

**KANCO ENTERPRISES LIMITED**

**ANNUAL REPORT & ACCOUNTS**  
for the period ended 31st March, 2016



## KANCO ENTERPRISES LIMITED

(CIN:L51909WB1991PLC053283)

### Annual Report & Accounts for the period ended 31st March, 2016

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#### **BOARD OF DIRECTORS**

**Mr. U. Kanoria**

*Chairman & Managing Director*

**Mr. S. Banerjee**

**Mr. K. K. Gupta**

**Ms. P. Borar**

*Directors*

#### **CHIEF FINANCIAL OFFICER**

**Mr. S. V. Tewary**

#### **COMPANY SECRETARY**

**Ms. A. Goel**

#### **AUDITORS**

**M/s. B. R. Shah & Associates**

*Chartered Accountants*

#### **BANKERS**

**State Bank of India**

**IDBI Bank Ltd.**

#### **REGISTERED OFFICE**

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Telefax : +91 33 2281 5217

Email : compliance@kanco.in

Website : www.kanco.in

#### **BRANCH OFFICE**

207, Shitiratna, 2nd Floor

Panchavati Circle, Ahmedabad 380 006

#### **PLANT**

**Kanco Overseas**

Village : Walthera

Taluka : Dholka 387 810

Dist. Ahmedabad (Gujarat)

#### **SHARE REGISTRARS**

**C B Management Services (P) Ltd.**

P-22, Bondel Road, Kolkata 700 019

Phone : +91 33 2280 6692/93/94

Email : rta@cbmsl.com



## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 25th Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at "Bharatiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 29th day of July, 2016 at 4:00 p.m. to transact the following business :-

### **ORDINARY BUSINESS**

1. To consider and adopt the audited financial statement of the Company for the period ended 31st March, 2016, the reports of the Board of Directors and Auditors thereon;
2. To appoint a director in place of Mr. Susanta Banerjee (DIN: 01173116), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Messrs B. R. Shah & Associates, Chartered Accountants, (Registration No. 129053W) as Statutory Auditors of the Company and fix their remuneration.

#### *Registered Office :*

Jasmine Tower, 3rd Floor  
31, Shakespeare Sarani, Kolkata 700 017  
(CIN : L51909WB1991PLC053283)  
Telefax: +91 33 2281-5217  
Email : compliance@kanco.in • Website: www.kanco.in  
Dated : May 30, 2016

By Order of the Board  
For KANCO ENTERPRISES LIMITED

A GOEL  
*Company Secretary*

### **NOTES :**

- I. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The proxy form duly completed and signed, should be deposited with the Company, at its registered office atleast 48 hours before the time of the meeting. Proxies submitted on behalf of the companies, societies, etc., must be supported by an appropriate resolution/authority as applicable. A proxy form for the Annual General Meeting is enclosed.  

A person can act as a proxy on behalf of the members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or members.
- II. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf in the meeting.
- III. Pursuant to the provisions of Section 91 of the Companies Act, 2013, the Register of Members and Share Transfer Books of the Company will remain closed from 23rd day of July, 2016 to 29th day of July, 2016 (both days inclusive) for the purpose of the Annual General Meeting.
- IV. Members are requested to bring their copy of Annual Report at the Meeting and produce the enclosed attendance slip at the entrance to the place of the meeting.
- V. All documents referred to in the accompanying Notice shall be open for inspection at the Registered Office of the Company on weekdays (3:00 p.m. to 5:00 p.m.) up to and including the date of the Annual General Meeting of the Company.
- VI. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
- VII. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

## **NOTICE (Contd.)**

- VIII. Copies of the Annual Report for the period 1st October, 2014 to 31st March 2016, the Notice of the 25th Annual General Meeting, instructions for e-voting, Attendance Slip, Proxy Form and the route map to the venue are being sent by electronic mode only to the members whose email addresses are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report for the period 1st October, 2014 to 31st March 2016, the Notice of the 25th Annual General Meeting, instructions for e-voting, Attendance Slip, Proxy Form and the route map to the venue are being sent by the permitted mode. Members may register their email address by visiting Website namely [www.cbmsl.com /green.php](http://www.cbmsl.com/green.php) of our Registrar and Share Transfer Agent.
- IX. Members may also note that the Notice of the Annual General Meeting and the Annual Report for the period 1st October, 2014 to 31st March 2016 will also be available on the Company's website [www.kanco.in](http://www.kanco.in). The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Kolkata for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the members may also send requests to the email id: [compliance@kanco.in](mailto:compliance@kanco.in) or [ra@cbmsl.com](mailto:ra@cbmsl.com).
- X. Members seeking any information with regard to Accounts may write to the Company 7 (seven) days before the date of the Annual General Meeting.
- XI. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Registrar and Share Transfer Agent.
- XII. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form can be downloaded from the Company's website.
- XIII. Members are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Report of the Company as required vide circular no.17/2011 dated April 21, 2011 and circular no.18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs and to avail remote e-voting facility in respect of the resolutions which would be passed at the General Meetings of the Company.
- XIV. Pursuant to prohibition imposed vide Secretarial Standard on General Meeting (SS-2) issued by The Institute of Company Secretaries of India and The Ministry of Corporate Affairs circular, no gifts/coupons shall be distributed at the Meeting.
- XV. Voting through electronic means:
- Pursuant to Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, the Company is pleased to provide its members facility of 'remote voting' (e-voting from a place other than venue of the AGM) to exercise their right to vote at the 25th Annual General Meeting. The business may be transacted through e-voting Services provided by Central Depository Services (India) Limited (CDSL).
  - The facility for voting either through ballot/polling papers shall also be made available at the venue of the 25th Annual General Meeting. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote through remote e-voting may attend the meeting but shall not be entitled to cast their vote again at the AGM.
  - Mr. A. K. Labh, Practising Company Secretary (Membership No. 3238) (Address: A. K. Labh & Co, 40, Weston Street, 3rd Floor, Kolkata - 700013) has been appointed as the Scrutinizer for conducting the remote evoting and voting process at the AGM in a fair and transparent manner.

## NOTICE (Contd.)

- d. The e-Voting procedure to be followed by the shareholders to cast their votes:
- A. In case of members receiving e-mail :**
- (i) The voting period begins on 26th day of July, 2016 (9:00 a.m.) and ends on 28th day of July, 2016 (5:00 p.m.) During this period the shareholders' of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date i.e. 22nd day of July, 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after 5:00 p.m. on 28th day of July, 2016.
  - (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
  - (iii) Log on to the e-voting website **www.evotingindia.com**
  - (iv) Click on "Shareholders" tab.
  - (v) Now Enter your User ID
    - a. For **CDSL**: 16 digits beneficiary ID,
    - b. For **NSDL**: 8 Character DP ID followed by 8 Digits Client ID,
    - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
  - (vi) Next enter the Image Verification as displayed and Click on Login.
  - (vii) If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
  - (viii) If you are a first time user follow the steps given below:

| Particulars                                  | For Members holding shares in Demat Form and Physical Form   |
|--|--|
| PAN  | <p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul> |
| Dividend Bank Details OR Date of Birth (DOB) | <p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <p>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</p>   |

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this

## **NOTICE (Contd.)**

password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <KANCO ENTERPRISES LIMITED> on which you choose to vote.
- (xiii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xvi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xviii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June, 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xx) Note for Institutional Shareholders
  - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details, a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

**NOTICE (Contd.)**

(xxii) Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e. 22nd day of July, 2016, may obtain the USER ID and password by sending an e-mail request to [rt@cbmsl.com](mailto:rt@cbmsl.com)/[compliance@kanco.in](mailto:compliance@kanco.in).

**Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the brief profile of the Director eligible for re-appointment vide Item no. 2 of the Notice is as follows:**

| <b>Particulars</b>  | <b>Mr. Susanta Banerjee</b>   |
|---|---|
| DIN   | 01173116  |
| Date of Birth   | 13.03.1947  |
| Date of Appointment   | 26.03.2013  |
| Qualifications  | B. Com.   |
| Experience in specific functional areas   | Mr. Susanta Banerjee a graduate in Commerce from Calcutta University has over 30 years of rich experience across a wide spectrum of functional areas.                       |
| Directorship held in other listed entities  | Orchid Securities Limited   |
| Membership/Chairmanship of Committees of listed entities (includes only Audit Committee and Stakeholders' Relationship Committee) | Member of Audit Committee & Stakeholders' Relationship Committee of Kanco Enterprises Limited and also in Stakeholders' Relationship Committee of Orchid Securities Limited |
| Number of shares held in the company  | 65 Equity Shares  |
| Relationship with any Director(s) of the Company  | Nil   |

*Registered Office :*  
 Jasmine Tower, 3rd Floor  
 31, Shakespeare Sarani, Kolkata 700 017  
 (CIN : L51909WB1991PLC053283)  
 Telefax: +91 33 2281-5217  
 Email : [compliance@kanco.in](mailto:compliance@kanco.in) • Website: [www.kanco.in](http://www.kanco.in)  
 Dated : May 30, 2016

By Order of the Board  
 For KANCO ENTERPRISES LIMITED

A GOEL  
 Company Secretary

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twenty Fifth Annual Report and Audited Accounts for the period ended 31st March, 2016.

### FINANCIALS

Your Company's financial performance was as follows :

₹ /lacs

| Particulars   | 31.03.2016 | 30.09.2014 |
|---|------------|------------|
| Profit before Interest, Depreciation and Tax  | (74.07)    | 318.61     |
| Less : Interest   | 1426.50    | 930.81     |
| Gross (Loss) for the Year   | (1500.57)  | (612.20)   |
| Less : Depreciation   | 431.69     | 373.32     |
| (Loss) Before Tax   | (1932.26)  | (985.52)   |
| Less : Provision for Tax  | -          | -          |
| (Loss) After Taxation   | (1932.26)  | (985.52)   |
| Depreciation transferred on account of change in useful life of Property, Plant and Equipment | (113.40)   | -          |
| Balance Brought Forward from last Account   | (7631.01)  | (6645.49)  |
| Balance Carried to Balance Sheet  | (9676.67)  | (7631.01)  |

### RESULTS OF OPERATIONS AND THE STATE OF THE COMPANY'S AFFAIRS

Yarn prices were under pressure throughout the year in view of supply exceeding demand largely due to capacity addition in cotton spinning sector. Yarn prices moved downwards from an average of ₹ 192/- per Kg. in October 2014 to an average of ₹ 170/- per Kg. in September 2015. Raw material prices moved up from an average of ₹ 33,500/- per candy in October 2014 to ₹ 35,000/- per candy in September 2015.

The addition in capacity was a result of incentives given by various state governments. The cost advantage to new units and lacklustre international demand put tremendous pressure on margins with older units struggling to survive the competition.

The Company was forced to suspend manufacturing operations from September 30, 2015 in view of large scale resignations of staff and workmen at the Company's factory situated at "Kanco Overseas" Village: Walthera, Taluka: Dholka, Ahmedabad 387810 and has decided to continue the same in view of overall negative outlook of the Textile Industry. The management is watching the developments and will take appropriate decision as and when the markets improve and the supply / demand mis-match is bridged.

The current period operations have resulted in a net loss of ₹ 1932.26 lacs.

### FINANCE

During the year under review, the long term borrowings and short term borrowings of the Company stands at ₹ 434.35 Lakhs and ₹ 1937.88 Lakhs respectively as on 31st March 2016.

### CHANGE IN FINANCIAL YEAR

In compliance with the provisions of Section 2(41) of the Companies Act, 2013 with regard to Financial Year, which has been notified w.e.f. 01/04/2014 the Board of Directors decided to change the current Financial Year of the Company from 1st October, 2014 to 30th September, 2015 to 1st October, 2014 to 31st March, 2016 so as to align it with the requirements of the Act. The Registrar of Companies, Kolkata has approved the Company's request for extension of Annual General Meeting by 3 months. The subsequent financial years of the Company shall be from 1st day of April to 31st March.



## **DIRECTORS' REPORT (Contd.)**

### **DIVIDEND**

The Directors of your Company do not recommend any dividend for the period under review.

### **EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in Form No. MGT-9 as required under Section 92 of the Companies Act, 2013 is annexed herewith marked as Annexure A to this report.

### **REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION**

The accumulated losses of the Company for the period ended March 31, 2016, have resulted in erosion of 100% of its peak net worth in the current year. The Company's reference bearing no.06/2013 filed with Board for Industrial and Financial Reconstruction under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for the year ended 30th September, 2012 is still pending and therefore the Board has decided not to file any fresh reference under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 in the current year.

The Company's appeal under section 25(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 against the order passed by the BIFR for reference no.3/2012 filed u/s 15(1) of the SICA, 1985 on 13/01/2012 is also pending.

### **DIRECTORS**

Mr. Susanta Banerjee (DIN:01173116), Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The Central Government has approved the reappointment of Mr. Umang Kanoria (DIN: 00081108) as the Managing Director of the Company for a period of three years with effect from 1st January, 2015 to 31st December, 2017.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has devised a Policy for Performance evaluation of Independent Directors, Board, Committees and other Individual Directors which includes criteria for performance evaluation of the non-executive directors and executive directors and is annexed herewith marked as Annexure B to this report.

