



Raising the bar *KEI*

KEI INDUSTRIES LIMITED Annual Report 2006-07

Contents Financial Summary | 4, Chairman's Letter | 6, Robust manufacturing facilities | 10, Domestic institutional sales | 12, Domestic retail segment | 14, Stellar success in exports | 16, Director's Report | 18, Management Discussion and Analysis | 23, Report on Corporate Governance | 26, Auditor's Certificate | 35, Auditor's Report | 37, Financials | 41.

Corporate Information



BOARD OF DIRECTORS

Mr. Anil Gupta
Chairman-cum-Managing Director

Mr. Sunil Gupta
Director

Mrs. Archana Gupta
Director

Mr. Pawan Bholusaria
Director

Mr. K.G. Somani
Director

Mr. Vijay Bhushan
Director

Mr. Vikram Bhartia
Director

Mr. Rajeev Gupta
Executive Director (Finance)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Kishore Kunal

AUDITORS

M/s. Jagdish Chand & Co.
Chartered Accountants
New Delhi

BANKERS

DENA BANK
PUNJAB NATIONAL BANK
ING VYSYA BANK LTD.
STATE BANK OF HYDERABAD
YES BANK LTD.
ICICI BANK LTD.
BANK OF INDIA
HSBC BANK LTD.
STANDARD CHARTERED BANK
HDFC BANK LTD.

Profile

KEI Industries Limited is an established player in the power cables segment and the second largest power cable company in India. KEI Industries Limited (hereafter referred to as KEI) manufactures high and low tension cables (HT and LT), control and instrumentation cables, house wires and stainless steel wires. KEI is one of the few companies in the country to manufacture specialty cables including braided cables, fire survival and zero halogen cables.

The company's facilities are located at New Delhi, Bhiwadi (Rajasthan) and Silvassa (D&N H). KEI enjoys the distinction of flexibly switching production between HT and LT cables depending upon prevailing market conditions and demand.

An ISO 9001: 2000 certified company, KEI follows the stringent quality standards laid out by BRE (UK), DIN, ASTM, IEEE, IEC, BS, VDE, SABs, NZ, AS, NEMA, NFC, BVQL, DNV, CPRI, ERDA, IDEMI, EIL, PDIL and SYT.

The company's shares are listed on the Bombay Stock Exchange, National Stock Exchange, stock exchanges in Delhi and Kolkatta and through its GDR & FCCB issue on the Luxembourg Stock Exchange.



SHARE TRANSFER AGENT

MAS SERVICES LTD.
AB-4, Safdarjung Enclave
New Delhi - 110 029.
Tel.: 011-26104142, Fax: 011-26181081

REGISTERED OFFICE

D-90 Okhla Industrial Area,
Phase-I, New Delhi - 110 020.

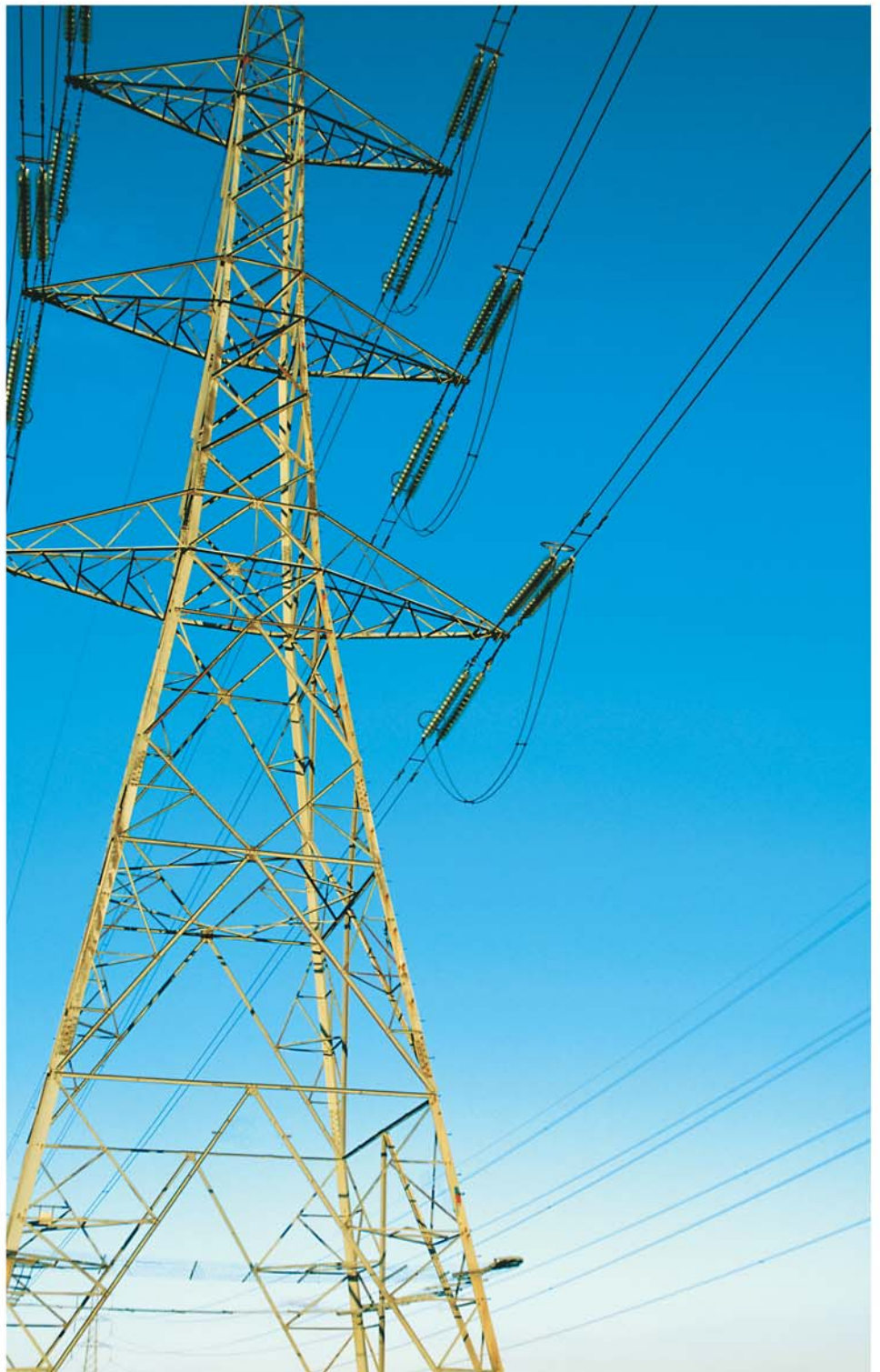
WORKS OFFICE

- D-90 Okhla Industrial Area, Phase-I,
New Delhi - 110 020.
- SP-919-920 RIICO Industrial Area, Phase-III,
Bhiwadi Dist., Alwar (Raj.) - 301 019.
- 99/2/7 Madhuban Industrial Estate,
Village Rakholi, Silvassa (D&H) - 396 230.

KEI MANAGEMENT PERSONNEL

- Mr. S L Kakkar
President
- Mr. Pawan Aggarwal
Vice President
- Mr. Manoj Kakkar
Vice President (Mktg)
- Mr. K.C. Sharma
Vice President (Works-Cable)
- Mr. Deepak Kashyap
Vice President (Projects)
- Mr. Alok Maity
General Manager (Works)
- Mr. S C Sharma
General Manager (Business Development)
- Mr. Dilip Barnwal
Deputy General Manager (Works)
- Mr. Alok Shah
Deputy General Manager (Mktg-East-Cable)
- Mr. Ajit Dinesh Durve
Deputy General Manager (Mktg)
- Mr. Ajay Mehra
Deputy General Manager (Works)
- Mr. Vishvesh Bhatia
Deputy General Manager (Mktg)
- Mr. N S Yadav
Deputy General Manager (Q C)
- Mr. K Sunderajan
Deputy General Manager (Mktg)

Raising the bar



With nearly four decades of solid experience, KEI is at the forefront of the industry manufacturing the widest and most comprehensive product basket. KEI is now raising the bar from manufacturing LT to HT by now embarking on plans to manufacture Extra High Tension cables which will serve the modern power transmission segment. Very few companies in the country possess the capabilities to manufacture this.

The company is now raising the bar by completing the entire value chain from manufacturing and supplying cables to executing EPC contracts and manufacturing and supplying transformers.

KEI enjoys wide acceptability across diverse sectors such as oil refineries, railways, power, cement, steel and various other industrial sectors due to its ability to custom manufacture highly specialised cables to the exacting product and application needs of its prestigious clientele.

Industry stalwarts such as Suzlon Energy, Gail (India), Larsen & Turbo, Power Grid Corporation, Essar, Tata Steel, BPCL, HPCL, BHEL, NTPC, SAIL, Indian Railways, to name just a few; rely on KEI for their cabling requirements. KEI is also the registered vendor with over 100 Indian companies.

KEI by carefully nurturing relationships, ensuring timely order execution and being a reliable partner is raising the bar of project execution and client servicing vindicated by the record repeat orders received year-after-year.

By leveraging its technical, designing and customisation prowess to suit different temperatures, KEI services clients across 24 countries and the company continued its successful march of raising the bar by winning prestigious orders overseas qualifying through rounds of tough tendering process and outbidding global leaders.

KEI is also aggressively expanding its presence in the domestic retail segment with an aim to power homes, true to its credo, is raising the industry bar by offering for the first time in this industry in India: a product liability insurance for house wires – a testament made possible as quality is the hallmark of all KEI products. A promise made after fully appreciating that safety of lives and valuable properties is sacrosanct and can never be compromised.

This is just the beginning. As KEI steadfastly chalks out and implements powerful strategies that hold the potential to take us closer to our vision to be the number one player in the industry, naturally and rightfully.



Raising the bar

Emerging even stronger
with each passing year

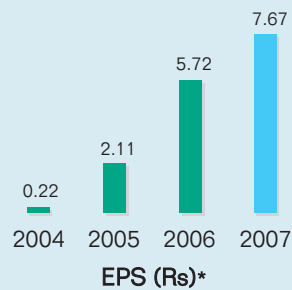
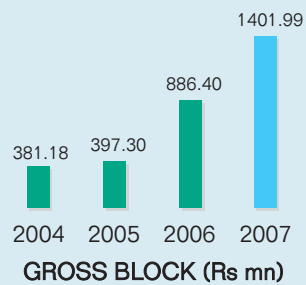
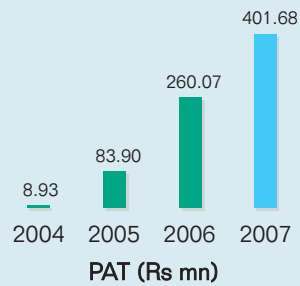
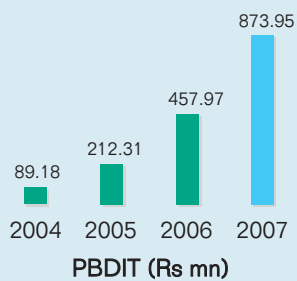
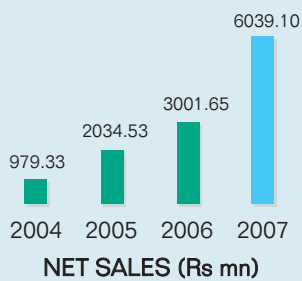
For the past four years, we have been raising the bar and continuously strengthening our results year-after-year demonstrating the successful delivery of our strategies and the quality of our overall operational performance.

RS. IN MN

PARTICULARS	2004	2005	2006	2007
PAID UP CAPITAL	79.20	79.20	100.93	117.94
CAPITAL EMPLOYED	338.46	526.53	1379.90	3688.50
SALES	1086.38	2302.29	3413.50	6815.14
LESS: EXCISE DUTY	107.05	267.76	411.84	776.04
NET SALES	979.33	2034.53	3001.65	6039.10
PBDIT	89.18	212.31	457.97	873.79
PBIT	71.63	192.46	431.07	817.25
PBT	15.59	123.93	336.48	579.89
PAT	8.93	83.90	260.07	401.68
PROFITABILITY RATIOS				
PBDIT	9.11	10.44	15.26	14.47
PBIT	7.31	9.46	14.36	13.53
PBT	1.59	6.09	11.21	9.60
PAT	0.91	4.12	8.66	6.65
ROCE (PAT/CAPITAL EMPLOYED)	2.64	15.93	18.85	10.89
GROWTH RATIOS (PER CENT)				
NET SALES	24.94	107.75	47.54	101.19
PBDIT	16.74	138.07	115.71	90.80
PBIT	21.02	168.69	123.98	89.59
PAT	19.71	839.53	209.98	54.45
CAPITAL EMPLOYED				
FIXED ASSETS	274.24	288.81	804.66	1409.65
CURRENT ASSETS	619.29	1108.61	2003.60	5269.90
LESS: CURRENT LIABILITIES	346.73	629.77	991.43	1994.33
LESS: BANK BORROWING	173.85	203.10	377.02	922.04
LESS: DEFERRED TAX LIABILITY	34.49	38.02	59.86	74.68
CAPITAL EMPLOYED	338.46	526.53	1379.90	3688.50

Operational highlights

- 2007 was the first year of operations at full capacity for the HT cables segment.
- Commenced EPC operations and secured prestigious orders across the country.
- Export revenues grew by an impressive 270 per cent; an increase from Rs 226 mn in 2006 to Rs 835 mn in the current fiscal.
- Procured a brand enhancing export order to supply power cables in the Gulf region; its single largest order in history valued at Rs 250 mn.
- Raised USD 36 mn (Rs 1640 mn) through a Foreign Currency Convertible Bond (FCCB) issue in November 2006. The bonds have been issued at 1% coupon rate and are convertible within 5 years at the price of Rs 86.



* Shares of Rs. 10 /- each.



Financial highlights

- Net sales increased 101 per cent to Rs 6039.10 mn (2006: Rs 3001.65 mn).
- PBIDTA up from Rs 458 mn in 2005-06 to Rs 874 mn in

2006-07, an increase of 91 per cent.

- PAT up 54 per cent to Rs 401.68 mn (2006: Rs 260.07 mn).
- EPS increased by Rs 1.95 from Rs 5.72 in 2005-06 to Rs 7.67 in 2006-07.



From the Chairman's desk

‘ KEI is raising the bar of performance by gaining momentum, emerging stronger, efficiently and consistently recording high growth rates and profits resulting in high returns. ’

Dear Shareholders.

2006-07 has been yet another year of solid performance for KEI. We achieved important financial and operating goals and continued to build the base for our future success. Our results reflect an active and productive fiscal year at KEI. Revenues increased by nearly 100 per cent over the previous fiscal and profits grew by 54 per cent. During the current year, exports have grown over 270 per cent to touch Rs 835 mn from Rs 226 mn in the previous year.

KEI is raising the bar of performance by gaining momentum, emerging stronger, efficiently and consistently recording high growth rates and profits resulting in high returns. A feat facilitated by steadily investing in our gross block, expanding our product offering, focusing on market segments that offer the greatest potential for growth and profitability, branching out into new geographies, implementing operational excellence processes, strengthening our presence in the EPC segment, foraying into the manufacture of transformers, building a visible presence in the retail segment and at same time embarking on driving growth through volumes to be even more cost-effective.

Business overview

POSITIVE DEMAND TRENDS

Measures to reduce the demand-supply gap in the power sector will continue to drive the demand for the cabling industry for year's together. The Indian government's thrust to improve inter-regional power transmission and embark on underground cabling to reduce distribution losses will also provide a positive demand impetus. The ongoing infrastructure and realty boom and the huge capex planned in various heavy industries continue to create unprecedented demand for power cables. Opportunities for the cabling sector are also ripe in Africa, West Asia and the Gulf region which are poised to make significant investments in the power sector. In a nutshell, there is a robust demand potential visible on the horizon.

BRIEF PERFORMANCE REVIEW

All the strategies that the company had embarked upon in the previous year have showed results. One of our key accomplishments included the timely completion and on track capacity expansion of the HT plant. Contribution of HT cables to the overall revenues has doubled. We have also successfully acquired orders in the EPC space for cable supply and laying of cables. Revenue from sales to institutional customers continued to be robust while revenues from the export sector where we focused our energy during the year; have grown over three times as compared to the last year.





Cables

Our total revenues from the cables segment increased by 100 per cent and was Rs 5967 mn. Our new facility for producing HT cables at Bhiwadi was commissioned in March 2006 and production was on stream by June 2006 and we are happy to report revenues of Rs 445 mn from this. The company continues to aggressively expand its capacities at Bhiwadi and has acquired land for the same.

Expansion plans


The foray in the HT segment also augurs well for the over all growth of the company and we plan to venture even deeper into EPC contracts segment. HT cables normally form the core element of large EPC contract. Keeping this in mind, we are aggressively expanding our manufacturing facilities. To ensure maximum operational efficiency, we have chosen to keep a majority of expansion plans in and around the existing Bhiwadi plant. The company has acquired 32.5 acres of land to upgrade the HT and LT production facilities at Bhiwadi and also develop

another green field EHT/ HT / LT production facility in close proximity.

