45	493.06
Add: Net Purchases	18,366.20	6,605.16
	<u>19,960.65</u>	<u>7,098.22</u>
Less: Closing Stock	1,854.76	1,594.45
TOTAL	18,105.89	5,503.77
SCHEDULE 18		
WORK CONTRACT EXPENSES :		
Sub-contractors Work Bills	19,386.55	26,297.60
Transport Charges	364.81	253.17
Power Charges	230.76	172.78
Seigniorage Charges	529.88	1,096.51
Sales Tax / VAT	1,716.36	1,206.23
Recoveries by Clients	248.23	101.83
Repairs & Maintenance		
-plant & Machinery and Vehicles	718.61	480.43
-Buildings & Others	20.20	19.75
Spreading & Assortment Exp.	10,277.15	3,859.52
Other Expenses	988.29	298.36
TOTAL	34,480.84	33,786.18

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

Rupees in Lakhs

Particulars	31st March, 2009	31st March, 2008
SCHEDULE 19		
ADMINISTRATION AND OTHER EXPENSES :		
Salaries , Wages and Other Benefits	1,456.93	789.79
Contribution to Provident Fund and Other Funds	24.04	19.51
Staff Welfare Expenses	31.09	29.81
Directors Remuneration	114.00	78.00
Traveling & Conveyance	79.36	60.69
Boarding & Lodging Expenses	9.71	8.52
Printing & Stationery	26.28	26.58
Postage, Telegrams and Telephones	38.87	31.54
Rates & Taxes	94.85	46.53
Tender Expenses	17.84	2.23
Business Promotion Exp	8.49	1.52
Office Maintenance	12.76	9.46
Rent Expenses	56.54	34.80
Advertisement and publicity	18.07	2.10
Legal & Professional Charges	184.65	359.60
Electricity Charges	10.41	5.07
Insurance	161.27	151.73
Miscellaneous Expenses	54.79	77.38
Loss on Sale of Assets / discarded	83.47	-
Bad Debts / Advances written off	2.08	30.90
Directors Sitting Fees	4.15	3.25
Auditor Remuneration :		
-Audit Fees	1.88	1.88
-Tax Audit Fees	0.94	0.94
-Out of Pocket Expenses	2.19	2.19
	TOTAL	
	<u>2,494.66</u>	<u>1,774.02</u>
SCHEDULE 20		
INTEREST AND FINANCIAL CHARGES :		
Interest		
-Interest on Working Capital Loans	384.15	308.43
-Interest on Term Loans	638.53	537.57
-Interest on Mobilization and Machinery Advances	14.13	79.37
-Interest to Directors	7.40	14.62
-Interest to others	45.47	77.06
	<u>1,089.68</u>	<u>1,017.05</u>
Less: Interest received from banks and others	193.13	105.07
(Gross of Tax Deducted at Source Rs. 35.03 (P.Y 17.05))	896.55	911.98
Financial Charges	219.15	91.86
	TOTAL	
	<u>1,115.70</u>	<u>1,003.84</u>

Schedule – 21

Accounting Policies and Notes on Accounts

A. SIGNIFICANT ACCOUNTING POLICIES

a) METHOD OF ACCOUNTING

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

b) USE OF ESTIMATES

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

c) FIXED ASSETS AND DEPRECIATION

Fixed Assets are stated at cost of acquisition, or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

d) BORROWING COSTS

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

e) IMPAIRMENT OF ASSETS

The carrying amount of assets, other than inventories is reviewed at each balance sheet date to determine whether there is any

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

f) INVESTMENTS

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

g) INVENTORIES

Raw Materials

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

h) EMPLOYEE BENEFITS

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

i) Gratuity

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

ii) Provident Fund

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

iii) Other Benefits

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

i) SHARE ISSUE EXPENSES

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

j) REVENUE RECOGNITION

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

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

k) JOINT VENTURE PROJECTS

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

l) FOREIGN EXCHANGE TRANSLATION AND FOREIGN CURRENCY TRANSACTIONS

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

m) TAXES

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

n) CONTINGENT LIABILITIES

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

B) NOTES ON ACCOUNTS

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

2. Contingent Liabilities not provided for

Rupees in Lakhs

Sl No	Particulars	2008-09	2007-08
1.	Bank Guarantees		
	- for Company	9537.22	15,552.18
	- for Joint Ventures'	2699.62	2,001.08
	- for SPV's	1105.92	1,520.80
	Total	13,342.76	19,074.06
2.	Corporate guarantee	52,642.25	42,000.00
3.	Letter of Credit	Nil	32.59
4.	Demands against the Company not acknowledged as debts and not provided for in respect of which the Company has filed appeal.		
	- Income Tax	4.68	4.68
	- Sales Tax	165.61	163.41
5.	Claims against the Company not acknowledged as debts	Nil	Nil
6.	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		

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

Rupees in Lakhs

Sl.No.	Purpose	2008-09	2007-08
1	For Construction Equipments	Nil	697.93
2	For Equity investment in BOT Project	247.05	4,035.00
3	For un-secured loan in BOT Project	3609.69	8,333.00

4. Managerial Remuneration

Rupees in Lakhs

Particulars	2008-09	2007-08
Salaries, allowances and perquisites	114.00	78.00
Sitting Fees 4.15	3.25	
Total	118.15	81.25

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

Rupees in Lakhs

Particulars	2008-09	2007-08
Profit before Taxation	6637.69	4,694.65
Add: Managerial Remuneration	114.00	78.00
Loss on Sale of Fixed Assets / Written off Assets	83.47	-
Sub- Total	215.65	4,772.65
Less: Profit on Sale of Fixed Assets	8.72	-
Total (Profit for the year as per Section 349)	6844.62	4,772.65
Maximum remuneration payable	752.910	524.99
Remuneration paid	114.00	78.00

5. Deferred Taxes

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

Rupees in Lakhs

Particulars	2008-09	2007-08
A - Deferred Tax Assets on timing difference due to:		
Expenditure not allowed u/s 43B and 40 a (ia)	-24.99	13.57
B - Deferred Tax Liabilities on timing difference due to :		
Depreciation	30.67	49.63
Net Deferred Tax Liability (A-B)	55.66	36.06

6. Earning Per Share

Rupees in Lakhs

Sl. No	Particulars	31.03.2009	31.03.2008
1	Net Profit for the year after tax and prior year items	4365.61	2954.86
		Nos.	Nos.
2	Weighted Average number of equity shares for basic EPS	281.23	213.68
3	Face Value per share	10	10
4	Basic EPS	15.52	13.83