The performance evaluation of the Chairman and the non-independent Directors was carried out by the Independent Directors. On the basis of the Policy the Performance Evaluation of Independent Directors, Board, Committees and other individual Directors were carried. The Board of Directors expressed their satisfaction with the evaluation process.

Mr. Atul Doshi has tendered his resignation from the directorship of the Company with effect from 27th November, 2014, due to his preoccupation and inability to devote time to discharge his responsibilities. The Board of Directors in their meeting took note of the same and placed their appreciation of the valuable contribution made by him.

### **POLICY ON DIRECTORS' APPOINTMENT, REMUNERATION ETC**

Pursuant to Section 178(3) of the Companies Act, 2013 Nomination and Remuneration Committee has formulated the criteria for identification and selection of the suitable candidates for various positions in senior management and also candidates who are qualified to be appointed as director on the Board of the Company. The Committee also recommended a policy relating to the remuneration for the directors, key managerial personnel and other senior management personnel and a process by which the performance of the directors could be evaluated and the same is annexed herewith marked as Annexure B to this report.

### **KEY MANAGERIAL PERSONNEL**

The following persons are the Key Managerial Personnel (KMP) of the Company in compliance with the provisions of Section 203 of the Companies Act, 2013:

- a) Mr. U. Kanoria (DIN:00081108), Managing Director
- b) Ms. Charulata Kabra, Company Secretary (resigned w.e.f. 16/11/2015)

## **DIRECTORS' REPORT (Contd.)**

c) Ms. Anupama Goel, Company Secretary (w.e.f. 14/05/2016)

d) Mr. S. V Tewary, Chief Financial Officer

### **NUMBER OF MEETINGS OF THE BOARD**

Six meeting of the Board of Directors were held during the year.

### **AUDIT COMMITTEE**

The Audit Committee comprises of Independent Directors namely Ms. Puja Borar (Chairperson) and Mr. Krishna Kumar Gupta and Mr. Susanta Banerjee, Non-Executive Director. All the recommendations made by the Audit Committee were accepted by the Board.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors hereby confirms that :

- a) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the loss of the Company for the period ended on that date;
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they had not prepared the annual accounts on a going concern basis;
- e) they had laid down internal financial control to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **STATUTORY AUDITORS**

Messrs B. R. Shah & Associates, Chartered Accountants,(Registration No.129053W), Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to continue as Statutory Auditors of the Company, if so appointed by the members. Your Company has received the consent and certificate from Messrs. B. R. Shah & Associates, Chartered Accountants to the effect that their re-appointment if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013 read with rules and that they are not disqualified for reappointment within the meaning of Section 141 of the Companies Act, 2013. They have also confirmed that they hold a valid peer review certificate as prescribed under regulation 33(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **STATUTORY AUDITORS' REPORT**

The Auditors' have qualified their Report and the explanation in this regard forms part of the Directors' Report.

#### *Qualified Opinion*

- (a) As referred to in note no. 24(2) (a) (i) (b) of financial statements, during the year ended September 30, 2012, the Company has not accounted for Foreign Exchange loss of ₹ 11,78,81,338/- arising out of Cancellation of Forward Contract and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.

During the year ended September 30, 2012, State Bank of India (SBI) has unilaterally cancelled the forward contracts and debited ₹ 11,78,81,338/-, being the losses on account of foreign exchange difference excluding interest, if any, into our cash credit account without any authorization from us. The Company is not in agreement

## **DIRECTORS' REPORT (Contd.)**

with the action taken by the SBI and has lodged its objection with SBI. The Company filed a suit in Hon'ble Court at Calcutta on 6th day of August, 2013 against State Bank of India and therefore disputes the forex losses. The said suit has been transferred to the City Civil Court in Ahmedabad pursuant to the order dated 18th day of August, 2014 of Calcutta High Court. The Company therefore has not recognized the said forex loss in its books of accounts. The dispute is sub-judice.

- (b) As referred in note no. 7 (iii) & (iv) Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI Bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in statement of profit and loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.

Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI Bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in Statement of Profit and Loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.

- (c) As referred in note no. 5(ii) balance of secured loan and Interest thereon from State Bank of India and IDBI Bank are as per books of accounts and subject to confirmation by lenders.

Both SBI and IDBI have neither sent any statement of account nor issued any balance confirmation and therefore the management is unable to get the confirmation.

- (d) As referred in note no. 6 (2), the Company has not made provision for interest for delayed in payment to vendors during the period as per agreed terms with vendors. Also Trade Payables are subject to confirmations. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

As per the understanding reached with vendors, the Company has decided not to provide any interest on delayed payment due to financial constraints and closure of operation and during the year no such bill for interest has been raised by the vendors. Further, no legal action has also been taken by the vendors for not providing interest on delayed payment. The trade payable has been reduced from ₹ 7,38,17,338/- in September, 2014 to ₹ 96,29,234/- in March, 2016.

- (e) As referred in note no. 13 (2) the Company has valued stores and spares at cost. Impact if any for net realisable being lower than the cost could not be determined.

The Stores & Spares as on 31st March, 2016 is ₹ 65,64,410/- and Company has valued it at cost as it's difficult to ascertain the realisable value of such a large number of store items and difference if any, between realizable value and cost value won't be material.

- (f) As referred in note no. 24 (2) (j) the company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of ₹ 4,34,34,766/- from related party and unsecured loan of ₹ 1,50,00,000/- received from non-related party. Amount of the Interest for the said period on the said loan as per last agreed rate with the parties is ₹ 57,25,768/-.

The Company has shut down its operation in September, 2015 and lenders have recalled the loan and the loan accounts have been declared NPA. The Company is facing acute liquidity crunch and therefore unable to make any payment to its lenders at the moment and therefore no interest has been provided on unsecured loans.

## **DIRECTORS' REPORT (Contd.)**

### **SECRETARIAL AUDIT REPORT**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed A. K. Labh & Co., a firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Auditor is annexed herewith marked as Annexure C to this report.

The Secretarial Auditor has submitted his report with observations, the explanations to which are as under :

- a) The Company could not comply with the requirement pertaining to publication of Unaudited Financial Results for the quarter ended 30th September, 2015 and 31st December, 2015 pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 because large scale resignation took place during September, 2015 and all but 10 employees tendered resignation. The Company Secretary also submitted her resignation w.e.f. 16th November, 2015. The results could not be published due to shortage of manpower and the same had been published on 30th May, 2016.
- b) The Company has defaulted in repayment of the outstanding secured loans as it has suffered huge losses due to external factors and overall depression in the industry over last few years. The Company reference is pending before the Board for Industrial and Financial Reconstruction (BIFR) and it is negotiating with bankers to reach an amicable settlement.

### **PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY COMPANY**

The Company has not made any investments.

The Company has neither given any loan & guarantee nor provided any security during the period under review.

### **CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES**

The Company has not entered into any contracts / arrangements with related parties as defined under Section 188 of the Companies Act, 2013 during the period under review.

### **MATERIAL CHANGES AND COMMITMENTS OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR UNDER REVIEW AND THE DATE OF THIS REPORT**

No material changes and commitments have occurred between the end of the financial year under review and the date of this report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

A statement pursuant to Section 134(3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed herewith marked as Annexure D to this report.

### **RISK MANAGEMENT**

As per requirement of Section 134(3) (n) of the Companies Act, 2013 the Board of Directors in its meeting held on 9th May, 2014 has approved the Risk Management Policy. The Board envisaged the following elements of risks which may threaten the existence of the Company-

#### **MARKET RELATED RISK**

The price of raw material and finished goods of KEL are volatile in nature and goes through many ups and downs. KEL has decided that: -

- a) The inventory level of raw material i.e. cotton stock will always be maintained at a maximum level of three months and minimum level of ten days. The exception for keeping stock at minimum level of ten days is during month of October and November during which new cotton crop comes in.

## **DIRECTORS' REPORT (Contd.)**

- b) KEL cannot enter into more than three months forward sale without permission of Board of Directors.
- c) Board of Directors has to be intimated if finished goods inventory touches two month production figure.
- d) The senior management of KEL gathers information from research report conducted by various agencies, report published by Chambers/Association representing the Industry, Statistics published by Ministry of Textiles, Government Policies and regulations affecting the Industry to arrive at appropriate decision to mitigate the risks on account of volatility in prices of raw materials and finished goods.

### **RISK DUE TO FRAUD**

KEL has installed adequate internal control measures to minimise the occurrence of fraud and internal audit is also conducted at regular intervals by an external agency.

### **RISK OF DOUBTFUL AND BAD DEBT**

The credit worthiness of sundry debtors is checked by the senior management to fix the credit period, if any to be given. The background check of new party is also carried out before deciding on the credit period.

### **DEPOSITS**

During the period under review, the Company has not accepted any deposits, within the meaning of Section 73 of the Companies Act, 2013, read with the Companies (Acceptance of Deposits) Rules, 2014.

### **MATERIAL ORDERS PASSED BY THE REGULATORS /COURTS/ TRIBUNALS**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

### **INTERNAL CONTROLS**

The Company has an effective Internal Control system with reference to Financial Statements. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of the Internal Control System. The Company's Internal Control System is commensurate with its size, scale and complexities of its operations.

### **VIGIL MECHANISM**

The Company has a Vigil Mechanism / Whistle Blower policy to report genuine concerns and grievances. Protected disclosures can be made by a whistle blower through an email or dedicated telephone line or a letter to the Chairman of the Audit Committee. The policy can be viewed at : [http://kanco.in/pdf/VIGIL%20MECHANISM\\_WHISTLE%20BLOWER.PDF](http://kanco.in/pdf/VIGIL%20MECHANISM_WHISTLE%20BLOWER.PDF)

### **STOCK EXCHANGE**

The Company's equity shares are listed at the Calcutta Stock Exchange Limited (Scrip Code-10021381). The Company's equity shares are traded at the Bombay Stock Exchange Limited (Scrip Code- 590084) as per MOU signed between CSE and BSE. Listing Fees for the financial year 2016-2017 has been paid.

### **CORPORATE GOVERNANCE**

The Corporate Governance provisions as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable to the Company.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report for the period under review, as stipulated under Regulation 34(3) read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed herewith marked as Annexure E to this report.

### **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

No complaints have been received during the period under review by the respective Internal Complaints Committee.

## DIRECTORS' REPORT (Contd.)

### Details pertaining to remuneration as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- (i) The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary during the financial year October 2014 - March 2016, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year October 2014 - March 2016 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under :

| Sl. No. | Name of Director/ KMP and Designation   | Remuneration of Director/ KMP for F.Y October 2014-March 2016 (₹ In Lacs) | % increase in Remuneration in the F.Y October 2014-March 2016 | Ratio of remuneration of each Director to median remuneration of employees | Comparison of the Remuneration of the KMP against the performance of the Company   |
|---------|---|---|---|--|--|
| 1.      | Mr. Umang Kanoria,<br>Managing Director<br>(refer note)                                   | 30.12   | 67.36%  | 35.29  | The Loss before tax increased by 196% compared to previous year mainly due to extra ordinary circumstances prevailing in the industry wherein domestic and international demand was subdued and there was pressure on margin due to addition of huge capacity by new units which enjoys advantage due to various incentive and subsidy schemes of central and state government. The Company has paid fixed part of salary as per approval of Central Government.                   |
| 2.      | Mr. Susanta Banerjee,<br>Non-Executive Director   | 0.50  | 25.00%  | 0.59   | N.A.   |
| 3.      | Mr. Krishna Kumar Gupta,<br>Independent Director  | 0.40  | Nil   | 0.47   | N.A.   |
| 4.      | Ms. Puja Borar,<br>Independent Director   | 0.30  | #   | 0.35   | N.A.   |
| 5.      | Mr. S. V. Tewary,<br>Chief Financial Officer<br>(refer note)                              | 28.88   | 77.21%  | 33.83  | The Loss before tax increased by 196% compared to previous year mainly due to extra ordinary circumstances prevailing in the industry wherein domestic and international demand was subdued and there was pressure on margin due to addition of huge capacity by new units which enjoys advantage due to various incentive and subsidy schemes of central and state government. The increase in salary is as per experience, qualification, market trends and industry bench mark. |
| 6.      | Ms. Charulata Kabra,<br>Company Secretary<br>(resigned w.e.f. 16.11.2015)<br>(refer note) | 9.07  | 36.93%  | 10.62  |  |

## **DIRECTORS' REPORT (Contd.)**

- ii) The median remuneration of employees of the Company during the financial year was ₹ 85,356/-
- iii) the percentage increase in median remuneration of the employees of the Company - 18.51%
- iv) Number of permanent employees on the rolls of the Company - 9
- v) Explanation on the relationship between average increase in remuneration and company performance – The average increase in remuneration is 13.54%. The dip in profit is attributable to extra ordinary circumstances prevailing in the industry wherein domestic and international demand was subdued and there was pressure on margin due to addition of huge capacity by new units which enjoys advantage due to various incentive and subsidy schemes of central and state government. The increase in salary is as per agreement with workers, approval of central government, market trend and Industry bench mark.
- vi) Comparison of the remuneration of the Key Managerial Personnel Against the performance of the Company – The average increase in remuneration is 68.35%. For explanations please refer point v) above.
- vii) Variations
  - a) In the market capitalisation of the Company - The market capitalisation as on March 31, 2016 was ₹ 303.02 Lacs ( ₹ 485.91 as on September 30, 2014)
  - b) The Price Earning Ratio of the Company is not reported as EPS is negative.
  - c) Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the company came out with the last public offer in the year- Not Applicable.
- viii) Average percentile increase already made in the last financial year
  - a) In the salaries of employees other than the managerial personnel - 11.36%
  - b) Percentile increase in the managerial remuneration - 68.35%
  - c) Justification for such increase in remuneration & exceptional circumstances for increase in the managerial remuneration - (Please refer point-v)
- ix) Key parameters for any variable component of remuneration availed by the directors - ₹ Nil for period under review.
- x) Ratio of remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year - Not applicable as there are no employees receiving higher remuneration than the highest paid director.
- xi) It is hereby affirmed that the remuneration paid to the directors, key managerial personnel and other employees is as per the remuneration policy of the Company.