In fact, keeping EPC contracts in mind, KEI aims to foray into the manufacturing of EHT cables. Currently, the company is testing and conducting a feasibility study on incremental manufacturing capabilities and investments required to manufacture cables of 132 KV and 220 KV (from the existing capability to manufacture upto 66 KV). Also, while we have acquired the land to build the new facility, we will simultaneously be using the existing HT facility at Bhiwadi to conduct the testing and basic production runs to develop a feasibility report. This exercise will give us a lead time and enable us to jumpstart the production and meticulous quality approval process which takes a long period. We expect this landmark project to take off in the next one to one and half years.

The development of our exclusive Export Oriented Unit at Chopanki (in close proximity to Bhiwadi) in Rajasthan is fast progressing and we are confident of commencing commercial production by October 2007.

Last year through my communication to shareholders, I had touched on plans to acquire a cable manufacturing plant overseas, we continue to look for appropriate opportunities in this regard. To complete the entire value chain for the manufacture of transformers, we may take the inorganic expansion route and



supplement it with green field expansion. A majority of the future expansion plans are likely to be funded through funds raised in the FCCB issue during the year.

House wires & retail focus

To cater to the fast growing retail segment, we have successfully expanded our house wiring capacity. We have further strengthened our distribution network and have launched an aggressive brand building and visibility campaign.

As a future strategy, we are now contemplating a foray into the synergistic electrical product business which would essentially encompass the manufacture and supply of various power ancillaries and household electrical products. We believe that this vertical diversification would enable us to offer integrated product offerings to our existing customers.

Future prospects

As we move ahead, in the coming years we are confident that all the strategies that we have embarked upon would yield fruitful results for us like they have in the past and enable us to set even more ambitious targets. And with our continued disciplined growth approach, we will be raising the bar of performance; as we strive to accelerate revenues by more than three times in a span of three years.

On a concluding note, I would like to thank our Board of Directors for their valuable advice and guidance, our employees for their unstinting devotion and our stakeholders, bankers and institutions for their continued support.

Anil Gupta
Chairman-cum-Managing Director





Robust

COST EFFICIENCY MEASURES

On the operational side, KEI has set up a warehouse at the Bhiwadi plant, as a de-bottle necking initiative. And to reduce costs by improving efficiencies, KEI has implemented an ERP-BAAN system which will enable faster integration of data and bring about transparency in operations.



manufacturing
facilities

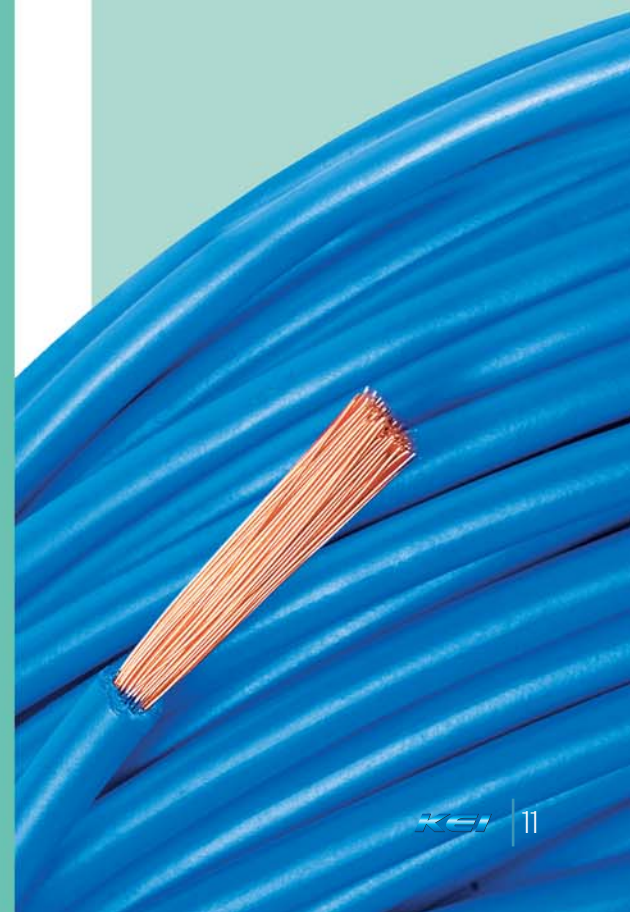
KEI's state-of-the-art manufacturing facilities are second to none. The robust manufacturing facilities are supplemented by the latest technology and innovative manufacturing processes to deliver superior cost-effective and quality cables and wires.

The company is on an aggressive expansion drive and has successfully completed the expansion of the housewire facilities at Silvassa. With a capital outlay of Rs 190 mn, the company is confident of generating nearly five to six folds in the coming year.

Going ahead, KEI has embarked upon major capex plans

1. In February 2007, the company has acquired 5.5 acres of land near its existing plant in Bhiwadi which will be utilized for the expansion and upgradation of HT / LT cables.
2. The company has also acquired another 27 acres of land near Bhiwadi for setting up a green field EHT/HT/LT cables plant.
3. The company has utilized 8 acres of land (at Chopanki) near the existing Bhiwadi facility present in its books to develop a 100% Export Oriented Unit (E.O.U.) to cater to the fast growing export market. An E.O.U. status will enable KEI to enjoy tax incentives which in turn would improve the net profit margin of the company. The investments envisaged for this plant are Rs 60 mn and it is expected to be completed by October 2007.

These aggressive expansion projects will help the company to report higher utilization levels, facilitate better operational controls, translate into significant savings on manufacturing and administrative overheads. Most importantly, this will lay the foundation for taking on and executing high value EPC projects and enable KEI to expand its footprints overseas.





Domestic institutional sales

KEI's key intent is to remain the trusted partner of choice in the domestic industry and emerge as the leader by retaining its competitiveness in quality, cost and delivery capabilities.





QUALITY IS SUPREMELY IMPORTANT

Supported by a competent team of technocrats and quality checkers, the company implements stringent control measures all through the production line. Supervision by its well trained and experienced personnel enables KEI to deliver reliable products as per customers needs. Purchase of raw material through trusted vendors and testing of all raw material used ensures consistency and quality. The company's customer oriented approach and its focus on quality and customer contentment has won it a distinguished list of clients.

(%)

PRODUCT SALES BREAK UP	2006	2007
LT cables	72	76.70
HT cables	-	6.70
House wires & others	28	16.60

Leading domestic customers

CUSTOMERS	SEGMENT
Suzlon Energy Ltd.	Energy
Bharat Heavy Electric Ltd.	Engineering
Essar Construction Ltd	Engineering
Hindustan Petroleum Corporation Ltd.	Refineries
Jindal Power Ltd.	Power
Larsen & Turbo Ltd.	International EPCs
Tata Steel Ltd.	Steel

Domestic retail segment



Unparalleled growth opportunities beckon KEI to aggressively entrench into the retail sector.

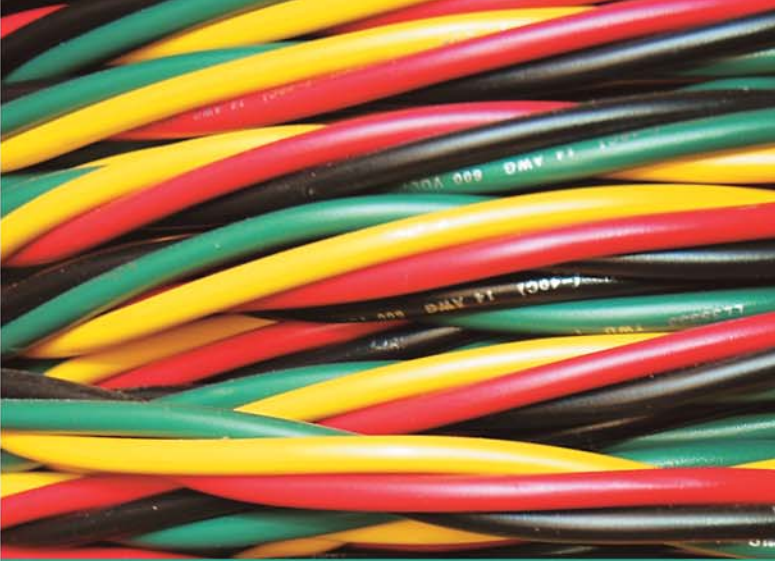
Brand building

As the fundamental demand situation remains buoyant, KEI will during FY 07-08 be unfurling a massive brand building and visibility exercise to make “KEI” a household name. KEI aims to build a brand equity by leveraging its safety and quality offerings for its housewires product. The company has appointed the reputed international advertising agency Dentsu Communications for the development of this massive advertising campaign. The

aggressive mass media campaign will also be supported by advertisements in trade journals, outdoor advertising and advertising at point of sales at dealer outlets. During the forthcoming year, the company plans to unfurl an electronic media campaign encompassing TV and radio.

Product liability

Going a step ahead as a brand building exercise, KEI for the first time in India has introduced the concept of product liability insurance for housewires. This initiative promises to enhance the company’s goodwill with its customers and also results in raising the bar of quality, safety and confidence in the industry.



Expanding capacities

To facilitate the growth, KEI has already expanded the capacity for housewires at Silvassa to 2,50,000 kms. With an estimated capex of Rs 190 mn this expansion is likely to generate revenues of at least five to six folds in future.

Strengthening dealership network

To increase its reach, KEI has developed a strong network of approved dealers in and around the country and is continuously strengthening its distribution network. KEI understands the importance of dealers and the valuable relationships they have

with their customers. Currently, the company has 25 dealers and is planning to ramp up its dealer network by adding 40 authorized dealers in the next 12 months.

The company is also trying to increase the vendor approval status directly from contractors which will ensure not only repeat orders but also favorable recommendations from architects who will influence the buying preference of end users.

With all essentials in place for its retail strategy, KEI plans to add value by consistently meeting customers cabling needs with an assurance of safety and quality always.



Stellar success

2007 was a major tipping point for KEI in the export market and the company surpassed several milestones:

- Reported export revenues worth Rs 835 mn as compared to Rs 226 mn in the previous year, an increase of 270 per cent.
- Bagged its biggest export order in history - a prestigious order for the supply of HT and LT cables from the state authorities in the Gulf region.
- Forayed into new geographies such as Mauritius and West Indies.
- Appointed additional marketing persons and dealers which would enable the company to penetrate into the East African and South African market particularly in Nigeria and Ghana.
- Strengthened its marketing office in Dubai to cater to the growing demand in the Gulf countries.
- Appointed distributors in England. The company already exports stainless steel wires to the European market but to further entrench itself in the high value European market, KEI is looking at unfurling an aggressive marketing and relationship building exercise in this region.
- Continued to service prestigious industry leaders in the international EPC segment.
- Commenced the development work on the Greenfield EOU plant near Bhiwadi.

With a well thought out marketing plan coupled with the aggressive expansion plans, KEI is confident of growing the export revenues by over two folds.



in exports

Global footprints

COUNTRY	TYPE OF CABLES SUPPLIED
UAE	Electrical cables
France	Electrical cables & stainless steel wires
Italy	Stainless steel wires
Singapore	Electrical cables
Scotland	Electrical cables

Director's Report

To The Members

Your Directors take pleasure in presenting their 15th Annual Report for the year ended 31.03.2007. Briefly stated the financial results of operation are: -

Particulars	(Rs. in Lacs)	
	01.04.06 to 31.03.07	01.04.05 to 31.03.06
Sales and other income	68212.74	34338.59
Profit before interest, Depreciation and tax	8737.95	4579.77
Less: Financial Charges (Net)	2373.59	945.95
Depreciation	565.42	269.04
Profit before tax	5798.94	3364.78
Provision for Taxation		
– General	1440.70	491.20
– Fringe Benefit Tax	21.50	19.70
– Deferred	319.97	238.02
Profit after tax	4016.77	2615.86
Less: Taxation for earlier years	2.30	15.19
Net Profit	4014.47	2600.67
Add: Balance Brought Forward	3685.11	1564.64
Amount available for Appropriations	7699.58	4165.31
Appropriation:		
Proposed Dividend	294.85	201.88
Provision for Taxation on Proposed Dividend	50.11	28.31
Transfer to General Reserve	500.00	250.00
Balance Carried Forward	6854.62	3685.12

During the year the company was able to improve its performance both in terms of sales and profits. The improvement was possible due to increase in turnover of

cables from Rs.26433.43 lacs in 2005-06 to Rs.56904.17 lacs in 2006-07. Stainless Steel Wire Products contributed Rs.8459.94 lacs in 2006-07 as compared to 4237.35 lacs in 2005-06. Winding, Flexible & House Wire Cable contributed Rs.1395.08 lacs in 2006-07 as against Rs.2960.83 lacs in 2005-06. Profit after tax is higher at Rs.4016.77 lacs during 2006-07 as compared to Rs. 2615.86 lacs during 2005-06.

DIVIDEND & APPROPRIATIONS

An amount of Rs.500 Lacs has been credited to General Reserves.

Your Directors have recommended a dividend @ 25% (i.e. Rs.0.50/- per equity share) on the Equity Shares of face value of Rs.2/- each for the financial year ended 31st March, 2007, which if approved by the members at the forthcoming Annual General Meeting, will be paid to:

- those equity shareholders whose names appear in the register of members on 13th September, 2007
- those whose names as beneficial owners are furnished by National Securities Depository Limited and Central Depository Services (India) Limited.

REVIEW OF OPERATIONS

Due to buoyancy in economy, huge investment in infrastructure and power projects and overall improvement in industrial scenario, demand for power, control & instrumentation cables picked-up during the year due to which Company achieved substantial improved financial results. In Stainless Steel Division, the Company's focus on quality has yielded results, which has resulted in increased capacity utilization and sales.

The company in earlier year had started producing Rubber Cables, which during the current year met with increased demand and resulted in increase in turnover and profitability of the Company. The Company expanded its existing product range by installing balancing equipment and modernization.

During the year under review the Company's New Project

for HT Power Cable which was commissioned towards the end of the year 2005-06 has contributed Rs.44.51 Crores in the total revenue of the Company.

In view of volatility in input prices (Copper & Aluminium) the company undertook several measures to reduce consumption and improve price realization. The Management also took proactive steps to cover its raw-material supplies at the lowest rates.

The Company started its Overseas Marketing office in Dubai catering to the markets of Africa and Middle East, which has also resulted in increased turnover from this region.

FOREIGN CURRENCY CONVERTIBLE BONDS (FCCB)

During the year under review Company has raised USD 36,000,0000 (thirty six million) by way of allotment of 1% Foreign Currency Convertible Bonds (FCCB) due 2011. The Bond has a maturity of 5 years and one day. It is convertible at a conversion price of Rs.430/- at the option of bondholders. Post-split conversion price is adjusted at Rs.86/-. The Bonds are listed and traded at Luxembourg Stock Exchange. The FCCB were issued and allotted by the Board of Directors on 29th November, 2006. The members of the Company had approved the said issue at its Extra-ordinary General Meeting held on 23rd November, 2006. The FCCB proceeds are being utilized for setting up New Project and Modernization & Expansion of existing facilities / units. As per the terms and conditions of FCCB, 1% interest is payable semi-annually on 30th June & 31st December every year. Unless, the Bonds have been previously redeemed, repurchased and cancelled or converted, the Company shall redeem the Bonds on 30 November 2011 (the "Maturity Date") equal to the outstanding principal amount of a Bond together with redemption premium and accrued but unpaid interest thereon to the Maturity Date. All outstanding bonds on the date of redemption would be redeemed at a price of USD 7.277 per Bond, providing a Yield to Maturity (YTM) of 8.5 % compounded semi-annually.

GLOBAL DEPOSITORY RECEIPTS (GDR)

The Global Depository Receipts (GDR) representing same number of equity shares were issued and allotted at a price of USD 4.60 (equivalent to Rs.201.526) during the year 2005-06. This was approved by members in the Extra-ordinary General Meeting held on 20th May, 2005.

Company had raised US\$ 10 million by way of Global Depository Receipts (GDRs) for financing High Tension (HT) Power Cable Project and long-term working capital requirements of the Company. The proceeds of GDR issue have been used for the objects of the issue and the Company

commissioned HT Power Cable facility in March'06. Due to commissioning of this new range of product, the Company will be able to offer almost entire spectrum of cables to its customers. As on March 31, 2007 total outstanding GDR is 500 representing same number of equity shares of Rs.2/- each.

SUB-DIVISION OF EQUITY SHARES

During the year under review Company has sub-divided face value of equity shares of Rs.10/- into five equity shares of Rs.2/- each. The members of the Company had approved the sub-division of face value of equity shares on 23rd November, 2006. Pursuant to resolution passed by the members in general meeting, 29th December, 2006 was fixed as record date.

