



**KNR Constructions Limited**



**EXECUTING.  
DELIVERING.  
EXPANDING.**

15th Annual Report 2009-10

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**We are one of the most trusted names  
in the Industry..**

With a wealth of executing experience spanning  
over two decades... and counting

With a significant presence across a gamut of construction  
and infrastructure activities

With a track record of flawlessly implemented  
performance

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**We have taken on challenges  
...and delivered success stories by**

Maintaining the performance and competitiveness  
of existing businesses

Capitalizing on huge investments expected to be  
made in infrastructure development

Cashing-in on our experience in BOT operations

Taking on projects involving a high degree of engineering  
skills, one of our core competencies

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**We never rest on laurels...  
We are expanding by foraying into new business  
areas while building on our existing business**

Leveraging our business growth by identifying and  
forming strategic joint ventures

Looking for mutual benefits through sharing of  
resources and business skills

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## Who we are...

We are a multi-domain infrastructure project development company...

- ◆ Worthy of an ISO 9001:2008 certification,
- ◆ Listed on both the BSE and the NSE.

Incorporated in 1995, under the meticulous guidance of professionals, we have come a long way...

- ◆ Forging partnerships to create synergies and expand,
- ◆ Launching public issue to raise funds,
- ◆ Bidding for, executing and implementing infrastructure projects independently and through joint ventures,
- ◆ Emblazoning the nation with our transnational presence.

Always a step ahead of our time...  
Relentlessly upgrading our technologies,  
Constantly restocking our order book.

## What we do...

We construct technically complex and high value projects which change landscapes, enriching them with landmark infrastructure...

- ◆ From express ways and national highways which span the length and breadth of the country to state highways and roads which crisscross the fabric of rural India...
- ◆ From flyovers and bridges to viaducts that connect,
- ◆ From urban development and civic amenities to irrigation projects that deliver progress,
- ◆ From commercial structures to residential projects which define lifestyle...

We establish excellence in the field of infrastructure services with our eco-friendly solutions, state-of-the-art practices and commitment to quality through motivated human resources.

## What drives us...

We are motivated by the need to developing ourselves as a centre of excellence in the field of infrastructure services by:

- ◆ Striving continuously to provide eco-friendly solutions,
- ◆ Adopting state-of-the-art practices
- ◆ Commitment to quality through motivated human resources.

We endeavour to establish a notable presence in the global market

- ◆ through well conceived marketing strategies,
- ◆ through meticulous planning,
- ◆ through timely completion of projects.

We are always determined

- ◆ to win client confidence,
- ◆ to become a leader in providing infrastructure facilities,
- ◆ to develop countries across the world.

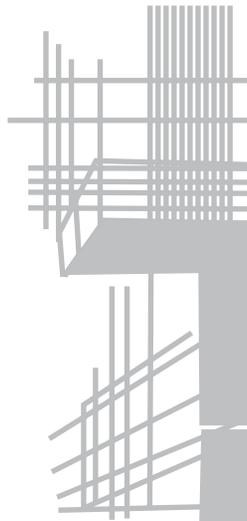


## What does it take us...

Over the years, we have:

- ◆ Gained and maintained client satisfaction,
- ◆ Inscribed a consistent track record of performance,
- ◆ Transformed landscapes by fabricating top class infrastructure,
- ◆ Developed a significant and diversified presence across India,
- ◆ Emerged as a force to reckon with in the construction and infrastructure segment,
- ◆ Reinforced our position as a leader in our domain.

And the list goes on...



## MANAGING DIRECTOR'S LETTER



Dear Shareholders,

The year gone by has been both eventful and educative. It has witnessed a global turn around and left economies with some severe lessons. But nearer home, it has reassured India about its ability to withstand global storms on the strength of its internal systems and policies. Encouraged by a steady recovery of the economy, with a GDP growth of 7.4%, the Government is looking with new vigour to strengthen the economy further with its focus on infrastructure as an omnipotent economic immunity builder.

Increasing role of the private sector in infrastructure  
The Government - right from the Prime Minister and the Planning Commission to State level administrators and local governing bodies – is working towards speeding up the process of project awards and implementation. At the same time, the role of the private sector in building infrastructure cannot be undermined. It is now being viewed as a challenge that can only be met through the cooperation between public and private enterprises. As a result, private entities from the infrastructure and construction domain too have been taking on the herculean task of providing world class infrastructure to the country more as sacred mission than a mere business undertaking.

### THE YEAR GONE BY FOR KNR

In terms of financials

With all the undertakings that we have successfully delivered in the past fiscal, we are happy to share that we have achieved a top line growth of 16.98% and a bottom line growth of 15.16%. As a result, we are happy to announce a dividend of Rs. 2 per share and your EPS has increased to Rs. 17.88 in the current year from Rs. 15.52 in the previous year.

In terms of projects

Within this framework, your Company's activities too have gained momentum. During the past year, we have been awarded a number of projects and commissioned some that were undertaken in the past. We have recently commissioned the Rs. 550 crore annuity project on the Hyderabad-Nagpur highway, which is a 48-km stretch between Islam Nagar and Kadthal NH-7 and have completed the road which runs from Devanahalli in Karnataka to the Andhra Pradesh border.

We have bagged a Rs. 825 crore road project in Karnataka to be executed within 910 days and been awarded a Rs. 231 crore order in the State of Orissa from the National Highway Authority of India (NHAI) for completion of work on NH-5. We have also received a go ahead on an order worth Rs. 225.27 crore by the Government of Bihar, Water Resources Department, which involves extension, renovation and modernisation of the Eastern Kosi Canal System in the State of Bihar.

### LOOKING AHEAD

As things stand, your Company has so far completed over 1,900 km of road projects and has an order-book of Rs. 1,800 crore, of which 95% comes from highways and the rest from irrigation. But we will not stop here. We plan to broaden our scope of activities within the infrastructure arena to include hydel power and pipeline projects. We also plan to expand our current activities with the help of strategic partnerships and encouragement from the Government.

All this, because we believe that we have the prowess required to execute and deliver only the best!

We have miles to go... and the journey will only get better.

Yours sincerely,

K Narasimha Reddy  
Managing Director



**“ Your Company has so far completed over 1900 km of road projects and has an order-book of Rs. 1800 crore, of which 95% comes from highways.”**

## Financial Highlights

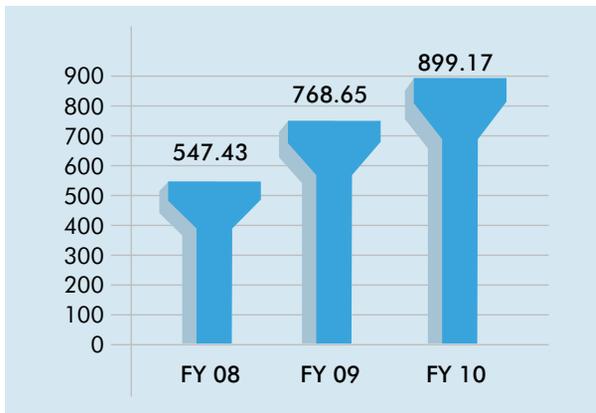
(Rs. crore)

Income Statement	FY 10	FY 09	FY 08
Orders in hand	1730.60	1141.84	1534.23
Turnover (including share in JVs)	899.17	768.65	547.43
Operating Profit	115.79	102.55	71.48
Profit Before Tax (PBT)	82.62	66.38	46.94
Profit After Tax (PAT)	50.28	43.65	29.55
Cash Profit	77.35	69.56	44.94

Balance Sheet	2009-10	2008-09	2007-06
Share Capital	28.12	28.12	28.12
Reserves and Surplus	278.90	235.20	198.13
Net Worth	300.79	256.20	218.15
Secured Loans	110.32	135.96	162.67
Unsecured Loans	0.24	0.02	0.88
Capital Employed	411.35	392.18	381.70
EPS (Rs.)	17.88	15.52	13.83
Cash EPS (Rs.)	27.50	24.73	21.03
Book Value per share (Rs.)	106.95	91.10	77.57



**TURNOVER (Rs. crore)**



**OPERATING PROFIT (Rs. crore)**



**PROFIT AFTER TAX (Rs. crore)**



**NET WORTH (Rs. crore)**



## 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: investors@knrcl.com

### STATUTORY AUDITORS

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

### COMPANY SECRETARY

Shri M V Venkata Rao

### GENERAL MANAGER (FINANCE & ACCOUNTS)

Shri G Sravana Kumar

### 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  
ING Vysya Bank  
Oriental Bank of Commerce

## NOTICE

Notice is hereby given that the 15th Annual General Meeting of the KNR Constructions Limited will be held on Wednesday the 29th day of September 2010 at 11.00 AM at Hotel Green Park, Ameerpet, Hyderabad - 500016

### Ordinary Business

- 1 To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 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 J V Panindra Reddy, who retires by rotation and being eligible, offers himself for reappointment
- 4 To appoint a Director in place of Shri D Ramaiah, who retires by rotation and being eligible, offers himself for reappointment
- 5 To consider and if thought fit to pass with or without modification, the following resolution as an Ordinary Resolution

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

By Order of the Board of Directors

Sd/-  
**M. V. Venkata Rao**  
Company Secretary

Place: Hyderabad  
Date: 09.08.2010

### 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 23.09.2010 to 29.09.2010 (both days inclusive) in connection with the Annual General Meeting
- (iv) Re-appointment of directors; At the ensuing Annual General Meeting Shri J V Panindra Reddy and Shri D Ramaiah 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: 09.08.2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## Macro economic perspective

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

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

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

## Infrastructure creation through Public Private Partnerships (PPP)

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

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

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

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

## Roads

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

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

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

### **Irrigation**

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

### **Company overview**

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

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

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

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

### **Major projects received during the year**

During the past year, we have been awarded a number of projects and commissioned some that were undertaken in the past. We have recently commissioned the Rs. 550 crore annuity project on the Hyderabad-Nagpur highway, which is a 48-km stretch between Islam Nagar and Kadthal NH-7. This was undertaken in partnership with Patel Engineering. We will soon be drawing our first annuity instalment on this project, which is in the BOT format. We have also finally completed the road, which runs from Devanahalli in Karnataka to the Andhra Pradesh border.

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

We have also been awarded a Rs. 231 crore order from the National Highway Authority of India (NHAI) in the state of Orissa for completion of work on NH-5. The order includes widening the road from four lane to six lane /and strengthening the existing two lane carriageway of NH-5 in Orissa. The project is to be completed within 24 months.

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

The Company has thus far completed over 1,900 km of road projects and has an order-book of Rs. 1,800 crore of which 95% comes from highways and the rest from irrigation.

### Opportunities and threats

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

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

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

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

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

### Discussion on financial performance and operational performance:

1. **Turnover:** The Gross Sales of the Company increased from Rs. 768.65 crore in FY 09 to Rs. 899.17 crore, clocking a growth of 16.98%.
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 2010 is Rs. 28,12,34,600 divided in to 2,81,23,460 Equity Shares of Rs. 10/- each.
3. **Reserves and Surplus:** The Reserves and Surplus of the Company has gone up from Rs. 235.20 crore to Rs. 278.9 crore in 2009-10 on account of profit made during the year.
4. **Net worth:** The Company's Net Worth increased from Rs. 256.20 crore to Rs. 300.79 crore mainly on account of internal generation of profit.
5. **Secured / unsecured loans:** There was a decrease of loans from Rs. 135.98 crore to Rs. 110.57 crore. The decrease was partly due to repayment of term loans to banks and others and recovery of mobilization advances by the clients from the running account bills.

6. Fixed Assets: The Company's Fixed Assets (Gross Block) increased by Rs.29.36 crore in 2009-10 from Rs. 259.91 crore to Rs. 289.27 crore which have been acquired for execution of new contracts awarded to the Company during the year.
7. Provision for Tax: The Company has provided for a sum of Rs. 26.92 crore as current year tax including wealth tax.
8. Net Profit: The Company's Net Profit after Tax and extraordinary expenses during the year was Rs. 50.28 crore as compared to Rs. 43.65 crore in 2008-09.
9. Dividend: The Board of Directors have recommended a dividend of Rs. 2.00 per share (being 20%) and total payout works out to Rs. 6.58 crore (including dividend tax).
10. Earning Per Share (EPS): The Company's EPS has increased to Rs. 17.88 in the current year from Rs. 15.52 in the previous year.

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

The Company places due importance to its human capital assets and invests in building and nurturing a strong talented pool to gain strategic edge and achieve operational excellence in all its goals. As a part of ongoing HR initiatives, adequate training and mentoring programs are designed to bridge gaps, if any. Clear objective and goals are determined to bring objectivity to performance and overall goal achievement. During the year, industrial relations continued to be cordial, with a strong spirit of bonhomie and camaraderie prevailing among the rank and file of employees. The Company employed a total of 511 employees during the year.

### **Cautionary Statement**

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

# DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 15th Annual Report and the Audited Accounts for the Financial Year ended 31st March, 2010.