# Details not given as Ms.Puja Borar was not paid any sitting fees in previous period.

Note : The previous period figures are for twelve months, whereas current period figure is for eighteen months. Large scale resignation took place in September, 2015 and all but nine employees tendered resignation. On account of these factors, the median presents a distorted picture and the figures are not comparable.

B. Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 are not applicable.

### **Acknowledgement**

Your Directors place on record their appreciation for the cooperation and support extended by the Employees, Banks/ Financial Institutions and all other business partners.

Kolkata,  
May 30, 2016

For and on behalf of the Board  
U. KANORIA  
Chairman & Mg. Director

## DIRECTORS' REPORT (Contd.)

### Annexure A

Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31.03.2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

- (i) CIN : L51909WB1991PLC053283
- (ii) Registration Date : 04.10.1991
- (iii) Name of the Company : Kanco Enterprises Limited
- (iv) Category / sub-category of the Company : Company limited by shares/ Non-Government Company
- (v) Address of the Registered office and Contact details : Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani  
Kolkata 700 017, Telefax : 033-22815217  
E mail Id: compliance@kanco.in/contact@kanco.in
- (vi) Whether listed company Yes
- (vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : C. B. Management Services (P) Ltd.  
P-22, Bondel Road, Kolkata 700 019  
Phone: 033 4011 6700; 2280 6692-94/2486  
Fax : 033 2287 0263, Email id: rta@cbmsl.com

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl.No. | Name and Description of the main products / services | NIC Code of the Product / service | % of total turnover of the Company |
|--------|--|-----------------------------------|------------------------------------|
| 1.     | Cotton Yarn  | 13111                             | 99.49                              |

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Name & Address of the Company | CIN | Holding / Subsidiary / Associate | % of shares held* | Applicable Section |
|-------------------------------|-----|----------------------------------|-------------------|--------------------|
| NOT APPLICABLE                |     |                                  |                   |                    |



**DIRECTORS' REPORT (Contd.)**
**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**(i) Category-wise Share Holding**

| Category of Shareholders   | No. of Shares held at the beginning of the year (as on 01.10.2014) |              |                 |                   | No. of Shares held at the end of the year (as on 31.03.2016) |              |                 |                   | % Change during the year |
|--|--|--------------|-----------------|-------------------|--|--------------|-----------------|-------------------|--------------------------|
|  | Demat  | Physical     | Total           | % of Total Shares | Demat  | Physical     | Total           | % of Total Shares |                          |
| <b>A. Promoters</b>  |  |              |                 |                   |  |              |                 |                   |                          |
| <b>1. Indian</b>   |  |              |                 |                   |  |              |                 |                   |                          |
| (a) Individual / HUF   | 4008929  | -            | 4008929         | 22.36             | 4008929  | -            | 4008929         | 22.36             | -                        |
| (b) Central Government   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (c) State Government(s)  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (d) Bodies Corporate   | 7186210  | -            | 7186210         | 40.08             | 7191345  | -            | 7191345         | 40.11             | 0.03                     |
| (e) Banks/Financial Institutions   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (f) Any Other (specify)  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| <b>Sub-Total(A)(1)</b>   | <b>11195139</b>  | <b>-</b>     | <b>11195139</b> | <b>62.44</b>      | <b>11200274</b>  | <b>-</b>     | <b>11200274</b> | <b>62.47</b>      | <b>0.03</b>              |
| <b>2. Foreign</b>  |  |              |                 |                   |  |              |                 |                   |                          |
| (a) NRIs - Individuals   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (b) Other - Individuals  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (c) Bodies Corporate   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (d) Banks/Financial Institutions   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (e) Any Other (specify)  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| <b>Sub-Total(A)(2)</b>   | <b>-</b>   | <b>-</b>     | <b>-</b>        | <b>-</b>          | <b>-</b>   | <b>-</b>     | <b>-</b>        | <b>-</b>          | <b>-</b>                 |
| <b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b> | <b>11195139</b>  | <b>-</b>     | <b>11195139</b> | <b>62.44</b>      | <b>11200274</b>  | <b>-</b>     | <b>11200274</b> | <b>62.47</b>      | <b>0.03</b>              |
| <b>B. Public Shareholding</b>  |  |              |                 |                   |  |              |                 |                   |                          |
| <b>(1) Institutions</b>  |  |              |                 |                   |  |              |                 |                   |                          |
| (a) Mutual funds   | 52685  | 1498         | 54183           | 0.30              | 52685  | 1498         | 54183           | 0.30              | -                        |
| (b) Banks/ FI  | -  | 1300         | 1300            | 0.01              | -  | 1300         | 1300            | 0.01              | -                        |
| (c) Central Govt / State Govt(s)   | -  | 14976        | 14976           | 0.08              | -  | 14976        | 14976           | 0.08              | -                        |
| (d) Venture Capital Funds  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (e) Insurance Companies  | 102450   | -            | 102450          | 0.57              | 100450   | -            | 100450          | 0.56              | (0.01)                   |
| (f) FIs  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (g) Foreign Venture Capital Funds  | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| (h) Others (specify)   | -  | -            | -               | -                 | -  | -            | -               | -                 | -                        |
| <b>Sub-Total (B)(1)</b>  | <b>155135</b>  | <b>17774</b> | <b>172909</b>   | <b>0.96</b>       | <b>153135</b>  | <b>17774</b> | <b>170909</b>   | <b>0.95</b>       | <b>(0.01)</b>            |



**DIRECTORS' REPORT (Contd.)**

**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**(i) Category-wise Share Holding (Contd.)**

| Category of Shareholders   | No. of Shares held at the beginning of the year (as on 01.10.2014) |                |                 |                   | No. of Shares held at the end of the year (as on 31.03.2016) |                |                 |                   | % Change during the year |
|--|--|----------------|-----------------|-------------------|--|----------------|-----------------|-------------------|--------------------------|
|  | Demat  | Physical       | Total           | % of Total Shares | Demat  | Physical       | Total           | % of Total Shares |                          |
| <b>(2) Non- Institutions</b>   |  |                |                 |                   |  |                |                 |                   |                          |
| (a) Bodies Corporate   |  |                |                 |                   |  |                |                 |                   |                          |
| (i) Indian   | 2932016  | 14250          | 2946266         | 16.43             | 2938388  | 14250          | 2952638         | 16.47             | (0.04)                   |
| (ii) Overseas  | -  | -              | -               | -                 | -  | -              | -               | -                 | -                        |
| (b) Individuals  |  |                |                 |                   |  |                |                 |                   |                          |
| (i) Individual shareholders holding nominal share capital upto ₹ 1 lakh          | 1129853  | 1017696        | 2147549         | 11.98             | 1144964  | 998365         | 2143329         | 11.95             | (0.03)                   |
| (ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh | 1449182  | -              | 1449182         | 8.08              | 1442806  | -              | 1442806         | 8.05              | (0.03)                   |
| (c) Others (specify)   |  |                |                 |                   |  |                |                 |                   |                          |
| NRIs/OCBs  | 9988   | 5616           | 15604           | 0.09              | 769  | 5616           | 6385            | 0.03              | (0.06)                   |
| Clearing Member  | 3725   | -              | 3725            | 0.02              | 14033  | -              | 14033           | 0.08              | 0.06                     |
| <b>Sub-Total (B)(2)</b>  | <b>5524764</b>   | <b>1037562</b> | <b>6562326</b>  | <b>36.60</b>      | <b>5540960</b>   | <b>1018231</b> | <b>6559191</b>  | <b>36.58</b>      | <b>(0.02)</b>            |
| <b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>                               | <b>5679899</b>   | <b>1055336</b> | <b>6735235</b>  | <b>37.56</b>      | <b>5694095</b>   | <b>1036005</b> | <b>6730100</b>  | <b>37.53</b>      | <b>(0.03)</b>            |
| <b>C. Shares held by Custodians for GDRs &amp; ADRs</b>                          | -  | -              | -               | -                 | -  | -              | -               | -                 | -                        |
| <b>GRAND TOTAL (A)+(B)+(C)</b>   | <b>16875038</b>  | <b>1055336</b> | <b>17930374</b> | <b>100.00</b>     | <b>16894369</b>  | <b>1036005</b> | <b>17930374</b> | <b>100.00</b>     | <b>-</b>                 |

**DIRECTORS' REPORT (Contd.)**
**(ii) Shareholding of Promoters**

| Sl. No. | Name of the Shareholder              | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |  | % Change in Shareholding during the year |
|---------|--------------------------------------|---|----------------------------------|--|-------------------------------------|----------------------------------|--|--|
|         |                                      | No. of Shares                             | % of total Shares of the Company | % of Shares pledged/encumbered to total Shares | No. of Shares                       | % of total Shares of the Company | % of Shares pledged/encumbered to total Shares |  |
| 1       | Umang Kanoria                        | 4008929                                   | 22.36                            | -  | 4008929                             | 22.36                            | -  | -  |
| 2       | Kanco Tea & Industries Limited       | 3314291                                   | 18.48                            | -  | 3314291                             | 18.48                            | 17.21  | -  |
| 3       | B.T. Investments Private Limited     | 1528150                                   | 8.52                             | -  | 1528150                             | 8.52                             | 8.52   | -  |
| 4       | Cosmos Resources Private Limited     | 1326429                                   | 7.40                             | -  | 1326429                             | 7.40                             | 4.39   | -  |
| 5       | E.T. Resources Private Limited       | 422895                                    | 2.36                             | -  | 422895                              | 2.36                             | -  | -  |
| 6       | Nidhi Private Limited                | 310000                                    | 1.73                             | -  | 385075                              | 2.15                             | -  | 0.42                                     |
| 7       | Innova Properties Private Limited    | 120000                                    | 0.67                             | -  | 120000                              | 0.67                             | -  | -  |
| 8       | Facitcon Investments Private Limited | 94505                                     | 0.53                             | -  | 94505                               | 0.53                             | -  | -  |
| 9       | OCL Investments & Leasing Limited    | 69940                                     | 0.39                             | -  | -                                   | -                                | -  | (0.39)                                   |
|         | <b>TOTAL</b>                         | <b>11195139</b>                           | <b>62.44</b>                     | <b>-</b>                                       | <b>11200274</b>                     | <b>62.47</b>                     | <b>30.12</b>                                   | <b>0.03</b>                              |

**(iii) Change in Promoters' Shareholding (Please specify, if there is no change)**

| Sl No. | Name of the Shareholder          | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|----------------------------------|---|----------------------------------|---|----------------------------------|
|        |                                  | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 1      | Umang Kanoria                    |   |                                  |   |                                  |
|        | At the beginning of the year     | 4008929                                   | 22.36                            | 4008929                                 | 22.36                            |
|        | Increase/Decrease                | -   | -                                | -                                       | -                                |
|        | At the end of the year           |   |                                  | 4008929                                 | 22.36                            |
| 2      | Kanco Tea & Industries Limited   |   |                                  |   |                                  |
|        | At the beginning of the year     | 3314291                                   | 18.48                            | 3314291                                 | 18.48                            |
|        | Increase/Decrease                | -   | -                                | -                                       | -                                |
|        | At the end of the year           |   |                                  | 3314291                                 | 18.48                            |
| 3      | B.T. Investments Private Limited |   |                                  |   |                                  |
|        | At the beginning of the year     | 1528150                                   | 8.52                             | 1528150                                 | 8.52                             |
|        | Increase/Decrease                | -   | -                                | -                                       | -                                |
|        | At the end of the year           |   |                                  | 1528150                                 | 8.52                             |
| 4      | Cosmos Resources Private Limited |   |                                  |   |                                  |
|        | At the beginning of the year     | 1326429                                   | 7.40                             | 1326429                                 | 7.40                             |
|        | Increase/Decrease                | -   | -                                | -                                       | -                                |
|        | At the end of the year           |   |                                  | 1326429                                 | 7.40                             |
| 5      | E.T. Resources Private Limited   |   |                                  |   |                                  |
|        | At the beginning of the year     | 422895                                    | 2.36                             | 422895                                  | 02.36                            |
|        | Increase/Decrease                | -   | -                                | -                                       | -                                |
|        | At the end of the year           |   |                                  | 422895                                  | 02.36                            |