7. Expenditure / Remittance in Foreign Currency

Rupees in Lakhs

Particulars	2008-09	2007-08
On account of Travel	0.44	1.12
On account of Professional Services	3.74	-
On account of Capital Goods	832.45	710.24

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

Rupees in Lakhs

Sl.No	Particulars	2008-09	2007-08
1.	Contract Revenue recognized as revenue during the year	64745.17	47638.28
2.	Contract costs incurred and recognized Profits, less losses	64745.17	47638.28
3.	Advances received, net of recoveries from Progressive bills	4310.82	6903.40
4.	Retention Deposits	3612.66	3450.08
5.	Gross amount due from customers	855.85	1069.52
6.	Gross amount due to customers	12819.76	6285.46

Interest accrued on claims awarded during the year amounting to Rs. 24.97 lakhs was recognized as revenue during the year.

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

Name of the Company	Balance as on		Maximum outstanding	
	31-03-2009	31-03-2008	2008-09	2007-08
A. A. Subsidiaries				
KNR Agrotech Beverage Pvt Ltd.,	43.88	Nil	43.88	Nil
B. Associates				
Patel –KNR Infrastructure Pvt Ltd.,	3,018.66	1,013.63	3,018.66	1,013.63
Patel-KNR Heavy Infrastructure Pvt Ltd.,	1,126.45	1,839.82	1,839.88	1,839.82
C. Loans and Advances where there is no repayment schedule				
KNR Agrotech Beverage Pvt Ltd.,	43.88	Nil	43.88	Nil
Patel –KNR Infrastructure Pvt Ltd.,	3,018.66	1,013.63	3,018.66	1,013.63
Patel-KNR Heavy Infrastructure Pvt Ltd.,	1,126.45	1,839.82	1,839.88	1,839.82
D. Loans where no interest is charged or interest is below section 372A of Companies Act, 1956				
KNR Agrotech Beverage Pvt Ltd., *	43.88	Nil	43.88	Nil
Patel –KNR Infrastructure Pvt Ltd., **	3,018.66	1,013.63	3,018.66	1,013.63
Patel-KNR Heavy Infrastructure Pvt Ltd., **	1,126.45	1,839.82	1,839.88	1,839.82
E. Loans to firms / Companies in which directors are interested	Nil	Nil	Nil	Nil

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

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

10. Details of utilization of IPO proceeds

The Company raised funds through IPO in the FY 2007-08, by issuing its equity shares comprising of 78,74,570 equity shares. In this regard, equity shares of Rs. 10/- each were issued at Rs. 170/- each aggregating to Rs. 13,386.77/- lakhs

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

Particulars	Proposed	Rupees in Lakhs
		Utilised As on 31-03-2008
Investment in Capital Equipment	2130.47	2130.47
Investment in BOT Projects		
- As equity contribution	4234.60	952.55
- As un-secured loan	3600.00	3447.39
Working Capital	2520.80	2520.80
Issue Expenses	900.90	899.64
Total	13386.77	9950.85

The total proceeds from the Issue was Rs. 13,386.77 lakhs. The unutilized sum of Rs.3435.92 lakhs was temporarily invested in mutual funds and fixed deposits with scheduled banks.

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

12. Segmental Reporting

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

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

Name of the Company	Per-centage of Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitment	Rupees in Lakhs	
						Income	Expenditure
Patel-KNR-JV	50%	7504.72	7504.72	Nil	Nil	18312.01	18227.65
KNR-Patel-JV	51%	343.52	343.52	Nil	Nil	47.97	14.04
NCC-KNR-JV	Project wise	539.42	539.42	Nil	Nil	Nil	9.16
KNR-SLEC-JV	60%	203.08	203.08	Not ascertainable	Nil	754.82	720.43
KNR-BPL-JV	49%	469.12	469.12	Nil	Nil	666.93	666.93

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

A. List of Related Parties and relationships

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

B. Related party transactions during the year ended March 31, 2009 are as follows:

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

Rupees in Lakhs

Sl. No	Particulars	Subsidiaries	Joint Ventures	Associates	Key Management Personnel	Enterprises own or significantly influenced by Key Management Personnel or their relatives
1	Net Investments	1.00 (-)	952.550 (1367.50)	922.510 (589.55)	- (-)	- (-)
2	Share Application Money pending allotment	- (-)	200.00 (200.00)	- (-)	- (-)	- (-)
3	Un-secured loan given	43.88 (-)	1291.67 (2853.45)	- (-)	- (-)	- (-)

4	Un-secured loan received	- (-)	- (-)	- (-)	210.32 (202.20)	- (-)
5	Un-secured loan re-paid	- (-)	- (-)	- (-)	295.78 (296.21)	- (-)
6	Mobilisation / Machinery / Material Advance Received	- (-)	- (3025.00)	- (-)	- (-)	- (-)
7	Net Share of Profit	- (-)	- (-)	143.52 (133.53)	- (-)	- (-)
8	Sub-Contract Jobs given	- (-)	- (-)	143.52 (158.90)	- (-)	- (-)
9	Sub-Contract / (EPC) Jobs received	- (-)	20111.28 (11826.43)	12771.61 (10083.32)	- (-)	- (-)
10	Remuneration paid	- (-)	- (-)	- (-)	114.00 (78.00)	- (-)
11	Land lease and Office rent paid	- (-)	- (-)	- (-)	21.30 (-)	- (-)
12	Rent Received	- (-)	- (-)	- (-)	0.60 (0.60)	- (-)
13	Interest Paid	- (-)	- (-)	- (-)	7.40 (14.62)	- (-)
14	Interest Received	- (-)	3.73 (6.22)	49.10 (-)	- (-)	- (-)
15	Professional Charges received from Patel-KNR_JV	- (-)	- (-)	- (-)	74.12 (67.41)	- (-)
16	Security Deposit paid	- (-)	- (-)	- (-)	10.00 (-)	10.00 (-)
17	Debit balances outstanding as on 31st March, 2009	- (-)	3037.77 (2801.92)	3636.80 (2242.43)	- (-)	- (-)
18	Credit balances outstanding as on 31st March,2009	- (-)	4791.20 (5649.94)	1281.93 (673.72)	- (-)	- (-)