CONVERSION OF WARRANT INTO EQUITY SHARES

The Board of Directors of the Company at its meeting held on January 10, 2007 issued and allotted 85,00,000 equity shares of Rs.2/- each at a premium of Rs.25.60 upon conversion of Zero Coupon Convertible Warrants. Each warrant was due for conversion into one equity shares of Rs.2/- (post-split) within a period of 18 months from the date of allotment. 10% of issue price was received at the time of allotment of warrants and the balance was paid at the time of conversion. The proceeds received has been utilized as per object of the issue i.e. to meet immediate need for balancing equipment/s and to enhance capital base to reduce interest costs.

STOCK OPTIONS

Pursuant to approval granted by the shareholders of the Company to issue shares under Employee Stock Option Scheme (ESOS) to its employees, your Board of Directors has renamed existing Remuneration Committee as "Remuneration & Compensation Committee" to administer the KEI ESOS 2006. As on date this Committee is consisting of Mr. Vikram Bhartia, Mr. Vijay Bhushan & Mr. Pawan Bholusaria, directors of the Company.

Pursuant to the ESOS scheme framed by the Company and in accordance with approval obtained from shareholders vide resolution dated November 23, 2006, Company has got in principle approval for issuance of 1000000 (ten lacs) equity shares of face value of Rs.2/- each from the Bombay Stock Exchange Limited (BSE) & National Stock Exchange of India Limited (NSE). These shares could be issued by the Remuneration & Compensation Committee from time to time in accordance with the Scheme and SEBI (Employees Stock Option Scheme & Employee Stock Purchase Scheme)

Guidelines, 1999.

On the date of this Report no option has been granted under KEI ESOS 2006 hence disclosures pursuant to Clause 12.1 of the SEBI (ESOS & ESPS) Guidelines, 1999 is not required.

RATING BY CARE

Credit Analysis & Research Ltd (CARE) has reaffirmed the credit rating "PR1" [PR One] assigned to the Company's proposal to raise funds through Commercial Paper / Short Term Debt. 'PR-1' is assigned for High Investment Grade. CARE has assigned this rating taking into account KEI's vast experience in the cable industry, profitable operations, established clientele and continued focus on power sector development by Government of India. The rating also reflects KEI's strong growth in operating income, good order book, moderate liquidity position.

EXPORT ORIENTED UNDERTAKING (EOU)

The Company is setting up New Project for manufacture of existing range of products viz. LT / HT power cable at Chopanki. The proposed undertaking of the Company at Chopanki, District Alwar Bhiwadi (Rajasthan) has been registered as 100% Export Oriented Undertaking (EOU). It is expected to be commissioned by the end of October, 2007.

FUTURE OUTLOOK

The Company is setting up New Project at Chopanki (Rajasthan) for manufacture of existing range of products i.e. LT / HT power cable. The New Project will be commissioned by October 2007. The approximate cost of the Project is Rs.55-60 Crores which will be executed in two phases. The Company is expecting an additional turnover of approximately Rs.250 Crores from this Project. In view of the anticipated investments in Infrastructure, Power and Industrial Sectors, it is expected that the demand for Company's product will continue to be robust. The New Project for HT Power Cable, which was commissioned by the end of March, 2006 has contributed Rs.44.51 Crores of the total revenue of the Company during the year 2006-07. The company is also undertaking modernisation & expansion of its existing units at Bhiwadi & Silvassa. Keeping in view benefits expected from HT facilities and expansion in LT Power Cables and ongoing expansion in House Wire/ Flexible Wire facility at Silvassa, it is expected that barring unforeseen circumstances there will be substantial increase in sales and profit of the Company during the year 2007-08.

INCREASE IN PAID-UP SHARE CAPITAL

The Board of Directors of the Company allotted 85,00,000 equity shares of Rs.2/- each upon conversion of zero coupon convertible warrants on January 10, 2007, pursuant to which the equity share capital of the Company increased from Rs.10,09,39,430 to Rs.11,79,39,430 consisting of 5,89,69,715 equity shares of Rs.2/- each.

Upon partial conversion of Foreign Currency Convertible Bonds (FCCB) of USD 250,000 (0.25 Million), the Board of Directors allotted 129,796 equity shares of face value of Rs.2/- each at a premium of Rs.84 on June 11, 2007. Consequent to this, the paid-up equity share capital of the Company has increased from Rs.11,79,39,430 to Rs.11,81,99,022 consisting of 5,90,99,511 equity shares of Rs.2/- each.

LISTING OF SHARES

Company's 5,90,99,511 equity shares of Rs.2/- each are listed at The Delhi Stock Exchange Association Ltd, Bombay Stock Exchange Limited (BSE) and National Stock Exchange (NSE) and the Company has also paid its up-to-date listing fees to all the stock exchanges. BSE & NSE have nation-wide trading terminals and therefore provide full liquidity to investors. Company's 43,595,511 equity shares of Rs.2/- each are pending listing at Calcutta Stock Exchange Association Limited (CSE). Company has submitted all the necessary documents / papers for listing of these shares to CSE. Global Depository Receipts (GDRs) representing equity shares of the company issued on 16th September, 2005 are listed at Luxembourg Stock Exchange. USD 36 Million 1% Foreign Currency Convertible Bonds (FCCBs) issued & allotted on November 29, 2006 are listed & traded at Luxembourg Stock Exchange. The Company's equity shares are in compulsory dematerialization form. As on March 31, 2007, 88.30% of the equity shares are held in Demat form.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, a separate section titled Report on Corporate Governance has been included in this annual report. Your directors are pleased to report that your company is fully compliant as on 31st March, 2007 with the SEBI Guidelines on Corporate Governance.

DIRECTORS

Retirement by Rotation

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Pawan Bholusaria and Mr. K.G. Somani, Directors of the

company, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Increase / revision of remuneration of Executive Director (Finance)

On review of duties and responsibilities assigned to Mr. Rajeev Gupta, ED (Finance) and looking to the time devoted, the Board of Directors of your Company on recommendation of Remuneration & Compensation Committee have decided to increase / revise remuneration payable to him w.e.f. 01/04/2007 as detailed in the Explanatory Statement forming part of the Notice of the ensuing Annual General Meeting.

DE-LISTING OF SHARES

Subject to approval of the Shareholders in the general meeting the Board of Directors of the Company at its meeting held on 18th May, 2007 has passed resolution for de-listing of equity shares from Delhi Stock Exchange Association Ltd & Calcutta Stock Exchange Association Ltd.

DIRECTOR'S RESPONSIBILITY STATEMENT

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

- a) That in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards had been followed;
- b) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- c) That the directors had 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.
- d) That the directors have prepared the accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

FIXED DEPOSITS

There are no overdue fixed deposits as on 31st March, 2007.

AUDITORS

M/s Jagdish Chand & Co., Chartered Accountants, auditors of the company will retire at the conclusion of the

Name	Designation	Gross Remuneration	Qualification	Experience	Date of joining	Age
Anil Gupta	CMD	Rs. 30628017	M.Com,	27 Years	31.12.92	48yrs

Mr. Anil Gupta, CMD is relative of Mrs. Archana Gupta & Mr. Sunil Gupta, Directors of the Company.

ensuing AGM and are eligible for reappointment as per certificate furnished by them under section 224 (1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is as given below:

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information as regards conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto as per annexure and forms an

integral part of the report.

ACKNOWLEDGMENTS

Your Directors express their deep appreciation and sincere thanks to various departments of the Central & State Governments, Dena Bank, Punjab National Bank, ING Vysya Bank Ltd., State Bank of Hyderabad, Yes Bank Ltd, ICICI Bank Limited, Bank of India, Standard Chartered Bank, HSBC and HDFC Bank for their valuable assistance and co-operation.

Industrial relations remained cordial during the year. The Directors wish to place on record their appreciation for the contribution made by employees at all levels during the year.

For and on behalf of the Board

New Delhi
July 31, 2007

(ANIL GUPTA)
Chairman-cum-
Managing Director

ANNEXURE OF THE DIRECTOR'S REPORT

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earning and outgo under section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Director's report for the year ended 31st March, 2007.

1. CONSERVATION OF ENERGY

- (a) Energy conservation measures taken : In view of measures taken in earlier years no fresh measures were required to be taken during the year. Power consumption is continuously monitored.
- (b) Additional investments and proposal if any, being implemented for conservation of energy. : No major additional investment is required.
- (c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods. : Not applicable
- (d) Total energy consumption & energy consumption per unit of production as per Form A of the Annexure. : Not Applicable

2. TECHNOLOGY ABSORPTION

- (a) **Research & Development:** Details in house analytical laboratory is there for the fine-tuning of operations. Accordingly, success has been achieved in increasing the quality of goods with higher yield percentage.
- (b) **Technology Absorption:** The company neither entered into any technical foreign collaboration nor received/imported any technology from any foreign organisation.

3. FOREIGN EXCHANGE EARNING AND OUTGO

- (a) Activities relating to export initiatives taken to increase exports, developments of new export markets for products and export plans.
- Cables** : Company participated in exhibitions in foreign countries for promotion of its products. Products as per requirements of foreign markets were developed.
- Stainless Steel Wires** : The company was able to develop new customers, new markets with its thrust on exports during the year. Foreign customers were regularly followed up by visits as well as by other means.
- (b) Total foreign exchange used & earned:
- Earnings : Rs. 8562.94 Lacs
- Outgo : Rs.3176.95 Lacs

For and on behalf of the Board

New Delhi
July 31, 2007

(ANIL GUPTA)
Chairman-cum-Managing Director

Management Discussion and Analysis

OVERVIEW

The principal business of KEI INDUSTRIES LIMITED at present is the manufacture and sale of Cable and Power Cable, House Wire & Flexible Wire, Winding Wire and Stainless Steel Wire.

Company is aggressively concentrating on infrastructure, power projects and industrial expansion for sale of its cables. Company also is marketing some of its cable products through dealer network.

Due to buoyancy in economy, huge investment in infrastructure and power projects and overall improvement in industrial scenario, demand for power, control & instrumentation cables picked-up during the year due to which Company achieved substantial improved financial results. In Stainless Steel Division, the Company's focus on quality has yielded results, which has resulted in increased capacity utilization and sales.

During the year under review Company has raised USD 36,000,000 (thirty six million) by way of allotment of 1% Foreign Currency Convertible Bonds (FCCB) due 2011. The Bond has a maturity of 5 years and one day. It is convertible at a conversion price of Rs.430/- at the option of bondholders. Post-split conversion price is adjusted at Rs.86/-. The Bonds are listed and traded at Luxembourg Stock Exchange. The FCCB were issued and allotted by the Board of Directors on 29th November, 2006. The members of the Company had approved the said issue at its Extraordinary General Meeting held on 23rd November, 2006. The FCCB proceeds has been utilized for setting up New Project and Modernization & Expansion of existing facilities / units. As per the terms and conditions of FCCB, 1% interest is payable semi-annually on 30th June & 31st December in each year. Unless, the Bonds have been previously redeemed, repurchased and cancelled or converted, the Company shall redeem the Bonds on 30 November 2011 (the "Maturity Date") equal to the outstanding principal amount of a Bond together with redemption premium and accrued but unpaid interest thereon to the Maturity Date. All outstanding bonds on the date of redemption would be redeemed at a price of

USD 7.277 per Bond, providing a Yield to Maturity (YTM) of 8.5 % compounded semi-annually.

The company in earlier year had started producing Rubber Cables, which during the current year met with increased demand and resulted in increase in turnover and profitability of the Company. The Company expanded its existing product range by installing balancing equipment and modernization.

In view of volatility in input prices (Copper & Aluminium) the company undertook several measures to reduce consumption and improve price realization. The Management also took proactive steps to cover its raw-material supplies at the lowest rates.

The Company started its Overseas Marketing office in Dubai catering to the markets of Africa and Middle East, which has also resulted in increased turnover from this region.

OPPORTUNITIES

Cables are the crucial infrastructure backbone of an economy, the critical elements that wire up the length and breadth of the country. Thus, the opportunities prevailing in this sector are as follows:

- The government's ambitious targets of 200000 MW generation capacity by 2012 from 114000 MW is providing a compelling growth environment for the cable sector.
- A recent report prepared by the power ministry sees 1:1 correlation between Gross Domestic Product (GDP) growth and addition of power generation capacity in the initial years of the Eleventh Plan, which starts in 2007.
- After mega thermal power projects, it is now the turn of large transmission on projects worth approximately Rs 2, 00,000 mn which are being thrown open to private bidders on BOOT (Build, Operate, Own and Transfer) basis.
- Besides core infrastructure companies, power transmission EPC companies and power ancillary companies like KEI will benefit from the demand.

- The power deficit in the northern and western regions is currently around 18 to 20 per cent, in contrast to the surplus situation in the eastern and north-eastern region at 26 and 5 per cent. This disparity has led the government to increase its focus on up gradation and expansion of inter- regional transmission capacity. The ramp up of inter-regional transmission capacity from 11,500 MW to 37,150 MW by 2012, would also provide a fat order book for cable companies.

INDUSTRIAL CAPEX

Demand from local industry expansion is currently estimated at around Rs 80,000 mn with a growth potential of 15-20 per cent per annum and expected to generate huge demand over 5-7 years.

REALTY SECTOR

India's dynamic real estate sector is emerging as one of the fastest growing sectors with the potential to grow from current USD 12 bn to over USD 45-50 bn in next 5 years. This augurs well for the cable industry as cabling is an intrinsic part of any realty structure. The realty sector predominantly uses the LT cables and house wires for wiring purpose which form 2-2.5 per cent of the project cost. It is estimated that demand for power cables from this sector will touch nearly Rs 34 bn over a 5 year period.

EXPORTS

- Industry estimates suggest that Africa and West Asia regions would spend about USD 20 mn in the next 4 years on power transmission and distribution infrastructure.
- Countries in the Gulf region have laid heavy emphasis on infrastructure. The implementation of the Gulf Electricity interconnection grid will also provide opportunities to power cabling and EPC companies.
- It is estimated that OPEC member countries have committed a total of USD 58 bn to various refinery projects over 2005-2011, which translates into power cable demand of approximately USD 1 bn.

OPPORTUNITIES FOR CABLES

A well known fact - that in economic term, 1 MW of power entails an investment of approximately Rs 30-40 mn, of which cables form 2-3 per cent. Power transmission generates demand for HT cables – an estimated 3.5 per cent of the total capex. In addition to this, industrial expansion and power co-generation also generates demand for cables which form 2-2.5 per cent of the total capex.

FUTURE OUTLOOK

In view of the anticipated investments in Infrastructure, Power and Industrial Sectors, it is expected that the demand for Company's product will continue to be Robust. The results of HT Power facility, which has been commissioned, will be reflected in the first full year of production i.e. 2007. The company is also undertaking expansion of its Silvassa Unit for House Wire for the Retail Segment. Keeping in view benefits expected from HT facilities and expansion in LT Power Cables and ongoing expansion in House Wire/ Flexible Wire facility at Silvassa, it is expected that barring unforeseen circumstances there will be substantial increase in sales and profit of the Company during the year 2007-08.

COMPETITIVE STRATEGY

The company stands to gain over its competitors due to the following:

- KEI has a strong brand name in the institutional segment. Its sells 70 per cent of its products to institutions.
- The company services esteemed clientele and it has been accredited with approvals from blue-chip companies nationally as well as internationally. This has helped it, emerge as the single largest vendor to a multinational company- Areva.
- The company services clients across various industries thereby insulating itself from a slowdown in any specific industry.
- The company's ability to deliver customized products to its clients has enabled it to fetch higher margins as well obtain customer loyalty.

The Company is focusing on rapid response time, faster delivery, innovative products development and cost control measures to spearhead its competitive strategy in domestic and overseas market.

HOW YOUR COMPANY FARED

Growth in various segments of the company is given below:

Segments	Sales 2006-07 (Rs. In Lacs)	Sales 2005-06 (Rs. In Lacs)	Growth %
Cables	56904.17	26433.43	115%
Stainless Steel Wire	8459.94	4237.35	100%
Winding, Flexible & House wires	1395.08	2960.83	(53%)

More information on the Company's performance is contained in the Director's Report.

INTERNAL CONTROL SYSTEM

The system of Internal Control provides for maintenance of proper accounting records, reliability of financial information and assures safeguarding of assets against unauthorized use or disruption.

RISK MANAGEMENT

Business Risk

The future of Cables, Power cable, House wire and Flexible, Winding wire and Stainless Steel wire is good and the company is giving due emphasis on enhancement of quality, cost control and production of these products. Demand of Company's products is depending upon the state of Indian economy and new investments in Power and Industrial Sectors. Any adverse development in the above factors can have a negative impact on Company's financial performance. Any increase in prices of raw materials can also have an adverse impact on performance of the Company.

Technology Risk

There is no significant change in the basic technology for the manufacture of cable and stainless steel wire. The Company keeps track of the new trends in the cable and stainless steel industry globally.