**DIRECTORS' REPORT (Contd.)**

| Sl No. | Name of the Shareholder              | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|--------------------------------------|---|----------------------------------|---|----------------------------------|
|        |                                      | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 6      | Nidhi Private Limited                |   |                                  |   |                                  |
|        | At the beginning of the year         | 310000                                    | 1.73                             | 310000                                  | 1.73                             |
|        | Purchase of shares on 26.12.2014     | 69940                                     | 0.39                             | 379940                                  | 2.12                             |
|        | Purchase of shares on 27.03.2015     | 5135                                      | 0.03                             | 385075                                  | 2.15                             |
|        | At the end of the year               |   |                                  | 385075                                  | 2.15                             |
| 7      | Innova Properties Private Limited    |   |                                  |   |                                  |
|        | At the beginning of the year         | 120000                                    | 0.67                             | 120000                                  | 0.67                             |
|        | Increase/Decrease                    | -   | -                                | -                                       | -                                |
|        | At the end of the year               |   |                                  | 120000                                  | 0.67                             |
| 8      | Facitcon Investments Private Limited |   |                                  |   |                                  |
|        | At the beginning of the year         | 94505                                     | 0.53                             | 94505                                   | 0.53                             |
|        | Increase/Decrease                    | -   | -                                | -                                       | -                                |
|        | At the end of the year               |   |                                  | 94505                                   | 0.53                             |
| 9      | OCL Investments & Leasing Limited    |   |                                  |   |                                  |
|        | At the beginning of the year         | 69940                                     | 0.39                             | 69940                                   | 0.39                             |
|        | Sale of shares on 19.12.2014         | (69940)                                   | (0.39)                           | -                                       | -                                |
|        | At the end of the year               |   |                                  | -                                       | -                                |

**(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

| Sl No. | Particulars                          | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|--------------------------------------|---|----------------------------------|---|----------------------------------|
|        |                                      | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 1.     | Castle Fincon Private Limited        |   |                                  |   |                                  |
|        | At the beginning of the year         | 850000                                    | 4.74                             | 850000                                  | 4.74                             |
|        | Sale of shares as on 20.03.2015      | (850000)                                  | (4.74)                           | -                                       | -                                |
|        | At the end of the year               |   |                                  | -                                       | -                                |
| 2.     | Southern Lease Finance Limited       |   |                                  |   |                                  |
|        | At the beginning of the year         | 850000                                    | 4.74                             | 850000                                  | 4.74                             |
|        | Purchase of shares as on 27.03.2015  | 1650000                                   | 9.20                             | 2500000                                 | 13.94                            |
|        | At the end of the year               |   |                                  | 2500000                                 | 13.94                            |
| 3.     | Ranisati Merchandise Private Limited |   |                                  |   |                                  |
|        | At the beginning of the year         | 800000                                    | 4.46                             | 800000                                  | 4.46                             |
|        | Sale of shares as on 20.03.2015      | (800000)                                  | (4.46)                           | -                                       | -                                |
|        | At the end of the year               |   |                                  | -                                       | -                                |
| 4.     | Deepa Bagla                          |   |                                  |   |                                  |
|        | At the beginning of the year         | 319404                                    | 1.78                             | 319404                                  | 1.78                             |
|        | Purchase/Sale                        | -   | -                                | -                                       | -                                |
|        | At the end of the year               |   |                                  | 319404                                  | 1.78                             |

**DIRECTORS' REPORT (Contd.)**

| Sl No.                 | Particulars                         | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|------------------------|-------------------------------------|---|----------------------------------|---|----------------------------------|
|                        |                                     | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 5.                     | Dheeraj Kumar Lohia                 |   |                                  |   |                                  |
|                        | At the beginning of the year        | 261570                                    | 1.46                             | 261570                                  | 1.46                             |
|                        | Purchase/Sale                       | -   | -                                | -                                       | -                                |
|                        | At the end of the year              |   |                                  | 261570                                  | 1.46                             |
| 6.                     | Raj Kumar Lohia                     |   |                                  |   |                                  |
|                        | At the beginning of the year        | 237087                                    | 1.32                             | 237087                                  | 1.32                             |
|                        | Purchase/Sale                       | -   | -                                | -                                       | -                                |
|                        | At the end of the year              |   |                                  | 237087                                  | 1.32                             |
| 7.                     | Wind Power Vinimay Private Limited  |   |                                  |   |                                  |
|                        | At the beginning of the year        | 208951                                    | 1.17                             | 208951                                  | 1.17                             |
|                        | Sale of shares as on 04.12.2015     | (620)                                     | (0.00)                           | 208331                                  | 1.16                             |
|                        | Purchase of shares as on 25.12.2015 | 250                                       | 0.00                             | 208581                                  | 1.16                             |
|                        | Sale of shares as on 04.03.2016     | (208581)                                  | (1.16)                           | -                                       | -                                |
|                        | At the end of the year              |   |                                  | -                                       | -                                |
| 8.                     | Sevanti Lal Anoopchand Shah         |   |                                  |   |                                  |
|                        | At the beginning of the year        | 95001                                     | 0.53                             | 95001                                   | 0.53                             |
|                        | Purchase/Sale                       | -   | -                                | -                                       | -                                |
|                        | At the end of the year              |   |                                  | 95001                                   | 0.53                             |
| 9.                     | Apurva Consulants Private Limited   |   |                                  |   |                                  |
|                        | At the beginning of the year        | 60000                                     | 0.33                             | 60000                                   | 0.33                             |
|                        | Purchase/ Sale                      | -   | -                                | -                                       | -                                |
|                        | At the end of the year              |   |                                  | 60000                                   | 0.33                             |
| 10.                    | Kailash Chandra Dhanuka             |   |                                  |   |                                  |
|                        | At the beginning of the year        | 59257                                     | 0.33                             | 59257                                   | 0.33                             |
|                        | Purchase of shares as on 12.12.2014 | 760                                       | 0.00                             | 60017                                   | 0.33                             |
|                        | Sale of shares as on 29.05.2015     | (10600)                                   | (0.06)                           | 49417                                   | 0.28                             |
|                        | Sale of shares as on 05.06.2015     | (33417)                                   | (0.19)                           | 16000                                   | 0.09                             |
|                        | Sale of shares as on 05.06.2015     | (16000)                                   | (0.09)                           | -                                       | -                                |
| At the end of the year |                                     |   | -                                | -                                       |                                  |

**DIRECTORS' REPORT (Contd.)**
**(v) Shareholding of Directors and Key Managerial Personnel :**

| Sl No. | Particulars                     | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|---------------------------------|---|----------------------------------|---|----------------------------------|
|        |                                 | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
|        | <b>DIRECTORS</b>                |   |                                  |   |                                  |
| 1.     | Susanta Banerjee                |   |                                  |   |                                  |
|        | At the Beginning of the year    | 65  | 0.00                             | 65                                      | 0.00                             |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | At the end of the year          |   |                                  | 65                                      | 0.00                             |
| 2.     | Krishna Kumar Gupta             |   |                                  |   |                                  |
|        | At the Beginning of the year    | -   | -                                | -                                       | -                                |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | At the end of the year          |   |                                  | -                                       | -                                |
| 3.     | Puja Borar                      |   |                                  |   |                                  |
|        | At the Beginning of the year    | -   | -                                | -                                       | -                                |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | At the end of the year          |   |                                  | -                                       | -                                |
|        | <b>KEY MANAGERIAL PERSONNEL</b> |   |                                  |   |                                  |
| 1.     | Umang Kanoria                   |   |                                  |   |                                  |
|        | At the Beginning of the year    | 4008929                                   | 22.36                            | 4008929                                 | 22.36                            |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | At the end of the year          |   |                                  | 4008929                                 | 22.36                            |
| 2.     | Sushil Vishwakant Tewary        |   |                                  |   |                                  |
|        | At the Beginning of the year    | 600                                       | 0.00                             | 600                                     | 0.00                             |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | At the end of the year          |   |                                  | 600                                     | 0.00                             |
| 3.     | Charulata Kabra                 |   |                                  |   |                                  |
|        | At the Beginning of the year    | -   | -                                | -                                       | -                                |
|        | Purchase/Sale                   | -   | -                                | -                                       | -                                |
|        | Upto the 16.11.2015             | -   | --                               | -                                       |                                  |

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for payment**

| Secured Loans excluding deposits                           |                           | Secured Loans excluding deposits | Unsecured Loans | Total Indebtedness |
|--|---------------------------|----------------------------------|-----------------|--------------------|
| <b>Indebtedness at the beginning of the financial year</b> |                           |                                  |                 |                    |
| (i)  | Principal Amount          | 37,38,92,836                     | 12,14,34,766    | 49,53,27,602       |
| (ii)   | Interest due but not paid | 17,90,70,999                     | 43,79,955       | 18,34,50,954       |
| <b>Total (i+ii)</b>  |                           | 55,29,63,835                     | 12,58,14,721    | 67,87,78,556       |
| <b>Change in Indebtedness during the financial year</b>    |                           |                                  |                 |                    |
| Addition   |                           | -                                | (1,40,00,000)   | (1,40,00,000)      |
| Reduction  |                           | 12,41,62,660                     | 42,22,825       | 12,83,85,485       |
| <b>Net Change</b>  |                           | 12,41,62,660                     | (97,77,175)     | 11,43,85,485       |
| <b>Indebtedness at the end of the financial year</b>       |                           |                                  |                 |                    |
| (i)  | Principal Amount          | 37,38,92,836                     | 10,74,34,766    | 48,13,27,302       |
| (ii)   | Interest due but not paid | 30,32,33,659                     | 86,02,780       | 31,18,34,439       |
| <b>Total (i+ii)</b>  |                           | 67,71,26,195                     | 11,60,37,546    | 79,31,64,041       |

**DIRECTORS' REPORT (Contd.)**
**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Whole time Director :**

| Sl. No. | Particulars of Remuneration   | Name of Managing Director<br>Umang Kanoria<br>Total Amount (₹) |
|---------|---|--|
| 1.      | Gross Salary  |  |
|         | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961   | 27,75,000  |
|         | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961  | 2,37,500   |
|         | (c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961   | -  |
| 2.      | Stock Option  | -  |
| 3.      | Sweat Equity  | -  |
| 4.      | Commission  |  |
|         | - as % of profit  | -  |
|         | - others, specify   | -  |
| 5.      | Others, please specify  | -  |
|         | Total (A) (This includes ₹ 3,12,500/- which is excluded under Schedule V to the Companies Act, 2013 for calculation of ceiling. The remuneration as per Schedule V to the Companies Act, 2013 is ₹ 27,00,000/-) | 30,12,500  |
|         | Ceiling as per the Act  | 30,00,000  |

**B. Remuneration of other Directors :**

(in ₹)

| Sl. No. | Particulars of Remuneration                 | Name of Directors |                     | Total Amount |
|---------|---|-------------------|---------------------|--------------|
|         |   | Puja Borar        | Krishna Kumar Gupta |              |
| 1.      | Independent Directors                       |                   |                     |              |
|         | Fee for attending Board/ Committee meetings | 30,000            | 40,000              | 70,000       |
|         | Commission                                  | -                 | -                   | -            |
|         | Others (please specify)                     | -                 | -                   | -            |
|         | Total (1)                                   | 30,000            | 40,000              | 70,000       |
| 2.      | Other Non-Executive Directors               | Susanta Banerjee  |                     |              |
|         | Fee for attending Board/ Committee meetings |                   | 50,000              | 50,000       |
|         | Commission                                  |                   | -                   | -            |
|         | Others (please specify)                     |                   | -                   | -            |
|         | Total (2)                                   |                   | 50,000              | 50,000       |
|         | Total (B)= (1+2)                            |                   |                     | 1,20,000     |
|         | Total Managerial Remuneration               |                   |                     | 31,32,500    |
|         | Overall Ceiling as per the Act              |                   |                     | 30,00,000    |