## Financial Results

Rupees in Lakhs

Particulars	2009-2010	2008-2009
Gross Income (including other income)	<b>90663.08</b>	77545.09
Profit before interest and depreciation	<b>11579.07</b>	10255.29
Less: Interest and financial charges	<b>699.08</b>	1115.70
Profit Before depreciation	<b>10879.99</b>	9139.59
Less: Depreciation	<b>2617.52</b>	2501.90
Profit before tax	<b>8262.47</b>	6637.69
Provision for tax (including Wealth Tax and Deferred Tax)	<b>2692.16</b>	2215.77
Profit after tax	<b>5570.31</b>	4421.92
Less: Prior year taxes and adjustments	<b>542.24</b>	56.31
Net Profit for the year	<b>5028.07</b>	4365.61
Profit brought forward from previous year	<b>9571.03</b>	6313.48
Profit available for appropriation	<b>14599.10</b>	10679.09
Appropriations:		
Transfer to General Reserve	<b>505.00</b>	450.00
Dividend	<b>562.47</b>	562.47
Dividend tax	<b>95.59</b>	95.59
Balance carried forward	<b>13436.04</b>	9571.03
Paid –up capital	<b>2812.35</b>	2812.35
Reserves and Surplus	<b>27890.35</b>	23520.34

## 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 89917.27 Lakhs as against Rs 76865.36 Lakhs in the previous year, thus registering an increase of 16.98 %. The company has earned a gross profit of Rs.11579.07 Lakhs before interest and depreciation as against Rs 10255.29 Lakhs in the previous year, thus registering a growth of 12.91%. After deducting an interest of Rs 699.08 Lakhs, providing for Rs.2617.52 Lakhs towards depreciation, Rs 2692.16 Lakhs towards provision for income tax, wealth tax, and deferred tax, Rs 542.24 Lakhs towards prior period items and taxes, the operations resulted in a net profit of Rs 5028.07 Lakhs as against Rs. 4365.61 Lakhs last year, registering a growth of 15.17 %.

Following are the major works awarded to our Company from April 2009 to March 2010

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
2	Completion of balance work of widening to 4/6 lanes and strengthening of existing 2-lanes carriageway of NH-5 in the State of Orissa”	2312.85
3	All works (including Canal System & Buildings) under E.R.M. (Extension, Renovation & Modernisation) of Eastern Kosi Canal System in the State of Bihar	2252.70

With the above new orders, the order book position as on 31st March 2010 stands at Rs. 17306 Millions.

## Dividend

Your Directors have recommended a dividend of Rs. 2/- per Equity share for the financial year ended 31st March 2010, amounting to Rs. 562.46 Lakhs. The dividend will be paid to the members whose names appear in the Register of Members as on 21st September 2010 in respect of shares held in the dematerialized form, it will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.

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

## Reserves

It is proposed to transfer Rs. 505.00 Lakhs to the General Reserves of the Company, constituting 10.04 % of the profit made during the year.

## Directors

In accordance with the requirements of the Companies Act, 1956 Shri J V Panindra Reddy and Shri D Ramaiah 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 ensuring 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.

## Subsidiaries of the Company

Your company has the following subsidiaries:

- a. **KNR Agrotech & Beverages Private Limited**
- b. **KNR Constructions LLC, Oman**

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

## Consolidated Financial Statements

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

## Management's Discussion and Analysis Report

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

## Fixed Deposits

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

## Particulars of Employees

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

## Directors Responsibility Statement

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

- i) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departure from the same;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 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 core activity of the company is civil construction which is not an energy intensive activity.

## b) Technology absorption, Adoption and Innovation

There is no information to be furnished regarding Technology Absorption as your Company has not undertaken any research and development activity in any manufacturing activity nor any specific technology is obtained from any external sources which 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. 8.92 lakhs (P.Y Rs. 0.44 lakhs)
- b) Professional Services Rs. Nil lakhs (P.Y 3.74 Lakhs)
- c) Import of capital goods Rs. 158.31 lakhs (P.Y Rs. 832.45 Lakhs)
- d) Investment – Rs. 206.07 (P.Y Rs. Nil)

## Corporate Governance

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

## Acknowledgements

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

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

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

Sd/-  
**K Jalandhar Reddy**  
Executive Director

Place: Hyderabad  
Date: 09.08.2010

**Annexure A**

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 (as amended) and forming part of the Directors' Report for the period ended 31st March 2010.

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 61 Years	Managing Director	6379412	B. A	11th July 1995	First Employment
2	Shri K Jalandhar Reddy 38 Years	Executive Director	3209470	B.E (Computers)	11th July 1995	First Employment
3	Shri J V Panindra Reddy 43 Years	Executive Director	3180000	B.E (Civil)	4th June 1999	First Employment
4	Shri M Rajesh Reddy 37 Years	Executive Director	3330800	B.E (Electronics)	21st March 2005	First Employment

**Notes:**

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

On behalf of the Board of Directors  
of KNR Constructions Limited

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

Sd/-  
**K Jalandhar Reddy**  
Executive Director

Place: Hyderabad  
Date: 09.08.2010

## Annexure B

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

Amount in Rs.

Serial No.	Particulars	KNR Agrotech & s Beverage Private Limited	KNR Constructions LLC, Oman
1.	Financial Year of the Company	31.03.2010	31.12.2009
2.	(a) Number of Shares held by the Company at the end of the financial year of the Subsidiary Company	10,000	16,250
	(b) Extent of interest of holding Company at the end of the financial year of the Subsidiary Company	100 %	65 %
3.	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary not dealt within the Company's Accounts		
	(a) for the financial year of the subsidiary – Profit /Loss	Nil	Nil
	(b) For the previous financial years since it became subsidiary	Nil	Nil
4.	Net aggregate amount of profit/losses of the subsidiary for the above financial year of the subsidiary dealt within the Company's Accounts		
	(a) for the financial year of the subsidiary – Profit /Loss	Nil	(1294374)
	(b) For the previous financial years since it became subsidiary	Nil	Nil

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

1. There is no change in the Holding Companies interest in the Subsidiary Companies between the end of the financial year of the subsidiary companies and the end of the holding company's financial year ( i.e 31.03.2010)
2. There are no material changes which have occurred between the end of the financial year of the subsidiary companies and the end of the holding company's financial year ( i.e 31.03.2010) in respect of
  - a. Subsidiary Fixed Assets
  - b. Its investments
  - c. The company lent by it
  - d. The money borrowed

**Annexure C**

**Financial information regarding subsidiary companies**

Amount in Rs.

<b>Particulars</b>	<b>KNR Agrotech &amp; Beverages Pvt. Ltd.</b>	<b>KNR Constructions LLC, Oman</b>
Capital	100,000	3,06,38,656
Reserves	Nil	Nil
Unsecured Loans	1,26,77,528	35,70,375
Total Assets	1,27,77,528	3,42,09,031
Total Liabilities	1,27,77,528	3,42,09,031
Investments (except in case of investment in subsidiaries)	Nil	Nil
Turnover	Nil	Nil
Profit Before Taxation	Nil	(19,91,344)
Provision for Taxation	Nil	Nil
Profit After Taxation	Nil	(19,91,344)
Proposed Dividend	Nil	Nil

# REPORT ON CORPORATE GOVERNANCE

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

## 1. Company's Philosophy

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

## 2. Board of Directors

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

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 2009-2010. The intervening period between two Board Meetings was well within the maximum gap of four months prescribed under Clause 49 of Listing Agreement.

The details of the Board Meetings are as under:

Sl. No.	Dates	Board Strength	No. of Directors Present
1	18th April 2009	8	5
2	30th June 2009	8	8
3	30th July 2009	8	7
4	9th September 2009	8	6
5	30th October 2009	8	6
6	29th January 2010	8	6

Attendance of Directors at the Board Meetings, last Annual General Meeting (AGM) and number of other directorships and chairmanships / memberships of each Director in various companies as on 31st March 2010 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	No	1	Nil
Shri K. Jalandhar Reddy	5	Yes	Nil	Nil
Shri J. V. Panindra Reddy	1	No	Nil	Nil
Shri M. Rajesh Reddy	4	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 70 years, is Non-Executive and Independent Chairman of our Company. He holds a Masters Degree in Economics from Osmania University, Master's in Public Administration from Kennedy School of Government, Harvard, USA and was also conferred the title of Overseas Fellow Member of the Economic Development Institute, by the World Bank. Shri B V Rama Rao joined the Indian Administrative Services in 1973 and has over 34 years of experience in areas such as development, administration and industrial management. During his stint with the Indian Administrative Services, Shri B V Rama Rao has served in various positions including as Chief Secretary to the Government of Andhra Pradesh and as Chairman and Managing Director, Nizam Sugars Limited until his retirement in 1997.

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

Shri B V Rama Rao does not hold any shares in the Company as on 31st March 2010

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

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

Shri L B Reddy holds 500 equity shares in the Company as on 31st March 2010

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

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

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

Shri Ramaiah does not hold any shares in the Company as on 31st March 2010

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

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

Shri Mouli does not hold any shares in the Company as on 31st March 2010

**Shri K. Narasimha Reddy** aged 61 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 2010

Shri Narasimha Reddy is holding 99,11, 474 equity shares in the Company.

**Shri K Jalandhar Reddy**, aged 39 years, is the promoter and executive director of KNR Constructions Limited. He is the son of the company's founder promoter and managing director, Shri K Narasimha Reddy. He holds a Bachelor's Degree in Computer Engineering from Bangalore University. He has over 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 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 2010

Shri Jalandhar Reddy is holding 49,75,088 equity shares in the Company.

**Shri J.V. Panindra Reddy**, aged 44 years, is the Promoter and Executive Director of our Company. He holds a Bachelor's Degree in Civil Engineering from REC, Warrangal. He has over 22 years of experience in the roads and infrastructure sector. He has been closely associated with our Company since its inception. As Executive Director he is responsible and is in-charge of our projects which are executed in Northern and North-Eastern India.

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

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

**Shri M. Rajesh Reddy**, aged 38 years, is the Promoter and Executive Director of our Company. He holds a Bachelors Degree in Electronics Engineering from Kuvempu University, Karnataka. He has over 13 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 2010

Shri M Rajesh Reddy, is holding 18,32,115 Equity Shares in the Company as on 31st March 2010

### 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 2009-2010 Five Audit Committee Meetings were held and the details of the Audit Committee Meetings are as under:-

Sl. No.	Dates	Committee Strength	No. of Directors Present
1	30th June 2009	3	3
2	30th July 2009	3	3
3	30th October 2009	3	3
4	29th January 2010	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 2009-2010 One Remuneration Committee Meeting was held and all the members of the committee were present for the meeting.

### Remuneration paid to the Directors during 2009-2010

Amount in Rs.

Name	Position	Sitting Fee	Salary & Perquisite	Total
Shri B. V. Rama Rao	Chairman /Director	180000	–	180000
Shri L. B. Reddy	Director	180000	–	180000
Shri J. S. R. Chandra Mouli	Director	120000	–	120000
Shri D. Ramaiah	Director	120000	–	120000
Shri K. Narasimha Reddy	Managing Director	–	6379412	6379412
Shri K. Jalandhar Reddy	Executive Director	–	3209470	3209470
Shri J. V. Panindra Reddy	Executive Director	–	3180000	3180000
Shri M. Rajesh Reddy	Executive Director	–	3330800	3330800

### Shares held by the Non-Executive Directors as on 31st March 2010 are as under

Name of the Non-Executive Directors	No. of shares held as on the date
Shri B. V. Rama Rao	Nil
Shri L. B. Reddy	500
Shri J. S. R. Chandra Mouli	Nil
Shri D. Ramaiah	Nil

### C. Investor Grievance & Share Transfer Committee

This Committee comprises of the following members

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

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

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

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

Shareholders complaints Status:

Opening	Nil
Received During the Period	04
Resolved During the Period	04
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
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
2008-09	9th September 2009 11.30 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 22.04.2009 were passed on 01.06.2009 through postal ballot which related to

- ◆ Providing Corporate Guarantee
- ◆ To increase remuneration to Managing Directors and Executive Directors

- ◆ To Reappoint Shri J V Panindra Reddy as Executive Directors
- ◆ To Increase Borrowing Powers and Creating Mortgage or Charges on the property of the Company to the Board.

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

#### Postal Ballot results

Particulars Favour of the	No. of Votes in favour of the Resolution	% of votes in favour	No. of Votes against of the Resolution	% of votes in against
Item No. 1	2,05,66,326	99.98%	3,213	0.02%
Item No. 2	2,05,61,548	99.96%	7,881	0.04%
Item No. 3	2,05,61,548	99.96%	7,881	0.04%
Item No. 4	2,05,61,023	99.96%	8,406	0.04%
Item No. 5	2,05,61,038	99.96%	8,391	0.04%
Item No. 6	2,05,63,976	99.97%	5,408	0.03%
Item No. 7	2,05,67,091	99.99%	2,328	0.01%
Item No. 8	2,05,67,089	99.99%	2,048	0.01%
Results	Approved with requisite majority			

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

#### 6. DISCLOSURES;

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

The disclosures with regard to transactions with related parties are given in the Notes to the Accounts of the audited financial statements for the period ended 31st March 2010. 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 2010

- 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:

(Amount in Lakhs)

Particulars	Raised	Utilised as on 31.03.2010	Balance
Investment in Capital Equipment	2130.47	2130.47	Nil
Investment in BOT Projects as Equity Contribution and Unsecured Loans	7834.60	7834.60	Nil
Working Capital	2522.06	2522.06	Nil
Issue Expenses	899.64	899.64	Nil
<b>Total</b>	<b>13386.77</b>	<b>13386.77</b>	<b>Nil</b>

## 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 2009-2010 there is no audit qualification in the Company's financial statements. The Company continues to adopt the best practices to ensure the regime of unqualified financial statements.
- f. **Training of Board Members:** Strategic supervision of the Company is the responsibility of the Board, to achieve this the Board undertakes periodic review of various matters including business-wise performance and related matters, risk management, borrowings, internal & external audit findings etc., Directors are also briefed on changes / developments in the domestic / global corporate and industry scenario including those pertaining to statutes / legislation and economic development.
- g. **Mechanism for evaluation of Non-Executive Directors:** The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and societal expectations. The Board has not evolved any method/mechanism for appointment of non-executive directors.
- h. **Whistle Blower Policy:** The Company encourages open door policy where every employee have access to the Head of the Business / Department, employees are free to report existing / probable violation of laws, regulations or unethical conduct in the organization.