Financial Risk

The company has adequate system to control financial risks.

The Company has adequate system and control to monitor the adequate inventory levels so as to reduce the cost of capital.

HUMAN RESOURCE

The Company has adequate system to reward and recognize the employee contribution towards the growth of the Company. The effort to reduce/replace employees and "do more with less" is continuing.

The Company has continued its drive to enhance the skill and competence of its human resources. On the other hand, the Company is stressing on building an environment of accountability combined with teamwork and initiative, through innovative performance based incentive structures, objective-setting programs and training seminars.

CAUTIONARY STATEMENT

Statement in the Management Discussions and Analysis describing the company's objectives, projections, estimates, expectations are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax, corporate and other laws and other incidental factors.

Report on Corporate Governance

1. Company's Philosophy

The Company believes in adopting best practices in the area of corporate governance and follows the principles of full transparency and accountability by providing information on various issues concerning the Company's business and financial performance to its shareholders. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximising value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming leader in Power Cable Industry.

The Company has adopted a Code of Conduct for Directors & Senior Management. This Code is available on the Company's website. In addition, Company has framed Code of Conduct for Prevention of Insider Trading.

The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges.

The Board considers itself as the Trustee of its Shareholders. During the period under review, the Board continued its pursuit by adopting and monitoring of corporate strategies, prudent business plans, major risks and ensuring that the company pursues policies and procedures to satisfy its social, legal and ethical responsibilities.

2. Board of Directors

- (i) The Company has 8 Directors with an Executive Chairman. Of the 8 Directors, 6 (i.e. 75%) are Non-Executive Directors and 4 (i.e. 50%) are Independent Directors. The Composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges.
- (ii) None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2007 have been made by the Directors.
- (iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them are given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholder / Investors Grievance Committees.

Name of the Directors	Category	No. of Board Meeting attended	Attendance at Last AGM	No. of Directorship in other Public companies	No. of Committee positions held in public companies	
					Chairman	Member
Mr. Anil Gupta (CMD)	Non-Independent, Executive	9	Yes	None	None	None
Mr. Pawan Bholusaria	Independent, Non-Executive	9	Yes	2	1	1

Name of the Directors	Category	No. of Board Meeting attended	Attendance at Last AGM	No. of Directorship in other Public companies	No. of Committee positions held in public companies	
					Chairman	Member
Mr. K.G. Somani	Independent, Non-Executive	7	Yes	1	None	None
Mr. Vijay Bhushan	Independent, Non-Executive	8	No	4	2	2
Mr. Vikram Bhartia	Independent, Non-Executive	9	Yes	None	None	None
Mrs. Archana Gupta	Non-Independent, Non-Executive	9	No	1	None	None
Mr. Sunil Gupta	Non-Independent, Non-Executive	7	No	None	None	1
Mr. Rajeev Gupta	Non-Independent, Executive	9	Yes	None	None	None

Meeting of Board of Directors

There were 9 (Nine) Board Meetings held during the year ended 31.03.2007. These were on 21.04.06, 11.05.06, 15.06.06, 22.07.06, 12.09.06, 14.10.06, 29.11.06, 10.01.07, 24.01.07. One resolution was passed by the Board of Directors of the Company by circulation on 27th December, 2006.

The last Annual General Meeting (AGM) was held on 15.06.2006

All the Directors except Managing Director of the Company are liable for retirement by rotation. However, he shall be reckoned as a director for the purpose of fixing the number of directors to retire.

Code of Conduct

The Company has framed Code of Conduct which is applicable to all Directors and members of Senior Management. Pursuant to this Code all the Directors & Senior Management have affirmed compliance with this Code for the year ended 31st March, 2007. A declaration of compliance of this Code signed by CMD is annexed as Annexure to this report.

3. Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as under:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position.
- Recommending the appointment, re-appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices;
 - Major accounting entries based on exercise of judgment by management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - Compliance with accounting standard;
 - Compliance with stock exchange and legal requirements concerning financial statements;
 - Any related party transactions as per Accounting Standard 18.

- Reviewing the Company's financial and risk management policies
- Disclosure of contingent liabilities.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Reviewing compliances as regards the Company's Whistle Blower Policy.
- Mandatory review of following information:
 - Management discussion and analysis of financial condition and results of operation;
 - Statement of significant related party transactions, submitted by management;
 - Management letters / letters of internal control weaknesses issued by Statutory Auditors and
 - Appointment, removal and terms of remuneration of Internal Auditor.

During the year ended 31.03.2007, four Audit Committee Meetings were held on 11.05.06, 22.07.06, 14.10.06 and 24.01.2007.

Mr. Pawan Bholusaria, Chairman of the Audit Committee was present at the last Annual General Meeting held on 15.06.2006

The composition of the Audit Committee and the attendance of the Members in the meetings are as under:

Name of the Director	Category	Profession	No. of Meetings attended
Mr. Pawan Bholusaria	Director (Chairman)	Chartered Accountant	4
Mr. K.G. Somani	Director (Member)	Chartered Accountant	3
Mr. Vikram Bhartia	Director (Member)	Business	4

Mr. Kishore Kunal, Company Secretary of the Company acts as Secretary to the Committee

4. Shareholders Grievance Committee

The "Shareholders Grievance Committee" looks in to redressing investor's grievances/complaints such as non-receipt of notices, annual reports, dividends and share transfers related works. The Committee also approves issue of duplicate share certificates etc. During the year ended 31.03.2007, four meeting of the Committee were held on 11.05.2006, 22.07.06, 14.10.06, and 24.01.07

The composition of the Committee and attendance of the members at the meeting is as under:

Name of Director	Category	Profession	No. of meetings attended
Mr. Vijay Bhushan	Director (Chairman)	Business	4
Mr. Sunil Gupta	Director (Member)	Business	4
Mr. Vikram Bhartia	Director (Member)	Business	4

Number of Shareholders complaints received during the year ending 31.03.2007 and resolved was 22, number of complaints not solved to the satisfaction of shareholders was NIL. Number of pending share transfer as on 31.03.2007 was Nil.

The Company has designated an **Email : cs@kei-ind.com** exclusively for the purpose of receiving various queries, complaints etc. of the investors & to take necessary follow up action. The said E-mail ID is displayed on the website of the Company www.kei-ind.com under Financials/Financial Details/Investors. This ID has been created in order to redress the grievances of investors expeditiously & is in compliance with clause 47(f) of the Listing Agreement.

Mr. Kishore Kunal, Company Secretary & Compliance Officer of the Company acts as Secretary to the Committee.

5. Remuneration & Compensation Committee

Although this is a non-mandatory requirement, the Company has constituted a Remuneration Committee for determining the remuneration of executive directors.

The Board of Directors of the Company at its meeting held on September 12, 2006 granted its in-principle approval for creation, offer, issue & allotment of Securities under Employees Stock Option Scheme 2006 (ESOS 2006). Pursuant to the SEBI (Employees Stock Option Scheme & Employees Stock Purchase Scheme) Guidelines, 1999 and in order to administer the KEI ESOS 2006, the Board of Directors of the Company has renamed its existing Remuneration Committee as “Remuneration & Compensation Committee”.

Apart from all the existing powers and functions of the remuneration committee, the re-named Remuneration and Compensation Committee shall also have the following additional powers and functions:

- a. Formulate suitable employees stock option scheme in terms of the SEBI (ESOS & ESPS) Guidelines, 1999 for the benefit of employees and directors of the Company.
- b. Adopt rules and regulations for implementing the Scheme from time to time.
- c. Identify the Employees eligible to participate under the Scheme.
- d. Grant Options to the identified Eligible Employees and determine the date of Grant.
- e. Determine the number of Options to be granted to each Grantee.
- f. Determine the number of Shares of the Company to be covered by each Option granted under the Scheme.
- g. Determine the method for exercising the Vested Options.
- h. Determine the Exercise price of the Options granted.
- i. Determine the procedure for making a fair and reasonable adjustment to the number of options
- j. Determine the terms and conditions, not inconsistent with the terms of the Scheme, of any Option granted hereunder
- k. Approve forms or agreements for use under the Scheme
- l. Construe and interpret the terms of the Scheme, and the Options granted pursuant to the Scheme
- m. Frame suitable policy, procedure and system to comply with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities market) Regulations, 2003 to be followed by the Participants.
- n. Frame rules and regulations, prescribe forms and issue circulars or orders in relation to the Scheme and may from time to time amend, recall or replace such rules and regulations, forms, orders and circulars.
- o. Constitute one or more ESOS 2006 selection committee to enable it to identify the eligible employees to participate in this ESOS 2006 and to help in quantifying the options to be granted to the eligible employees.
- p. Decide all other matters that must be determined in connection with an Option under the Scheme

The “Remuneration & Compensation Committee” shall be deemed to be “Remuneration Committee” within the meaning of Clause 49 of the Listing Agreement, Schedule XIII of the Companies Act, 1956 and for all other purposes as may be required under any / all Acts, Rules, Regulations, Circulars etc, for the time being or as amended from time to time”.

During the year one meeting of the Remuneration Committee was held on 21.04.2006.

The composition of the Committee meeting is as under:

Name of Director	Category	Profession	No. of meetings attended
Mr. Vikram Bhartia	Director (Chairman)	Business	1
Mr. Vijay Bhushan	Director (Member)	Business	1
Mr. Pawan Bholusaria	Director (Member)	Chartered Accountant	1

Mr. Kishore Kunal, Company Secretary of the Company acts as Secretary to the Committee

Details of Remuneration paid to Executive Directors for the Year ended on 31st March, 2007

The aggregate value of salary, perquisites and commission paid for the year ended 31st March, 2007 to the Managing Director and Whole Time Director are as follows:

Name	Salary	Commission	Co.'s Cont. to P.F	Perquisites	Sitting Fees	Total
Mr. Anil Gupta, CMD	2400000	27690917	9360	527740	NIL	30628017
Mr. Rajeev Gupta, ED (Finance)	1214400	NIL	9360	NIL	NIL	1223760
Total						31851777

Details of Sitting fees

Apart from the Remuneration paid to Executive Directors, the Company pays sitting fees to all Non-Executive and Independent Directors @Rs.10,000/- per Board / Committee Meeting.

The sitting fee paid for the year ended on 31st March, 2007 to Non-Executive and Independent Directors are as follows

Mr. Sunil Gupta	Rs.110000/-
Mr. Pawan Bholusaria	Rs.140000/-
Mr. K.G. Somani	Rs.100000/-
Mr. Vikram Bhartia	Rs.180000/-
Mr. Vijay Bhushan	Rs.130000/-
Mrs. Archana Gupta	Rs.90000/-

6. Share Allotment Committee

The Board of Directors at its meeting held on June 11, 2007 has constituted Share Allotment Committee. The composition of the Committee is as under:

- (a) Mr. Pawan Bholusaria
(Non-executive Independent Director)- Chairman
- (b) Mr. Vijay Bhushan
(Non-executive Independent Director)- Member
- (c) Mr. Anil Gupta
(Promoter & Executive Director)- Member

Mr. Kishore Kunal, Company Secretary of the Company acts as Secretary to the Committee

The detailed terms of reference of "Share Allotment Committee" include inter-alia the following powers:

- To consider and allot the equity shares upon conversion of Foreign Currency Convertible Bonds (FCCB), as requested by the bondholders from time to time in the Form of conversion notice.
- To consider and allot the equity shares upon exercise of option by the eligible employees.
- To consider and allot the equity shares upon conversion of other convertible securities issued by the Company from time to time.
- To exercise all other powers as may be delegated by the Board from time to time.

7. General Body Meetings

(I) Annual General Meeting (AGM) Details

The last three Annual General Meeting were held at the Hamdard Convention Centre (Hall no.1) Jamia Hamdard Nagar, Near Batra Hospital, New Delhi-110 062 as per details given below:

Year	Day	Date	Time	No. of Special Resolution passed at AGM
2004	Thursday	30.09.2004	10.30 A.M	None
2005	Thursday	30.06.2005	10.00 A.M	1
2006	Thursday	15.06.2006	10.00 A.M	5

(II) Extra-ordinary General Meeting (EGM) Details

During the year under review one Extra-ordinary General Meeting of the Company was held on Thursday, the 23rd November, 2006 at Hamdard Convention Centre (Hall No.1) Jamia Hamdard Nagar, Near Batra Hospital, New Delhi-110 062, at 10.00 A.M to pass the following resolutions:

- (i) Issue of Securities under Employees Stock Option Scheme, (ii) Sub-division of face value of equity shares of Rs.10/- into five equity shares of Rs.2/- (iii) Creation of charges / mortgages and hypothecation etc. on the properties of the Company (iv) Raising of Funds through issue of securities in the Domestic and International market and (v) Raising of Funds from Domestic market through issue of securities to Qualified Institutional Buyers (QIBs).

(III) Postal Ballot

During the financial year under review, no postal ballot was conducted by the company.

8. Disclosures:
(I) Related Party Transactions

There have been no materially significant related party transactions with the company's subsidiaries, promoters, directors, management or their relatives which may have a potential conflict with the interests of the company. Members may refer to Disclosures of transactions with related parties i.e. Promoters, Directors, Relatives, Subsidiary or Management made in the Balance Sheet in Schedule "U" Notes to Accounts at Note No.23.

(II) Compliance with Regulations

The company has complied fully with the requirements of the regulatory authorities on capital markets. There have been no instances of non-compliance by the company on any matters related to the capital markets, nor has any penalty or stricture been imposed on the company by the stock exchanges, SEBI or any other statutory authority.

(III) Accounting Standard

The company has followed the accounting standards, laid down by the Institute of Chartered Accountants of India.

(IV) Subsidiary

The Company does not have any holding or subsidiary company.

(V) Risk Management

The audit committee regularly reviews the risk management strategy of the company to ensure the effectiveness of risk management policies and procedures.

(VI) CEO / CFO Certificate

The Chairman-cum-Managing Director and Executive Director (Finance) of the company have furnished the requisite certificate to the Board of Directors under Clause 49V of the Listing Agreement.

(VII) Number of Shares and convertible instruments held by Non-executive Directors

Name of Director	Category	No. of shares held
Mr. Sunil Gupta	Promoter, Non-Executive Director	NIL
Mrs. Archana Gupta	Promoter, Non-Executive Director	837315
Mr. Pawan Bholusaria	Non-Executive Independent Director	500
Mr. K.G Somani	Non-Executive Independent Director	1000
Mr. Vijay Bhushan	Non-Executive Independent Director	NIL
Mr. Vikram Bhartia	Non-Executive Independent Director	NIL

(VIII) Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit 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 secretarial audit report confirms that the total issued / paid up capital is in

agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

9. Means of Communication

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include, The Economic Times (all editions), Business Standard (all editions), Times of India (Delhi), The Financial Express, Navbharat Times and Hindustan Hindi. The results are also displayed on the Company's website www.kei-ind.com. The financial results and shareholding of the Company is also at the website of SEBI at <http://sebidifar.nic.in> as the Company is filing the same under edifar system as per the requirement of Clause 51 of the Listing Agreement. The Annual Report of the Company is sent to all the shareholders at their registered addresses. The Management Discussion and Analysis Report forms part of the Annual Report.

10. General Shareholders Information

(a) 15th Annual General Meeting- Day, Time and Venue

Day	Date	Time	Venue
Thursday	13.09.2007	10.00 A.M	Hamdard Convention Centre (Hall No.1) Jamia Hamdard, Hamdard Nagar, Near Batra Hospital, New Delhi-110 062.

(b) Financial Calendar

Financial Year : 1st April to 31st March

Adoption of quarterly results for the quarter ending (tentative and subject to change)

June, 2007 : 3rd / 4th week of July, 2007

September, 2007 : 3rd / 4th week of October, 2007

December, 2007 : 3rd / 4th week of January, 2008

March, 2008 : 3rd / 4th week of May, 2008

Date of Book closure : 09.09.07 to 13.09.07 (Both days inclusive)

Dividend payment date: Dividend payment on or after September 18, 2007 but within the statutory time limit of 30 days, subject to Shareholders approval.

(c) Registered Office

: D-90, Okhla Industrial Area,
Phase-I, New Delhi- 110 20.

(d) Listing on Stock Exchanges

: Bombay Stock Exchange Ltd
: National Stock Exchange of India Ltd
: The Delhi Stock Exchange Associations Ltd.
: The Calcutta Stock Exchange Association Ltd
: The Luxembourg Stock Exchange*

Note: Global Depository Receipt (GDR) & Foreign Currency Convertible Bonds (FCCB) is listed at Luxembourg Stock Exchange. During the year under review, the company has issued 1% USD 36,000,000 FCCB due 2011.

The ISIN Code of GDR & FCCB are US4824682045 & XS0273861137 respectively.

The Company has paid in time the annual listing fees to each of the said Stock Exchanges.