**DIRECTORS' REPORT (Contd.)**
**C. Remuneration to Key Managerial Personnel other than WTD**

(in ₹)

| Sl. No. | Particulars of Remuneration   | Key Managerial Personnel  |           | Total     |
|---------|---|---|-----------|-----------|
|         |   | Company Secretary<br>Charulata Kabra<br>(resigned w.e.f 16.11.2015) | CFO       |           |
| 1.      | Gross Salary  |   |           |           |
|         | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 6,86,139  | 22,32,969 | 29,19,108 |
|         | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961                      | -   | 6,39,927  | 6,39,927  |
|         | (c) Profits in lieu of salary u/s 17(3) of the Income-tax Act, 1961                 | -   | -         | -         |
| 2.      | Stock Option  | -   | -         | -         |
| 3.      | Sweat Equity  | -   | -         | -         |
| 4.      | Commission  |   |           |           |
|         | - as % of profit  | -   | -         | -         |
|         | - others, specify   | -   | -         | -         |
| 5.      | Others, please specify  | -   | -         | -         |
|         | Total   | 6,86,139  | 28,72,896 | 35,59,035 |

**VII. Penalties/punishment/compounding of offences:**

| Type                                | Sections of The Companies Act | Brief Description | Details of Penalty/Punishment/Compounding Fees imposed | Authority [RD/NCLT/COURT] | Appeal made if any (give details) |
|-------------------------------------|-------------------------------|-------------------|--|---------------------------|-----------------------------------|
| <b>A. COMPANY</b>                   |                               |                   |  |                           |                                   |
| Penalty                             |                               |                   | Nil  |                           |                                   |
| Punishment                          |                               |                   |  |                           |                                   |
| Compounding                         |                               |                   |  |                           |                                   |
| <b>B. DIRECTORS</b>                 |                               |                   |  |                           |                                   |
| Penalty                             |                               |                   | Nil  |                           |                                   |
| Punishment                          |                               |                   |  |                           |                                   |
| Compounding                         |                               |                   |  |                           |                                   |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                               |                   |  |                           |                                   |
| Penalty                             |                               |                   | Nil  |                           |                                   |
| Punishment                          |                               |                   |  |                           |                                   |
| Compounding                         |                               |                   |  |                           |                                   |

 Kolkata,  
 May 30, 2016

For and on behalf of the Board

 U. KANORIA  
 Chairman & Mg. Director



## **DIRECTORS' REPORT (Contd.)**

### **Annexure B**

## **NOMINATION & REMUNERATION POLICY & PERFORMANCE EVALUATION OF DIRECTORS**

### **Introduction**

The Board of Directors (herein after referred as 'Board') of the Company at its meeting held on May 9, 2014 have re-constituted the existing Remuneration Committee by changing its nomenclature as Nomination & Remuneration Committee (herein after referred as 'Committee') of the Board of Directors in accordance with the provision of Section 178 of the Companies Act, 2013 and also stipulated additional terms of reference in line with the Companies Act, 2013.

The Committee in their meeting held on May 12, 2014 has formulated the criteria for identification and selection of the suitable candidates for various positions in senior management and also candidates who are qualified to be appointed as director on the Board of the Company. The Committee also recommended a policy relating to the remuneration for the directors, key managerial personnel and other senior management personnel and a process by which the performance of the directors could be evaluated.

### **I. Criteria for selection of members on the Board of Directors and Senior Management**

The Committee has adopted the following criteria for selection of members on the Board of the Company and also candidates eligible to be appointed in the senior management of the Company.

#### **A) Criteria for Selection of Directors**

Before making any recommendation to the Board for appointment of any director, the Committee shall ensure that the candidate:

- a) possess positive attributes/qualities such as leadership, accumenship, and experience in running industrial units, entrepreneurship or such other attributes which in the opinion of the Committee the candidate possess, and are in the interest of the Company.
- b) is not disqualified under Sections 164 and 167 of the Companies Act, 2013
- c) complies with the conditions of being independent as stipulated under the Companies Act, 2013 and Listing Agreement entered into with Stock Exchanges in case of appointment as an independent director.
- d) possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, corporate governance, technical operations, infrastructure or such other areas or disciplines which are relevant for the Company's business.

#### **B) Criteria for selection of Senior Management Personnel**

The term Senior Management shall have the same meaning as provided under the explanation to Section 178 of the Companies Act, 2013. The Committee shall, before making any recommendation to the Board for appointment should ensure that the candidate has the following attributes:

- a) rich experience in any of the areas viz. banking, financial management, legal, sales, marketing, administration, corporate governance, technical operations, or such other areas or disciplines which in the opinion of the management and committee are relevant for the Company's business.
- b) possesses qualities that demonstrate leadership skills, decision making skills, effective communication, hard work, commitment and such other attributes which in the opinion of the Committee the candidate possess and are in the interest of the Company.

If the Committee after due deliberation finds that the candidate meets the above criteria for appointment (as director on the Board or in senior management), hence it shall make its recommendation to the Board.

Any amendment to the above criteria for directors and senior management shall be subject to the prior approval of the Committee and any such amendment shall be informed to the Board of Directors.

## **DIRECTORS' REPORT (Contd.)**

### **II. Remuneration Policy for Directors, Senior Management and Key Managerial Personnel**

#### **A) Remuneration of Managing Director, Whole Time Director and Manager:**

The Committee while considering the remuneration of the Managing Director, the Whole Time Director and Manager (wherein there is no Managing Director), may take into consideration the performance, the experience of the person, his/her background, job-profile and suitability, his/her past remuneration, the comparative remuneration profile in the industry, size of the company, responsibilities shouldered by the Managing Director / Whole Time Director etc., provided that any remuneration considered by the Committee shall be in accordance and within the limits stipulated under the Companies Act, 2013.

#### **B) Remuneration of Non-Executive Director (NED)**

- a) The remuneration to the NEDs may be restricted to the sitting fees being paid for attendance of the meeting of the Board of the Directors
- b) The Independent Directors of the Company shall be entitled to remuneration restricted to the sitting fees being paid for attendance of the meeting of the Board of the Directors provided that any sitting fees paid to the Independent Director shall not be less than the sitting fees paid to non-executive directors.
- c) Independent Directors shall not be eligible for stock options of the Company, if any.

#### **C) Remuneration of Senior Management Personnel and KMPs**

The Remuneration of the Senior Management Personnel and KMPs shall be in accordance with the policy of the Company which is applicable to the employees. The Committee may consider the remuneration of a Senior Management Personnel keeping in view of the achieving yearly targets, Performance of Business/Functions under his control, contribution for long term & strategic growth of the Company.

### **III. Evaluation of performance of Directors**

#### **A) Evaluation of the performance of Managing Director / Whole Time Director**

The performance of the Managing Director/Whole Time Director of the Company may be carried out taking into consideration the performance of the Company vis-à-vis the budgets as well as performance of its competitors, emphasis on achieving top line and bottom line targets, influencing the executives to achieve specific and predetermined goals during the financial year, looking after the interest of Shareholders and ensuring sustained long-term goals.

#### **B) Evaluation of the performance of Non-Executive Directors and Independent Directors (NEDs and IDs)**

The Committee while evaluating the performance of the NEDs and IDs may take into consideration various factors as mentioned below:

- a) Attendance at Meetings – attendance at Board Meetings, AGMs, Committee Meetings
- b) Other Directorships held by the NED – in listed or unlisted companies
- c) Other companies in which NED is a Chairperson
- d) Participation at Board/Committee Meetings
- e) Input in strategy decisions
- f) Review of Financial Statements, risks and business performance
- g) Time devoted towards discussion with Management
- h) Review of Minutes – Board Minutes, Committee Meeting Minutes and AGM Minutes

Kolkata,  
May 30, 2016

For and on behalf of the Board  
U. KANORIA  
Chairman & Mg. Director

## **DIRECTORS' REPORT (Contd.)**

### **Annexure C**

### **SECRETARIAL AUDITOR REPORT for the Financial Year/Period Ended 31.03.2016 (01.10.2014 – 31.03.2016)**

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members,  
Kanco Enterprises Limited  
Jasmine Tower, 3rd Floor  
31, Shakespeare Sarani  
Kolkata - 700017

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kanco Enterprises Limited** having its Registered Office at Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata - 700017 (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year/period ended 31.03.2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

#### **Auditors' Responsibility**

Maintenance of Secretarial Records is the responsibility of the management of the Company. Our responsibility is to express an opinion on existence of adequate Board process and compliance management system, commensurate to the size of the Company, based on these secretarial records as shown to us during the said audit and also based on the information furnished to us by the officers' and the agents of the Company during the said audit.

We have followed the audit practices and processes as were appropriate to the best of our understanding to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.

We have not verified the correctness, appropriateness and bases of financial records, books of accounts and decisions taken by the Board and by various committees of the Company during the period under scrutiny. We have checked the Board process and compliance management system to understand and to form an opinion as to whether there is an adequate system of seeking approval of respective committees of the Board, of the Board, of the members of the Company and of other authorities as per the provisions of various statutes as mentioned hereinafter.

Wherever required we have obtained the management representation about the compliance of the laws, rules and regulations and happening of events, etc.

The Compliance of the provisions of Corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. Our examination was limited to the verification of compliance procedures on test basis.

Our report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness or accuracy with which the management has conducted the affairs of the Company.

**We report that**, we have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year / period ended 31.03.2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;

## **DIRECTORS' REPORT (Contd.)**

- (ii) Secretarial Standards (SS – 1 and SS-2) as issued by The Institute of Company Secretaries of India and which became effective from 01.07.2015.
- (iii) Listing Agreement with the Stock Exchanges.
- (iv) The Securities Contracts (Regulation) Act, 1956 and the rules made there under;
- (v) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (vi) Foreign Exchange Management Act, 1999 and the rules and regulation made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (vii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 :
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**We further report that**, having regard to the compliance system prevailing in the Company, our examination and reporting is based on the documents, records and files as produced and shown to and the information and explanations as provided to us by the Company and its management and to the best of our judgment and understanding of the applicability of the different enactments upon the Company. Further, to the best of our knowledge and understanding there are adequate systems and processes in the Company commensurate with its size and operation to monitor and ensure compliances with applicable laws including general laws, labour laws, competition law, environments laws, etc.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

During the period under review, provisions of the following regulations/guidelines/standards were not applicable to the Company :

- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (ii) SEBI (Share Based Employee Benefits) Regulations, 2014
- (iii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (iv) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (v) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

**We further report that :**

- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Director, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place, if any, during the period under review were carried out in compliance with the provisions of the Act.
- (b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- (c) Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.
- (d) There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

## DIRECTORS' REPORT (Contd.)

### We further report that :

- (i) We have been informed that due to complete erosion of net worth, the Company had applied to Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) for the year ended 30th September, 2012 which is still pending, hence, no fresh application has been made by the Company for the financial year ended 31st March, 2016. The Company's appeal under Section 25(1) of the SICA against the order passed by the BIFR for reference no. 3/2012 filed under Section 15(1) of the SICA on 13.01.2012 is also pending.
- (ii) **The Company has not made the requisite compliances pertaining to publication of unaudited financial results for the quarter ended 30th September, 2015 and 31st December, 2015 in terms of erstwhile Clause 41 of the listing agreement and Regulation 33 of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 respectively.**
- (iii) **The Company in general is defaulter in repayment of the outstanding loans/borrowings.**

For A. K. LABH & Co.

*Company Secretaries*

( A. K. LABH)

Place : Kolkata

Dated : 30.05.2016

Practicing Company Secretary

FCS – 4848 / CP No.- 3238

## Annexure D

### A statement pursuant to Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 on Conservation of Energy, Technology Absorption, Foreign Exchange Earning & Outgoings

#### a. Conservation of Energy

- (i) the steps taken for conservation of energy : -

The Company is aware of the importance of energy conservation in decreasing the inimical effects of global warming and climate change. The Company has optimized the utilization of machineries and reduced the energy consumption from 3.90 units per kg of yarn produced to 3.83 units per kg of yarn produced.

- (ii) the steps taken by the Company for utilising alternate sources of energy - Nil
- (iii) the capital investment on energy conservation equipment - Nil

#### b. Technology Absorption

- (i) the efforts made towards technology absorption - Not Applicable
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution - Not Applicable
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) - Not Applicable
- (iv) the expenditure incurred on Research and Development - Nil

#### c. Foreign Exchange Earnings and Outgo

The Company has not made any direct export but its product are sold to merchant exporters.

| Particulars   | ₹ in Lakhs |
|---|------------|
| 1. Foreign Exchange earned in terms of actual Inflows | Nil        |
| 2. Foreign Exchange Outgo                             | 41.24      |

For and on behalf of the Board

Kolkata,

May 30, 2016

U. KANORIA

*Chairman & Mg. Director*

## DIRECTORS' REPORT (Contd.)

### Annexure E

#### MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) **Industry structure and developments :** India's textile sector is one of the mainstays of the national economy. The Textile Industry contributes around 14% to the overall index of Industrial Production (IIP), 5% to the GDP and about 11% to the country's merchandise exports. The sector is second largest employment provider in the country. A lot of capacity addition has taken place in the cotton yarn spinning industry due to incentives announced by various state governments. This has resulted in a situation of excess supply due to enhanced capacity. The incentives are putting the existing players in a disadvantageous position vis-à-vis the new players.

b) **Opportunities & Threats :** China is the biggest player in world textile trade however in the coming times its share is expected to come down due to increasing labour costs. The other players in the world trade are Bangladesh, Sri Lanka & Vietnam. The expected reduction of China's share in world textiles trade and limited upside available to Bangladesh, Vietnam etc. opens up a window of opportunity for Indian Textile Industry.