8. **Means of Communication**

Quarterly Results 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.knrc.com
Whether it also displays official news release	Yes, the official news releases are posted on the Company's website
The presentations made to institutional investors or to the analysts	No presentations is made to institutional investors or the analysts
Whether Management discussion and analysis report is part of the Annual Report	Yes

**9. General Shareholders Information**

- i. Annual General Meeting : 15th Annual General Meeting  
Wednesday the 29th September 2010  
Time : 11.00 AM  
Venue : Hotel Green Park, Ameerpet,  
Hyderabad - 500016
- ii. Financial Year : 1st April 2009 to 31st March 2010
- iii. Book closure dates : 23rd September 2010 to 29th September  
2010 (both days inclusive)
- iv. Dividend Payment date : After 29th September 2010
- v. Financial Calendar for the year 2010-2011  
Financial Reporting for the  
first quarter ended 30th June 2010 : on or before 14th August 2010  
Financial Reporting for the  
second quarter / half-year ended  
30th September 2010 : on or before 14th November 2010  
Financial Reporting for the  
third quarter / nine months ended  
31st December 2010 : on or before 14th February 2011  
Financial Reporting for the  
fourth quarter / year ended  
31st March 2011 : on or before 29th May 2011

**vi. Listing on Stock Exchanges**

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

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

The listing fees payable to BSE and NSE for 2010-11 have been paid in full.

**vii. Script Code / Symbol**

**a. Stock Exchanges**

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

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

The annual custodian fee for the financial year 2010-11 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 2009	55.80	37.65	52.95	39.20
May 2009	75.10	43.00	74.80	44.05
June 2009	87.00	60.95	84.20	64.25
July 2009	85.00	63.65	83.25	64.00
August 2009	106.45	78.25	105.80	80.85
September 2009	113.75	96.05	113.75	99.20
October 2009	137.80	109.35	133.15	112.20
November 2009	125.00	98.30	122.55	101.45
December 2009	127.00	102.50	119.85	109.45
January 2010	140.75	111.10	132.35	113.05
February 2010	143.00	115.20	134.25	116.50
March 2010	164.10	124.90	157.65	132.15

**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 or receipt.

#### Equity Share in Suspense Account

As per Clause 5A of the Listing Agreement, the Company reports that 1120 Equity Shares are lying in the suspense account as on 31st March 2010

#### Secretarial Audit

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

#### xii. Distribution of shareholding as on 31st March, 2010

No. of Shares		No. of Shareholders		No of share held	
From	To	Number	% of total	Number	% of total
1	500	6066	90.15	614714	2.18
501	1000	374	5.56	254213	0.91
1001	2000	124	1.84	186457	0.66
2001	3000	43	0.64	106241	0.38
3001	4000	14	0.21	50652	0.18
4001	5000	23	0.34	109588	0.39
5001	10000	30	0.44	207110	0.74
10001	And above	55	0.82	26594485	94.56
<b>Total</b>		<b>6729</b>	<b>100.00</b>	<b>28123460</b>	<b>100.00</b>

#### xiii. Pattern of Shareholding as on 31st March 2010

Sl. No.	Category	No. of Holders	No. of Shares	%
1	Promoter and Promoter Group	8	20606281	73.27
2	Mutual Funds	4	2072437	7.37
3	Financial Institutions	2	181711	0.65
4	Foreign Institutional Investors	1	115000	0.41
5	Corporate Bodies	193	2301206	8.18
6	Non-Resident Individuals	97	35404	0.13
7	Residents (individuals/clearing members/office bearers and others)	6424	2811421	10.00
	<b>Total</b>	<b>6729</b>	<b>28123460</b>	<b>100.00</b>

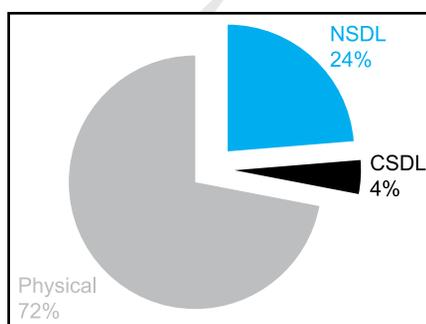
xiv. Dematerialisation of Shares & Liquidity

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 2010 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 2010

	No. of Shares	% of Total
NSDL	6614226	23.52
CDSL	1260342	4.48
Physical	20248892	72.00
<b>Total</b>	<b>28123460</b>	<b>100.00</b>



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**

(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 2010.

For KNR Constructions Limited

Sd/-

**K Narasimha Reddy**

Managing Director

Place: Hyderabad

Date: 09.08.2010

## 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 2010, as stipulated in Clause 49 of Listing Agreement of the said Company with the Stock Exchanges in India.

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

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

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

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

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

Place: Hyderabad  
Date: 09.08.2010

## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION

In relation to the Audited Financial Accounts of the Company as at 31st March, 2010, we hereby certify that

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

For KNR Constructions Limited

Sd/-

**K. Narasimha Reddy**  
Managing Director

Sd/-

**G. Sravana Kumar**  
GM (Finance & Accounts)

Place: Hyderabad

Date: 09.08.2010

## AUDITORS' REPORT

The Members

KNR Constructions Limited

1. We have audited the attached Balance Sheet of KNR Constructions Limited as at March 31, 2010, 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 (CARO) 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 and proper returns, adequate for the purposes of our audit have been received from the branches not visited by us. ;
  - c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - 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, 2010 ;
    - (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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

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

Place: Hyderabad  
Date: 29-05-2010

**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 pinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material and have been properly dealt with in the books of account.

**iii)**

- a) According to the information and explanations given to us, the Company has granted unsecured loans to Companies covered in the Register maintained under Section 301 of the Companies Act, 1956. There are companies under the same management as defined under Sub-section (1-B) of section 370 of the Companies Act, 1956.
- b) There are no specific agreements for these transactions and were made on account basis. In the absence of agreements for these loans, the terms and conditions, their impact on the interests of the Company cannot be ascertained.
- c) The Company has given 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. 81.03 lakhs and the year end balance is Rs. 124.92 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 dose not arise.
- e) In the absence of specific agreements for these transactions, the question of over- dues does not arise for these transactions.
- f) The Company has taken unsecured loans during the year from other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. There are no specific agreements for these transactions and were made on 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:
- 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.
  - 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**
- 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.
  - 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, 2010 for a period of more than six months from the date they became payable .
  - The disputed statutory dues that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of statute	Nature of dues	Rupees in lakhs	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	44.55	FY 2002-03	Appellate Tribunal, Hyderabad
Andhra Pradesh Sales Tax Act, 1957	Sales Tax	49.68 78.00 28.82	FY 2000-01 FY 1999-00 FY 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  
(ICAI Registration No.004188S)

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

Place: Hyderabad  
Date: 29-05-2010

# BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
Share Capital	1	2,812.35	2,812.35
Reserves & Surplus	2	27,890.35	23,520.34
		<b>30,702.70</b>	26,332.69
<b>LOAN FUNDS</b>			
Secured Loans	3	11,032.54	13,596.05
Un-Secured loans	4	24.47	2.14
		<b>11,057.01</b>	13,598.19
DEFERRED TAX LIABILITY (NET) (refer note 6 of B of Schedule 16)		689.13	711.88
<b>TOTAL</b>		<b>42,448.84</b>	40,642.76
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	28,927.11	25,991.57
Less : Depreciation		7,931.93	5,325.33
Net Block		20,995.18	20,666.24
Capital work-in-progress		1,053.37	254.51
<b>INVESTMENTS</b>	6	6,506.79	11,050.82
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	1,367.71	1,854.76
Sundry Debtors		19,007.75	12,844.05
Cash & Bank Balance		3,912.95	4,322.03
Other Current Assets		7,945.89	5,291.78
Loans & Advances		19,624.72	10,797.90
		<b>51,859.02</b>	35,110.52
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	8	31,424.58	22,757.73
Provisions		7,164.61	4,394.36
		<b>38,589.19</b>	27,152.09
<b>NET CURRENT ASSETS</b>		<b>13,269.83</b>	7,958.43
<b>MISCELLANEOUS EXPENDITURE</b> 9 (To the extent not written off)		623.67	712.76
<b>TOTAL</b>		<b>42,448.84</b>	40,642.76
<b>Accounting Policies and Notes on Accounts</b> 16			

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

**C.Sukumar Babu**

Partner

Sd/-

**K.Narasimha Reddy**

Managing Director

For and on behalf of the Board

Sd/-

**K.Jalandhar Reddy**

Executive Director

Sd/-

**G.Sravana Kumar**

GM (F&A)

Sd/-

**M.V.Venkata Rao**

Company Secretary

Place : Hyderabad

Date : 29-05-2010

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Rupees in Lakhs

Particulars	Schedule	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>INCOME</b>			
Total Work Contract Receipts (Construction of Road Highways and Irrigation Projects)		89,917.27	76,865.36
Less: Company's Share in Joint Ventures		19,047.04	12,120.19
		<b>70,870.23</b>	64,745.17
Other Operating Income	10	376.33	215.65
Other Income	11	369.48	464.08
		<b>71,616.04</b>	<b>65,424.90</b>
<b>EXPENDITURE</b>			
Materials Consumed	12	18,943.39	18,105.89
Work Contract Expenses	13	38,452.58	34,480.84
Administration And Other Expenses	14	2,551.91	2,494.66
Interest And Finance Charges	15	699.08	1,115.70
Depreciation		2,617.52	2,501.90
Issue Expenses Written off		89.09	88.22
		<b>63,353.57</b>	<b>58,787.21</b>
<b>Profit Before Tax</b>		<b>8,262.47</b>	6,637.69
Provision for Taxation			
-Current Tax		2,711.87	2,131.01
-Fringe Benefit Tax		-	26.75
-Wealth Tax		3.05	2.35
-Deferred Tax		(22.76)	55.66
<b>Profit After Tax</b>		<b>5,570.31</b>	4,421.92
Add / (Less): Prior Period Items		87.15	(26.36)
Add / (Less): Prior Year's Taxation		(2.89)	(29.95)
Add / (Less): Prior period taxes of JV's		(626.50)	-
Profit After Tax and Prior period Adjustments		<b>5,028.07</b>	4,365.61
Balance in Profit and Loss account brought forward		9,571.03	6,313.48
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>14,599.10</b>	10,679.09
<b>APPROPRIATIONS</b>			
Proposed Dividend		562.47	562.47
Corporate Dividend Tax		95.59	95.59
Transferred to General Reserve		505.00	450.00
Balance carried to Balance Sheet		13,436.04	9,571.03
		<b>14,599.10</b>	10,679.09
Earnings per share of face value of Rs.10/- each			
- Basic (Rs.)		17.88	15.52
- Diluted (Rs.)		17.88	15.52

### Accounting Policies and Notes on Accounts 16

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

For and on behalf of the Board

Sd/-  
**C.Sukumar Babu**  
Partner

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

Sd/-  
**K.Jalandhar Reddy**  
Executive Director

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

Sd/-  
**M.V.Venkata Rao**  
Company Secretary

Place : Hyderabad  
Date : 29-05-2010

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

Rupees in Lakhs

Particulars	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	8,262.47	6,637.69
Adjustments for		
Depreciation	2,617.52	2,501.90
Issues Expenses Written Off	89.09	88.22
Provision for Gratuity	85.08	18.18
Loss on sale of assets and Discarded	0.57	83.47
Profit on sale of Assets	(0.02)	(8.72)
Dividend received on current investments	(217.49)	(282.37)
Interest and Financial Charges	908.19	1,308.83
Interest Received	(209.11)	(193.13)
	<b>3,273.83</b>	3,516.38
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>11,536.30</b>	10,154.07
(Increase)/Decrease in Trade and Other Receivables	(14,740.06)	(5,115.07)
(Increase)/Decrease in Inventories	487.05	(260.31)
Increase/(Decrease) in Trade Payables and Other Liabilities	9,568.45	8,774.79
	<b>(4,684.56)</b>	3,399.41
<b>CASH GENERATED FROM OPERATIONS</b>	<b>6,851.74</b>	13,553.48
Prior Period Items	87.15	(26.36)
Taxes paid	(3,543.01)	(1,886.27)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>3,395.88</b>	11,640.85
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and other Capital Expenditure	(3,746.86)	(5,581.82)
Proceeds from sale of Fixed Assets	0.99	37.51
Investments in Joint Ventures / SPV's / Mutual Funds	4,544.03	311.77
Dividend received on current investments	217.49	282.37
Interest Received	209.11	314.63
TDS on Interest Received	(20.70)	(35.03)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>1,204.06</b>	(4,670.57)
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Funds Borrowed / (Repaid)	(3,494.45)	(2,378.84)
Mobilization and Machinery advances received from customers	65.64	(2,291.65)
Interest paid	(922.15)	(1,316.49)
Issue Expenses	-	8.70
Dividend and Dividend Tax paid	(658.06)	(329.03)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(5,009.02)</b>	(6,307.31)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>(409.08)</b>	662.97
Cash and Cash Equivalents as at April 1 (Opening Balance)	4,322.03	3,659.06
Cash and Cash Equivalents (Closing Balance)	3,912.95	4,322.03

## Notes

- 1 Cash and Cash equivalents includes:
  - a. “Rs. 3597.54 (P.Y Rs. 3740.73) margin money in fixed deposits account against letters of Guarantee issued”
  - b. Rs.1.36 (P.Y 0.68) in Unclaimed Dividend Account and Rs. 0.09 (P.Y 0.27) in IPO refund account.
- 2 The Cash flow statement is prepared in accordance with the Indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- 3 Previous year’s figures have been regrouped, wherever necessary.
- 4 Figures in brackets represent cash outflows.
- 5 Notes on accounts stated in Schedule 16 form an integral part of the Cash Flow Statement.