(e) Stock Code

National Stock Exchange of India Ltd : KEI

Bombay Stock Exchange Ltd : 517569

The Delhi Stock Exchange Association Ltd : 11127

The Calcutta Stock Exchange Association Ltd : 1422

Trading Symbol of BSE & NSE are respectively : "KEIINDUSTRI" & "KEI"

Note: Global Depository Receipt (GDR) & 1% USD 36 Million Foreign Currency Convertible Bond (FCCB) due 2011 are listed outside India at Luxembourg Stock Exchange.

The ISIN Code of GDR & FCCB are US4824682045 & XS0273861137 respectively.

(f) Stock Market Data

Month	Bombay Stock Exchange Ltd (BSE)		National Stock Exchange of India Ltd (NSE)	
	High	Low	High	Low
April, 2006	529.00	368.00	522.90	360.00
May, 2006	468.00	310.00	470.00	306.20
June, 2006	396.00	235.00	389.00	232.50
July, 2006	301.00	202.00	298.00	203.00
August, 2006	335.00	230.00	336.00	231.00
September, 2006	344.40	295.10	343.00	296.00
October, 2006	375.00	308.00	375.00	306.10
November, 2006	451.90	344.00	450.00	343.55
December, 2006	491.00	80.00	485.70	82.00*
January, 2007	130.00	83.85	129.70	84.10
February, 2007	115.90	74.30	115.70	74.05
March, 2007	83.50	64.65	83.40	65.15

***Note :** The face value of equity shares of Rs.10/- each has been subdivided into five equity shares of face value of Rs.2/- each with effect from 29th December 2006 (Record date). The steep fall in the share price during December 2006 is on account of sub-division in the face value of equity shares of the Company.

(g) Registrar and Share Transfer Agents

M/s MAS Services Ltd.

AB-4, Safdarjung Enclave, New Delhi- 110 029, Ph. No- 011-26104142 Fax No. 011-26181081

(h) Share Transfer System

With a view to expedite the process of share transfer, the Board of Directors has delegated the power of share transfer to Share Transfer Committee of the Board which meets as per the work requirements. The Share for transfer received in Physical mode by the company, are transferred expeditiously and thereafter option letter is sent to the transferee(s) for dematerialization, confirmation in respect of the request for dematerialization of shares is sent to the respective Depositories, i.e. National Security Depository Limited (NSDL) and Central Depository Services (India) Ltd within 7 days.

(i) Dematerialization of Shares

The shares of the company are permitted for trading on dematerialized form only. The company's shares are available for trading in the depository system of both NSDL and CDSL. As on 31.03.2007, 52070755 equity shares of Rs.2/- each forming 88.30% of the share capital of the company stands dematerialized. Security Code No. with NSDL and CDSL is- ISIN-INE 878B01027.

(j) Shareholding Pattern as on 31.03.2007

Category	No. of Shareholder	No. of Shares (face value of Rs. 2/- each)	No. of Shares in demat form	% of shareholding
Promoters	7	20983820	20983820	35.58
Bodies Corporate	590	11740696	5456196	19.91
NRI/OCBs	184	481392	410892	0.82
Bank/ Financial Institutions/ Mutual Funds/ FIIs	25	19358673	19358673	32.83
Indian Public	13024	6404634	5860674	10.86
GDR shares	1	500	500	0.00
Total	13831	58969715	52070755	100.00

(k) Distribution Schedule of Shareholding as on 31.03.2007

No. of Shareholders	% to Total	Shareholding of Nominal Value of Rs.	No. of Shares	Amount in Rs.	% of Total
13366	96.44	Up to 5000	4039476	40394760	6.85
226	1.63	5001 to 10000	870486	8704860	1.48
102	0.74	10001 to 20000	757356	7573560	1.28
29	0.21	20001 to 30000	371086	3710860	0.63
28	0.20	30001 to 40000	510235	5102350	0.86
15	0.11	40001 to 50000	339952	3399520	0.58
17	0.12	50001 to 100000	611985	6119850	1.04
48	0.35	100001 and Above	51469139	514691390	87.28
13831	100.00	Total	58969715	117939430	100.00

(l) Liquidity of Shares

The equity shares of the company are listed at Four Stock Exchanges and thus is liquid security. 58969715 equity shares of face value of Rs.2/- each are listed at The National Stock Exchange of India Ltd (NSE), Bombay Stock Exchange Limited (BSE) & The Delhi Stock Exchange Association Limited (DSE). 43465715 Equity Shares are pending listing at The Calcutta Stock Exchange. Company has provided all the necessary details for listing of these shares to the Calcutta Stock Exchange and is following up the matter with that Stock Exchange.

(m) Outstanding GDRs / ADRs / Warrants / Convertible Instruments

The Company had issued & allotted Global Depository Receipt (GDR) on 16.09.2005, as on 31st March, 2007 500 equity shares of Rs.2/- each representing 500 GDR is outstanding for conversion.

The Board of Directors of the company has also issued & allotted 85,00,000 (eighty five lacs) equity shares of face value of Rs.2/- each upon conversion of warrants on 10th January, 2007.

(m) Plant Locations

1. D-90, Okhla Industrial Area, Phase-I, New Delhi-110 020.
2. SP-919 & 920, RIICO Industrial Area, Phase-III, Bhiwadi Distt. Alwar (Raj.)-301019.
3. 99/2/7 Madhuban Industrial Estate, Village Rakholi, Silvassa(D&H)-396240.

(n) Address for Correspondence

The shareholders may address their communication/ suggestion/ grievances/ queries to our Share Transfer Agent:

M/s MAS SERVICES LTD

AB-4, Safdarjung Enclave, New Delhi-110029 Phone:011-26104142, Fax:011-26181081

11. Non-Mandatory Requirements**(I) Non-executive Chairman**

The Company does not have non-executive chairman and no expenses are being incurred & reimbursed in this regard.

(II) Remuneration Committee

The Company has constituted a Remuneration Committee now renamed as "Remuneration & Compensation Committee" discussed in section 5 above.

(III) Shareholder Rights

The quarterly and half yearly results are not being sent to the personal address of shareholders as the quarterly performance and financial results of the company are published in the Newspaper having wide circulation in India and the results are posted on the SEBI website www.sebidifar.nic.in

(IV) Whistle Blower Policy

The Board has approved the Whistle Blower Policy, a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct. The mechanism also provide for adequate safeguards against victimization of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. During the year under review no personnel has been denied access to the audit committee.

ANNEXURE TO REPORT ON CORPORATE GOVERNANCE**CEO CERTIFICATION****TO THE MEMBERS OF KEI INDUSTRIES LIMITED**

We have examined the compliance of Code of Conduct framed by the Board of Directors of the Company under Clause 49 of the Listing Agreement with the Stock Exchanges for the year ended 31st March, 2007.

The compliance of the conditions of Corporate Governance is the responsibility of the Board of Directors & Company's Senior Management.

We have obtained the Certificate of Compliance of Code of Conduct under Clause 49 of Listing Agreement from all the Directors & members of Senior Management.

On the basis of Certificate received from all the concerned, I on behalf of the company, certify that:

- a. We are member in good standing of the Board of Directors / Senior Management of KEI INDUSTRIES LIMITED;
- b. We have received, read, and understood the 'KEI's Code of Conduct and Business Ethics';
- c. Such Code has been and is applicable to our activities as a member of such Board of Directors / Senior Management ;
- d. We have complied and are in compliance with such Code; and
- e. We are not aware of any non-compliance with such Code by others.

For and on behalf of the Board

New Delhi
July 31, 2007

ANIL GUPTA
Chairman-cum-Managing Director

AUDITOR'S CERTIFICATE**TO THE MEMBERS OF KEI INDUSTRIES LIMITED**

We have examined the compliance of conditions of Corporate Governance by KEI INDUSTRIES LIMITED ("the Company") for the year ended 31st March, 2007 as stipulated in clause 49 of the listing agreement of the company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of Company's Management. Our examination was limited to the procedures and implementation 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 to 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 Clause 49 of the listing agreement.

We have to state that no Investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholder's Grievance Committee.

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 **JAGDISH CHAND & CO.**
Chartered Accountant

New Delhi
July 31, 2007

(J.C. GUPTA)
Partner
M. No : 6107

CERTIFICATION BY CEO & CFO

We, Anil Gupta, Chairman-cum-Managing Director, and Rajeev Gupta, Executive Director (Finance) of KEI INDUSTRIES LIMITED to the best of our knowledge and belief, certify that:

1. We have reviewed the balance sheet as at March 31, 2007, profit and loss account and cash flow statement for the financial year 2006-07 and based on our knowledge and information confirm that
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain any 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;
2. 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 violative of the Company's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting for the Company and we have
 - (i) evaluated the effectiveness of the internal control systems of the Company
 - (ii) disclosed to the Auditors and the Audit Committee, deficiencies, of which we are aware, in the design or operation of the internal controls, if any and
 - (iii) taken necessary steps or proposed to take to rectify these deficiencies.
4. We have indicated to auditors and the audit committee of the Board that there have been
 - (i) no significant changes in internal control over the financial reporting during the year;
 - (ii) no significant changes in accounting policies during the year;
 - (iii) no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place : New Delhi
Date : May 18, 2007

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Auditors' Report

To the members of
KEI INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of KEI INDUSTRIES LIMITED as at 31st March, 2007 and also the Profit and Loss Account and the cash flow statement for the year ended on that date 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss Account and the cash flow statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director of the Company 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 read together with the significant accounting policies and notes thereon 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 31st March, 2007;
 - ii. in the case of the Profit & 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 flow of the Company for the year ended on that date.

For **JAGDISH CHAND & CO.**
Chartered Accountants

Place : New Delhi
Dated : 18th May, 2007

(J.C. GUPTA)
Partner
M. No. 6107

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph '3' of the Auditors' Report to the Members of KEI Industries Ltd on the accounts for the year ended March 31, 2007

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a programme of physically verifying all its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. In accordance with this programme, some of the fixed assets were physically verified by the management during the year. The discrepancies noticed on such verification between the physical balances and the fixed assets records were not material and have been properly dealt with in the books of account.
- (c) In our opinion and according to the information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.
- (ii) (a) During the year, the inventories have been physically verified by the management. In our opinion, 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) On the basis of our examination of the record of inventories, we are of the opinion that, the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
- (iii) (a) There is one party covered in the register maintained under Section 301 of the Companies Act, 1956 to which Company has given deposit as per contractual obligations. The maximum amount involved during the year was Rs. 65,96,500/- and the year end balance of deposit granted to such party was Rs. 39,84,000/- (Refer Note No 20 of Schedule "U").
- (b) In our opinion, terms and conditions on which deposit has been given to party listed in the register maintained under Section 301 of Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company. No interest was charged from this party, since this is deposit against premises taken on rent.
- (c) The party has repaid the principal amount as stipulated, no interest was charged from this party, since this was deposit against premises taken on rent. (Refer Note No 20 of Schedule "U").
- (d) There is no overdue amount of deposit granted to Companies, firm or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The company has taken deposits from five Companies and six other parties covered in register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 6,21,63,600/- and the year end balance of deposits taken from such parties was Rs. 79,20,000/-.
- f) In our opinion, the rate of interest where applicable and other terms and conditions on which deposits have been taken from Companies, firms or other parties listed in the register maintained under Section 301 of Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- g) The Company is regular in repaying the principal amounts as stipulated and also in the payment of interest where applicable in case of deposits taken from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business with regard to the purchase of inventories, fixed assets and with regard to the sale of goods. There are no sale of services during the year. Further, on the basis of our examination and according to the information and explanations given to us, we have not come across nor have any information of any instances of major weaknesses in the aforesaid internal control systems.
- (v) According to the information and explanations given to us, during the year, there were no transactions that need to be entered into the register maintained under section 301 of the

Companies Act 1956. Accordingly, paragraph (V) (a) and (b) of the Order are not applicable.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of deposits) Rules, 1975 with regard to the deposits accepted from the public. As per the information and explanations given to us, no order on the Company under the aforesaid sections has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209

(1)(d) of the Companies Act, 1956 and are of the opinion that, prime facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) According to the records of the Company and information and explanations given to us and the records of the Company examined by us, the Company has been regularly depositing the undisputed statutory dues including provident fund, employees state insurance, income tax, Investor Education and Protection fund, Sales tax, wealth tax, Service tax, customs duty, excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed there are no undisputed statutory dues as of March 31, 2007 outstanding for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company

Name of the Statute	Nature of the Due	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
Central Excise Act	Excise Rebate on Export	9,24,044	2003-04	Appeal filed in High Court, Jaipur
	Cenvat Credit Disallowed	2,24,67,506	01.09.02-31.08.03	CEGAT, New Delhi
	MODVAT on Capital Goods disallowed	1,78,096	1996-97	Matter Remanded back to Dy. Commissioner by CEGAT
Sales Tax Act	Local Sales Tax	3,06,979	1988-89	Deputy Commissioner of Sales Tax
	Local Sales Tax	3,74,862	1987-88	Deputy Commissioner of Sales Tax
	Central Sales Tax	67,995	1988-89	Deputy Commissioner of Sales Tax
	Central Sales Tax	1,00,084	1987-88	Deputy Commissioner of Sales Tax

examined by us, there are no disputed dues of income tax, service tax, customs duty, wealth tax & Cess which have not been deposited. The particulars of disputed dues on account of sales tax and excise duty matters that have not been deposited by the Company are as follows :-

- (x) The Company does not have accumulated losses as at the year ended March 31, 2007. Further, the Company has not incurred any cash losses during the year ended March 31, 2007 and in the immediately preceding financial year ended March 31, 2006.

(xi) According to the records of the Company examined by us and on the information and explanations given to us, the Company has not defaulted in repayment of dues to banks or debenture holder during the year. The Company has not taken any loans from financial institutions during the year.

(xii) As the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, paragraph 4(xii) of the Order is not applicable.

- (xiii) As the Company is not a chit fund / nidhi / mutual benefit funds / society to which the provisions of special statute relating to chit fund are applicable, paragraph 4(xiii) of the Order is not applicable.
- (xiv) As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4(xiv) of the Order is not applicable.
- (xv) We are informed that during the period, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xvi) We are informed that the Company has obtained term loans during the year and term loans were applied for the purposes for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that during the year short term funds have not been used to finance long term investments.
- (xviii) According to the information and explanation given to us the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company has not issued any secured debentures during the year.
- (xx) We have verified the end use of money raised by Foreign Currency Convertible Bonds (FCCB), Global Depository Receipts (GDR), and equity shares to zero coupon convertible warrant holders and the same has been disclosed in the Note no.6 Schedule "U".
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended March 31,2007.

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J.C.Gupta)
Partner
M No 6107

Place : New Delhi
Dated : 18th May, 2007

Financials

BALANCE SHEET AS AT 31ST MARCH, 2007

Schedule	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
I SOURCES OF FUNDS :				
1. Shareholder's Funds:				
a) Share Capital	"A"	117939430		100939430
b) Amounts Received Against Warrants		—		39460000
c) Reserves & Surplus	"B"	1400686612	1518626042	851520036
2 Deferred Tax:				
a) Deferred Tax Liabilities		95502829		62382963
b) Less: Deferred Tax Assets		20822774	74680055	2489694
3 Loan Funds:				
a) Secured Loans	"C"	1166033178		532249330
b) Unsecured Loans	"D"	1929531352	3095564530	235056964
			4688870627	1819119029
II APPLICATION OF FUNDS :				
1. Fixed Assets	"E"			
a) Gross Block		1401988936		886404989
b) Less : Depreciation		191328809		142389692
		1210660127		744015297
c) Capital Work in progress	"F"	198988906	1409649033	60643071
2. Investments	"G"		3648395	804658368
3. Current Assets, Loan & Advances:				
a) Inventories	"H"	1760653209		984344480
b) Sundry Debtors	"I"	1741148948		757223090
c) Cash & Bank Balances	"J"	1374809808		140761947
d) Loans & Advances	"K"	393292248		121228951
		5269904213		2003558468
Less : Current Liabilities and Provisions	"L"	1994331014	3275573199	991426202
Net Current Assets				1012132266
4. Miscellaneous Expenditure (To the extent not written off or adjusted)	"M"		—	—
			4688870627	1819119029
Notes on Accounts	"U"			

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 18th May, 2007

(KISHORE KUNAL)
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	Year Ended 31st March, 2007 Rupees	Year Ended 31st March, 2006 Rupees
I. INCOME			
Gross Sales Less Returns		6815144393	3413496024
Less : Excise Duty		776041764	411849326
Net Sales		6039102629	3001646698
Job Work		3841841	11002132
Other Income	"N"	2288031	9361354
Increase/[Decrease] in Stock	"O"	673000439	370868226
		6718232940	3392878410
II. EXPENDITURE			
Materials	"P"	5057535790	2401546750
Manufacturing, Selling & Other Expenses	"Q"	639714718	433864265
Increase/[Decrease] Excise Duty on Stock		32587252	18663030
Payments to and Provision for Employees	"R"	81998835	62853408
Managerial Remuneration	"S"	32601777	17974163
Financial Charges	"T"	237358736	94595227
Depreciation & Amortisation		56541853	26903909
		6138338961	3056400752
III. PROFIT BEFORE TAX [I-II]		579893979	336477658
Less : Provision For Taxation			
— Current Tax		144070000	49120000
— Fringe Benefit tax		2150000	1970000
— Deferred tax		31997232	23802339
IV. PROFIT AFTER TAX		401676747	261585319
Add/(Less) Taxation for earlier years			
— Current Tax		789237	(1518995)
Fringe Benefit tax		(9321)	—
Deferred tax		(1009800)	—
V. NET PROFIT		401446863	260066324
Add : Balance Brought Forward From Last year's Account		368511397	156464310
VI. AMOUNT AVAILABLE FOR APPROPRIATION		769958260	416530634
VII. APPROPRIATION			
Proposed Dividend		29484858	20187886
Provision for Taxation on Proposed Dividend		5010950	2831351
Transfer to General Reserve		50000000	25000000
VIII. BALANCE CARRIED TO BALANCE SHEET		685462452	368511397
Earning per share:			
— Basic		7.67	5.72
— Diluted		5.65	4.82
NOTES ON ACCOUNTS	"U"		

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 18th May, 2007

(KISHORE KUNAL)
Company Secretary

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
SCHEDULE "A" : SHARE CAPITAL		
Authorised		
11,00,00,000 (Previous year 1,70,00,000 equity shares of Rs 10/-) Equity shares of Rs.2/- each fully paid	220000000	170000000
3,00,000 (Previous year 3,00,000) Preference Shares of Rs. 100/- each	30000000	30000000
	250000000	200000000
Issued, Subscribed & paid-up	117939430	100939430
589,69,715 (Previous year 100,93,943 equity shares of Rs 10/-) Equity shares of Rs.2/- each fully paid	117939430	100939430

Notes:

- 87,16,215 Equity shares of Rs.2/- each were allotted to as fully paid shares as per Scheme of amalgamation without payment being received in cash.
- Equity Shares of Rs.10/- each have been sub-divided into five equity shares of Rs 2/- each pursuant to the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on 23rd November, 2006.