India's cotton yarn production registered slowest pace of growth during the Financial Year 2016. The slow pace of growth had been drawn by factors like tepid domestic consumption and limited growth in exports. High dependence on exports to china and resulting sensitivity of India's exports to China's policy on reserve cotton stock has always warranted a cautious outlook on India's yarn exports. Thus, slow growth in domestic consumption and exports will pose a challenge for profitability of spinners, if the demand growth remains muted in Financial Year 2017.

c) **Segment analysis and review :**

| Particulars                                      | Units     | October 2014-<br>March 2016 | October 2013-<br>September 2014 | % Change |
|--|-----------|-----------------------------|---------------------------------|----------|
| Production of Cotton Yarn                        | Kgs       | 67,93,932                   | 67,20,784                       | 1.09%    |
| Sales of Cotton Yarn                             | Kgs       | 70,28,366                   | 66,98,755                       | 4.92%    |
| Average Realisation                              | ₹ /Kg     | 183.95                      | 214.57                          | (14.27)% |
| Average Cost of Cotton                           | ₹ /Ton    | 95370                       | 1,19,980                        | (20.51)% |
| (Loss) Before Interest<br>but after Depreciation | ₹ in Lacs | (505.76)                    | (54.71)                         | N.A.     |

d) **Outlook :** The near term outlook continues to remain grim. There was a drop in cotton production in the 2015-16 cotton season. A sudden and steep increase in cotton price has been witnessed with prices moving up from ₹ 33,000/- per candy to ₹ 39,500/- per candy. Yarn prices have not moved up commensurately. Domestic markets too are characterized by slack demand. The year ahead looks a very difficult year. The Company was compelled to shut down operation in view of large scale resignation of employees and has decided to continue the same in view of overall negative outlook of the Textile Industry. The Company is in active discussions and negotiation with its lenders to reach an amicable settlement.

e) **Risks & Concerns :** The proliferation of new manufacturing units purely on the consideration of availing incentives without correlating with future demand may actually result in overall loss of capacity due to shut downs and redundancy. Stagnant domestic consumption, limited growth in exports, high power cost and shortage of skilled workforce are common concerns.

f) **Internal control systems and their adequacy :** The Company has adequate system of internal controls and necessary checks and balances are introduced/ strengthened so as to ensure:-

a) that its assets are safeguarded and protected against losses.



## **DIRECTORS' REPORT (Contd.)**

- b) that all transactions are authorised, recorded and reported properly.
- c) that accounting records are properly maintained and its financial statements are reliable.

The significant findings, if any, are placed before the Audit Committee of the Board and corrective measures are recommended for implementation. The Company appoints external firms of Auditors to conduct internal audit and their reports are reviewed by the management and Audit Committee.

### **g) Discussion on financial performance with respect to operational performance :**

The operational performance of the Company was satisfactory. The Company was able to register a higher production as compared with the same period last year. The financial performance was dismal with loss before interest and after depreciation going up from ₹ 54.71 lacs to ₹ 505.76 lacs. This was a result of market forces beyond the Company's control.

The Company have suffered huge losses in the year under review due to overall negative market conditions.

- ### **h) Information regarding Human Resources/Industrial Relations :**
- The Company is an ISO 9001:2008 certified Company. The Company has a favourable working environment that motivates performance, customer focus and innovation and adheres to the highest degree of quality and integrity amongst employees. Industrial relations at the Company remain cordial. Manpower employed with the Company as at 31st March, 2016 was 9 compared to 557 as on 30th September 2014.

### **Cautionary Statement**

The statements in this report describing the Company's policy, strategy, projections, estimation and expectations may appear forward looking statements within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events and the actual results could materially differ from those expressly mentioned in this Report or implied for various factors including those mentioned in the paragraph "Risks and Concerns" herein above and subsequent developments, information or events.

Kolkata,  
May 30, 2016

For and on behalf of the Board

U. KANORIA  
*Chairman & Mg. Director*

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF KANCO ENTERPRISES LIMITED**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kanco Enterprises Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss and Cash Flow Statement for the eighteen months period then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

#### **Basis of Qualified Opinion**

We report the following observations :

- (a) *As referred to in note no. 24(2) (a) (i) (b) of financial statements, during the year ended September 30, 2012, the Company has not accounted for Foreign Exchange loss of ₹ 11,78,81,338/- arising out of Cancellation of Forward Contract and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.*





## **INDEPENDENT AUDITORS' REPORT (Contd.)**

- (b) As referred in note no. 7 (iii) & (iv) Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI Bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in Statement of Profit and Loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.
- (c) As referred in note no. 5(ii) balance of secured loan and interest thereon from State Bank of India and IDBI Bank are as per books of accounts and subject to confirmation by lenders.
- (d) As referred in note no. 6 (2), the Company has not made provision for interest for delay in payment to vendors during the period as per agreed terms with vendors. Also Trade Payables are subject to confirmations. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- (e) As referred in note no. 13 (2) the Company has valued stores and spares at cost. Impact if any for net realisable being lower than the cost could not be determined.
- (f) As referred in note no. 24 (2) (j) the Company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of ₹ 24,34,34,766/- from related party and unsecured loan of ₹ 1,50,00,000/- received from non-related party. Amount of the Interest for the said period on the said loan as per last agreed rate with the parties is ₹ 57,25,768/-

### **Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31st March 2016, and its loss and its cash flows for the eighteen months period ended on that date.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 24 (2) (k) in the financial statements which indicates that Company net worth as at March 31, 2016 has been completely eroded on account of accumulated losses of ₹ 96,76,67,393/-. Further due to operational difficulties and curtail the loss, Company has suspended its manufacturing operation from September 30, 2015. The financial statements as at 31-03-2016 have been therefore been prepared on non-going concern basis and assets are stated at lower of carrying value or net realisable value.

### **Report on Other Legal and Regulatory Requirements**

- As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act 2013, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- As required by Section 143 (3) of the Act, we report that:
  - We have sought and, except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - Except for the possible effects of the matter described in the basis for Qualified Opinion paragraph above, 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 those books;

## **INDEPENDENT AUDITORS' REPORT (Contd.)**

- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) Except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note no. 24(2)(a) (i) to the financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For B. R. SHAH & ASSOCIATES  
Firm Registration No. 129053W  
*Chartered Accountants*

DEVAL R. DESAI  
*Partner*

Place : Ahmedabad

Date : May 30, 2016

Membership No. 132426

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## **ANNEXURE TO AUDITORS' REPORT**

**Referred to in Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016.**

- i.
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets have not been physically verified by the management. In the absence of physical verification, we are not in a position to comment on the discrepancies, if any, between physical and book balances and the impact thereof.
  - (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties are held in the name of the Company.
- ii. Physical verification of inventory has been conducted by Management at reasonable intervals. In our opinion, the frequency of verification is reasonable. On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

**ANNEXURE TO AUDITORS' REPORT (Contd.)**

- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- v. The Company has not accepted any deposits from the public.
- vi. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima 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.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues in respect of tax deducted at source and service tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including income tax, sales tax, service tax, duty of custom, value added tax, cess and other statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute.
- viii. According to the records of the Company examined by us and the information and explanation given to us, during the year the Company has no debentures and loan from financial institution or government. The Company has defaulted in repayment of dues to banks as detailed below :

| Particulars       | Outstanding Since | Period of Default as on March 31, 2016 (In days) | Amount of Default - Loan (₹) |
|-------------------|-------------------|--|------------------------------|
| IDBI - Rupee Loan | Oct-11            | 1,644  | 54,00,000                    |
|                   | Jan-12            | 1,552  | 54,00,000                    |
|                   | Apr-12            | 1,461  | 54,00,000                    |
|                   | Jul-12            | 1,370  | 54,00,000                    |
|                   | Oct-12            | 1,278  | 54,00,000                    |
|                   | Jan-13            | 1,186  | 54,00,000                    |
|                   | Apr-13            | 1,096  | 68,02,500                    |
|                   | Jul-13            | 1,005  | 68,02,500                    |
|                   | Oct-13            | 913  | 68,02,500                    |
|                   | Jan-14            | 821  | 68,02,500                    |
|                   | Apr-14            | 731  | 68,02,500                    |
|                   | Jul-14            | 640  | 68,02,500                    |
|                   | Oct-14            | 548  | 68,02,500                    |
|                   | Jan-15            | 456  | 68,02,500                    |
|                   | Apr-15            | 366  | 68,02,500                    |
|                   | Jul-15            | 275  | 68,02,500                    |

**ANNEXURE TO AUDITORS' REPORT (Contd.)**

| Particulars                     | Outstanding Since | Period of Default as on March 31, 2016 (In days) | Amount of Default - Loan (₹) |
|---------------------------------|-------------------|--|------------------------------|
| SBI - Rupee Loan                | Sep-11            | 1,645  | 26,50,000                    |
|                                 | Dec-11            | 1,553  | 37,50,000                    |
|                                 | Mar-12            | 1,462  | 37,50,000                    |
|                                 | Jun-12            | 1,371  | 42,50,000                    |
|                                 | Sep-12            | 1,279  | 42,50,000                    |
|                                 | Dec-12            | 1,187  | 42,50,000                    |
|                                 | Mar-13            | 1,097  | 42,50,000                    |
|                                 | Jun-13            | 1,006  | 45,00,000                    |
|                                 | Sep-13            | 914  | 45,00,000                    |
|                                 | Dec-13            | 822  | 45,00,000                    |
|                                 | Mar-14            | 732  | 45,00,000                    |
|                                 | Jun-14            | 641  | 50,00,000                    |
|                                 | Sep-14            | 549  | 50,00,000                    |
|                                 | Dec-14            | 457  | 50,00,000                    |
|                                 | Mar-15            | 367  | 50,00,000                    |
|                                 | Jun-15            | 276  | 1,03,00,000                  |
|                                 | Sep-15            | 184  | 94,50,000                    |
| S.B.I. Corporate Loan           | Sep-11            | 1,645  | 30,00,000                    |
|                                 | Dec-11            | 1,553  | 30,00,000                    |
|                                 | Mar-12            | 1,462  | 30,00,000                    |
|                                 | Jun-12            | 1,371  | 30,00,000                    |
|                                 | Sep-12            | 1,279  | 30,00,000                    |
|                                 | Dec-12            | 1,187  | 30,00,000                    |
|                                 | Mar-13            | 1,097  | 30,00,000                    |
| S.B.I. -Rupee Loan (FITL)       | Sep-12            | 1,279  | 14,99,895                    |
|                                 | Dec-12            | 1,187  | 20,00,000                    |
|                                 | Mar-13            | 1,097  | 20,00,000                    |
|                                 | Jun-13            | 1,006  | 20,00,000                    |
|                                 | Sep-13            | 914  | 20,00,000                    |
|                                 | Dec-13            | 822  | 20,00,000                    |
|                                 | Mar-14            | 732  | 20,00,000                    |
|                                 | Jun-14            | 641  | 22,50,000                    |
|                                 | Sep-14            | 549  | 22,50,000                    |
|                                 | Dec-14            | 457  | 22,50,000                    |
|                                 | Mar-15            | 367  | 22,50,000                    |
|                                 | Jun-15            | 276  | 30,00,000                    |
|                                 | Sep-15            | 184  | 30,00,000                    |
|                                 | Dec-15            | 92   | 30,00,000                    |
|                                 | Mar-16            | 1  | 30,00,000                    |
| I.D.B.I. Line Of Credit         | Aug-11            | 1,705  | 50,00,000                    |
|                                 | Sep-11            | 1,674  | 50,00,000                    |
| I.D.B.I. Rupee Term Loan (WCTL) | Aug-11            | 1,705  | 16,70,000                    |
|                                 | Sep-11            | 1,674  | 16,10,000                    |

## **ANNEXURE TO AUDITORS' REPORT (Contd.)**

- ix. The Company has not raised money by way of initial public offer or further public offer (including debt instruments) any term loans during the period. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported during the year nor have we been informed of any such case by the Management.
- xi. Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a Nidhi Company. Accordingly, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. All transaction with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financials Statements as required by the applicable accounting standards.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv. According to the information and explanations given to us and the records of the Company examined by us, the Company has not entered into any non-cash transactions with directors or any person connected to him.
- xvi. The Company is not required to be registered under Sections 45-IA of the Reserve Bank of India Act, 1934.

For B. R. SHAH & ASSOCIATES  
Firm Registration No. 129053W  
*Chartered Accountants*  
DEVAL R. DESAI  
*Partner*  
Membership No. 132426

Place : Ahmedabad  
Date : May 30, 2016

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## **ANNEXURE A TO INDEPENDENT AUDITORS' REPORT**

**Referred to in Annexure referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date to the members of Kanco Enterprises Limited on the financial statements as of and for the period ended March 31, 2016**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of Kanco Enterprises Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the eighteen months period ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls

## **ANNEXURE A TO INDEPENDENT AUDITORS' REPORT (Contd.)**

Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### **Qualified of Opinion**

According to information and explanation given to us and based on our audit, the following material weakness have been identified as at 31 March 2016.