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

Sd/-  
**C.Sukumar Babu**  
 Partner

Place : Hyderabad  
 Date : 29-05-2010

For and on behalf of the Board

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

Sd/-  
**K.Jalandhar Reddy**  
 Executive Director

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

Sd/-  
**M.V.Venkata Rao**  
 Company Secretary

# SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
35,000,000 (P.Y 35,000,000) Equity Shares of Rs. 10/- each	<u>3,500.00</u>	<u>3,500.00</u>
<b>Issued, Subscribed and Paid Up</b>		
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>
<b>TOTAL</b>	<u><u>2,812.35</u></u>	<u><u>2,812.35</u></u>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium</b>		
As per Last Balance Sheet	12,599.31	12,599.31
Add: Addition during the year	-	-
	<u>12,599.31</u>	<u>12,599.31</u>
<b>General Reserve</b>		
As per last Balance Sheet	1,350.00	900.00
Add: Transfer from Profit & Loss Account	505.00	450.00
	<u>1,855.00</u>	<u>1,350.00</u>
<b>Balance in Profit Loss Account</b>	<u>13,436.04</u>	<u>9,571.03</u>
<b>TOTAL</b>	<u><u>27,890.35</u></u>	<u><u>23,520.34</u></u>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>From Banks :</b>		
- Term Loan	1,258.99	3,903.88
- Working Capital Demand Loans from consortium of Banks	5,708.64	4,821.01
<b>From Others :</b>		
- Term Loan	431.58	1,303.47
<b>Secured Trade Advance :</b> (Recoverable against Work done bills, against Bank Guarantees)		
- Mobilization Advance	2,507.73	3,567.69
- Machinery Advance	1,125.60	-
<b>TOTAL</b>	<u><u>11,032.54</u></u>	<u><u>13,596.05</u></u>
Installments falling due within 12 months	<u>1,513.55</u>	<u>3,309.44</u>

**SCHEDULES** FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
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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 .
- 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	24.47	2.14
<b>TOTAL</b>	<b>24.47</b>	<b>2.14</b>

**SCHEDULE 5  
FIXED ASSETS**

Rupees in lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
		As at 01-04-09	Additions	Deductions/ Adjustments	As at 31-03-10	Up to 01-04-09	For the period	Deductions/ Adjustments	Up to 31-03-10	As at 31-03-10	As at 31-03-09
1.	Land	2,684.33	908.20	-	3,592.53	-	-	-	-	3,592.53	2,684.33
2.	Buildings	249.94	3.06	-	253.00	28.46	11.15	-	39.61	213.39	221.48
3.	Plant and Machinery	22,601.02	1,891.14	0.72	24,491.44	5,095.63	2,517.98	0.44	7,613.17	16,878.27	17,505.39
4.	Office Equipment	42.21	5.24	0.46	46.99	13.98	4.91	0.37	18.52	28.47	28.23
5.	Furniture and Fittings	60.10	5.66	0.03	65.73	33.08	8.31	0.01	41.38	24.35	27.02
6.	Computers & Accessories	52.00	7.11	8.13	50.98	29.17	10.95	7.95	32.17	18.81	22.83
7.	Office Vehicles	301.97	127.59	3.12	426.44	125.01	64.22	2.15	187.08	239.36	176.96
	<b>TOTAL</b>	<b>25,991.57</b>	<b>2,948.00</b>	<b>12.46</b>	<b>28,927.11</b>	<b>5,325.33</b>	<b>2,617.52</b>	<b>10.92</b>	<b>7,931.93</b>	<b>20,995.18</b>	<b>20,666.24</b>
	Capital Work in Progress									1,053.37	254.51
	As at 31st March, 2009	20,861.20	5,417.57	287.20	25,991.57	2,998.37	2,501.90	174.94	5,325.33	22,048.55	20,920.75
										20,666.24	-

## SCHEDULES

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>A. Long Term (At Cost)</b>		
i) In Govt. Securities National Savings Certificates	1.01	1.01
ii) In Subsidiary Companies - Unquoted (Fully Paid)		
1) KNR Agrotech & Beverages Pvt Ltd., (Wholly Owned Subsidiary) 10,000 Equity shares @ Rs.10/- each (P.Y 10,000 Equity shares @ Rs. 10/- each)	1.00	1.00
2) KNR Constructions - LLC, at Oman 162,500 Equity shares purchased during the year @ (01 Omani Rials each share fully paid up) (P.Y Nil)	206.07	-
iii) In Associate Companies - Unquoted (Fully Paid)		
1) Patel KNR Infrastructures Ltd., 14,800,000 Equity shares @ Rs.10/- each (P.Y 14,800,000 Equity shares @ Rs. 10/- each)	1,480.00	1,480.00
2) Patel KNR Heavy Infrastructure Pvt Ltd., 9,529,500 Equity shares @ Rs.10/- each (P.Y 9,529,500 Equity shares @ 10/- each) (these shares have been pledged to IDBI Trusteeship)	952.95	952.95
iv) In Mutal Funds - Quoted		
SBI Infrastructure Fund 50,000 Units @ Rs. 10/- each (Market Value Rs. 10.34/- (P.Y Rs. 5.650/-) each)	5.00	5.00
Magnum Comma 50,000 Units purchased during the year @ Rs. 10/- each (Market Value Rs. 16.37/- (P.Y Rs. Nil) each)	5.00	-
v) In Joint Venture	3,855.76	4,553.84
	<b>6,506.79</b>	<b>6,993.80</b>
<b>B. Current Investments - Quoted (Fully Paid)</b>		
Un-Utilised IPO Funds and Surplus Funds		
- Invested in various Mutual Funds schemes	-	4,057.02
Note: All amounts are invested in liquid funds only	-	4,057.02
<b>TOTAL</b>	<b>6,506.79</b>	<b>11,050.82</b>
Aggregate Value of Quoted Investments		
- Cost	10.00	4,062.02
- Market Value	13.37	4,064.85
Aggregate Value of Un-Quoted Investments	6,496.79	6,988.80

# SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 7</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>		
Inventories		
Materials at Site (As certified by the Management)	1,367.71	1,854.76
<b>TOTAL</b>	<b>1,367.71</b>	<b>1,854.76</b>
Sundry Debtors *		
(Unsecured, considered good)		
Debts Over Six months	3,579.74	1,347.64
Others Debts	15,428.01	11,496.41
<b>TOTAL</b>	<b>19,007.75</b>	<b>12,844.05</b>
* includes Rs. 4234.77 (P.Y Rs.3073.77) due from Company in which Directors are Interested		
Cash and Bank Balances		
Cash on hand	19.67	2.39
Balances with Scheduled Banks		
i) In Current Accounts	295.74	578.91
ii) In Margin Money Deposits (Lodged with Banks against guarantee / Letters of credit issued and freehold)	3,597.54	3,740.73
<b>TOTAL</b>	<b>3,912.95</b>	<b>4,322.03</b>
Other Current Assets (Unsecured, considered good)		
Retention Money	3,319.11	3,612.69
Other Deposits	552.37	541.44
Due from Customer	3,871.90	855.85
Hire Charges Receivable	7.82	15.04
VAT Receivable	192.00	264.07
Interest Accrued But Not Received	24.69	24.69
	7,967.89	5,313.78
Less: Provision for Doubtful Deposits	22.00	22.00
<b>TOTAL</b>	<b>7,945.89</b>	<b>5,291.78</b>
Loans & Advances (Unsecured and Considered good unless otherwise stated)		
Advances to Subsidiary Companies	124.92	43.88
Advances to Associate Companies (SPV's)	9,212.21	4,145.11
Advances Recoverable in cash or kind or for value to be received	3,772.38	3,042.58
Prepaid Expenses	268.10	223.79
Advance Tax for Income Tax / Wealth Tax / FBT	6,247.11	3,342.54
<b>TOTAL</b>	<b>19,624.72</b>	<b>10,797.90</b>

**SCHEDULES** FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
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**SCHEDULE 8**

**CURRENT LIABILITIES AND PROVISIONS**

Current Liabilities

Sundry Creditors	15,468.98	9,172.56
Advance from Clients *	757.67	743.14
Due to Customers	15,189.12	12,819.76
Interest Accrued But Not Due on loans	7.36	21.32
Liability towards Investors Education and Protection Fund	-	-
Unclaimed Dividend - Not Due	1.36	0.68
Unclaimed IPO Refund - Not Due	0.09	0.27
<b>TOTAL</b>	<b>31,424.58</b>	<b>22,757.73</b>

\* includes Rs.493.72 (P.Y Rs.400.00) payable to Company in which Directors are Interested

Provisions

Provision for Taxation	6,400.89	3,689.02
Provision for Fringe Benefit Tax	-	26.75
Provision for Wealth Tax	2.40	2.35
Provision for Gratuity	103.26	18.18
Provision for Dividend Tax	95.59	95.59
Proposed Dividend	562.47	562.47
<b>TOTAL</b>	<b>7,164.61</b>	<b>4,394.36</b>

**SCHEDULE 9**

**MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)

Opening Balance	712.76	809.68
Add/ (Less): Issue Expenses / Adjustments	-	(8.70)
Less: Written off during the period / year	89.09	88.22
<b>TOTAL</b>	<b>623.67</b>	<b>712.76</b>

# SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2010 Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 10</b>		
<b>OTHER OPERATING INCOME</b>		
Share of Profit / Loss from Joint Ventures	350.74	143.52
Hire Charges Received	25.59	72.13
<b>TOTAL</b>	<b>376.33</b>	<b>215.65</b>
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
Profit on Sale of Assets	0.02	8.72
Liabilities no longer required written back	0.10	1.98
Foreign Currency Exchange Fluctuations	(0.66)	1.93
Dividend from Current Investments	217.49	282.37
Insurance Claims Received	15.32	54.21
Miscellaneous Receipts	137.21	114.87
<b>TOTAL</b>	<b>369.48</b>	<b>464.08</b>
<b>SCHEDULE 12</b>		
<b>MATERIALS CONSUMED</b>		
Stock at Commencement	1,854.76	1,594.45
Add: Net Purchases	18,456.34	18,366.20
	20,311.10	19,960.65
Less: Closing Stock	1,367.71	1,854.76
<b>TOTAL</b>	<b>18,943.39</b>	<b>18,105.89</b>
<b>SCHEDULE 13</b>		
<b>WORK CONTRACT EXPENSES</b>		
Sub-contractors Work Bills	27,448.20	19,386.55
Transport Charges	661.31	364.81
Power Charges	136.37	230.76
Seigniorage Charges	647.30	529.88
Value Added Tax (VAT) / Sales Tax	1,021.81	1,716.36
Recoveries by Clients	83.05	248.23
Repairs & Maintenance		
- Plant & Machinery and Vehicles	259.88	718.61
- Buildings & Others	12.35	20.20
Spreading & Assortment Exp.	7,431.55	10,277.15
Other Expenses	750.76	988.29
<b>TOTAL</b>	<b>38,452.58</b>	<b>34,480.84</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2010 Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
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### SCHEDULE 14

#### ADMINISTRATION AND OTHER EXPENSES

Salaries , Wages and Other Benefits	1,468.85	1,456.93
Contribution to Provident Fund and Other Funds	47.61	24.04
Staff Welfare Expenses	32.10	31.09
Directors Remuneration	150.00	114.00
Traveling & Conveyance	73.58	79.36
Boarding & Lodging Expenses	8.17	9.71
Printing & Stationery	31.87	26.28
Postage, Telegrams and Telephones	34.50	38.87
Rates & Taxes	92.94	94.85
Tender Expenses	27.78	17.84
Business Promotion Exp	15.60	8.49
Office Maintenance	15.88	12.76
Rent Expenses	63.81	56.54
Advertisement and publicity	26.11	18.07
Legal & Professional Charges	122.30	184.65
Electricity Charges	12.64	10.41
Insurance	255.79	161.27
Miscellaneous Expenses	59.96	54.79
Loss on Sale of Assets / discarded	0.57	83.47
Bad Debts / Advances written off	0.85	2.08
Director's Sitting Fees	6.00	4.15
Auditor Remuneration :		
Audit Fees	2.00	1.88
Tax Audit Fees	1.00	0.94
Other Services	2.00	2.19
<b>TOTAL</b>	<b>2,551.91</b>	<b>2,494.66</b>

### SCHEDULE 15

#### INTEREST AND FINANCIAL CHARGES

Interest on		
Working Capital Demand Loans and Cash Credit	260.20	384.15
Term Loans	310.59	638.53
Mobilization and Machinery Advances	-	14.13
Directors Advances	2.04	7.40
Others	3.21	45.47
	576.04	1,089.68
Less: Interest received from banks and others	209.11	193.13
(Gross of Tax Deducted at Source Rs. 20.70 (P.Y 35.03))	366.93	896.55
Financial Charges	332.15	219.15
<b>TOTAL</b>	<b>699.08</b>	<b>1,115.70</b>

# SCHEDULES FORMING PART OF THE ACCOUNTS

## Schedule – 16

### Accounting Policies and Notes on Accounts

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### a) Method of Accounting

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

##### b) Use of Accounting Estimates

The preparation of 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, construction materials and stores & spares are valued at weighted average cost. Cost excludes refundable duties and taxes.