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

Rupees in Lakhs

Name of the Party	Relation -ship	Opening Balance as on 01-04-2008	Loan received during the year	Interest (net of TDS)	Loan re-paid during the year	Outstanding as on 31-03-2009
KK.Narasimha Reddy	M.D	19.40	114.48	2.32	136.08	0.12
K.Jalandhar Reddy	E.D	67.93	49.70	3.38	119.43	1.58
M.Rajesh Reddy	E.D	0.27	18.32	0.10	18.59	0.10
J.V.Panindra Reddy	E.D	0.00	18.32	0.76	18.75	0.33

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

As per our report of even date attached

For **Sukumar Babu & Co.**,
Chartered Accountants

For and on behalf of the Board

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

Place : Hyderabad
Date : 30-06-2009

Consolidated Financial

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Auditors' Report on Consolidated Financial Statements

The Board of Directors

KNR Constructions Limited

1. We have audited the attached Consolidated Balance Sheet of KNR Constructions Limited ('the Company') and its wholly owned subsidiary, associates and joint ventures ('the Company, its wholly owned subsidiary, associates and joint ventures (collectively referred as 'the Group') as at March 31, 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date both annexed thereto. These consolidated financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test 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 five joint ventures and two associates whose financial statements reflect Group's share of total assets of Rs.10,700.49 lakhs as at March 31, 2009, Group's share of total revenue of Rs. 12,120.19 lakhs, and Group's share of profit of Rs143.52 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it related to the amounts included in respect of these Joint Ventures, Associates is based solely on the report of other auditors.
4. We report that:
 - a. the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21 on Consolidated Financial Statements, Accounting Standard-23 on Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard-27 on Financial Reporting of Interests in Joint Ventures notified by the Companies (Accounting Standards) Rules, 2006 ;
 - b. Based on our audit and on consideration of reports of the other auditors on separate statements and on the other financial information of the components, subject to 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2009;
- ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For **SUKUMAR BABU & CO.,**
Chartered Accountants

Sd/-

C. Sukumar Babu

Partner

M.No: 200/24293

Place: Hyderabad

Date: 30-06-2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

Rupees in Lakhs

Particulars	Schedule	As at 31-03-2009	As at 31-03-2008
I. SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
a) Share Capital	1	2,812.35	2,812.35
b) Reserves & Surplus	2	23,520.36	19,812.79
		<u>26,332.71</u>	<u>22,625.14</u>
LOAN FUNDS			
a) Secured Loans	3	16,798.57	19,039.66
b) Un-Secured loans	4	154.00	87.61
		<u>16,952.57</u>	<u>19,127.27</u>
DEFERRED TAX LIABILITY		711.88	656.22
TOTAL		<u><u>43,997.16</u></u>	<u><u>42,408.63</u></u>
II. APPLICATION OF FUNDS			
FIXED ASSETS	5		
Gross Block		31,629.36	25,516.35
Less : Depreciation		<u>7,180.74</u>	<u>4,453.76</u>
Net Block		24,448.62	21,062.59
Capital work-in-progress		254.51	91.54
INVESTMENTS	6	6,496.24	7,731.52
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	5,202.97	6,008.92
Sundry Debtors	8	14,006.72	6,440.28
Cash & Bank Balance	9	5,900.00	3,779.54
Other Current Assets	10	5,509.72	5,583.46
Loans & Advances	11	12,619.46	13,066.36
		<u>43,238.87</u>	<u>34,878.56</u>
CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	12	26,759.94	19,564.42
b) Provisions	13	4,394.36	2,600.84
		<u>31,154.30</u>	<u>22,165.26</u>
Net Current Assets		12,084.57	12,713.30
MISCELLANEOUS EXPENDITURE	14	713.22	809.68
(To the extent not written off)			
TOTAL		<u><u>43,997.16</u></u>	<u><u>42,408.63</u></u>

Accounting Policies and Notes on Accounts 22

Schedules referred to above from an integral part of the accounts

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

For and on behalf of the Board

Sd/-
C.Sukumar Babu
Partner

Sd/-
K.Narasimha Reddy
Managing Director

Sd/-
M.Rajesh Reddy
Executive Director

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

Sd/-
M.V.Venkata Rao
Company Secretary

Place : Hyderabad
Date : 30-06-2009

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

Rupees in Lakhs

Particulars	Schedule	For the year ended 31-03-2009	For the year ended 31-03-2008
I INCOME			
Total Work Contract Receipts		76,865.36	54,742.71
Other Operating Income	15	72.13	347.14
Other Income	16	488.80	192.52
		<u>77,426.29</u>	<u>55,282.37</u>
II EXPENDITURE			
Materials Consumed	17	22,596.77	8,577.83
Work Contract Expenses	18	38,981.08	37,088.96
Administration And Other Expenses	19	3,147.15	2,518.09
Interest And Finance Charges	20	1,648.98	1,397.82
Depreciation		3,026.51	2,154.88
Increase/Decrease in Work-in-Progress	21	1,281.51	(1,249.67)
Preliminary Expenses / Issue Expenses Written off		88.22	89.96
		<u>70,770.22</u>	<u>50,577.87</u>
Profit Before Tax		6,656.07	4,704.50
Provision for Taxation			
- Current Tax		2,141.80	1,561.04
- Fringe Benefit Tax		31.18	19.37
- Wealth Tax		2.35	1.54
- Deferred Tax		55.66	36.06
Profit After Taxation		<u>4,425.08</u>	<u>3,086.49</u>
Add/(Less): Prior Period Items		(26.36)	(36.12)
Add/(Less) Less: Prior Year's Taxation		(33.09)	(95.52)
		<u>4,365.63</u>	<u>2,954.85</u>
Balance in Profit and Loss account brought forward		6,313.48	3,837.65
AMOUNT AVAILABLE FOR APPROPRIATIONS		<u>10,679.11</u>	<u>6,792.50</u>
APPROPRIATIONS			
Proposed Dividend		562.47	281.23
Dividend Tax		95.59	47.80
Transferred to General Reserve		450.00	150.00
Balance carried to Balance Sheet		9,571.05	6,313.48
		<u>10,679.11</u>	<u>6,792.51</u>
Earning Per share - Basic/Adjusted		15.52	10.51
- Diluted		15.52	10.51