- a) The Company's internal financial controls over balance confirmation procedures as on March 31, 2016 of vendor, customers, loans and advances and unsecured and secured loan were not operating effectively.
- b) The Company has during the year not carried out physical verification of its fixed assets as defined in their internal control policy.

In our opinion, except for the effects of the material weakness describe above on the achievement of the objective of the control criteria, the Company has maintained, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the financial statements of the Company, and this material weakness does not affect our opinion on the financial statements of the Company.

**For B. R. SHAH & ASSOCIATES**  
Firm Registration No. 129053W  
*Chartered Accountants*

DEVAL R. DESAI  
*Partner*

Membership No. 132426

Place : Ahmedabad  
Date : May 30, 2016

**BALANCE SHEET as at March 31, 2016**

(Amount in ₹)

| Particulars   | Note | As at<br>March 31, 2016 | As at<br>September 30, 2014 |
|---|------|-------------------------|-----------------------------|
| <b>I EQUITY AND LIABILITIES</b>   |      |                         |                             |
| <b>1 Shareholders' Funds</b>  |      |                         |                             |
| (a) Share Capital   | 1    | 17,93,03,740            | 17,93,03,740                |
| (b) Reserves and Surplus  | 2    | (75,40,14,456)          | (54,94,48,097)              |
|   |      | (57,47,10,716)          | (37,01,44,357)              |
| <b>2 Non-current Liabilities</b>  |      |                         |                             |
| (a) Long-term Borrowings  | 3    | 4,34,34,766             | 4,34,34,766                 |
| (b) Long-term Provisions  | 4    | —                       | 80,14,994                   |
|   |      | 4,34,34,766             | 5,14,49,760                 |
| <b>3 Current Liabilities</b>  |      |                         |                             |
| (a) Short-term Borrowings   | 5    | 19,37,87,941            | 20,77,87,941                |
| (b) Trade Payables  | 6    | —                       | —                           |
| (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises; and                  |      | —                       | —                           |
| (ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises |      | 96,29,234               | 7,38,17,338                 |
| (c) Other Current Liabilities   | 7    | 56,34,39,721            | 45,67,64,444                |
| (d) Short-term Provisions   | 8    | 4,65,426                | 44,01,963                   |
|   |      | 76,73,22,322            | 74,27,71,686                |
|   |      | 23,60,46,372            | 42,40,77,089                |
| <b>II ASSETS</b>  |      |                         |                             |
| <b>1 Non-current Assets</b>   |      |                         |                             |
| (a) Fixed Assets  |      |                         |                             |
| Property, Plant and Equipment   | 9    | 18,55,46,259            | 23,61,97,483                |
| (b) Deferred Tax Assets (net)   | 10   | —                       | —                           |
| (c) Long-term Loans and Advances  | 11   | 1,38,18,724             | 4,39,20,953                 |
|   |      | 19,93,64,983            | 28,01,18,436                |
| <b>2 Current Assets</b>   |      |                         |                             |
| (a) Current Investments   | 12   | —                       | 3,76,500                    |
| (b) Inventories   | 13   | 65,64,410               | 8,21,01,483                 |
| (c) Trade Receivables   | 14   | —                       | 1,34,41,238                 |
| (d) Cash and Bank Balances  | 15   | 1,26,15,713             | 93,02,798                   |
| (e) Short-term Loans and Advances   | 16   | 1,75,01,266             | 3,87,36,634                 |
|   |      | 3,66,81,389             | 14,39,58,653                |
|   |      | 23,60,46,372            | 42,40,77,089                |

Significant Accounting Policies and other Notes to Account 24

The notes are an integral part of these financial statements.

As per our report of even date.

 For B. R. SHAH & ASSOCIATES  
 Firm Registration No. 129053W  
 Chartered Accountants

 DEVAL R DESAI  
 Partner  
 Membership No. 132426  
 Place : Ahmedabad  
 Dated : May 30, 2016

 A. Goel  
 Company Secretary

**For and on behalf of the Board of Directors of  
 Kanco Enterprises Limited**

 U. KANORIA  
 Managing Director

 S V. Tewary  
 Chief Financial Officer

**STATEMENT OF PROFIT & LOSS for the period ended March 31, 2016**

|  |      | (Amount in ₹)  |  |
|--|------|--|--|
| Particulars  | Note | Eighteen Months<br>Period ended on<br>March 31, 2016 | Year ended on<br>September 30,<br>2014 |
| Revenue from Operations  | 17   | 142,15,24,863  | 159,80,32,450                          |
| Other Income   | 18   | 72,89,422  | 22,93,385                              |
| <b>Total Revenue</b>   |      | <u>142,88,14,285</u>                                 | <u>160,03,25,835</u>                   |
| <b>Expenses</b>  |      |  |  |
| Cost of Materials Consumed                                       | 19   | 93,55,63,361   | 118,52,46,625                          |
| Changes in Inventories of Finished Goods<br>and Work-in-Progress | 20   | 6,17,01,453  | 7,80,883                               |
| Employee Benefits Expense  | 21   | 12,68,45,641   | 11,12,97,368                           |
| Finance Costs  | 22   | 14,26,49,866   | 9,30,80,548                            |
| Depreciation   | 9    | 4,31,68,900  | 3,73,32,145                            |
| Other Expenses   | 23   | 31,21,11,367   | 27,11,40,193                           |
| <b>Total Expenses</b>  |      | <u>162,20,40,588</u>                                 | <u>169,88,77,762</u>                   |
| <b>Loss before Tax</b>   |      | <u>(19,32,26,303)</u>                                | <u>(9,85,51,927)</u>                   |
| <b>Tax Expenses</b>  |      |  |  |
| (1) Current tax  |      | —  | —                                      |
| (2) Deferred tax   | 10   | —  | —                                      |
| <b>Loss for the year</b>   |      | <u>(19,32,26,303)</u>                                | <u>(9,85,51,927)</u>                   |
| <b>Earnings per Equity Share</b>                                 |      |  |  |
| Equity Share of par value of ₹ 10/- each                         |      |  |  |
| Basic and Diluted  |      | (10.78)  | (5.50)                                 |

Significant Accounting Policies and other Notes to Account 24  
The notes are an integral part of these financial statements.

As per our report of even date.  
For B. R. SHAH & ASSOCIATES  
Firm Registration No. 129053W  
Chartered Accountants  
DEVAL R DESAI  
Partner  
Membership No. 132426  
Place : Ahmedabad  
Dated : May 30, 2016

A. Goel  
Company Secretary

**For and on behalf of the Board of Directors of  
Kanco Enterprises Limited**

U. KANORIA  
Managing Director  
S V. Tewary  
Chief Financial Officer



**CASH FLOW STATEMENT for the period ended March 31, 2016**

(Amount in ₹)

| Particulars   | March 31, 2016       | September 30, 2014   |
|---|----------------------|----------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                         |                      |                      |
| Net Profit/(Loss) before Tax  | (19,32,26,303)       | (9,85,51,927)        |
| <b>Add/Less : Adjustments</b>   |                      |                      |
| Interest Paid   | 14,26,49,866         | 9,30,80,548          |
| Depreciation  | 4,31,68,900          | 3,73,32,145          |
| Exchange Rate Difference  | 11,087               | —                    |
| Interest Received   | (46,41,073)          | (17,94,067)          |
| Liabilities / Provision no longer required                            | (21,07,779)          | (4,36,449)           |
| Provision / (Written Back) for Diminutions in the value of Investment | (1,23,500)           | (16,000)             |
| (Profit) / Loss on sales of current investment                        | (44,990)             | —                    |
| (Profit) / Loss on Fixed Assets Sold                                  | (2,47,742)           | —                    |
| <b>Operating Profit Before Working Capital Changes</b>                | <u>(1,45,61,534)</u> | <u>2,96,14,250</u>   |
| <b>ADJUSTMENT FOR :</b>   |                      |                      |
| Trade & Other Receivables   | 6,49,72,716          | 24,10,251            |
| Inventories   | 7,55,37,073          | 76,40,079            |
| Trade & Other Payables  | <u>(9,57,42,064)</u> | <u>(59,16,605)</u>   |
| <b>Cash Generated From Operations</b>                                 | <u>3,02,06,191</u>   | <u>3,37,47,975</u>   |
| Income Tax Paid (Net of Refund)                                       | <u>(2,04,968)</u>    | <u>(1,73,702)</u>    |
| <b>Net Cash Flow From Operating Activities</b>                        | <u>3,00,01,223</u>   | <u>3,35,74,273</u>   |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                         |                      |                      |
| Purchase of Property, Plant and Equipment                             | (39,31,950)          | (6,07,587)           |
| Proceeds from Investment (Net)  | 5,44,990             | —                    |
| Property, Plant and Equipment Sold                                    | 3,21,960             | —                    |
| Interest Received   | <u>46,41,073</u>     | <u>17,94,067</u>     |
| <b>Net Cash Flow from Investing Activities</b>                        | <u>15,76,073</u>     | <u>11,86,480</u>     |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                         |                      |                      |
| Increase / (Repayment) in Borrowings                                  | (1,40,00,000)        | (1,00,00,000)        |
| Interest Paid   | <u>(1,42,64,381)</u> | <u>(1,96,08,099)</u> |
| <b>Net Cash Used in Financing Activities</b>                          | <u>(2,82,64,381)</u> | <u>(2,96,08,099)</u> |
| Net Increase in Cash and Cash Equivalents (A+B+C)                     | 33,12,915            | 51,52,654            |
| Cash and Cash Equivalents as at (Opening Balance)                     | 93,02,798            | 41,50,144            |
| Cash and Cash Equivalents as at (Closing Balance)                     | <u>1,26,15,713</u>   | <u>93,02,798</u>     |

Notes : 1. The above Cash Flow Statement has been prepared under the "Indirect Method" set out in Accounting Standard 3 - Cash Flow Statement referred to in "The Companies (Accounting Standards) Rules, 2006."  
 2. Cash and Cash Equivalents represent cash and bank balances only.

As per our report of even date.

 For B. R. SHAH & ASSOCIATES  
 Firm Registration No. 129053W  
 Chartered Accountants

 DEVAL R DESAI  
 Partner

 Membership No. 132426  
 Place : Ahmedabad  
 Dated : May 30, 2016

 A. Goel  
 Company Secretary

**For and on behalf of the Board of Directors of  
 Kanco Enterprises Limited**

 U. KANORIA  
 Managing Director

 S V. Tewary  
 Chief Financial Officer

**Notes '1' to '24' annexed to and forming part of the Balance Sheet as at and Statement of Profit and Loss for the period ended March 31, 2016**

|   | As at March 31, 2016 |                     | As at September 30, 2014 |                     |
|---|----------------------|---------------------|--------------------------|---------------------|
|   | Number               | Amount (₹)          | Number                   | Amount (₹)          |
| <b>1 SHARE CAPITAL</b>  |                      |                     |                          |                     |
| <b>(a) Details of Authorised, Issued, Subscribed and Fully Paid up Shares</b> |                      |                     |                          |                     |
| <b>Authorised</b>   |                      |                     |                          |                     |
| Equity Shares of ₹ 10 each  | 1,85,00,000          | 18,50,00,000        | 1,85,00,000              | 18,50,00,000        |
| <b>Issued, Subscribed and Paid up</b>   |                      |                     |                          |                     |
| Equity Shares of ₹ 10 each fully paid   | 1,79,30,374          | 17,93,03,740        | 1,79,30,374              | 17,93,03,740        |
|   | <u>1,79,30,374</u>   | <u>17,93,03,740</u> | <u>1,79,30,374</u>       | <u>17,93,03,740</u> |

**(b) Terms/Rights attached to Equity Shares**

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

**(c) Details of Shareholders holding more than Five Percent of Shares**

| Name of Shareholder            | March 31, 2016     |              | September 30, 2014 |              |
|--------------------------------|--------------------|--------------|--------------------|--------------|
|                                | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Umang Kanoria                  | 40,08,929          | 22.36%       | 40,08,929          | 22.36%       |
| Kanco Tea & Industries Limited | 33,14,291          | 18.48%       | 33,14,291          | 18.48%       |
| B.T. Investments Pvt. Ltd.     | 15,28,150          | 8.52%        | 15,28,150          | 8.52%        |
| Cosmos Resources Pvt. Ltd.     | 13,26,429          | 7.40%        | 13,26,429          | 7.40%        |
| Southern Lease Finance Ltd.    | 25,00,000          | 13.94%       | 8,50,000           | 4.74%        |