##### h) Employee Benefits

###### i. Gratuity

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

###### ii. Provident Fund

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

###### iii. Other Benefits

Leave Encashment, Service Compensation, Bonus, and medical re-imbursment 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) Earnings per Share (EPS)**

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

#### **o) Provisions, Contingent Liabilities and Contingent Assets**

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

## B. NOTES ON ACCOUNTS

1. All amounts in the financial statements are presented in 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	2009-10	2008-09
a.	Bank Guarantees		
	- for Company	19338.34	9537.22
	- for Joint Ventures'	4086.20	2699.62
	- for SPV's	622.32	1105.92
	TOTAL	24,046.86	13,342.76
b.	Corporate guarantee	52642.25	52642.25
c.	Letter of Credit	Nil	Nil
d.	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	156.50	165.61
e.	Claims against the Company not acknowledged as debts	Nil	Nil
f.	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	2009-10	2008-09
a.	For Construction Equipments	300.00	Nil
b.	For Equity investment in BOT Project	Nil	247.05
c.	For un-secured loan in BOT Project	Nil	3609.69

### 4. Cash and Bank Balances

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

### 5. Managerial Remuneration

Rupees in Lakhs

Sl. No	Particulars	2009-10	2008-09
a.	Salaries, allowances and perquisites	160.99	114.00
b.	Sitting Fees	6.00	4.15
	TOTAL	167.08	118.15

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

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

Rupees in Lakhs

Sl. No	Particulars	2009-10	2008-09
a.	Profit before Taxation	8262.47	6637.69
b.	Add: Managerial Remuneration	160.99	114.00
	Loss on Sale of Fixed Assets / Written off Assets	0.57	83.47
	Provision for Gratuity	85.08	18.18
	<b>Sub- Total</b>	<b>246.64</b>	<b>215.65</b>
c.	Less: Profit on Sale of Fixed Assets	0.02	8.72
	Total ( Profit for the year as per Section 349)	8509.09	6844.62
	Maximum remuneration payable	936.00	752.91
	Remuneration paid	160.99	114.00

## 6. Deferred Taxes

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

Rupees in Lakhs

Particulars	2009-10	2008-09
a. Deferred Tax Assets on timing difference due to: Expenditure not allowed u/s 43B and 40 a (ia)	-27.68	-24.99
b. Deferred Tax Liabilities on timing difference due to : Depreciation	4.93	30.67
<b>Net Deferred Tax Liability (a-b)</b>	<b>-22.75</b>	<b>55.66</b>

## 7. Earning Per Share

Rupees in Lakhs

Sl. No	Particulars	31.03.2010	31.03.2009
a.	Net Profit for the year after tax and prior year items	5028.07	4365.61
		Nos.	Nos.
b.	Weighted Average number of equity shares for basic EPS ( in lakhs)	281.23	281.23
c.	Face Value per share	10	10
d.	Basic EPS	17.88	15.52

## 8. Expenditure / Remittance in Foreign Currency

Rupees in Lakhs

Sl. No	Particulars	31.03.2010	31.03.2009
a.	On account of Travel (including boarding & lodging Exp)	8.92	0.44
b.	On account of Professional Services	Nil	3.74
c.	On account of Capital Goods	158.31	832.45
d.	On account of Investment	206.07	Nil

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

Rupees in Lakhs

Sl.No	Particulars	2009-10	2008-09
a.	Contract Revenue recognized as revenue during the year	70870.23	64745.17
b.	Contract costs incurred and recognized Profits, less losses	70870.23	64745.17
c.	Advances received, net of recoveries from Progressive bills	4391.00	4310.82
d.	Retention Deposits	3319.11	3612.66
e.	Gross amount due from customers	3871.90	855.85
f.	Gross amount due to customers	15189.12	12819.76

## 10. 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	
	31-03-2010	31-03-2009	2009-10	2008-09
<b>A. Subsidiaries</b>				
KNR Agrotech Beverage Pvt Ltd.,	124.92	43.88	124.92	43.88
KNR Constructions LLC, Oman	Nil	NA	Nil	NA
<b>B. Associates</b>				
Patel –KNR Infrastructure Ltd.,	4260.41	3,018.66	4260.41	3,018.66
Patel-KNR Heavy Infrastructure Pvt Ltd.,	4951.79	1,126.45	4981.08	1,839.88
<b>D. Loans and Advances where there is no repayment schedule</b>				
KNR Agrotech Beverage Pvt Ltd.,	124.92	43.88	124.92	43.88
Patel –KNR Infrastructure Ltd.,	4260.41	3,018.66	4260.41	3,018.66
Patel-KNR Heavy Infrastructure Pvt Ltd.,	4951.79	1,126.45	4981.08	1,839.88
<b>E. Loans where no interest is charged or interest is below section 372A of Companies Act, 1956</b>				
KNR Agrotech Beverage Pvt Ltd., *	124.92	43.88	124.92	43.88
Patel –KNR Infrastructure Ltd., **	4260.41	3,018.66	4260.41	3,018.66
Patel-KNR Heavy Infrastructure Pvt Ltd., **	4951.79	1,126.45	4981.08	1,839.88
<b>F. Loans to firms / Companies in which directors are interested</b>	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.

## 11. Details of utilization of IPO proceeds

The Company raised funds through IPO in the F.Y 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 31-03-2010
a. Investment in Capital Equipment	2130.47	2130.47
b. Investment in BOT Projects - As equity contribution & Unsecured Loans	7834.60	7834.60
c. Working Capital	2522.06	2522.06
d. Issue Expenses	899.64	899.64
<b>TOTAL</b>	<b>13386.77</b>	<b>13386.77</b>

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

## 13. Segmental Reporting

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

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

Name of the Company	Per-centage of Holding	Assets	Liabilities	Contingent Liabilities	Capital Commitment	Rupees in Lakhs	
						Income	Expenditure
Patel-KNR-JV	50%	10247.41	10247.41	Nil	Nil	29625.33	28668.91
KNR-Patel-JV	51%	369.82	369.82	Nil	Nil	3.84	108.48
NCC-KNR-JV *	Project wise	547.02	547.02	Nil	Nil	7.50	18.83
KNR-SLEC-JV	60%	213.86	213.86	Nil	Nil	320.92	304.51
KNR-BPL-JV	49%	152.05	152.05	33.90	Nil	280.98	280.98
KNR-GVR-JV	51%	9650.08	9650.08	Nil	Nil	11743.90	11215.42
KNR-JKM-KAMAL-JV	50%	Nil	Nil	Nil	Nil	Nil	Nil

\* As per Un-audited Balance Sheet

## 15. Related Party Transactions

### A) Following is the list of related parties and relationships:

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

### B) Related party transactions during the year ended March 31, 2010 are as follows:

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

Rupees in Lakhs

Sl. No	Particulars	Subsidiaries	Associates	Joint Ventures	Key Management Personnel	Enterprises own or significantly influenced by Key Management Personnel or their relatives
1	Net Investments	206.07 (1.00)	- (952.55)	-422.33 (922.51)	- (-)	- (-)
2	Share Application Money pending allotment	- (-)	- (-200.00)	- (-)	- (-)	- (-)
3	Un-secured loan given	81.04 (43.88)	5067.10 (1291.67)	- (-)	- (-)	- (-)

4	Un-secured loan received	-	-	-	36.50	-
		(-)	(-)	(-)	(210.32)	(-)
5	Un-secured loan re-paid	-	-	-	16.02	-
		(-)	(-)	(-)	(295.78)	(-)
6	Net Share of Profit	-	-	350.74	-	-
		(-)	(-)	(143.52)	(-)	(-)
7	Share of Income Tax expenses	-	-	626.50	-	-
		(-)	(-)	(-)	(-)	(-)
8	Sub-Contract Jobs given	-	-	281.82	-	-
		(-)	(-)	(273.42)	(-)	(-)
9	Sub-Contract / (EPC) Jobs received	-	2893.87	3963.55	-	-
		(-)	(20111.28)	(12771.61)	(-)	(-)
10	Remuneration paid (including other benefits)	-	-	-	175.99	-
		(-)	(-)	(-)	(114.00)	(-)
11	Land Lease and Office Rent Paid	-	-	-	24.09	-
		(-)	(-)	(-)	(21.30)	(-)
12	Rent Received	-	-	-	0.60	-
		(-)	(-)	(-)	(0.60)	(-)
13	Interest Paid	-	-	-	2.04	-
		(-)	(-)	(-)	(7.40)	(-)
14	Interest Received	-	3.73	46.98	-	-
		(-)	(3.73)	(49.10)	(-)	(-)
15	BG Commission received	-	-	57.50	-	-
		(-)	(-)	(-)	(-)	(-)
16	Professional Charges received from Patel-KNR_JV by Directors	-	-	-	98.13	(-)
		(-)	(-)	(-)	(74.12)	(-)
17	Security Deposits Paid	-	-	-	-	-
		(-)	(-)	(-)	(10.00)	(10.00)
18	Corporate Guarantee Given	-	52142.25	500.00	-	-
		(-)	(52142.25)	(500.00)	(-)	(-)
19	Bank Guarantee Given	-	622.32	4086.20	-	-
		(-)	(1105.92)	(269.62)	(-)	(-)
20	Debit balances outstanding as on 31st March, 2010	-	1475.12	4343.36	10.00	10.00
		(-)	(3073.77)	(3636.80)	(-)	(-)
21	Credit balances outstanding as on 31st March,2010	-	-	493.72	-	-
		(-)	(4791.20)	(1281.93)	(-)	(-)

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

Rupess in Lakhs

Name of the Party	Relation -ship	Opening Balance as on 01-04-2009	Loan received during the year	Interest (net of TDS)	Loan re-paid during the year	Outstanding as on 31-03-2010
K.Narasimha Reddy	M.D	0.12	-	0.01	-	0.13
K.Jalandhar Reddy	E.D	1.58	-	0.04	0.92	0.70
M.Rajesh Reddy	E.D	0.10	-	-	0.10	-
J.V.Panindra Reddy	E.D	0.33	36.50	1.80	15.00	23.63

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

Signatures to Schedules 1 to 16 forming part of the financial statements.As per our report of even date attached

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

Sd/-

**C.Sukumar Babu**  
Partner

Place : Hyderabad  
Date : 29-05-2010

For and on behalf of the Board

Sd/-

**K.Narasimha Reddy**  
Managing Director

Sd/-

**K.Jalandhar Reddy**  
Executive Director

Sd/-

**G.Sravana Kumar**  
GM (F&A)

Sd/-

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

# **Consolidated Financial Statements**

# AUDITORS' REPORT CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors  
**KNR Constructions Limited**

1. We have audited the attached Consolidated Balance Sheet of KNR Constructions Limited ("the Company") and its Subsidiaries, Joint Ventures and Associates (collectively referred as 'the Group') as at March 31, 2010 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 certain subsidiaries, jointly controlled entities and associates, whose financial statements reflect Group's share of total assets of Rs 13466.70 lakhs as at March 31, 2010, Group's share of total revenue of Rs.19047.04 lakhs, and Group's share of profit of Rs330.37 lakhs for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it related to the amounts included in respect of these Subsidiaries, Joint Ventures, Associates is based solely on the report of other auditors.
4. We report that:
  - a. the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21: Consolidated Financial Statements, Accounting Standard-23: Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard-27: Financial Reporting of Interests in Joint Ventures notified by the Companies (Accounting Standards) Rules, 2006 ;
  - b. Based on our audit and on consideration of reports of the other auditors on separate statements and on the other financial information of the components, subject to 3 above, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
    - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
    - iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

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

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

Place: Hyderabad  
Date: 29-05-2010

## CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>I. SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
Share Capital	1	2,812.35	2,812.35
Reserves & Surplus	2	29,454.47	23,520.36
		<b>32,266.82</b>	26,332.71
Minority Interest		99.56	-
<b>LOAN FUNDS</b>			
Secured Loans	3	15,574.79	16,798.57
Un-Secured loans	4	59.47	154.00
		<b>15,634.26</b>	16,952.57
<b>DEFERRED TAX LIABILITY</b>		<b>696.77</b>	711.88
<b>TOTAL</b>		<b>48,697.41</b>	<b>43,997.16</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	34,624.24	31,629.36
Less : Depreciation		10,307.34	7,180.74
Net Block		<b>24,316.90</b>	24,448.62
Capital work-in-progress		1,102.47	254.51
Goodwill on Consolidation		0.58	0.46
<b>INVESTMENTS</b>	6	<b>3,404.64</b>	6,496.24
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	3,694.19	5,202.97
Sundry Debtors		19,114.40	14,006.72
Cash & Bank Balance		5,395.81	5,900.00
Other Current Assets		8,726.48	5,509.72
Loans & Advances		24,271.23	12,619.46
		<b>61,202.11</b>	43,238.87
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	8	34,590.47	26,759.94
Provisions		7,362.48	4,394.36
		<b>41,952.95</b>	31,154.30
Net Current Assets		<b>19,249.16</b>	12,084.57
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off)	9	<b>623.66</b>	712.76
<b>TOTAL</b>		<b>48,697.41</b>	<b>43,997.16</b>