Accounting Policies and Notes on Accounts 22

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

For and on behalf of the Board

Chartered Accountants

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

Place : Hyderabad

Date : 30-06-2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

Rupees in Lakhs

Particulars	For the year ended 31-03-2009	
A) CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX		6,656.07
Adjustments for:		
Depreciation	3,026.51	
Miscellaneous Expenditure / Issues Expenses Written Off	88.22	
Provision for Gratuity	18.18	
Loss on sale of assets and Discarded	209.60	
Profit on sale of Assets	(8.72)	
Dividend Received on Investments	(282.37)	
Interest and Financial Charges	1,831.71	
Interest Received	(182.73)	4,700.40
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		11,356.47
Adjustments for changes in		
Trade and Other Receivables	(5,545.61)	
Inventories	805.95	
Trade Payables and Other Liabilities	9,109.11	4,369.45
Cash generated from Operations		15,725.92
Prior Period Items		(26.36)
Taxes paid		(2,367.09)
NET CASH FROM OPERATING ACTIVITIES		13,332.47
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and other Capital Expenditure	(6,889.54)	
Proceeds from sale of Fixed Assets	113.15	
Proceeds from sale of Shares / Mutual Funds	-	
Dividend Received on Mutual Funds	282.37	
Investment in Mutual Funds and others	1,235.28	
Interest Received	303.69	
TDS on Interest Received	(16.17)	
NET CASH USED IN INVESTING ACTIVITIES		(4,971.22)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Funds Borrowed / (Repaid)	(1,704.87)	
Mobilization and Machinery advances received from customers	(2,375.76)	
Proceeds from IPO	-	
Interest paid	(1,839.37)	
Issue Expenses	8.24	
Dividend and Dividend Tax paid	(329.03)	
NET CASH FROM FINANCING ACTIVITIES		(6,240.79)
D) NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		2,120.46
Cash and Cash Equivalents as at April 1 (Opening Balance)		3,779.54
Cash and Cash Equivalents as at March 31 (Closing Balance)		5,900.00
Net Cash Flow		2,120.46

Notes:

- 1 Cash and Cash equivalents includes:
 “Rs. 3740.73 (P.Y Rs. 2828.03) margin money in fixed deposits account against letters of Guarantee issued

 Rs.0.68 (P.Y Nil) in Unclaimed Dividend Account and Rs. 0.27 (P.Y Nil) in IPO refund account.
- 2 The Cash flow statement is prepared under ‘indirect method’ as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 3 Previous year’s figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.

As per our report of even date attached

For **Sukumar Babu & Co.,**
Chartered Accountants

For and on behalf of the Board

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

Place : Hyderabad
Date : 30-06-2009

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
SCHEDULE 1		
SHARE CAPITAL :		
Authorised Capital		
35,000,000 (Previous Year 35,000,000) Equity Shares of Rs. 10/- each	3,500.00	3,500.00
Issued, Subscribed and Paid Up	<u> </u>	<u> </u>
28,123,460 (P.Y 28,123,460) Equity Shares of Rs. 10/- each	2,812.35	2,812.35
TOTAL	<u>2,812.35</u>	<u>2,812.35</u>
SCHEDULE 2		
RESERVES & SURPLUS :		
Securities Premium Account		
As per Last Balance Sheet	12,599.31	-
Add: Addition during the year	-	12,599.31
	<u>12,599.31</u>	<u>12,599.31</u>
General Reserve		
As per last Balance Sheet	900.00	750.00
Add: Transfer from Profit & Loss Account	450.00	150.00
	<u>1,350.00</u>	<u>900.00</u>
Balance in Profit Loss Account	9,571.05	6,313.48
TOTAL	<u>23,520.36</u>	<u>19,812.79</u>
SCHEDULE 3		
SECURED LOANS :		
Working Capital Demand Loan		
Cash Credit	4,821.01	2,915.08
Term Loans:		
- From Banks	5,680.57	6,693.22
- Others	1,854.40	2,613.01
Secured Trade Advance		
(Recoverable against Work done bills, against Bank Guarantees)		
- Mobilization Advance	4,442.59	6,098.95
- Machinery Advance	-	719.40
TOTAL	<u>16,798.57</u>	<u>19,039.66</u>
Installments falling due within 12 months	3,309.44	3,643.22

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
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Notes:

- a) Working Capital Facilities: Cash Credit facilities from banks are secured by:
- 1) Hypothecation of entire current assets.
 - 2) First charge on equitable mortgage of land & buildings and hypothecation of equipments.
 - 3) Personal guarantee of Directors and corporate guarantees.
- b) **Term Loans :**
 Terms Loans availed from bank and others are secured by hypothecation of specific assets, comprising plant and machinery, construction equipment and vehicles acquired out of the said loans and personal guarantee of a director.
- c) **Advances :**
 Mobilization and Machinery advances are received from clients against bank guarantees.

SCHEDULE 4

UN-SECURED LOANS :

From Others	150.00	-
From Directors	4.00	87.61
TOTAL	154.00	87.61

**SCHEDULE 5
FIXED ASSETS**

Rupees in Lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST					DEPRECIATION				NET BLOCK	
		As at 01-04-08	Additions	Deductions/ Adjustments	As at 31-03-09	Up to 01-04-08	For the period	Deductions/ Adjustments	Up to 31-03-09	As at 31-03-09	As at 31-03-08	
1	Lands	2,757.34	87.12	-	2,844.46	7.43	0.74	-	8.17	2,836.29	2,749.91	
2	Buildings	202.64	68.22	-	270.86	20.69	10.21	-	30.90	239.96	181.95	
3	Plant and Machinery	22,040.26	6,400.11	582.24	27,858.13	4,202.82	2,929.13	273.95	6,858.00	21,000.13	17,837.44	
4	Office Equipment	45.43	13.77	-	59.20	17.54	6.40	-	23.94	35.26	27.89	
5	Furniture and Fittings	72.54	2.03	-	74.57	38.11	6.75	-	44.86	29.71	34.43	
6	Computers & Accessories	56.83	17.86	-	74.69	35.12	12.93	-	48.05	26.64	21.71	
7	Vehicles	341.31	137.46	31.32	447.45	132.05	60.35	25.58	166.82	280.63	209.26	
	TOTAL	25,516.35	6,726.57	613.56	31,629.36	4,453.76	3,026.51	299.53	7,180.74	24,448.62	21,062.59	
	Capital Work in Progress									254.51	8,023.40	
	Previous Year	15,983.29	9,683.07	150.01	25,516.35	2,347.50	2,154.88	48.62	4,453.76	21,062.59	-	
										24,703.13	29,085.99	