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
SCHEDULE "B" : RESERVES & SURPLUS		
Securities Premium Account		
As per last Balance Sheet	449167121	36621163
Add : Addition During the year	217600000	416358371
Less : GDR Issue Expenses written off	—	3812413
Less : FCCB Issue Expenses written off	35384479	—
	631382642	449167121
General Reserve		
As per last Balance Sheet	33841518	8841518
Add : Transferred from Profit & loss account	50000000	25000000
	83841518	33841518
Profit & Loss Account		
As per Annexed Account	685462452	368511397
	1400686612	851520036
SCHEDULE "C" : SECURED LOANS		
Term Loan From Banks		
(Secured by equitable mortgage of factory land & buildings, first charge on immovable & movable assets of the company and guaranteed by Sh. Anil Gupta, Chairman Cum Managing Director)	234395553	146115895
For Working Capital From Banks		
(Secured by equitable mortgage of factory land & buildings, hypothecation of Company's all Current & Movable assets & by way of first charge on all plant & machinery and guaranteed by Sh. Anil Gupta, Chairman Cum Managing Director)	922048019	377028106
Hire Purchase Finance		
(Secured against hypothecation of vehicles & machinery financed)	9589606	9105329
	1166033178	532249330

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "D" : UNSECURED LOANS				
Short term Loan from Bank (Against personal Gurantee of Shri Anil Gupta, Chairman Cum Managing Director)		—		100000000
Deposits				
— Inter Corporate Deposits	8820000		61402160	
— Directors	2640000		2630000	
— Others	40025000	51485000	49175000	113207160
Sales Tax Deferment (Repayable within One Year Rs. 72,83,452/- Previous Year Rs. 72,83,452/-)		14566352		21849804
Other Loans				
— Foreign Currency Convertible Bonds		1563480000		—
— Non Convertible Debentures Issued to a Financial Institution (Repayable within one Year)		300000000		—
		1929531352		235056964

SCHEDULE "E" : FIXED ASSETS

S. No.	Description of Assets	GROSS BLOCK			DEPRECIATION				NETBLOCK		
		As At 31.03.2006	Additions	Deductions	As At 31.03.2007	As At 31.03.2006	For the Year	Dedu- ctions	As At 31.03.2007	As At 31.03.2007	As At 31.03.2006
1	Land	3,660,737	—	—	3,660,737	—	—	—	—	3,660,737	3,660,737
2	Land (Lease Hold)	58,759,799	87,806,596	—	146,566,395	—	—	—	—	146,566,395	58,759,799
3	Building	185,882,630	108,991,043	—	294,873,673	14,794,916	5,888,204	—	20,683,120	274,190,553	171,087,714
4	Plant & Machinery	535,696,853	274,890,324	6,686,620	803,900,557	111,033,465	42,918,634	3,209,839	150,742,260	653,158,297	424,663,388
5	Electrical Fittings & Equipments	48,083,988	29,944,661	95,275	77,933,374	2,964,907	2,420,141	95,243	5,289,805	72,643,569	45,119,081
6	Furniture, Fixtures & Office Equipments	34,258,434	19,419,911	3,608,342	50,070,003	10,009,138	3,328,842	3,533,909	9,804,071	40,265,932	24,249,296
7	Vehicles	5,487,092	370,636	1,580,829	4,276,899	2,260,739	419,783	763,745	1,916,777	2,360,122	3,226,353
8	Assets Acquired under Hire Purchase :										
	— Plant & Machinery	3,703,206	—	—	3,703,206	333,841	182,663	—	516,504	3,186,702	3,369,365
	— Vehicles	10,872,250	6,131,842	—	17,004,092	992,686	1,383,586	—	2,376,272	14,627,820	9,879,564
	TOTAL :	886,404,989	527,555,013	11,971,066	1,401,988,936	142,389,692	56,541,853	7,602,736	191,328,809	1,210,660,127	744,015,297
	PREVIOUS YEAR	397,300,750	491,873,333	2,769,094	886,404,989	116,510,772	26,903,909	1,024,989	142,389,692	744,015,297	280,789,978

Note :

- Title Deeds of Land (Leasehold) Rs. Nil/- (Previous Year Rs. 31159940/-) are pending registration in the name of the company.
- Carrying value of Assets acquired under hire purchase as on 31.03.2007 exclude the amount related to hire purchase agreement settled during the current year.

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
SCHEDULE "F" : CAPITAL WORK IN PROGRESS		
Capital Work in Progress (Including Material lying at Site)	127446012	31895242
Capital Advances	78194186	27659217
Pre operative Expenses / (Income) (Net)	-6973891	—
Capital Goods In Transit	322599	1088612
	198988906	60643071

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
SCHEDULE "G" : INVESTMENTS		
LONG TERM		
OTHER INVESTMENTS (UNQUOTED)		
— KEI International Limited 76558 (Previous Year 76558) Equity Shares of Rs. 10 each fully Paid (Bonus Shares)	—	—
— Principal Infrastructure & Services Industries Fund 488.998 (previous year 488.998) Units of Rs. 10/- each fully paid	5000	5000
— 1256 ING Vysya Dividend Yield Fund 50000 (previous year 50000) Units of Rs. 10/- each fully paid	500000	500000
— 1266 ING Vysya ATM Fund NIL (previous year 50000) Units of Rs. 10/- each fully paid	—	500000
— 1259 ING Lion Fund NIL (previous year 50000) Units of Rs. 10/- each fully paid	—	500000
— U212GR UTI Wealth Builder Fund 20000 (previous year NIL) Units of Rs. 10/- each fully paid	200000	—
— 1285 ING Vysya CUB Fund 50000 (previous year NIL) Units of Rs. 10/- each fully paid	500000	—
— Principal PNB Long Term Equity Fund 3 Year plan- Series 1 50000 (previous year NIL) Units of Rs.10/-	500000	—
— Opti Mix Dynamic Multi-Manager FoF Scheme- Series 2 50000 (previous year NIL) Units of Rs.10/-	500000	—
— Opti Mix Multi-Manager Equity Fund 50000 (previous year NIL) Units of Rs.10/-	500000	—
— Principal Dividend Yield Fund 7490.637 (previous year NIL) Units of Rs.10/-	100000	—
— Principal Large Cap Fund 1193.317 (previous year NIL) Units of Rs.10/-	20000	—
(QUOTED):		
— State Bank of India 50 (Previous Year 50) Equity Shares of Rs. 10/- each fully paid	10000	10000
— Maryada Commercial Enterprises & Investment Co. Ltd. 1500 (Previous Year 1500) Equity Shares of Rs. 10/- each fully paid	11200	11200
— PNB Gilts Ltd. 6000 (Previous year 6000) Equity Shares of Rs. 10/- each fully paid	180000	180000
— Punjab National Bank 2200 (previous year 2200) Equity shares of Rs. 10/- each fully paid	68200	68200
— Dena Bank 2595 (previous year 2595) Equity shares of Rs. 10/- each fully paid	70065	70065
— ICICI Bank Ltd 900 (previous year 900) Equity shares of Rs. 10/- each fully paid	472500	472500

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
SCHEDULE "G" : INVESTMENTS (CONTD...)		
(QUOTED)		
— YES Bank Ltd 254 (previous year 254) Equity shares of Rs. 10/- each fully paid	11430	11430
	3648395	2328395
Notes.		
1. Quoted Investments.		
— Aggregate of Book Value	8,23,395	8,23,395
— Aggregate of Market Value	20,95,028	19,05,530
2. During the year the following investments were sold/redeemed:		
1266 ING Vysya ATM Fund (50000 units of Rs.10 each)	500000	—
1259 ING Vysya Lion Fund (50000 units of Rs.10 each)	500000	—
3. During the year the following investments were purchased and sold:		
ING Vysya Midcap Fund (50000 units of face value Rs.10/- each)	—	500000
SCHEDULE "H" : INVENTORIES		
(As taken, valued and certified by the Management)		
Stores, Spares & Consumables	15013643	10853425
Raw Materials	306798747	187019528
Stock in Process	846189547	380904518
Finished Goods	543136305	335323060
Packing Material	8250787	3882442
Scrap	5569669	5667504
Goods In Transit	35694511	60694003
	1760653209	984344480
SCHEDULE "I" : SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Over six Months	103302906	62682562
Other Debts	1637846042	694540528
	1741148948	757223090

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "J" : CASH AND BANK BALANCES				
Cash Balances Including imprest		2369506		1618159
Balance with Scheduled Banks:				
— Current Accounts	57347255		6903279	
— Fixed Deposits*	131870846		131614828	
— Unclaimed Dividend	295549	189513650	186395	138704502
Balance with Other Banks:				
— Current Accounts**	5567188		439286	
— Deposit Accounts***	1177359464	1182926652	—	439286
		1374809808		140761947
*Includes unutilised balance of FCCB/GDR issue		1500000		68727251
** Maximum Balances in Current accounts with				
— CITI BANK, N A Escrow Account, London		1607400000		—
— HSBC Bank Plc, London		1557609385		—
— Banco Efisa, Portugal		—		437997372
— HSBC Bank Middle East Limited, Dubai		7576071		1866996
***Maximum Balances in Deposit accounts with				
— HSBC Bank Plc, London		1469550500		—
— Banco Efisa, Portugal		—		433620000

Note: Balance with other Banks include Rs.711322/- (Previous Year Rs. Nil) lying in Current account and Rs 1177359464/- (Previous year Nil) lying in Deposit Account being unutilised Money of FCCB Issue.

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "K" : LOANS & ADVANCES				
(Unsecured, Considered good, unless stated otherwise)				
Advances Recoverable in cash or in kind or for value to be received		155764247		25219022
Loans & Advances to Workers & staff		2531876		1734231
Claims Recoverable from Government		105655145		12721843
Balance with Excise Authorities		109497601		69078843
Earnest Money/Security Deposits		19843379		12475012
		393292248		121228951

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "L" : CURRENT LIABILITIES AND PROVISIONS				
CURRENT LIABILITIES				
Sundry Creditors *				
– Raw Material	1594486493		720649583	
– Others	200675764	1795162257	149044848	869694431
Other Liabilities		104192926		63552686
Advance/Security Deposit received		49589677		34495751
Investor Education and Protection Fund Shall be credit by the following amount namely**				
– Unclaimed Dividend		295537		186395
		1949240397		967929263
PROVISIONS				
Provision for leave encashment	4208682		2892538	
Provision for Proposed Dividend	29484858		20187886	
Provision for tax on Proposed Dividend	5010950		2831351	
Provision for Taxation (Net of Payments)	6386127	45090617	-2414836	23496939
		1994331014		991426202
<p>* Includes dues to small scale industrial undertaking Rs. NIL (Previous Year NIL)</p> <p>** No amount is due on March 31, 2007 for credit to Investor Education and protection Fund (Fund). Amount remaining due after adjustment of amounts to be claimed from the Company will be transferred on the respective due dates to Fund</p>				
SCHEDULE "M" : MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
FCCB Issue Expenses during the year	53604725		—	
GDR Issue Expenses during the year	—		5746778	
Less : Written off to share Premium Account	35384479		3812413	
Less : Written off to Deffered Tax Assets	18220246	—	1934365	—
		—		—
SCHEDULE "N" : OTHER INCOME				
Insurance Claim Received		728906		—
Dividend- Long Term Investment (Other than trade)		55350		43625
Profit on Sale of Long Term Investments		62836		86325
Exchange Fluctuation (Net)		1282429		8429922
Miscellaneous Income		158510		801482
		2288031		9361354

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "O" : INCREASE/(DECREASE) IN STOCK				
Opening Stock				
— Finished Goods	335323060		234661732	
— Stock in Process	380904518		113996075	
— Scrap	5667504	721895082	2369049	351026856
Less : Closing Stock				
— Finished Goods	543136305		335323060	
— Stock in Process	846189547		380904518	
— Scrap	5569669	1394895521	5667504	721895082
		673000439		370868226
SCHEDULE "P" : MATERIALS				
Raw Materials Consumed				
— Opening Stock	187019528		127011713	
Add : Purchases	5177360674		2464197770	
	5364380202		2591209483	
Less : Closing Stock	306798747		187019528	
	5057581455		2404189955	
Less : Capitalized for Own Use	4177600	5053403855	2643205	2401546750
Traded Items				
— Opening Stock	—		—	
Add : Purchases	4131935		—	
	4131935		—	
Less: Closing Stock	—	4131935	—	—
		5057535790		2401546750
SCHEDULE "Q" : MANUFACTURING,SELLING & OTHER EXPENSES				
Stores, Spares & Consumables		45690135		31786986
Packing Expenses		137107150		72098227
Job Work Charges		73610706		54928062
Power, Fuel & Lighting		117622801		79502555
Repairs & Maintenance				
— Plant & Machinery	29475903		21052708	
— Building	2527712		1871571	
— Others	8548818	40552433	5242712	28166991
Freight, Handling, Oct. & Insurance (Net)		78032277		59221088
Rebate, Discount, Commission on Sales		50911985		40370261
Rates & Taxes		6073820		6298627
Rent		7284235		7884325
Insurance		9888664		5847226
Travelling & Conveyance		14304731		10659772
Advertisement & Publicity		4971002		4423393
Auditors' Remuneration		1050000		500000
Loss on sales of Assets (Net)		1923330		768605
Communication Expenses		7877531		6139475
Donations		5077700		2232501
Miscellaneous Expenses		37736218		23036171
		639714718		433864265

	As at 31st March, 2007 Rupees		As at 31st March, 2006 Rupees	
SCHEDULE "R" : PAYMENT TO AND PROVISIONS FOR EMPLOYEES				
Salaries, Wages & Others Benefits		68209612		52985645
Contribution to Provident & Other Funds		6452436		6028145
Welfare Expenses		7336787		3839618
		81998835		62853408
SCHEDULE "S" : MANAGERIAL REMUNERATION				
Salaries		3614400		2400000
Commission 14858413			27690917	
Rent		405000		360000
Contribution to Provident Fund		18720		9360
Perquisites		122740		131390
Director's Meeting Fee		750000		215000
		32601777		17974163
SCHEDULE "T" : FINANCIAL CHARGES				
Interest				
— Term Loan & Unsecured Debentures	35702506		349859	
— Working Capital Facilities (Net)	68352280		28989570	
— Others	91391953	195446739	43290711	72630140
Financial Charges & Commission		41911997		21965087
		237358736		94595227

SCHEDULE – “U”

Significant Accounting Policies and Notes on Accounts for the Year ended 31st March, 2007