### Accounting Policies and Notes on Accounts 17

Schedules referred to above from an integral part of the accounts

As per our report of even date attached

For **Sukumar Babu & Co.,**

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

**C.Sukumar Babu**  
Partner

Sd/-

**K.Narasimha Reddy**  
Managing Director

For and on behalf of the Board

Sd/-

**K.Jalandhar Reddy**  
Executive Director

Sd/-

**G.Sravana Kumar**  
GM (F&A)

Sd/-

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

Place : Hyderabad

Date : 29-05-2010

# CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2010 Rupees in Lakhs

Particulars	Schedule	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>I. INCOME</b>			
Total Work Contract Receipts		89,917.27	76,865.36
Other Operating Income	10	28.09	72.13
Other Income	11	466.27	488.80
		<u>90,411.63</u>	<u>77,426.29</u>
<b>II. EXPENDITURE</b>			
Materials Consumed	12	23,971.70	22,596.77
Work Contract Expenses	13	48,993.62	38,981.08
Administration And Other Expenses	14	3,397.39	3,147.15
Interest And Finance Charges	15	1,187.10	1,648.98
Depreciation		3,202.03	3,026.51
Increase/Decrease in Work-in-Progress	16	988.09	1,281.51
Issue Expenses Written off		89.09	88.22
		<u>81,829.02</u>	<u>70,770.22</u>
Profit Before Tax		8,582.61	6,656.07
Provision for Taxation			
- Current Tax		3,052.63	2,141.80
- Fringe Benefit Tax		-	31.18
- Wealth Tax		3.05	2.35
- Deferred Tax		(15.11)	55.66
Profit After Taxation		<u>5,542.04</u>	<u>4,425.08</u>
Add/(Less): Prior Period Items		87.16	(26.36)
Add/(Less) Less: Prior Year's Taxation		(4.99)	(33.09)
Profit After Tax before Minority Interest		<u>5,624.21</u>	<u>4,365.63</u>
Add/(Less) Share of profit from Associates		960.42	-
Add/(Less) Minority Interest		10.00	-
Profit after Tax and Minority Interest		<u>6,594.63</u>	<u>4,365.63</u>
Balance in Profit and Loss account brought forward		9,571.05	6,313.48
AMOUNT AVAILABLE FOR APPROPRIATIONS		<u>16,165.68</u>	<u>10,679.11</u>
<b>APPROPRIATIONS</b>			
Proposed Dividend		562.47	562.47
Corporate Dividend Tax		95.59	95.59
Transferred to General Reserve		505.00	450.00
Balance carried to Balance Sheet		<u>15,002.62</u>	<u>9,571.05</u>
		<u>16,165.68</u>	<u>10,679.11</u>
Earning Per share - Basic/Adjusted		23.45	15.52
- Diluted		23.45	15.52
Accounting Policies and Notes on Accounts	17		

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

For **Sukumar Babu & Co.,**

For and on behalf of the Board

Chartered Accountants

(ICAI Registration No.004188S)

Sd/-

Sd/-

Sd/-

Sd/-

Sd/-

**C.Sukumar Babu**

**K.Narasimha Reddy**

**K.Jalandhar Reddy**

**G.Sravana Kumar**

**M.V.Venkata Rao**

Partner

Managing Director

Executive Director

GM (F&A)

Company Secretary

Place : Hyderabad

Date : 29-05-2010

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 31ST MARCH, 2010

Rupees in Lakhs

Particulars	For the year ended 31st March, 2010	For the year ended 31st March, 2009
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	8,582.61	6,656.07
Adjustments for:		
Depreciation	3,202.03	3,026.51
Issues Expenses Written Off	89.09	88.22
Provision for Gratuity	85.08	18.18
Loss on sale of assets and Discarded	1.10	209.60
Profit on sale of Assets	(1.98)	(8.72)
Dividend Received on Current Investments	(217.49)	(282.37)
Interest and Financial Charges	1,398.64	1,831.71
Interest Received	(211.54)	(182.73)
	4,344.93	4,700.40
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	12,927.54	11,356.47
Adjustments for changes in		
Trade and Other Receivables	(17,377.35)	(5,545.61)
Inventories	1,508.78	805.95
Trade Payables and Other Liabilities	8,732.12	9,109.11
	(7,136.45)	4,369.45
Cash generated from Operations	5,791.09	15,725.92
Prior Period Items, Minority Interest and Share of profit from Associates	1,057.58	(26.36)
Taxes paid	(2,756.99)	(2,367.09)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	4,091.68	13,332.47
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and other Capital Expenditure	(3,943.71)	(6,889.54)
Proceeds from sale of Fixed Assets	24.46	113.15
Dividend Received on Current Investments	217.49	282.37
Investment in Mutual Funds, Associates and others	3,091.60	1,235.28
Foreign Exchange Translation adjustment (arising on consolidation)	2.46	-
Goodwill on Consolidation	(0.12)	-
Minority Interest	99.56	-
Interest Received	209.69	303.69
TDS on Interest Received	(20.70)	(16.17)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(319.27)	(4,971.22)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long Term Funds Borrowed / (Repaid)	(4,972.36)	(1,704.87)
Mobilization and Machinery advances received from customers	2,766.42	(2,375.76)
Interest paid	(1,412.60)	(1,839.37)
Issue Expenses	-	8.24
Dividend and Dividend Tax paid	(658.06)	(329.03)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	(4,276.60)	(6,240.79)
<b>D) NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	(504.19)	2,120.46
Cash and Cash Equivalents as at April 1 (Opening Balance)	5,900.00	3,779.54
Cash and Cash Equivalents as at March 31 (Closing Balance)	5,395.81	5,900.00
<b>Net Cash Flow</b>	(504.19)	2,120.46

## Notes

- 1 Cash and Cash equivalents includes:  
“Rs. 4142.54 (P.Y Rs. 3742.09) margin money in fixed deposits account against letters of Guarantee issued”  
  
Rs.1.36 (P.Y 0.68) in Unclaimed Dividend Account and Rs. 0.09 (P.Y 0.27) 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.

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As per our report of even date attached

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

Sd/-

**C.Sukumar Babu**  
Partner

Sd/-

**K.Narasimha Reddy**  
Managing Director

For and on behalf of the Board

Sd/-

**K.Jalandhar Reddy**  
Executive Director

Sd/-

**G.Sravana Kumar**  
GM (F&A)

Sd/-

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

Place : Hyderabad

Date : 29-05-2010

**CONSOLIDATED SCHEDULES** FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010 Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
35,000,000 (P.Y 35,000,000) Equity Shares of Rs. 10/- each	3,500.00	3,500.00
<b>Issued, Subscribed and Paid Up</b>		
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)	2,812.35	2,812.35
<b>TOTAL</b>	<b>2,812.35</b>	<b>2,812.35</b>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Securities Premium</b>		
As per Last Balance Sheet	12,599.31	12,599.31
Add: Addition during the year	-	-
	12,599.31	12,599.31
<b>General Reserve</b>		
As per last Balance Sheet	1,350.00	900.00
Add: Transfer from Profit & Loss Account	505.00	450.00
	1,855.00	1,350.00
<b>Foreign Currency Translation Reserve</b>	(2.46)	-
<b>Balance in Profit Loss Account</b>	15,002.62	9,571.05
<b>TOTAL</b>	<b>29,454.47</b>	<b>23,520.36</b>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS :</b>		
<b>From Banks :</b>		
Term Loans	1,904.95	5,680.57
All CC A/cs	5,708.64	4,821.01
<b>From Others :</b>		
Term Loans	752.19	1,854.40
<b>Secured Trade Advance :</b>		
(Recoverable against Work done bills, against Bank Guarantees)		
- Mobilization Advance	5,807.20	4,442.59
- Machinery Advance	1,401.81	-
<b>TOTAL</b>	<b>15,574.79</b>	<b>16,798.57</b>
Installments falling due within 12 months	1,513.55	3,309.44

# CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
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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	33.15	150.00
From Directors	26.32	4.00
<b>TOTAL</b>	59.47	154.00

**SCHEDULE 5  
FIXED ASSETS**

Rupees in lakhs

Sl No	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at 01-04-09	Additions	Deductions/ Adjustments	As at 31-03-10	Up to 01-04-09	For the period	Deductions/ Adjustments	Up to 31-03-10	As at 31-03-10	As at 31-03-09
1.	Land	2,844.46	919.18	-	3,763.64	8.17	0.52	-	8.69	3,754.95	2,836.29
2.	Buildings	270.86	3.06	-	273.92	30.90	11.50	-	42.40	231.52	239.96
3.	Plant and Machinery	27,858.13	2,004.83	68.90	29,794.06	6,858.00	3,079.27	49.47	9,887.80	19,906.26	21,000.13
4.	Office Equipment	59.20	6.63	2.61	63.22	23.94	7.19	2.42	28.71	34.51	35.26
5.	Furniture and Fittings	74.57	5.89	0.83	79.63	44.86	9.23	0.81	53.28	26.35	29.71
6.	Computers & Accessories	74.69	10.02	13.08	71.63	48.05	13.62	12.90	48.77	22.86	26.64
7.	Vehicles	447.45	146.14	15.45	578.14	166.82	82.56	11.69	237.69	340.45	280.63
	<b>TOTAL</b>	<b>31,629.36</b>	<b>3,095.75</b>	<b>100.87</b>	<b>34,624.24</b>	<b>7,180.74</b>	<b>3,203.89</b>	<b>77.29</b>	<b>10,307.34</b>	<b>24,316.90</b>	<b>24,448.62</b>
	Capital Work in Progress									1,102.47	254.51
										25,419.37	24,703.13
	<b>Previous Year</b>	<b>25,516.35</b>	<b>6,726.57</b>	<b>613.56</b>	<b>31,629.36</b>	<b>4,453.76</b>	<b>3,026.51</b>	<b>299.53</b>	<b>7,180.74</b>	<b>24,448.62</b>	<b>-</b>

Note: In Vehicles gross block deductions/ adjustments Rs. 0.06 lakhs represents foreign currency translation relating to overseas subsidiary.

# CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
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## SCHEDULE 6

### INVESTMENTS

#### A. Long Term Investments (At cost)

##### i) In Govt. Securities

National Savings Certificates & Kisan Vikas Patras	1.27	1.27
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##### ii) In Associate Companies - Fully Paid - (Unquoted )

a) Patel-KNR Infrastructure Ltd.,	1,480.00	1,480.00
Add: Share of profit	960.42	-
b) Patel-KNR-Heavy Infrastructure Pvt Ltd.,		
- 66,70,000 no. shares were pledged to IDBI trusteeship services	952.95	952.95

##### iii) In Mutal Funds - Quoted

50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs. 10.34/- (P.Y Rs. 5.650/-) each)	5.00	5.00
50,000 Units @ Rs. 10/- each of SBI Infrastructure Fund (Market Value Rs. 16.37/- (P.Y Nil) each)"	5.00	-
	<u>3,404.64</u>	<u>2,439.22</u>

#### B. Current Investments - Quoted (Fully Paid)

Un-Utilised IPO Funds and Surplus Funds		
- Invested in various Mutual Funds schemes	-	4,057.02
Note: All amounts are invested in liquid funds.	<b>TOTAL</b>	<u>6,496.24</u>
Aggregate Value of Quoted Investments		
- Cost	10.00	4,062.02
- Market Value	13.37	4,064.85
Aggregate Value of Un-Quoted Investments	2,434.22	2,434.22

## SCHEDULE 7

### CURRENT ASSETS, LOANS AND ADVANCES

#### Inventories

Materials at Site	1,975.32	2,496.01
Work in progress	1,718.87	2,706.96
	<b>TOTAL</b>	<u>5,202.97</u>

#### Sundry Debtors

(Unsecured, considered good)

Over 6 months	2,867.05	634.95
Less than 6 months	16,247.35	13,371.77
	<b>TOTAL</b>	<u>14,006.72</u>

## CONSOLIDATED SCHEDULES

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>Cash and Bank Balances</b>		
Cash on Hand	23.98	7.28
Balances with Scheduled Banks		
- In Current Account	1,229.29	2,150.63
- In Margin Money Deposits (Lodged with Banks against guarantee / LC's and free hold)	4,142.54	3,742.09
<b>TOTAL</b>	<b>5,395.81</b>	<b>5,900.00</b>
<b>Other Current Assets</b>		
(Unsecured, considered good)		
Retention Money	3,343.79	3,701.25
Deposits and Other Receivables	1,304.93	669.32
Due from Customer	3,871.90	855.85
Hire Charges Receivable	7.82	15.04
VAT Receivable	192.00	264.07
Interest Accrued But Not Received	28.04	26.19
	8,748.48	5,531.72
Less: Provision for Doubtful Deposits	22.00	22.00
<b>TOTAL</b>	<b>8,726.48</b>	<b>5,509.72</b>
<b>Loans &amp; Advances</b>		
(Unsecured considered good unless otherwise stated)		
Loans to Associate Companies (SPV's)	9,212.21	4,145.11
Advances Recoverable in cash or kind or for value to be received	7,538.78	3,473.75
Prepaid Expenses	416.57	493.94
Advance Tax for Income Tax / Wealth Tax / FBT	7,103.67	4,506.66
<b>TOTAL</b>	<b>24,271.23</b>	<b>12,619.46</b>
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities		
Sundry Creditors	18,255.78	12,397.75
Unclaimed Dividend	1.36	0.68
Unclaimed IPO Refund	0.09	0.27
Advance from Clients	1,136.76	1,520.16
Due to Customers	15,189.12	12,819.76
Interest Accrued But Not Due	7.36	21.32
<b>TOTAL</b>	<b>34,590.47</b>	<b>26,759.94</b>
Provisions		
Provision for Taxation	6,598.76	3,689.02
Provision for Fringe Benefit Tax	-	26.75
Provision for Wealth Tax	2.40	2.35
Provision for Gratuity	103.26	18.18
Proposed Dividend	562.47	562.47
Provision for Dividend Tax	95.59	95.59
<b>TOTAL</b>	<b>7,362.48</b>	<b>4,394.36</b>

# CONSOLIDATED SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 9</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Opening Balance	712.76	809.22
Add: Issue Expenses	-	(8.24)
Less: Written off during the year	89.10	88.22
<b>TOTAL</b>	<b>623.66</b>	712.76

## CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 10</b>		
<b>OTHER OPERATING INCOME :</b>		
Hire Charges Received	28.090	72.13
<b>TOTAL</b>	<b>28.090</b>	<b>72.13</b>
<b>SCHEDULE 11</b>		
<b>OTHER INCOME :</b>		
Profit on Sale of Assets	1.980	8.72
Liabilities no longer required written back	7.650	12.05
Foreign Currency Exchange Fluctuations	(0.270)	1.93
Dividend Received from Current Investments	217.490	282.37
Insurance Claim Received	15.320	54.21
Miscellaneous Receipts	224.100	129.52
<b>TOTAL</b>	<b>466.270</b>	<b>488.80</b>
<b>SCHEDULE 12</b>		
<b>MATERIALS CONSUMED :</b>		
Stock at Commencement	2,496.010	2,020.44
Add: Net Purchases	23,451.020	23,072.34
Less: Closing Stock	1,975.330	2,496.01
<b>TOTAL</b>	<b>23,971.700</b>	<b>22,596.77</b>
<b>SCHEDULE 13</b>		
<b>WORK CONTRACT EXPENSES :</b>		
Sub-contractors Work Bills	36,006.580	22,351.11
Transport Charges	697.920	399.88
Power Charges	160.690	281.70
Seigniorage Charges	843.060	756.88
Sales Tax / VAT	1,410.680	2,066.02
Recoveries by Clients	139.980	274.05
Repairs & Maintenance		
- Plant & Machinery and Vehicles	1,071.690	722.81
- Buildings & Others	20.260	571.33
Spreading & Assortment Exp.	7,578.490	10,391.25
Preparatory Works Expenses	110.990	75.48
Other Expenses	953.280	1,090.57
<b>TOTAL</b>	<b>48,993.620</b>	<b>38,981.08</b>

# CONSOLIDATED SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 14</b>		
<b>ADMINISTRATION AND OTHER EXPENSES :</b>		
Salaries , Wages and Other Benefits	1,863.730	1,769.54
Contribution to Provident Fund and Other Funds	48.060	24.60
Staff Welfare Expenses	46.740	37.74
Directors Remuneration	150.000	114.00
Traveling & Conveyance	95.460	89.96
Boarding & Lodging Expenses	12.860	13.86
Printing & Stationery	40.620	33.94
Postage, Telegrams and Telephones	44.760	48.68
Rates & Taxes	115.700	129.53
Tender Expenses	87.840	20.53
Business Promotion Exp	15.600	8.49
Office Maintenance	15.880	12.76
Rent Expenses	78.620	64.46
Advertisement and publicity	26.270	18.31
Legal & Professional Charges	311.430	231.17
Electricity Charges	12.640	10.41
Insurance	326.920	218.94
Miscellaneous Expenses	86.390	75.13
Loss on Sale of Assets / discarded	1.100	209.60
Bad Debts / Advances written off	1.500	2.22
Directors Sitting Fees	6.000	4.15
Auditor Remuneration :		
Audit Fees	6.270	6.00
Tax Audit Fees	1.000	0.94
Other Services	2.000	2.19
<b>TOTAL</b>	<b>3,397.390</b>	<b>3,147.15</b>

## SCHEDULE 15

### INTEREST AND FINANCIAL CHARGES :

Interest on		
Working Capital Demand Loans and Cash Credit	260.200	384.15
Term Loans	533.510	858.12
Mobilization and Machinery Advances	71.400	132.52
Directors Advances	2.040	7.40
Others	118.660	139.38
	985.810	1,521.57
Less: Interest received from banks and others	211.540	182.73
(Gross of Tax Deducted at Source Rs. 20.70 (P.Y 35.03))	774.270	1,338.84
Financial Charges	412.830	310.14
<b>TOTAL</b>	<b>1,187.100</b>	<b>1,648.98</b>

## CONSOLIDATED SCHEDULES

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Rupees in Lakhs

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 16</b>		
<b>(INCREASE)/DECREASE IN WORK-IN-PROGRESS:</b>		
Opening Work in Progress	2,706.960	3,988.47
Less : Closing Work in Progress and Aggregates	1,718.870	2,706.96
<b>TOTAL</b>	<b>988.090</b>	<b>1,281.51</b>

## SCHEDULE 17

### Accounting Policies and Notes on Accounts

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Principles of Consolidation

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

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

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

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

3. **Other significant accounting policies:**

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

b) **Use of Estimates :**

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

c) **Fixed Assets and Depreciation:**

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

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

**g) Employee Benefits :**

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

**i) Gratuity**

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

**ii) Provident Fund**

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

**ii) Other Benefits**

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

**h) Preliminary/Issue Expenses**

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

**i) Revenue Recognition :**

**a) Fixed price contracts received up to March 31, 2003**

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

**b) Fixed price contracts received on or after April, 1, 2003**

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

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

**j) Joint Venture Projects**

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

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

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

**k) Foreign exchange translation and foreign currency transactions**

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

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

**l) Leases**

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

**m) Preparatory Work Expenses**

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

**n) Taxes**

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

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

**o) Impairment of Assets**

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

**p) Earnings per Share**

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

**q) Provisions, Contingent Liabilities and Contingent Assets**

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

## B. NOTES ON ACCOUNTS

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

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

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

Sl. No	Particulars	Rupees in Lakhs	
		2009-10	2008-09
a	Corporate Guarantee	52642.25	52642.25
b	Bank Guarantees	24046.80	13825.16
c	Counter Guarantees	Nil	Nil
d	Claims not acknowledged as debts	Nil	Nil
e	Demands against the Company not acknowledged as debts and not provided for in respect of which the company has filed appeal.		
	Income Tax *	4.68	4.68
	Sales Tax	156.50	165.61
f	Letter of Credit	Nil	Nil
g	Estimated amount of contracts remaining to be executed on capital account	300.00	26748.99
h	Joint and several liabilities in respect of joint venture projects and liquidated damages in respect of delays in completion of projects - amounts are not ascertainable.		
*	This contingent liability is subject to interest on tax liability and adjustment of brought forward losses of earlier years on account of disallowance of claims made by various joint ventures u/s 80IA with retrospective effect and disputes pending at various appellate authorities.		

### 3. Cash and Bank Balances

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

### 4. Deferred Tax

Rupees in Lakhs

Sl.No	Purpose	2009-10	2008-09
<b>A</b>	<b>Deferred Tax Assets on timing difference due to:</b> Expenditure not allowed u/s 43B and 40 a (1a)	-27.68	-24.99
<b>B</b>	<b>Deferred Tax Liabilities on timing difference due to :</b> Depreciation	4.93	30.67
	Net Deferred Tax Liability (A-B)	-22.75	55.66

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

### 6. Segmental Reporting

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

### 7. Financial Reporting of Foreign Subsidiary

The financial statements of the foreign subsidiary, KNR Constructions LLC are drawn upto 31st December 2009 as their financial year ends on that date. There are no significant transactions between the reporting dates of the said subsidiary and the parent company necessitating adjustments to its accounts.

### 8. Related Party Transactions

#### A. List of Related Parties

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

B. Related party transactions during the year ended March 31, 2010 are as follows:  
(Previous year's figures are given in brackets below the current year figures)

Sl. No	Particulars	Associates	Joint Ventures	Key Management Personnel	Enterprises own or significantly influenced by Key Management Personnel or their relatives
1	Un-secured loan given	3040.26 (775.00)	- (-)	- (-)	- (-)
2	Un-secured loan received	- (-)	- (-)	36.50 (210.32)	- (-)
3	Un-secured loan re-paid	- (-)	- (-)	16.02 (295.78)	- (-)
4	Sub-Contract Jobs given	- (-)	140.91 (136.71)	- (-)	- (-)
5	Sub-Contract / (EPC) Jobs received	1736.32 (12066.77)	1984.59 (6392.48)	- (-)	- (-)
6	Remuneration paid (including other benefits)	- (-)	- (-)	175.99 (114.00)	- (-)
7	Land Lease and Office Rent Paid	- (-)	- (-)	24.09 (21.30)	- (-)
8	Rent Received	- (-)	- (-)	0.60 (0.60)	- (-)
9	Interest Paid	- (-)	- (-)	2.04 (7.40)	- (-)
10	Interest Received	2.24 (2.24)	23.49 (24.55)	- (-)	- (-)
11	BG Commission received	(-) (-)	28.75 (-)	(-) (-)	(-) (-)
12	Professional Charges Received from Patel-KNR-JV by Directors	- (-)	- (-)	49.065 (37.06)	- (-)
13	Security Deposits Paid	- (-)	- (-)	- (10.00)	- (10.00)
14	Debit balances outstanding as on 31st March, 2010	885.07 (1844.26)	2529.99 (2176.51)	- (-)	- (-)
15	Credit balances outstanding as on 31st March,2010	- (-)	251.00 (56.91)	- (-)	- (-)

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

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

Sd/-  
**C.Sukumar Babu**  
Partner

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

Sd/-  
**K.Jalandhar Reddy**  
Executive Director

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

Sd/-  
**M.V.Venkata Rao**  
Company Secretary

Place : Hyderabad  
Date : 29-05-2010

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

### I. REGISTRATION DETAILS

REGISTRATION NUMBER U74999AP2008PTC058829 STATE CODE 0 1  
BALANCE SHEET DATE 3 1 0 3 2 0 10

### 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  
4 2 4 4 8 8 0 . 2 1 4 2 4 4 8 8 0 . 2 1

#### SOURCES OF FUNDS

PAID UP CAPITAL RESERVES AND SURPLUS  
2 8 1 2 3 4 . 6 0 2 7 8 9 0 3 3 . 3 7  
SECURED LOANS UNSECURED LOANS  
1 1 0 3 2 5 3 . 0 0 2 4 4 6 . 5 6

SHARE APPLICATION MONEY  
N I L

#### APPLICATION OF FUNDS

NET FIXED ASSETS INVESTMENTS  
2 0 9 9 5 1 6 . 5 5 6 5 0 6 7 9 . 2 9  
NET CURRENT ASSETS MISC. EXPENSES ACCUMULATED LOSSES  
1 3 2 6 9 8 1 . 6 1 6 2 3 6 5 . 8 6 N I L

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

TURNOVER / INCOME TOTAL EXPENDITURE  
8 9 9 1 7 2 7 . 4 3 6 3 3 5 3 5 9 . 5 3  
PROFIT/(LOSS) BEFORE TAX PROFIT/ (LOSS) AFTER TAX  
8 2 6 2 4 5 . 6 0 5 5 7 0 2 9 . 1 0  
EARNING PER SHARE DIVIDEND  
1 7 . 8 8 RS. 2 PER SHARE (20%)

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

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

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# **KNR AGROTECH & BEVERAGES PRIVATE LIMITED**

(Wholly Owned Subsidiary of KNR Constructions Limited)

## **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

## DIRECTORS' REPORT

To  
The Members,

Your Directors take pleasure in presenting the 2nd Annual Report together with the Audited Accounts for the year ended 31st March, 2010.

### OPERATIONS:

The Company has not carried any business during the financial year 2009-2010

During the year your company has completed plantation of Mango Trees in its land situated at Bilapur Village & Grampanchayath, Kohir Mandal, Medak District.

### 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, 2010, 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, 2010 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, 2010 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: 24.07.2010

## AUDITORS' REPORT

### To The Members

#### KNR Agrotech & Beverages Pvt. Ltd.,

1. We have audited the attached Balance Sheet of KNR Agrotech & Beverages Pvt Ltd., as at 31st March, 2010, 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 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 2010;

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

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

Place: Hyderabad  
Date: 24-05-2010

**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  
(ICAI Registration No.004188S)

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

Place: Hyderabad  
Date: 24-05-2010

**AGROTECH Balance SHEET** AS AT 31ST MARCH, 2010

Amount in Rupees

Particulars	Schedule	As at 31st March, 2010	As at 31st March, 2009
<b>I. SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS FUNDS</b>			
a) Share Capital	1	100,000	100,000
b) Reserves & Surplus		-	-
		100,000	100,000
<b>LOAN FUNDS</b>			
Un-Secured loans	2	12,677,528	4,573,734
		12,677,528	4,573,734
	<b>TOTAL</b>	<b>12,777,528</b>	<b>4,673,734</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3	7,927,516	4,533,256
Less : Depreciation		187,690	-
Net Block		7,739,826	4,533,256
<b>CAPITAL WORK-IN-PROGRESS</b>			
		4,910,216	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Cash & Bank Balance	4	104,800	104,800
Loans & Advances		15,000	-
		119,800	104,800
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a) Current Liabilities	5	37,992	10,000
b) Provisions		-	-
		37,992	10,000
Net Current Assets		81,808	94,800
<b>MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off)	6	45,678	45,678
	<b>TOTAL</b>	<b>12,777,528</b>	<b>4,673,734</b>
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  
(ICAI Registration No.004188S)