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
SCHEDULE 6		
INVESTMENTS		
Trade Investments : Long Term		
A) In Govt. Securities		
National Savings Certificates & Kisan Vikas Patras	1.27	0.26
B) In Associate Companies - Fully Paid - (Unquoted)		
Share Application Money (Pending Allotment)	2,432.95	1,480.40
	-	200.00
C) In Mutal Funds - Quoted		
50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs. 5.650 (P.Y Rs. 10.730/-) each)	5.00 2,439.22	5.00 1,685.66
Short Term Investments - Quoted (Fully Paid)		
“Un-Utilised IPO Funds and Surplus Funds - Invested in Mutual Funds “		
Note: All amounts are invested in liquid funds.	4,057.02	6,045.86
TOTAL	<u>6,496.24</u>	<u>7,731.52</u>
SCHEDULE 7		
INVENTORIES :		
(As certified by the Management)		
Materials at Site	2,496.01	2,020.45
Work in progress	2,706.96	3,988.47
TOTAL	<u>5,202.97</u>	<u>6,008.92</u>
SCHEDULE 8		
SUNDRY DEBTORS :		
(Unsecured, considered good)		
Over 6 months	634.95	1,074.57
Less than 6 months	13,371.77	5,365.71
TOTAL	<u>14,006.72</u>	<u>6,440.28</u>
SCHEDULE 9		
CASH & BANK BALANCES :		
Cash on Hand	7.28	9.34
Balances with Scheduled Banks :		
- In Current Account	2,150.63	940.81
- In Margin Money Deposits (Lodged with Banks against guarantee / LC's)	3,742.09	2,829.39
TOTAL	<u>5,900.00</u>	<u>3,779.54</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
SCHEDULE 10		
OTHER CURRENT ASSETS :		
(Unsecured, considered good)		
Retention Money	3,701.25	3,772.35
Deposits and Other Receivables	669.32	498.40
Due from Customer	855.85	1,069.52
Hire Charges Receivable	15.04	49.21
VAT Receivable	264.07	68.83
Interest Accrued But Not Received	26.19	147.15
	<u>5,531.72</u>	<u>5,605.46</u>
Less: Provision for Doubtful Deposits	22.00	22.00
TOTAL	<u><u>5,509.72</u></u>	<u><u>5,583.46</u></u>
SCHEDULE 11		
LOANS & ADVANCES :		
(Unsecured considered good unless otherwise stated)		
Loans to Associate Companies (SPV's)	4,145.11	2,853.45
Advances Recoverable in cash or kind or for value to be received	3,473.75	6,970.26
Prepaid Expenses	493.94	357.14
Advance Tax for Income Tax / Wealth Tax / FBT	4,506.66	2,885.51
TOTAL	<u><u>12,619.46</u></u>	<u><u>13,066.36</u></u>
SCHEDULE 12		
CURRENT LIABILITIES :		
Sundry Creditors	12,397.75	7,664.54
Unclaimed Dividend	0.68	-
Unclaimed IPO Refund	0.27	-
Advance from Clients	1,520.16	1,838.71
Due to Customers	12,819.76	10,032.19
Interest Accrued But Not Due	21.32	28.98
TOTAL	<u><u>26,759.94</u></u>	<u><u>19,564.42</u></u>

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT

Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
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**SCHEDULE 13
PROVISIONS :**

Provision for Taxation	3,689.02	2,251.74
Provision for Fringe Benefit Tax	26.75	18.53
Provision for Wealth Tax	2.35	1.54
Provision for Gratuity	18.18	-
Provision for Dividend Tax	95.59	47.80
Proposed Dividend	562.47	281.23
TOTAL	4,394.36	2,600.84

**SCHEDULE 14
MISCELLANEOUS EXPENDITURE :**

(To the extent not written off or adjusted)

Opening Balance	809.68	-
Add: Issue Expenses and Preliminary Expenses	(8.24)	899.64
Less: Written off during the year	88.22	89.96
TOTAL	713.22	809.68

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
SCHEDULE 15		
OTHER OPERATING INCOME :		
Excise Duty Refund	-	251.27
Sales of Processed Materials	-	34.90
Hire Charges Received	72.13	60.97
TOTAL	<u>72.13</u>	<u>347.14</u>
SCHEDULE 16		
OTHER INCOME :		
Profit on Sale of Assets	8.72	-
Liabilities no longer required written back	12.05	40.49
Foreign Currency Exchange Fluctuations	1.93	7.47
Dividend Received from Mutual Funds	282.37	53.56
Insurance Claim Received	54.21	-
Miscellaneous Receipts	129.52	91.00
TOTAL	<u>488.80</u>	<u>192.52</u>
SCHEDULE 17		
MATERIALS CONSUMED :		
Stock at Commencement	2,020.44	759.43
Add: Net Purchases	23,072.34	9,412.85
Less: Closing Stock	2,496.01	1,594.45
TOTAL	<u>22,596.77</u>	<u>8,577.83</u>
SCHEDULE 18		
WORK CONTRACT EXPENSES :		
Sub-contractors Work Bills	22,351.11	29,215.15
Transport Charges	399.88	317.37
Power Charges	281.70	200.55
Seigniorage Charges	756.88	1,227.85
Sales Tax / VAT	2,066.02	1,206.23
Recoveries by Clients	274.05	101.83
Repairs & Maintenance		
- Plant & Machinery and Vehicles	722.81	480.43
- Others	571.33	19.76
Spreading & Assortment Exp.	10,391.25	3,931.26
Preparatory Works Expenses	75.48	52.37
Other Expenses	1,090.57	336.16
TOTAL	<u>38,981.08</u>	<u>37,088.96</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
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SCHEDULE 19
ADMINISTRATION AND OTHER EXPENSES :

Salaries , Wages and Other Benefits	1,769.54	1,015.25
Contribution to Provident Fund and Other Funds	24.60	19.92
Staff Welfare Expenses	37.74	77.49
Directors Remuneration	114.00	78.00
Traveling & Conveyance	89.96	74.07
Boarding & Lodging Expenses	13.86	11.69
Printing & Stationery	33.94	32.44
Postage, Telegrams and Telephones	48.68	41.08
Rates & Taxes	129.53	287.98
Tender Expenses	20.53	2.68
Business Promotion Exp	8.49	1.52
Office Maintenance	12.76	9.46
Rent Expenses	64.46	43.63
Advertisement and publicity	18.31	3.42
Legal & Professional Charges	231.17	409.12
Electricity Charges	10.41	5.07
Insurance	218.94	184.14
Miscellaneous Expenses	75.13	123.69
Loss on Sale of Assets / discarded	209.60	53.72
Bad Debts / Advances written off	2.22	32.37
Directors Sitting Fees	4.15	3.25
Auditor Remuneration :		
Audit Fees	6.00	4.97
Tax Audit Fees	0.94	0.94
Tax Representation and Expenses	2.19	2.19
TOTAL	3,147.15	2,518.09