1. Statement of significant accounting policies

- (a) The accounts have been prepared under the historical cost convention except where otherwise stated.
- (b) **Fixed Assets :**
- (i) Fixed assets are stated at cost or valuation less accumulated depreciation and impairment loss. The cost includes inward freight and other directly attributable expenses.
 - (ii) In respect of new projects, all expenses relating to the projects up to the commencement of production, including interest on borrowed loan are capitalised. Financing Cost incurred on General Borrowing used for projects is capitalised at the weighted average cost. The amount of such borrowing is determined after setting off the amount of internal accruals.
 - (iii) In accordance with and at the rates specified in Schedule XIV to the Companies Acts, 1956 depreciation is provided by following methods:-
 - Written down value method in respect of fixed assets valued up to 31st March 1992 in cable division.
 - Straight line method for other fixed assets
 - (iv) No write off is being made in respect of leasehold land, as the lease is a long lease.
- (c) **Investments:**
Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if, such decline is other than temporary in the opinion of the management.
- (d) **Inventories:**
- (i) Finished goods are valued at lower of cost or net realisable value
 - (ii) Raw materials are valued at cost or net realisable value whichever is lower.
 - (iii) Stock in Process is valued at lower of cost and net realisable value
 - (iv) Stores, spares and consumables and packing materials are valued at cost.
 - (v) Scrap is valued at estimated realisable value.
 - (vi) Cost of Raw Materials is determined on first in first out (FIFO) basis. Work in process includes raw material costs and allocated production overheads. Cost of finished goods is determined by taking derived material costs and others overheads.
- (e) **Revenue Recognition:**
Sales are accounted for on despatch of goods from the factory to the customers. Sales are net of return and include excise duty wherever directly chargeable from customers, but exclude sales tax.
- (f) **Excise Duty:**
Excise Duty has been accounted on the basis of both payments made in respect of goods cleared as also provision made for goods lying in factory premises. CENVAT credit is accounted on accrual basis on purchases of materials.
- (g) **Employees/Retirement Benefits:**
- (i) The Company has taken group Gratuity scheme with LIC of India. Contribution payable towards this group gratuity scheme is charged to profit & loss account.
 - (ii) Liability towards leave encashment on retirement of employees is accounted for as estimated.
- (h) **Foreign Currency Transactions:**
- (i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction.
 - (ii) Foreign currency transactions remaining unsettled at the year end are translated at year end rate. Premium in respect of forward contracts is accounted over the period of contract
 - (iii) Exchange differences relating to fixed assets are adjusted in the cost of the asset.
 - (iv) Non monetary foreign currency items are carried at cost.
- (i) **Reserves:**
The difference between depreciation on the revalued value of the asset and depreciation on their historical cost is transferred from Revaluation reserve to Profit & Loss account.
- (j) **Miscellaneous Expenditure:**
- (i) Preliminary expenses are being written off over a period of ten years.
 - (ii) Public issue expenditure/FCCB issue expenditure are being written off against Securities / share premium, net of taxes, in the year of issue.

(k) Taxes on Income:

Current tax is determined as the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(l) Deferred Revenue Expenditure:

Deferred Revenue Expenditure is charged as an expenditure in the year in which it is incurred.

(m) Impairment of Fixed Assets:

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the assets in prior years.

(n) Contingent Liabilities

Contingent liabilities are disclosed after a careful evaluation of the facts and legal aspects of the matter involved.

2. Contingent Liabilities

- a. Unutilised letter of credits Rs. 32,80,643/- (Previous Year Rs.73,38,400/-)
 - b. Financial Bank Guarantees outstanding Rs. 3,52,84,410/-(Previous Year Rs. 1,55,49,915/-)
 - c. Outstanding Bills discounted Rs. 20,34,65,222/- (Previous year Rs.21,07,35,922/-).
 - d. Sales Tax demands under appeal Rs. 8,49,920/- (Previous year Rs 87,76,964/-)
 - e. Income tax demands under appeal in respect of earlier years Rs 8,13,426/- (Previous year Rs. 8,13,426/-)
 - f. Excise Demand under appeal in respect of earlier years Rs. 2,35,69,646/- (Previous year Rs 2,35,69,646/-)
 - g. Claims against the company not acknowledged as debts Rs. NIL (Previous year Rs. 1,00,000/-)
3. The Board of Directors of the Company at its meeting held on 29th November, 2006 issued 1% Foreign Currency Convertible Bonds ('FCCB') aggregating to US\$ 36 million, at par. The bondholders have an option to convert these bonds into Equity Shares at an initial conversion rate of Rs.430/- per share (Rs.86/- per share post-split) at a fixed exchange rate (Rs.44.65 = US\$1) and conversion price reset not lower than Rs.355/- per share (Rs.71/- per share post-split) as per terms and conditions provided in conversion price reset clause, between 15th December, 2006 and 30th October, 2011. The conversion price will be subject to certain adjustments as detailed in the offering circular such as bonus issue, right issue, extraordinary dividend etc. Unless previously converted, redeemed or repurchased or cancelled, the Company will redeem these bonds at 145.54 percent of the principal amount on 30th October, 2011. As at March 31, 2007 none of the 'FCCB' have been converted into equity shares and the balance of 'FCCB' outstanding as on March 31, 2007 have been included and disclosed in the schedule of "Unsecured Loans" (Schedule-'D'). The Company expects that the bond holders would opt for conversion rather than redemption and hence, in that case no premium would be payable and on that basis the same is not provided for. However, the premium, if paid would be adjusted against the Securities Premium Account. Accordingly premium (maximum amount payable being Rs.71,20,08,792/-) would be accounted for and adjusted against Securities Premium Account in the year of such redemption or repurchase or cancellation.
- The FCCB issue expenses aggregating to Rs.5,36,04,725/- have been adjusted against the Securities Premium Account, (net of taxes) Rs. 3,53,84,479/- & Deferred Tax Asset Rs. 1,82,20,246/-
4. Estimated amount of contracts remaining to be executed on Capital Account Rs. 17,41,66,000/- (Previous Year Rs. 16,83,68,000/-).
 5. Fixed Deposits with banks amounting to Rs 8,12,50,013/- (Previous year Rs. 5,98,87,577/-) are under lien with banks.
 6. a) During the year the Board of Directors of the company have allotted 85,00,000 (Eighty Five Lakhs) post split Equity shares of face value of Rs.2/- each at a price of Rs.27.60 (Rupees Twenty Seven and paise Sixty only) per share on preferential basis upon conversion of Zero Coupon Convertible Warrants. The amount aggregating to Rs.19,51,40,000/- received towards allotment of equity shares upon conversion of warrants has been utilized for

working capital requirements of the Company as per objects of the issue.

- b) Foreign Currency Convertible Bonds ('FCCB') proceeds have been utilized as per objects of the issue in following manner.:

	Amount (Rs.)
FCCB Issue Expenses	502,67,360/-
Capital Expenditure/Advances	354,538,104/-
Exchange Fluctuation (Net)	4,44,15,862/-
Interest Income (Net)	(190,79,780/-)
Pending utilization in Bank (Net)	117,72,58,454/-
Total	160,74,00,000 /-

- c) Un-utilized balance as on 31st March, 2006 of Global Depository Receipt (GDR) proceeds has been utilized during the year as per objects of the Issue in following manner:

	Amount (Rs.)
HT Power Cable Project	6,58,36,004/-
Long Term Working Capital	5,42,114/-
Total	6,63,78,118/-

7. The equity shares of face value of Rs.10/- each were sub-divided into five equity shares of Rs.2/- each pursuant to resolution passed by the members in the Extra-ordinary General Meeting held on 23rd November, 2006 effective from 29th December, 2006 (Record Date).
8. Interest on working capital facilities are net of interest received Rs. 70,82,472./- (Previous year Rs.71,43,692/-).
9. Insurance Premium of Rs. 20,60,550/- (Previous year Rs. 20,60,550/-) on Keyman Insurance Policy has been charged to profit & loss account. Maturity value of such policy will be accounted for on receipt basis.
10. **Following expenses were capitalized and allocated to fixed assets:**

Particulars	Year ended 31.03.07 Amount(Rs.)	Year ended 31.03.06 Amount(Rs.)
Bank Charges & Commission	2,31,586	31,84,177
Interest on Term Loan	46,16,637	38,73,006
Freight, Handling, Octroi & Insurance	39,070	65,479
Interest on FCCB	66,23,075	—
Power Fuel & Lighting	4,50,434	3,42,786
Travelling & Conveyance	4,129	4,43,124
Communication Expenses	9,952	32,044
Insurance Expenses	—	9,022
Stores, Spares & Consumables	—	5,41,053
Payment to and provision for employees	4,90,742	7,62,693
Labour charges	16,100	—
Repairs & Maintenance	57,344	—
Security Service Charges	—	2,62,038
Misc. Expenses	3,08,735	99,473
Total	1,28,47,804	96,14,895
Less: Allocated to Fixed Assets	52,56,722	96,14,895
Balance	75,91,082	—
Less: Interest Income (Net of Taxes of Rs. 73,90,069/-)	1,45,64,973	—
Total (Net)	(69,73,891)	—

11. Loans & Advances include Deposit given to a Limited Company Rs.4,50,00,000/- (Previous Year Rs. NIL).

12. Sales include Export benefits Rs. 39,54,456/- (Previous Year Rs.6,90,180).
13. As per information available with the management no supplier has claimed status of Small Scale Industrial Undertaking (SSI). Hence, dues to 'SSI' can not be ascertained separately.
14. Amount of Excise Duty deducted from the turnover is relatable to sales made during the year and the amount recognized separately in the statement of profit & loss is related to the difference between the closing stock & opening stock.
15. **Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956.**

Particulars	Year ended 31.03.07 Amount(Rs.)	Year ended 31.03.06 Amount (Rs.)
Net Profit before tax	57,98,93,979	33,64,77,658
Add: Director's Remuneration (Excluding PF, Salary to ED (Finance) & Meeting Fee)	3,06,18,657	1,77,49,803
Add: Loss on sale of assets (net)	19,23,330	7,68,605
Less : Profit on Sale of Long Term Investments	62,836	—
Net Profit	61,23,73,130	35,49,96,066
Net Profit for Managerial Remuneration	61,23,73,130	35,49,96,066
Calculation of Director's Remuneration (including commission) @ 5% of the Net Profit for the period	3,06,18,657	1,77,49,803
Total Managerial Remuneration		
— Excluding Directors Meeting Fees and contribution to Provident & Other Funds and Executive Director (Finance)'s Salary	3,06,18,657	1,77,49,803
— Including Directors Meeting Fees and contribution to Provident & Other Funds and Executive Director (Finance)'s Salary	3,26,01,777	1,79,74,163

16. **Deferred Tax Assets and Liabilities are attributable to the following items :**

	As At 31.03.07 Amount(Rs.)	As At 31.03.06 Amount(Rs.)
Assets		
Provision for unencashed leave	14,30,531/-	9,42,202/-
FCCB/GDR Issue Expenses	1,93,92,243/-	15,47,492/-
	2,08,22,774/-	24,89,694/-
Liabilities		
Depreciation	9,55,02,829/-	6,23,82,963/-

17. **Auditor's Remuneration:**

Particulars	Year ended 31.03.07 Amount(Rs.)	Year ended 31.03.06 Amount(Rs.)
As Auditor*		
— Audit fee	8,50,000	4,25,000
— Tax Audit	1,00,000	50,000
— In other capacity**	100,000	25,000

* Excludes Service Tax

** In other capacity excludes Rs.450000 /-(Previous Year Rs. NIL) which has been adjusted against Securities Premium Account, being FCCB Issue Expenses.

18. Earning per share pursuant to Accounting Standard- 20 ('AS-20') issued by Institute of Chartered Accountant of India has been calculated as follows:

Particulars	Year ended 31.03.07	Year ended 31.03.06
Profit after taxation (Rs)	40,14,46,863	26,00,66,324
Number of equity shares at the beginning of the year	50469715	7920043
Add: Weighted average number of equity shares issued during the year	1886301	1173310
Weighted average number of equity shares for Basic EPS	52356016	9093353
Add: Adjustment for Warrants outstanding convertible in equity shares	—	1700000
Add: Adjustment for FCCB outstanding convertible in equity shares	18690698	—
Weighted average number of equity shares for Diluted EPS	71046714	10793353
Basic Earning Per Share (Rs).	7.67	5.72
Diluted Earning Per Share (Rs.)	5.65	4.82

Notes:

- a) The equity shares of the face value of Rs.10/- each were sub-divided into five equity shares of face value of Rs.2/- each w.e.f. 29.12.2006 (Record Date). Accordingly, Earning per share for the year ended 31st March, 2006 have been restated with respect to the revised face value of equity shares as required under 'AS-20'.
- b) For Year ended 31-03-2006 face value of equity share is Rs. 10/- per share and for year ended 31-03-2007 is Rs. 2/- per share.
- 19 (a) **Future lease obligation by way of lease rental as follows:**

Due	Total Minimum lease payments outstandings		Future Interest on outstandings		Present value of minimum lease payments	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Within one year	5640910	4696523	795974	685521	4844936	4011002
Later than one year and not later than five years	5253197	5522189	508527	427862	4744670	5094327
More than Five years	NIL	NIL	NIL	NIL	NIL	NIL
Total:	10894107	10218712	1304540	1113383	9589567	9105329

(b) Operating Leases- Other than non-cancellable

The Company has entered into lease transactions during the current financial year mainly for leasing of factory / office premises and company leased accommodations for its employees for periods upto 10 years. Terms of lease include terms of renewal, increase in rents in future periods and terms of cancellation. The Operating lease payments recognized in the Profit & Loss account amount to Rs. 72,84,235/- (Previous year Rs. 78,84,325) for the leases, which commenced on or after April 1, 2001.

20. Loan & Advance include adjustable security deposit given to a director for premises taken on rent Rs. 39,84,000/- (Previous year Rs.38,00,000) Maximum Balance outstanding during the year Rs. 65,96,500/- (Previous year Rs.66,50,000).
21. Disclosure pursuant to clause 32 of the Listing Agreement with Stock Exchanges is given below:
- a) Loans and Advances in the nature of Loans given to Associates:

Name	As at 31.03.07	Maximum Balance during the year	As at 31.03.06	Maximum Balance during the year
Sunil Gupta	39,84,000/-	65,96,500/-	38,00,000/-	66,50,000/-

These are security deposits for premises taken on rent by the Company and are adjustable against rent payable as per terms & conditions.

b) Investments by the Loanee in the shares of the Company:

Name	As At 31.03.07		As At 31.03.06	
	No. of Shares	Amount	No. of Shares	Amount
Sunil Gupta	NIL	NIL	357334	52,67,097/-

Note: These Investment were made by loanee prior to receiving security deposit.

22. The company has a scheme for Employees stock option termed as the KEI Employees Stock Option scheme 2006 ('ESOS 2006'). No option has been granted under 'ESOS 2006' till 31st March 2007.
23. Related party Disclosures, as required by Accounting Standard (AS-18), issued by the Institute of Chartered Accountants of India, are given in Annexure-I.
24. **Segment information pursuant to Accounting Standard (AS-17) "Segment Reporting" issued by the Institute of Chartered Accountants of India.**

a) Information about Primary Business Segments (In Rupees)

Particulars	Cables		Stainless Steel Wire		Unallocated		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Revenue (Gross)								
External	5967467210	2988405884	851677534	436893754	—	—	6819144744	3425299638
Inter-segment	—	—	—	—	—	—	—	—
Total Revenue	5967467210	2988405884	851677534	436893754	—	—	6819144744	3425299638
Result	—	—	—	—	—	—	—	—
Segment Result	859569052	496311591	78395995	11838001			937965047	508149592
Unallocated expenditure net of unallocated income	—	—	—	—	(120830518)	(77206657)	(120830518)	(77206657)
Interest expenses (net)	—	—	—	—	(237358736)	(94595227)	(237358736)	(94595227)
Profit on Sale of Investment	—	—	—	—	62836	86325	62836	86325
Dividend Income	—	—	—	—	55350	43625	55350	43625
Profit before taxation and exceptional items	859569052	496311591	78395995	11838001	(358071068)	(171671934)	579893979	336477658
Exceptional items	—	—	—	—	—	—	—	—
Taxation	—	—	—	—	—	—	(178447116)	(76411334)
Net Profit	—	—	—	—	—	—	401446863	260066324
Other Information								
Segment assets	4612832836	2308411896	616111969	330037749	1454256837	172095587	6683201642	2810545231
Segment Liabilities	1634967989	787426920	229161264	157307113	3300446346	873891732	5164575599	1818625765
Capital expenditure (excluding capital work in progress)	506501222	470611094	8498107	14271790	12555684	6990449	527555013	491873333
GDR Issue Expenses	—	—	—	—	—	5746778	—	5746778
FCCB Issue Expenses	—	—	—	—	53604725	—	53604725	—
Depreciation	42771085	17421681	11654620	8168274	2116148	1313954	56541853	26903909

b) Information about Secondary Business Segment (In Rupees)

Revenue for Geographical market	India		Outside India		Total	
	2006-07	2005-07	2006-07	2005-07	2006-07	2005-06
External	5984612647	3199258678	834532097	226040960	6819144744	3425299638
Inter-segment	—	—	—	—	—	—
Total	5984612647	3199258678	834532097	226040960	6819144744	3425299638
Carrying amount of segment assets	6677511164	2809431779	5690478	1577038	6683201642	2810545231
Additions to fixed assets	527503026	491165644	51987	707689	527555013	491873333

c) Notes :

- i) The Company is organised into two main business segments, namely:
- Cables comprising of HT & LT Power Cables , Control and Instrumentation Cables, Winding Wires & Flexible and House Wires.
 - Stainless Steel Wire comprising of Stainless Steel Wire.
- Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.
- ii) Segment Revenue in each of the above domestic business segments primarily includes sales, job work income and export incentives in the respective segments.