Sd/-

**C.Sukumar Babu**  
Partner

Place : Hyderabad  
Date : 24-05-2010

For and on behalf of the Board

Sd/-

**K. Jalandhar Reddy**  
Director

Sd/-

**M.Rajesh Reddy**  
Director

# SCHEDULES

FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

Amount in Rupees

Particulars	As at 31st March, 2010	As at 31st March, 2009
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
10,000 Equity Shares of Rs. 10/- each	<u>100,000</u>	<u>100,000</u>
Issued, Subscribed and Paid Up 10,000 Equity Shares of Rs. 10/- each (Wholly subsidiary to KNR Constructions Ltd.,)	<u>100,000</u>	<u>100,000</u>
<b>TOTAL</b>	<u><b>100,000</b></u>	<u><b>100,000</b></u>
<b>SCHEDULE 2</b>		
<b>UN-SECURED LOANS</b>		
From Directors	185,370	185,370
From Holding Company -KNR Constructions Limited	<u>12,492,158</u>	<u>4,388,364</u>
<b>TOTAL</b>	<u><b>12,677,528</b></u>	<u><b>4,573,734</b></u>
<b>SCHEDULE 4</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash and Bank Balances Balances with scheduled Banks In Current Accounts	<u>104,800</u>	<u>104,800</u>
<b>TOTAL</b>	<u><b>104,800</b></u>	<u><b>104,800</b></u>
Loans & Advances Salary Advances	<u>15,000</u>	<u>-</u>
<b>TOTAL</b>	<u><b>15,000</b></u>	<u><b>-</b></u>
<b>SCHEDULE 5</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
Current Liabilities Sundry Creditors Audit Fee Payable	<u>27,992</u> <u>10,000</u>	<u>-</u> <u>10,000</u>
<b>TOTAL</b>	<u><b>37,992</b></u>	<u><b>10,000</b></u>
<b>SCHEDULE 6</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	9,270	9,270
Pre-operative Expenses	<u>36,408</u>	<u>36,408</u>
Less: Written off during the year	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u><b>45,678</b></u>	<u><b>45,678</b></u>

**SCHEDULE 3  
FIXED ASSETS**

Amount in Rupees

Sl No	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at 01-04-09	Additions	Deductions/ Adjustments	As at 31-03-10	Up to 01-04-09	For the year	Deductions/ Adjustments	Up to 31-03-10	As at 31-03-10	As at 31-03-09
1	Lands	4,326,850	-	-	4,326,850	-	-	-	-	4,326,850	4,326,850
2	Plant & Machinery	-	3,394,260	-	3,394,260	134,251	-	134,251	134,251	3,260,009	-
3	Vehicles	206,406	-	-	206,406	-	53,439	-	53,439	152,967	206,406
	Capital Work in Progress	4,533,256	3,394,260	-	7,927,516	-	187,690	-	187,690	7,739,826	4,533,256
	Previous Year	-	4,533,256	-	4,533,256	-	-	-	-	4,910,216	-
										4,533,256	-

## SCHEDULE: 7

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A SIGNIFICANT ACCOUNTING POLICIES

##### a. 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. 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.

#### B. NOTES ON ACCOUNTS:

1. All amounts in the financial statements are presented in Rupees.
2. Segmental Reporting – Not Applicable
3. 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 :

Related party transactions during the year ended 31st March 2010 are as follows:  
(Previous year's figures are given in brackets below the current year figures)

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	81,03,794 (4,388,364)	- (185,370)	- -
2.	Paid Capital	- (1,00,000)	- -	- -

4. 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 : 24-05-2010

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

### **I. REGISTRATION DETAILS**

REGISTRATION NUMBER	U74999AP2008PTC058829	STATE CODE	0 1
BALANCE SHEET DATE			3 1 0 3 2 0 10

### **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
1 2 7 7 7 . 5 3	1 2 7 7 7 . 5 3
<b>SOURCES OF FUNDS</b>	
PAID UP CAPITAL	RESERVES AND SURPLUS
1 0 0	N I L
SECURED LOANS	UNSECURED LOANS
N I L	1 2 6 7 7 . 5 3
SHARE APPLICATION MONEY	
N I L	
<b>APPLICATION OF FUNDS</b>	
NET FIXED ASSETS	INVESTMENTS
7 7 3 9 . 8 3	N I L
NET CURRENT ASSETS	MISC. EXPENSES
8 1 . 8 1	4 5 . 6 8
	ACCUMULATED LOSSES
	N I L

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

TURNOVER / INCOME	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.	NOT ALLOTTED
(ITC CODE) PRODUCT DESCRIPTION	AGRICULTURAL & BEVERAGES PRODUCTS

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# **KNR CONSTRUCTIONS L.L.C**

Report and financial statements for the period  
From 24 June 2009 to 31 December 2009

# Independent Auditor's Report

To the Members,  
KNR CONSTRUCTIONS LLC

We have audited the accompanying financial statements of KNR Constructions LLC Muscat, Sultanate of Oman which comprises of the statement of financial position as at 31 December, 2009 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 24 June 2009 to 31 December 2009, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 12.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of this financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the commercial companies law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that is are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected on the auditor's judgment, including the assessments of the risk of misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly in all material respects. The financial position of KNR Constructions LLC as at 31 December 2009 and of its financial performancee and its cashflows for the period from 24 June 2009 to 31 December 2009 in accordance with International Financial Reporting Standards.

## Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects with the relevant disclosure requirements of the Commercial companies Law of 1974, as amended.

Regional Bureau  
Chartered Accountants

Muscat  
16 May 2010

**STATEMENT OF FINANCIAL POSITION** FOR THE PERIOD FROM 24 JUNE 2009 TO 31 DECEMBER 2009  
(In Rials Omani)

	Note	31st December, 2009
<b>ASSETS</b>		
Non-Current assets		
Property and equipment	5	11,914
<b>Total Non - current assets</b>		<b>11,914</b>
<b>Current assets</b>		
Other receivables		303
Bank balances		256,684
<b>Total current assets</b>		<b>256,987</b>
<b>Total assets</b>		<b>268,901</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Share capital		250,00
Net loss for the period		(15,257)
<b>Net equity</b>		<b>234,743</b>
<b>Non-current liabilities</b>		
<b>Current liabilities</b>		
Other payables	7	34,158
<b>Total current liabilities</b>		<b>34,158</b>
<b>Total equity and liabilities</b>		<b>268,901</b>

The accompanying notes form an integral part of these financial statements

**Revenue**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 24 JUNE 2009 TO 31 DECEMBER 2009 (In Rials Omani)

	Note	31st December, 2009
General and administrative expenses	8	(15,257)
Net loss for the period		<u>(15,257)</u>

The accompanying notes form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY** FOR THE PERIOD FROM 24 JUNE 2009 TO 31 DECEMBER 2009 (In Rials Omani)

	Share capital	Net loss	Total
Share capital Introduce	250,000	-	250,000
Net loss for the period	-	(15,257)	(15,257)
<b>At 31 December 2009</b>	<b>250,000</b>	<b>(15,257)</b>	<b>234,743</b>

The accompanying notes form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 24 JUNE 2009 TO 31 DECEMBER 2009

(In Rials Omani)

31st December, 2009

## Operating activities

Net loss for the period before extra ordinary items (15,257)

## Adjustment for:

Depreciation on property and equipment 2,081

Operating loss before Changes in operating assets and liabilities (13,176)

## Changes in working capital:

Other receivables (303)

Other payables 34,158

**Net cash from operating activities :** **20,679**

## Investing activities

Purchases of property and equipment (13,995)

**Net cash used in investing activities** **(13,995)**

## Financing activities

Share capital introduce 250,000

Net cash from financing activities 250,000

Net changes in cash and cash equivalents 256,684

Cash and cash equivalents at the beginning of the period -

**Cash and cash equivalents at the end of the period** **256,684**

The accompanying notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE PERIOD FROM 24 JUNE 2009 TO 31 DECEMBER 2009

**1. Legal status and principal activities**

KNR Constructions LLC is a limited liability company registered in the Sultanate of Oman under the commercial Laws on 24 June 2009. The head office is in Muscat and the registered address of the company is P.O. Box 330, Postal code 100, Sultanate of Oman.

The Principal activities of the company are Road construction and other civil construction works.

These financial statements are presented in Rials Omani (R.O) since that is the currency of the country in which the company is domiciled.

This is the first audited Financial statement issued for the company.

**2. Adoption of new and revised International Financial Reporting Standards (IFRS)**

In the current year, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January, 2009.

The adoptions of these standards and interpretations have not resulted in changes to the Company's accounting policies and have not affected the amounts and disclosures reported for the current period.

At the date of authorization of these financial statements, there are certain standards and interpretations were in issue but not yet effective.

The management anticipates that the adoption of those standards and interpretations in future periods will have no material impact on the financial statements of the Company.

**3. Summary of significant accounting policies**

The Financial statements have been prepared in accordance with international Financial Reporting Standard (IFRS) and the requirements of the commercial companies law of 1974 as amended.

**Basis Preparation**

The Financial statements are prepared on the historical cost basis.

**Property and equipments**

Property and equipments held for the use of Company's activities are initially recorded at cost and stated at cost less accumulated depreciation and less identified impairment losses, if any

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method on the following basis.

	<u>Year</u>
Motor Vehicles	3

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income statement.

## **Impairment**

### **(i) Financial assets**

A Financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested of impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An Impairment loss is reversed if the reversal can be related objectively to an even occurring after the impairment loss was recognized. For Financial assets measured at amortized cost, the reversal is recognized in profit or loss.

### **(ii) Non - Financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is higher than its estimated recoverable amount which is greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **Employee benefits**

### **Defined contribution plan**

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the profit or loss as incurred.

Provision for end of service benefits for non-Omani employees has been made in accordance with the terms of the Labor Law of the Sultanate of Oman and is based on current remuneration rates and cumulative years of service at the Statement of financial position date.

## **Financial instruments**

Financial assets and financial liabilities are recognized when the Company has become a party to the contractual provisions of the instrument.

## **Other receivables**

Other receivables are stated at their nominal value.

**Other payables**

Other payables are stated at their nominal value.

**Share Capital**

Share Capital is recorded at the proceeds received.

**Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

**Foreign currencies**

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising from foreign currency transactions are dealt with in the income statement.

**Taxation**

Taxation is provided for in accordance with the fiscal regulation of the Sultanate of Oman.

**Cash and cash equivalents**

For the purpose of cash flow statements, cash and cash equivalents consist of bank balance.

**Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

The fair value of trade and other receivables and trade and other payables approximates to their carrying amount due to their short term maturity.

Share capital is recorded at the proceeds received.

**4. Critical accounting judgment and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

## 5. Property and equipment

Cost	Motor vehicle	Total
Depreciation charge for the period	13,995	13,995
Book value - 31 December 2009	(2,081)	(2,081)
	<u>11,914</u>	<u>11,914</u>

## 6. Statutory reserve

The statutory reserve, which is not available for distribution, is calculated in accordance with article 154 of the Commercial Companies Law, 1974. The annual appropriation must be 10% of the net profit for each year after taxes, until such time as the reserve amounts to at least one third of the share capital.

## 7. Other payables

	2009
Unsecured loan	27,355
Accrued expenses	300
Others	6,503
	<u>34,158</u>

2009

## 8. General and administrative expenses

Tender fee charges	9,200
Depreciation of property and equipment	2,081
Rent	1,200
Government fees	956
Insurance`	242
Miscellaneous expense	1,578
	<u>15,257</u>

## 9. Income Tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using the income tax laws of the Sultanate of Oman and that have enacted at the financial positing date.

No provision has been made for income tax for the period since the Company has incurred net loss during the period.

## 10. Financial Instruments

The following note presents information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, polices and processes for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The management has entrusted the audit committee with the responsibility of development and monitoring the Company's risk management policies and procedures and its compliance with them.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control Environment in which all employees understand their roles and obligations.

**Foreign currency risk**

Foreign currency risk is minimal as most transactions are either denominated in RO, US Dollars or in currencies linked to US Dollars. The rate of exchange between RO and US Dollars has remained unchanged since January 1986.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

**Trade and other receivables**

Credit is extended to corporate customers only with an objective of optimizing the Company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the company's credit risk and its working capital. It is therefore KNR Constructions LLC policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to date information.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, though its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk.

**31 December 2009**

	<b>Carrying Amount</b>	<b>6 months or less</b>	<b>6-12 months</b>
Other payables	34,158	34,158	-
	<b>34,158</b>	<b>34,158</b>	<b>-</b>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### **Currency risk**

The Company's foreign exchange transactions are very minimal and as a consequence, the Management do not believe that Company has significant exposure to currency risk.

### **Interest rate risk**

The Company manages its exposure to interest rate risk by ensuring that borrowing are on a contracted fixed rate basis as far as possible.

### **Other Market risk**

The Company is not exposed to other significant market risk.

## **1. Capital Management**

The Management policy is to maintain a strong capital base so as to maintain in investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## **2. Fair Value of Financial Instruments**

The management believes that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at end of the reporting date.

## **3. Business and geographical segments**

The Company operates in one business segment, namely Road constructions and other civil constructions work within the Sultanate of Oman.

## **4. Approval of financial statements**

The Financial Statements were approved by the members and authorized for issue on 16 May 2010.





**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 presence at the FIFTEENTH ANNUAL GENERAL MEETING of the members of the Company at Hotel Green Park, Ameerpet, Hyderabad at 11.00 a.m on 29th September 2010

.....  
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 Annual General Meeting of the Company to be held on 29th September 2010 at 11.00 a.m at Hotel Green Park, Ameerpet, Hyderabad, and at any adjournment (s) thereof.

Singed this ..... Day of ..... 2010

Please Affix  
Re. 1  
Revenue  
Stamp

Signature .....  
(Proxy)

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



#### FORWARD-LOOKING STATEMENT

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

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

**BOOK - POST**

if undelivered please return to :  
**KNR Constructions Limited**  
3rd Floor, 12th Square Building,  
Road No. 12, Banjara Hills,  
Hyderabad - 500 034

[www.knrcl.com](http://www.knrcl.com)

An aerial photograph of a multi-lane highway. A green and white bus is driving on the right side of the road. In the foreground, there is a construction site with stacks of materials and a small building. The background shows a dense forest under a blue sky with light clouds.