SCHEDULE 20
INTEREST AND FINANCIAL CHARGES :

Interest on Working Capital Loans	384.15	471.16
Interest on Term Loans	858.12	537.57
Interest on Mobilization and Machinery Advances	132.52	186.53
Interest to Directors	7.40	
Interest to others	139.38	166.02
	1,521.57	1,361.28
Less: Interest received from banks and others	182.73	123.94
(Gross of Tax Deducted at Source Rs. 35.03 (P.Y 17.05))	1,338.84	1,237.34
Financial Charges	310.14	160.48
TOTAL	1,648.98	1,397.82

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
Rupees in Lakhs

Particulars	31-03-2009	31-03-2008
SCHEDULE 21		
(INCREASE)/DECREASE IN WORK-IN-PROGRESS:		
Opening Work in Progress	3,988.47	2,738.80
Less : Closing Work in Progress and Aggregates	2,706.96	3,988.47
TOTAL	<u>1,281.51</u>	<u>(1,249.67)</u>

SCHEDULE - 22**Accounting Policies and Notes on Accounts****A. SIGNIFICANT ACCOUNTING POLICIES****1. Principles of Consolidation**

The consolidated financial statements comprise KNR Constructions Limited (“the Company”) and its wholly owned subsidiary, associates and joint ventures as at March 31, 2009 and for the year ended on that date. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard 21 on “Consolidated Financial Statements” issued by the Companies (Accounting Standard) Rules, 2006.
- b) The financial statements of the jointly controlled entities have been accounted using the ‘proportionate consolidation’ method as per Accounting Standard 27 on ‘Financial Reporting of Interests in Joint Ventures’ issued by the Companies (Accounting Standard) Rules, 2006.
- c) In case of associates where the Company directly or indirectly through its subsidiaries holds more than 20% of equity, investments in associates are accounted under the equity method in accordance with Accounting Standard 23 on “Accounting for Investments in Associates in Consolidated Financial Statements” notified by the Companies (Accounting Standard) Rules, 2006.
- d) The financial statements of the wholly owned subsidiary, 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, 2009.
- e) Intra-group balances and intra-group transactions and the resulting unrealized profits have been eliminated.

- g) The consolidated financial statements are prepared to the extent possible using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements, except in the case of inventories, work in progress, depreciation and taxes on income accounted by JCE.
2. Investments other than in jointly controlled entities and associates have been accounted as per Accounting Standard 13 issued by Companies (Accounting Standard) Rules, 2006 on "Accounting for Investments."

3. Other significant accounting policies:

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

b) Use of Estimates

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

c) Fixed Assets and Depreciation:

Fixed Assets of KNRCL are stated at cost of acquisition or construction including any attributable cost of bringing the assets to its working condition for its intended use less accumulated depreciation. Depreciation is provided on Written Down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

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

Capital Work in Progress: All costs incurred towards construction of "Concessionaire Assets" on Build, Operate and Transfer (BOT) basis are accumulated under capital work in progress till the completion of construction.

d) Borrowing Costs:

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

e) Investments:

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

f) Inventories:

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

g) Employee Benefits

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

i) Gratuity

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

ii) Provident Fund

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

iii) Other Benefits

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

h) Share Issue Expenses:

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

i) Revenue Recognition

Fixed price contracts received up to March 31, 2003

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

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

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

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

j) Leases

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

k) Preparatory Work Expenses

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

l) Taxes

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

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

m) Impairment of Assets

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

n) Preliminary/Issue Expenses

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

B) NOTES ON ACCOUNTS

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

Name of the Subsidiaries	Country of Incorporation	Proportion of Ownership Interest
Wholly Owned Subsidiary		
- KNR Agrotech Beverage Pvt Ltd.,	India	100%
Associates		
- Patel KNR Infrastructure Pvt Ltd.,	India	40%
- Patel KNR Heavy Infrastructure Pvt Ltd.,	India	40%
Joint Controlled Entities		
- Patel-KNR-JV	India	50%
- KNR-Patel-JV	India	51%
- KNR-SLEC-JV	India	60%
- KNR-BPL-JV	India	49%
- NCC-KNR-JV	India	Project wise

2. Contingent Liabilities not provided for

Rupees in Lakhs

Sl No.	Particulars	2008-09	2007-08
1	Corporate Guarantee	52642.25	42000.00
2	Bank Guarantees	13825.16	20,593.66
3	Claims not acknowledged as debts	Nil	Nil
4	Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.		
	- Income Tax*	4.68	99.69
	- Sales Tax	165.61	163.41
5	Letter of Credit	Nil	284.78
6	Estimated amount of contracts remaining to be executed on capital account	26748.99	48,423.70

* This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.

3. Deferred Tax

Rupees in Lakhs

Particulars	2008-09	2007-08
A - Deferred Tax Assets on timing difference due to:		
Expenditure not allowed u/s 43B and 40 a (ia)	-24.99	13.57
B - Deferred Tax Liabilities on timing difference due to :	30.67	49.63
Depreciation		
Net Deferred Tax Liability (A-B)	55.66	36.06

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

Rupees in Lakhs

Sl.No.	Particulars	2008-09	2007-08
1.	Contract Revenue recognized as revenue during the year	84367.55	56812.84
2.	Contract costs incurred and recognized Profits, less losses	103602.36	70718.52
3.	Advances received, net of recoveries from Progressive bills	4738.90	7241.77
4.	Retention Deposits	4277.30	3946.13
5.	Gross amount due from customers	1883.18	3443.74
6.	Gross amount due to customers	12819.76	6285.46

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

6. Segmental Reporting

The Company’s operations consist of Construction activities. Hence, there are no reportable segments under Accounting Standard – 17. During the year under report, the Company has engaged in business in India only

and not in any other Country. The conditions prevailing in India being uniform, no separate geographical disclosures are considered necessary.