Segment Revenue comprising of (in Rupees)	2006-07	2005-06
Sales	6,815,144,393	3,413,496,024
Other income excluding interest(net) dividend income	4,000,351	11,803,614
Total	6,819,144,744	3,425,299,638

- iii) The Segment Revenue in the geographical segments considered for disclosure are as follows:
- a) Revenue within India includes sales to customers located within India and earnings in India.
 - b) Revenue outside India includes sales to customers located outside India and earnings outside India.
- iv) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

25. Additional information pursuant to the provision provision of Part-II of Schedule VI of the Companies Act, 1956.

(A) Particulars of capacity and production

Particulars	Unit	Licenced Capacity	Installed Capacity*		Actual Production	
			As At 31.03.07	As At 31.03.06	Year Ended 31.03.07	Year Ended 31.03.06
Cables*	Kms.	N.A.	40000.000	32000.000	29002.623	21735.053
Stainless Steel Wires*	Kgs.	N.A.	4800000	3250000	3584214.062	2509975.190
Winding, Flexiabile & House Wiring*	Kms.	N.A.	250000.000	100000.000	18601.038	20250.782

* Installed capacity has been certified by Chairman-cum-Managing Director and relied upon by Auditors.

(B) Particulars of Stocks & Sales

Particulars	Unit	Opening Stock		Closing Stock		Sales (Gross)	
		As At 31.03.07	As At 31.03.06	As At 31.03.07	As At 31.03.06	Year Ended 31.03.07	Year Ended 31.03.06
Cables*	Kms.	1634.208	1329.072	1984.725	1634.208	28632.850	21429.319
	Rs.	258251878	174138610	418061293	258251878	5690416736	2643343219
Stainless Steel Wires	Kgs.	127960.028	66964.208	204935.240	127960.028	3507238.850	2448979.370
	Rs.	29144561	19791775	67428448	29144561	845993946	423735471
Winding, Flexiabile & House Wiring**	Kms.	4521.911	4044.482	4823.547	4521.911	18047.664	19656.893
	Rs.	47926621	40731347	57646564	47926621	139507740	296082853
Traded Goods	Rs.	—	—	—	—	4248643	—
Miscellaneous	Rs.	5667504	2369049	5569669	5667504	134977328	50334481

*Does not include Cable consumption for Captive purposes 19.256KMS (Previous Year 0.598 KMS)

**Does not include Flexible & House wire consumption for Captive purposes 251.738 KMS (Previous Year 116.460 KMS)

(C) Particulars of Raw Materials consumed

Class of Goods	Quantity in (Kgs.)		Value in (Rs.)	
	Year ended 31.03.2007	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2006
Copper	6645658.650	4409085.170	2141599698	860530469
PVC & DOP	13222598.950	8104027.680	720649274	400066357
G.I.Wire/S.S.Wire/Strip	8807881.920	5424867.210	374875305	207756617
Aluminium Wire	7683762.840	5211250.130	1029198682	546549587
Stainless Steel Rod	3815088.070	2725831.890	666146402	313731901
Thermocouple /Nickle Wire	20943.850	15065.380	36382156	16354994
Others	N.A	N.A	88729938	59200030
Total	N.A	N.A	5057581455	2404189955
Less : Material Capitalised	N.A	N.A	4177600	2643205
Net	N.A	N.A	5053403855	2401546750

(D) Purchase of Trading Goods

Class of Goods	Quantity in (Kgs.)		Value in (Rs.)	
	Year ended 31.03.2007	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2006
Miscellaneous	—	—	4131935	—

(E) Value of imported and Indigeneous materials consumed

Class of Goods	Percentage		Value in (Rs.)	
	Year ended 31.03.2007	Year ended 31.03.2006	Year ended 31.03.2007	Year ended 31.03.2006
Materials				
- Indigeneous	96	96	4849421224	2304910818
- Imported	4	4	208160231	99279137
	100	100	5057581455	2404189955
Stores, Spares & Consumables				
- Indigeneous	97	99	44539056	31338809
- Imported	3	1	1151079	448177
	100	100	45690135	31786986

(F) Value of Imports on CIF basis

Particulars	Year ended 31.03.07 (Rs.)	Year ended 31.03.06 (Rs.)
Raw Material Purchases	229,792,230	103,955,202
Machinery	8,841,610	31,295,436
Stores, Spares & Consumables	1,151,079	388,372

(G) Earnings in Foreign Exchange (on Accrual Basis)

Particulars	Year ended 31.03.07 (Rs.)	Year ended 31.03.06 (Rs.)
Sales (Exports)	834,532,097	226,040,960
Interest received on FDR	—	4,938,594
Interest Earned on FDR(Pre-Operative)	21,761,556	—

(H) Expenditure in Foreign Currency (on Accrual Basis)

Particulars	Year ended 31.03.07 (Rs.)	Year ended 31.03.06 (Rs.)
Manufacturing, Selling & Other Expenses		
Power, Fuel & Lighting	59,298	48,626
Freight, Handling, Octroi & Insurance	1,229,969	293,241
Rebate, Discount, Commission on Sales	6,653,715	3,372,878
Rates & Taxes	—	124,716
Rent	1,262,535	1,253,715
Insurance	—	20,039
Travelling & Conveyance	3,120,888	1,639,485
Advertisement & Publicity	527,131	832,445
Communication Expenses	323,180	160,542
Miscellaneous Expenses	3,336,439	2,040,296
Payment to and Provisions For Employees		
Salary, Wages & Other Benefits	2,252,887	1,603,558
Welfare Expenses	261,216	199,607
Financial Charges		
Interest on Hire Purchase	25,428	10,595
Bank Charges	267,323	1,793
Others		
FCCB/GDR Issue Expenses	51,637,190	6,893,103
Listing fee	325,185	—
Pre-Operative Expenses		
Bank Charges(Foreign)	4,402	—
Interest on FCCB Bonds	6,623,075	—

(I) Remittance in foreign currency on account of dividends:

Particulars		
The year to which dividend relates	2005-06	2004-05
Amounts of dividend remitted (Rs.)	4,636,378	513,552
Number of Non-Resident Shareholders / OCBs/FIIs	118	19
Number of Equity Shares	2,318,189	513,552

Note: The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by / on behalf of non-resident shareholders. The particulars of dividends declared and paid to non-resident shareholders for the year 2004-05 & 2005-06 are as above.

26. (A) The Company has no outstanding forward contracts or derivative instruments outstanding at the year end.

(B) (i) Amount payable in foreign currency on account of the following

Particulars	Year ended 31 March, 2007			Year ended 31 March, 2006		
	Rs.	Amount in Foreign Currency	Foreign Currency	Rs.	Amount in Foreign Currency	Foreign Currency
Imports of Goods	16684275	384165	USD	28488270	635899	USD
	1358003	23556	EURO	3403830	62250	EURO
FCCB Bonds	1563480000	36000000	USD	—	—	—

Particulars	Year ended 31 March, 2007			Year ended 31 March, 2006		
	Rs.	Amount in Foreign Currency	Foreign Currency	Rs.	Amount in Foreign Currency	Foreign Currency
Expenses Payble	307285	7126	USD	—	—	—
	2389027	41440	EURO	1789472	32726	EURO
	49653	3820	AED	45871	3775	AED
Loan for Car	396073	30467	AED	513459	42260	AED

(B) (ii) Amount receivable in foreign currency on account of the following

Particulars	Year ended 31 March, 2007			Year ended 31 March, 2006		
	Rs.	Amount in Foreign Currency	Foreign Currency	Rs.	Amount in Foreign Currency	Foreign Currency
Exports of Goods	156915225	3639036	USD	37028548	826530	USD
	24958963	432940	EURO	39882951	729388	EURO
	384473	29575	AED	—	—	—
	4427800	52400	GBP	—	—	—
Fixed Deposits with Banks	1177359464	27304255	USD	—	—	—
Balance with Banks	1365959	31678	USD	680143	15182	USD
	17211	299	EURO	16324	299	EURO
	4855866	373528	AED	439285	36155	AED
Security Deposits	177930	13687	AED	24300	2000	AED
Interest Receivable on Bank Fixed Deposits	2779890	64469	USD	—	—	—

27. Previous Year's figures have been regrouped / rearranged where necessary.

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 18th May , 2007

(KISHORE KUNAL)
Company Secretary

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. REGISTRATION DETAILS

Corporate Identification Number (CIN) L74899DL1992PLC051527 State Code : 55
Balance Sheet Date 31.03.2007

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSAND)

Public Issue*	Right Issue
Nil	NIL
Bonus Issue	Private Placement
NIL	234600

* Including Share Premium

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSAND)

Total Liabilities	4688871	Total Assets	4688871
Source of Funds		Paid-up Capital	
		117940	
		Reserves and Surplus	Secured Loan
		1400687	1166033
		Unsecured Loans	Deferred Tax
		1929531	74680
Application of Funds		Net fixed assets	Investments
		1409649	3649
		Net Current assets**	Misc. Expenditure
		3275573	Nil
		Accumulated Losses	
		NIL	

** Net of current liabilities & provisions

IV. PERFORMANCE OF COMPANY (AMOUNTS IN RS. THOUSAND)

Turnover	6718233	Total Expenditure	6138339
		Profit Before Tax	Profit After Tax
		579894	401447
		Earning Per share	Dividend Rate %
		7.67	25

V. GENERIC NAME OF PRINCIPAL PRODUCT/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code No.	85
(ITC Code)	
(Production Description)	CABLES
Item Code No.	72
(ITC Code)	
(Production Description)	STAINLESS STEEL WIRE
Item Code No.	85
(ITC Code)	
(Production Description)	WINDING WIRE

(ANIL GUPTA)

Chairman-cum-Managing Director

(RAJEEV GUPTA)

Executive Director (Finance)

Place : New Delhi
Dated : 18th May, 2007

(KISHORE KUNAL)
Company Secretary

Annexure-I

“Related party Disclosures”, as per Accounting Standard (AS-18), issued by The Institute of Chartered Accountants of India: -

Name of Related Parties :-

- i) Associate of the company:
KEI International Ltd
- ii) Other related parties in the Group where common control exists :
Anil Gupta (HUF)
Projection Financial & Management Consultants Pvt. Ltd.
Subh Laxmi Motels & Inns Pvt. Ltd.
Soubhagya Agency Pvt. Ltd.
Dhan Versha Agency Pvt. Ltd.
- iii) Functional Directors:
Shri Anil Gupta, Chairman cum Managing Director
Shri Rajeev Gupta, Executive Director (Finance)
- iv) Relatives of Functional Director:
Shri Sunil Gupta (Director)
Smt. Archana Gupta (Director)
Smt. Varsha Gupta
Smt. Sumitra Devi Gupta
Smt. Shashi Gupta
Shri Shri Krishan Gupta
Smt. Veena Agarwal
- v) Enterprises over which person mentioned in (iv) above are able to exercise significant control :
Sunil Gupta (HUF)
Ashwathama Constructions Pvt. Ltd.

Annexure I
a) Details of relating to parties referred to in items (I), (ii), (iii), (iv) and (v)
STATEMENT OF TRANSACTIONS WITH RELATED PARTIES

Particulars	Year	(i)	(ii)	(iii)	(iv)	(v)	Total
Deposits Received during the year	2006-07	1800000	44420000	10000	—	—	46230000
	2005-06	—	126375000	295000	662000	100000	127432000
Interest paid on deposits received	2006-07	—	—	—	248601	110000	358601
	2005-06	—	—	—	248602	109550	358152
Credit Balance Outstanding as at the year end	2006-07	1800000	2420000	640000	2060000	1000000	7920000
	2005-06	1828000	52940000	630000	3260000	1000000	59658000
Rent paid for use of assets	2006-07	—	—	—	6420000	405000	6825000
	2005-06	—	—	—	6420000	360000	6780000
Managerial remuneration	2006-07	—	—	31851777	—	—	31854919
	2005-06	—	—	17759163	—	—	17759163
Expenses Payable	2006-07	—	—	16378897	—	—	16378897
	2005-06	—	—	7616817	—	—	7616817
Meeting Fee	2006-07	—	—	—	200000	—	200000
	2005-06	—	—	—	60000	—	60000
Security Deposit given for Premises taken on Rent.	2006-07	—	—	—	3034000	—	3034000
	2005-06	—	—	—	—	—	—
Outstanding premises deposit receivable	2006-07	—	—	—	3984000	—	3984000
	2005-06	—	—	—	3800000	—	3800000
Dividend Paid on Equity Shares DDD	2006-07	—	2720150	4246172	824656	628150	8419128
	2005-06	—	2062275	1692786	829928	314075	4899064

b) Non Financial Transactions :

- i) Shri Anil Gupta has given personal guarantees to banks for company’s borrowings.

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2007

(Figures in Rs.)

	2006-07	2005-06
(A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before tax Extra ordinary items	579893979	336477658
Adjustments for :		
Profit on sale of Investment	(62836)	(86325)
Depreciation	56541853	26903909
Dividend Received	(55350)	(43625)
Financial Charges	237358736	94595227
Provision for leave encashment	1316144	636483
(Profit) / Loss on sales of Assets	1923330	768605
Operating Profit before working capital changes	876915856	459251932
Adjustments for :		
Trade & Other Receivables	(1255989155)	(323181083)
Inventories	(776308729)	(480790096)
Trade & Payables	981311134	357038369
Cash Generated from operations	(174070894)	12319122
Financial Charges (Net)	(237358736)	(94595227)
Direct Taxes paid	(136639121)	(62619417)
Cash flow before Extra ordinary items	(548068751)	(144895522)
Extra Ordinary Items	—	—
Net Cash from operating activities	(548068751)	(144895522)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of Fixed assets and other capital expenditure	(665900848)	(544491993)
Investments	(1320000)	(1988930)
Sale of Fixed Assets	2445000	975500
Dividend Received	55350	43625
Profit on sale of investment	62836	86325
Net Cash from investing activities	(664657662)	(545375473)

CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH, 2007 (Contd...)
(Figures in Rs.)

	2006-07	2005-06
(C) CASH FLOW FROM FINANCIAL ACTIVITIES		
Proceeds from long term borrowings (Net of repayments)	88279658	135535692
Proceeds from short term borrowings (Net of repayments)	(10000000)	10100000
Finance lease liabilities (Net)	484277	3644961
Inter corporate & other deposits (Net of repayments)	(61722160)	2550262
Sales Tax Deferment (Net of repayments)	(7283452)	(7283452)
Working capital facilities from banks	545019913	173922959
Amounts Received Against Warrants	—	39460000
Proceeds from Issue of GDR	—	438097371
Proceeds from Issue of FCCB	1563480000	—
Proceeds from Issue of Shares	195140000	—
Proceeds from Non Convertible Debentures	300000000	—
GDR Issue Expenses	—	(5746778)
FCCB Issue Expenses	(53604725)	—
Dividend paid	(20187886)	(7920043)
Dividend tax Payable	(2831351)	(1110786)
Net Cash from Financing Activities	2446774274	781250186
Net Change in Cash and Cash Equivalents (A+B+C)	1234047861	90979191
Cash & Cash Equivalents as at 1st April (Opening Balance)	140761947	49782756
Cash & Cash Equivalents as at 31st March (Closing Balance)	1374809808	140761947

Cash and Bank Balance includes Rs. 8,12,50,013/- (Previous year Rs. 5,98,87,577/-) held as Margin money / lien against guarantees issued by the Banks/others and balance in unclaimed dividend account Rs. 2,95,537/- (previous year Rs. 1,86,395/-)

Note : Figures in brackets represent cash out flow

As per our Separate report of even date attached

For **JAGDISH CHAND & CO.**
Chartered Accountants

(J. C. GUPTA)
Partner
M.No- 6107

(ANIL GUPTA)
Chairman-cum-Managing Director

(RAJEEV GUPTA)
Executive Director (Finance)

Place : New Delhi
Dated : 18th May , 2007

(KISHORE KUNAL)
Company Secretary

FORWARD LOOKING STATEMENT

In our report we have disclosed forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions. We have tried,

wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words and terms of similar substance in connection with any discussion of future operating or financial performance.

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



www.kei-ind.com