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

A. List of Related Parties and relationships

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

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

Rupees 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	775.00 (1712.07)	- (-)	- (-)	- (-)
2	Un-secured loan received	- (-)	- (-)	210.32 (202.20)	- (-)
3	Un-secured loan re-paid	- (-)	- (-)	295.78 (296.21)	- (-)
4	Mobilisation / Machinery / Material Advance Received	- (1815.00)	- (-)	- (-)	- (-)

5	Sub-Contract Jobs given	- (-)	136.71 (79.45)	- (-)	- (-)
6	Sub-Contract / (EPC) Jobs received	12066.77 (7095.86)	6392.48 (5045.89)	- (-)	- (-)
7	Remuneration	- (-)	- (-)	114.00 (78.00)	- (-)
8	Land Lease and Office Rent Paid	- (-)	- (-)	21.30 (-)	- (-)
9	Rent Received	- (-)	- (-)	0.60 (0.60)	- (-)
10	Interest` Paid	- (-)	- (-)	7.40 (14.62)	- (-)
11	Interest Received	2.24 (3.73)	24.55 (-)	- (-)	- (-)
12	Professional Charges Received	- (-)	- (-)	37.06 (33.71)	- (-)
13	Security Deposits Paid	- (-)	- (-)	10.00 (-)	10.00 (-)
14	Debit balances outstanding as on 31st March, 2009	1844.26 (1368.27)	2176.51 (1331.69)	- (-)	- (-)
15	Credit balances outstanding as on 31st March,2009	- (-)	56.91 (19.17)	- (-)	- (-)

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

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

As per our report of even date attached

For **Sukumar Babu & Co.,**

For and on behalf of the Board

Chartered Accountants

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

Place : Hyderabad

Date : 30-06-2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION NUMBER CIN: L74210AP1995PLC021016 STATE CODE 0 1
 BALANCE SHEET DATE 3 1 0 3 2 0 0 9

II. CAPITAL RAISED DURING THE YEAR

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

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

SOURCES OF FUNDS

TOTAL LIABILITIES	TOTAL ASSETS
40 6 4276	40 6 4276
PAID UP CAPITAL	RESERVES AND SURPLUS
2 8 1 2346	2 3 52034
SECURED LOANS	UNSECURED LOANS
1 3 5 9605	2 1 4
SHARE APPLICATION MONEY	
N I L	

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
20 6 6624	11 0 5082
NET CURRENT ASSETS	
7 9 5 843	
MIS. EXPENDITURE	ACCUMULATED LOSSES
7 1 2 76	N I L

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

TURNOVER	TOTAL EXPENDITURE
7 6 8 6536	6 5 4 2490
PROFIT/(LOSS) BEFORE TAX	PROFIT/ (LOSS) AFTER TAX
6 6 3 769	4 4 2 192
EARNING PER SHARE	DIVIDEND
1 5 . 52	2 0 %

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

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

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KNR AGROTECH & BEVERAGES PRIVATE LIMITED

(Wholly Owned Subsidiary of KNR Constructions Limited)

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BOARD OF DIRECTORS

Shri K. Jalandhar Reddy

Shri M. Rajesh Reddy

AUDITORS

M/s. Sukumar Babu & Co.,
Chartered Accountants,
Flat. No: 513, Aditya Enclave,
Annapurna Block,
Ameerpet, Hyderabad.

BANKERS

HSBC

REGISTERED OFFICE

8-2686/B/6/A/302,
12th Square Building, 3rd Floor,
Road No. 12, Banjara Hills,
Hyderabad – 500034
Andhra Pradesh, India

DIRECTOR'S REPORT

To
The Members,

Your Directors take pleasure in presenting the 1st Annual Report together with the Audited Accounts for the year ended 31st March, 2009.

OPERATIONS:

The Company has not carried any business during the current financial year 2008-2009

During the year your company has purchased land at Bilapur Village & Grampanchayath, Kohir Mandal, Medak District, admeasuring 83 acres 47 guntas for a consideration of Rs. 39.44 Lakhs

DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby state that

- i) in the preparation of the annual accounts for the year ended March 31, 2008, the applicable accounting standards have been followed along with proper explanations relating to material departure;
- ii) we have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and profit for the year ended on that date;
- iii) we 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 accounts for the year ended March 31, 2008 have been prepared 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: Not Applicable
- b) Technology absorption, Adoption and Innovation: Not Applicable
No technology absorption is involved and there is no import of technology.
- c) Foreign Exchange earnings and outgo - Nil

PARTICULARS OF EMPLOYEES:

There are no employees to whom the provisions of section 217 (2A) of the Companies Act, 1956 will apply.

AUDITORS:

The Statutory Auditors of the Company viz., M/s. Sukumar Babu & Co., Chartered Accountants retire at the conclusion of the next Annual General Meeting and being eligible have offered them selves for reappointment to hold office from the conclusion of the this Annual General Meeting till the conclusion of the next Annual General Meeting.

ACKNOWLEDGEMENTS:

Your Directors like to place on record their appreciation to the Company's Members for the support and co-operation extended to the Company.

For and on behalf of the Board

Sd/-

K. Jalandhar Reddy

Director

Sd/-

M. Rajesh Reddy

Director

Place: Hyderabad

Date: 27-07-2009

Auditors' Report

The Board of Directors

KNR Agrotech & Beverages Pvt. Ltd.,

1. We have audited the attached Balance Sheet of KNR Agrotech & Beverages Pvt Ltd., as at 31st March, 2009, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion,
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India, in terms of section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph -3 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet, 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) On the basis of written representations received from the Directors, as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as Director in terms of Clause(g) of Sub section (1) of Section 274 of the Companies Act, 1956;
 - f) 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 accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2009;

For **Sukumar Babu & Co.,**
Chartered Accountants

Sd/-

C. Sukumar Babu

Partner

M.No: 200/24293

Place: Hyderabad

Date: 27-06-2009

Annexure to the Auditors' Report

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

The Company has not commenced any operations during the period under audit and has not accepted deposits from public. There are no matters to be stated as per the provisions of Companies (Auditors' Report) Order, 2003 for this accounting period. Except for un-secured loans taken from directors and Companies u/s 301 for which no agreements are available.

For **Sukumar Babu & Co.,**
Chartered Accountants

Sd/-

C. Sukumar Babu

Partner

M.No: 200/24293

Place: Hyderabad

Date: 27-06-2009

BALANCE SHEET AS AT 31ST MARCH, 2009

Amount in Rupees

PARTICULARS	Schedule	As at 31st March, 2009	
I. SOURCES OF FUNDS			
SHARE HOLDERS FUNDS			
a) Share Capital	1	100,000	
b) Reserves & Surplus		-	
		<u> </u>	100,000
LOAN FUNDS			
Un-Secured loans	2	4,573,734	
		<u> </u>	4,573,734
TOTAL			<u><u>4,673,734</u></u>
II. APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	4,533,256	
Less : Depreciation		-	
Net Block		<u> </u>	4,533,256
CURRENT ASSETS, LOANS & ADVANCES			
Cash & Bank Balance	4	104,800	
			104,800
CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities	5	10,000	
b) Provisions		-	
		<u> </u>	10,000
Net Current Assets			94,800
MISCELLANEOUS EXPENDITURE			
(To the extent not written off)	6		45,678
TOTAL			<u><u>4,673,734</u></u>
Accounting Policies and Notes on Accounts	7		
Schedules referred to above from an integral part of the accounts			

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

Sd/-

C.Sukumar Babu
Partner

For and on behalf of the Board

Sd/-

K. Jalandhar Reddy
Director

Sd/-

M.Rajesh Reddy
Director

Place : Hyderabad
Date : 27-06-2009

Amount in Rupees

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	As at 31st March, 2009
SCHEDULE 1	
SHARE CAPITAL :	
Authorised Capital	
10,000 Equity Shares of Rs. 10/- each	100,000
	100,000
Issued, Subscribed and Paid Up	
10,000 Equity Shares of Rs. 10/- each (Wholly subsidiary to KNR Constructions Ltd.)	100,000
TOTAL	100,000
 SCHEDULE 2	
UN-SECURED LOANS :	
From Directors	185,370
From Holding Company	
- KNR Constructions Limited	4,388,364
TOTAL	4,573,734
 SCHEDULE 4	
CASH & BANK BALANCES :	
Balances with scheduled Banks	
In Current Accounts	104,800
TOTAL	104,800
 SCHEDULE 5	
CURRENT LIABILITIES :	
Audit Fee Payable	10,000
TOTAL	10,000
 SCHEDULE 6	
MISCELLANEOUS EXPENDITURE :	
(To the extent not written off or adjusted)	
Preliminary Expenses	9,270
Pre-operative Expenses	36,408
Less: Written off during the year	-
TOTAL	45,678

**SCHEDULE 3
FIXED ASSETS**

Amount in Rupees

Sl No	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at 01-04-07	Additions	Deductions/ Adjustments	As at 31-03-09	Up to 01-04-08	For the year	Deductions/ Adjustments	Up to 31-03-09	As at 31-03-09	As at 31-03-08
1	Lands	-	4,326,850	-	4,326,850	-	-	-	-	4,326,850	-
2	Vehicles	-	206,406	-	206,406	-	-	-	-	206,406	-
		-	4,533,256	-	4,533,256	-	-	-	-	4,533,256	-

SCHEDULE: 7**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A SIGNIFICANT ACCOUNTING POLICIES****METHOD OF ACCOUNTING**

The financial statements are prepared under the historical cost convention on an accrual basis and are in accordance with the requirements of Companies Act, 1956 and comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the said Act.

B. NOTES ON ACCOUNTS:

- All amounts in the financial statements are presented in Rupees.
- Segmental Reporting – Not Applicable
- As per Accounting Standard 18, “Related Party Disclosure” issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the Related Parties as defined in the Accounting Standard are as follows :

				Amount in Rupees
Sl. No.	Particulars	Holding Company	Key Management Personnel	Enterprises owned or significantly influenced by Key Management Personnel or their relatives
1.	Un-secured loan received	4,388,364	185,370	-
2.	Paid Capital	1,00,000	-	-

- Information pursuant to paragraph 3, 4C and 4D part –II of Schedule VI to the Companies Act 1956 – Not Applicable.

For and on behalf of the Board

Sd/-
K. Jalandhar Reddy
Director

Sd/-
M. Rajesh Reddy
Director

Place: Hyderabad
Date : 27-06-2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

REGISTRATION NUMBER U74999AP2008PTC058829 STATE CODE 01
 BALANCE SHEET DATE 31032009

II. CAPITAL RAISED DURING THE YEAR

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

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

TOTAL LIABILITIES	TOTAL ASSETS
4673.73	4673.73

SOURCES OF FUNDS

PAID UP CAPITAL	RESERVES AND SURPLUS
100	N I L
SECURED LOANS	UNSECURED LOANS
N I L	4573.73
SHARE APPLICATION MONEY	
N I L	

APPLICATION OF FUNDS

NET FIXED ASSETS	INVESTMENTS
4553.73	N I L
NET CURRENT ASSETS	MISC. EXPENSES ACCUMULATED LOSSES
94.80	45.68 N I L

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

TURNOVER	TOTAL EXPENDITURE
N I L	N I L
PROFIT/(LOSS) BEFORE TAX	PROFIT/ (LOSS) AFTER TAX
N I L	N I L
EARNING PER SHARE	DIVIDEND
N I L	N I L

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

ITEM CODE NO.	N A
(ITC CODE) PRODUCT DESCRIPTION	AGRICULTURAL & BEVERAGES PRODUCTS

KNR CONSTRUCTIONS LIMITED

Registered Office: 8-2-686/B/6/A/302, 12th Square Building, 3rd Floor,
Road No. 12, Banjara Hills, Hyderabad - 500034

ATTENDANCE SLIP

Folio No. / Depository A/c No.

No. of Shares Held:

Name and Address of the Shareholder

I hereby record my /our presence at the 14th ANNUAL GENERAL MEETING of the members of the Company held on Wednesday, the 9th September, 2009 at 11.30 a.m at Hotel Green Park, Ameerpet, Hyderabad-500 016

.....
Name of the Shareholder / Proxy

.....
Signature of Member / Proxy

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

KNR CONSTRUCTIONS LIMITED

Registered Office: 8-2-686/B/6/A/302, 12th Square Building, 3rd Floor,
Road No. 12, Banjara Hills, Hyderabad - 500034

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 14th Annual General Meeting of the Company to be held on Wednesday, the 9th September, 2009 at 11.30 a.m at Hotel Green Park, Ameerpet, Hyderabad-500 016 and at any adjournment (s) thereof.

Singed this Day of 2009

Signature
(Proxy)

Please Affix
15 Paise
Revenue
Stamp

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