**2 RESERVES & SURPLUS**

|  | As at March 31, 2016  | As at September 30, 2014 |
|--|-----------------------|--------------------------|
| <b>a. Capital Reserves</b>   | 25,00,000             | 25,00,000                |
| <b>b. Securities Premium Account</b>   | 2,50,00,000           | 2,50,00,000              |
| <b>c. General Reserves</b>   | 18,61,52,937          | 18,61,52,937             |
| <b>d. Surplus : Opening Balance</b>  | (76,31,01,034)        | (66,45,49,107)           |
| Less: Depreciation transferred to retained earning on account of change in useful life of assets | (1,13,40,056)         | —                        |
| Add : Profit / (Loss) transferred from Statement of Profit and Loss                              | (19,32,26,303)        | (9,85,51,927)            |
| <b>Closing Balance</b>   | <u>(96,76,67,393)</u> | <u>(76,31,01,034)</u>    |
|  | <u>(75,40,14,456)</u> | <u>(54,94,48,097)</u>    |

**3 LONG TERM BORROWINGS**
**Unsecured**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Term Loans from Related Parties  | 4,34,34,766        | 4,34,34,766        |
| (Please refer Note no. 24(2)(h)) | <u>4,34,34,766</u> | <u>4,34,34,766</u> |

**Term for repayment of Loan -**

Loan is repayable on demand not earlier than March 31, 2017

**4 LONG TERM PROVISIONS**
**Provision for Employee Benefits**

|   |          |                  |
|---|----------|------------------|
| Unavailed Leave                           | —        | 27,15,346        |
| Gratuity [Refer Note 24(1)(h) & 24(2)(g)] | —        | 52,99,648        |
|   | <u>—</u> | <u>80,14,994</u> |

**NOTES 1 to 24 (Contd.)**

|           |                                     | (Amount in ₹)       |                     |
|-----------|-------------------------------------|---------------------|---------------------|
|           |                                     | As at               |                     |
|           |                                     | March 31, 2016      | September 30, 2014  |
| <b>5</b>  | <b>SHORT TERM BORROWINGS</b>        |                     |                     |
| <b>I</b>  | <b>Secured<sup>(i)</sup></b>        |                     |                     |
|           | Loan from Banks                     |                     |                     |
|           | S.B.I. (Export Packing Credit)      | 9,00,16,384         | 9,00,16,384         |
|           | I.D.B.I. Line of Credit             | 1,00,00,000         | 1,00,00,000         |
|           | State Bank of India                 | <u>2,97,71,557</u>  | <u>2,97,71,557</u>  |
|           |                                     | <u>12,97,87,941</u> | <u>12,97,87,941</u> |
| <b>II</b> | <b>Unsecured</b>                    |                     |                     |
|           | (a) Term Loans from Related Parties | 4,90,00,000         | 6,30,00,000         |
|           | (b) Term Loans from Other Parties   | <u>1,50,00,000</u>  | <u>1,50,00,000</u>  |
|           |                                     | <u>6,40,00,000</u>  | <u>7,80,00,000</u>  |
|           |                                     | <u>19,37,87,941</u> | <u>20,77,87,941</u> |

**Nature of Security**

- (i) Secured by hypothecation of all Property, Plant & Equipment including movable machinery, stock in trade, stores, book debts, etc and second charge on entire fixed assets, present and future, and guaranteed by Managing Director.
- (ii) Balances of secured loans and interest thereon as mentioned in note 7 (a) & 7 (b) and note 5 (a) above are as per books of accounts and subject to confirmations from bankers.
- (iii) Terms of Re-payment of Loan

| Particulars                    | Repayment Terms  |
|--------------------------------|--|
| I.D.B.I. Line of Credit        | 6 Monthly Installment of equal amount starting from April, 2011 Interest rate 15.25% |
| State Bank of India            | Repayable on demand  |
| S.B.I. (Export Packing Credit) | Repayable on demand  |

**6 TRADE PAYABLES**

|  |                  |                    |
|--|------------------|--------------------|
| (i) Total Outstanding Dues of Micro Enterprises and Small Enterprises(1) and                   | —                | —                  |
| (ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises(2) | <u>96,29,234</u> | <u>7,38,17,338</u> |
|  | <u>96,29,234</u> | <u>7,38,17,338</u> |

- (1) The Company has not received any intimation from the suppliers regarding status under the Micro, Small & Medium Enterprises Development Act, 2006 (The Act) and hence disclosures regarding : a) Amount due and outstanding to suppliers as at the accounting period, b) Interest paid during period, c) Interest payable at the end of the accounting period and d) Interest accrued at the end of accounting period, has not been disclosed or provided.
- (2) During the period, the Company has delayed in payment to its vendors which fetch interest for delay as per agreed terms with vendors. However, the company has not made provision for interest on such delay. Also the balances of trade payable as mentioned in Note no. 6 are subject to confirmations.

**7 OTHER CURRENT LIABILITIES**
**(a) Current Maturities of Long-term Debt**

|  |                     |                     |
|--|---------------------|---------------------|
| <b>Term Loans from Banks</b>                               |                     |                     |
| I.D.B.I. Rupee Term Loan <sup>(A) &amp; (B)</sup>          | 10,04,25,000        | 10,04,25,000        |
| S.B.I. Rupee Term Loan <sup>(A) &amp; (B)</sup>            | 8,49,00,000         | 8,49,00,000         |
| S.B.I. Corporate Loan <sup>(A) &amp; (B)</sup>             | 2,10,00,000         | 2,10,00,000         |
| I.D.B.I. Rupee Term Loan (WCTL) <sup>(A) &amp; (B)</sup>   | 32,80,000           | 32,80,000           |
| S.B.I. Rupee Term Loan (F.I.T.L.) <sup>(A) &amp; (B)</sup> | <u>3,44,99,895</u>  | <u>3,44,99,895</u>  |
|  | <u>24,41,04,895</u> | <u>24,41,04,895</u> |
| (b) Interest accrued and due on Borrowings                 | 31,18,36,439        | 18,34,50,954        |
| (c) Accrued Salaries and Benefits                          |                     |                     |
| Salaries   | 9,28,539            | 1,44,50,183         |
| Contribution of Provident and Other Funds                  | 54,856              | 5,22,573            |
|  | <u>9,83,395</u>     | <u>1,49,72,756</u>  |
| Carried forward  | <u>55,69,24,729</u> | <u>44,25,28,605</u> |

**NOTES 1 to 24 (Contd.)**

|   | (Amount in ₹)       |                     |
|---|---------------------|---------------------|
|   | As at               |                     |
|   | March 31, 2016      | September 30, 2014  |
| <b>7 OTHER CURRENT LIABILITIES (Contd.)</b> |                     |                     |
| Balance Brought Forward                     | 55,69,24,729        | 44,25,28,605        |
| (d) Other Payables                          |                     |                     |
| Statutory Obligation                        | 9,31,867            | 17,86,132           |
| Advance from Customers                      | 4,09,220            | 51,48,255           |
| Others Payable <sup>(v)</sup>               | 51,73,905           | 73,01,452           |
|   | <u>65,14,992</u>    | <u>1,42,35,839</u>  |
|   | <u>56,34,39,721</u> | <u>45,67,64,444</u> |

**(i) Nature of Security**

(A) Secured against joint equitable mortgage of all immovable properties both present and future ranking pari passu inter se and Hypothecation of all movable properties both present and future (Save and Except Book Debts) including movable machinery, machinery spares, tools and accessories, subject to prior charge created and/or to be created in favour of Company's Bankers for Working Capital Facilities.

(B) Loans are guaranteed by the Managing Director.

**(ii) Terms of Re-payment of Loan**

| Particulars                       | Original Loan Amount | Repayment Terms  |
|-----------------------------------|----------------------|--|
| I.D.B.I. Rupee Term Loan          | 15,00,00,000         | 32 Quarterly Installment of varying amount starting from October, 2007 interest rate 10.25%  |
| I.D.B.I. Rupee Term Loan (WCTL)   | 3,00,00,000          | 18 Monthly Installment of varying amount starting from April 2010 interest rate 15.25%       |
| S.B.I. Rupee Term Loan            | 11,58,00,000         | 32 Quarterly Installment of varying amount starting from December, 2007 interest rate 15.25% |
| S.B.I. Corporate Loan             | 3,00,00,000          | 10 Quarterly Installment of equal amount starting from December, 2010 interest rate 15.75%   |
| S.B.I. Rupee Term Loan (F.I.T.L.) | 4,70,00,000          | 24 Quarterly Installment of varying amount starting from June, 2010 interest rate 12.75%     |

**(iii) Details of continuing default as on the balance sheet date in repayment of loans and interest**

| Particulars     | Outstanding Since | Period of Default as on March 31, 2016 (In days) | Amount of Default - Loan (₹) |
|-----------------|-------------------|--|------------------------------|
| IDBI-Rupee Loan | Oct-11            | 1,644  | 54,00,000                    |
|                 | Jan-12            | 1,552  | 54,00,000                    |
|                 | Apr-12            | 1,461  | 54,00,000                    |
|                 | Jul-12            | 1,370  | 54,00,000                    |
|                 | Oct-12            | 1,278  | 54,00,000                    |
|                 | Jan-13            | 1,186  | 54,00,000                    |
|                 | Apr-13            | 1,096  | 68,02,500                    |
|                 | Jul-13            | 1,005  | 68,02,500                    |
|                 | Oct-13            | 913  | 68,02,500                    |
|                 | Jan-14            | 821  | 68,02,500                    |
|                 | Apr-14            | 731  | 68,02,500                    |
|                 | Jul-14            | 640  | 68,02,500                    |
|                 | Oct-14            | 548  | 68,02,500                    |
|                 | Jan-15            | 456  | 68,02,500                    |
|                 | Apr-15            | 366  | 68,02,500                    |
| Jul-15          | 275               | 68,02,500  |                              |

**NOTES 1 to 24 (Contd.)**

(Amount in ₹)

**7 OTHER CURRENT LIABILITIES (Contd.)**

| Particulars                             | Outstanding Since       | Period of Default as on March 31, 2016 (In days) | Amount of Default - Loan(₹) |
|---|-------------------------|--|-----------------------------|
| SBI-Rupee Loan                          | Sep-11                  | 1,645  | 26,50,000                   |
|   | Dec-11                  | 1,553  | 37,50,000                   |
|   | Mar-12                  | 1,462  | 37,50,000                   |
|   | Jun-12                  | 1,371  | 42,50,000                   |
|   | Sep-12                  | 1,279  | 42,50,000                   |
|   | Dec-12                  | 1,187  | 42,50,000                   |
|   | Mar-13                  | 1,097  | 42,50,000                   |
|   | Jun-13                  | 1,006  | 45,00,000                   |
|   | Sep-13                  | 914  | 45,00,000                   |
|   | Dec-13                  | 822  | 45,00,000                   |
|   | Mar-14                  | 732  | 45,00,000                   |
|   | Jun-14                  | 641  | 50,00,000                   |
|   | Sep-14                  | 549  | 50,00,000                   |
|   | Dec-14                  | 457  | 50,00,000                   |
|   | Mar-15                  | 367  | 50,00,000                   |
|   | Jun-15                  | 276  | 103,00,000                  |
| Sep-15                                  | 184                     | 94,50,000  |                             |
| S.B.I. Corporate Loan                   | Sep-11                  | 1,645  | 30,00,000                   |
|   | Dec-11                  | 1,553  | 30,00,000                   |
|   | Mar-12                  | 1,462  | 30,00,000                   |
|   | Jun-12                  | 1,371  | 30,00,000                   |
|   | Sep-12                  | 1,279  | 30,00,000                   |
|   | Dec-12                  | 1,187  | 30,00,000                   |
|   | Mar-13                  | 1,097  | 30,00,000                   |
|   | Sep-12                  | 1,279  | 14,99,895                   |
| S.B.I.- Rupee Loan (FITL)               | Dec-12                  | 1,187  | 20,00,000                   |
|   | Mar-13                  | 1,097  | 20,00,000                   |
|   | Jun-13                  | 1,006  | 20,00,000                   |
|   | Sep-13                  | 914  | 20,00,000                   |
|   | Dec-13                  | 822  | 20,00,000                   |
|   | Mar-14                  | 732  | 20,00,000                   |
|   | Jun-14                  | 641  | 22,50,000                   |
|   | Sep-14                  | 549  | 22,50,000                   |
|   | Dec-14                  | 457  | 22,50,000                   |
|   | Mar-15                  | 367  | 22,50,000                   |
|   | Jun-15                  | 276  | 30,00,000                   |
|   | Sep-15                  | 184  | 30,00,000                   |
|   | Dec-15                  | 92   | 30,00,000                   |
|   | Mar-16                  | 1  | 30,00,000                   |
|   | I.D.B.I. Line Of Credit | Aug-11   | 1,705                       |
| Sep-11                                  |                         | 1,674  | 50,00,000                   |
| I.D.B.I. RupeeTerm Loan (WCTL)          | Aug-11                  | 1,705  | 16,70,000                   |
|   | Sep-11                  | 1,674  | 16,10,000                   |
| Total Principal Installments Default    |                         |  | 25,41,04,895                |
| Interest accrued and due on above loans |                         |  | 30,32,33,659                |
|   |                         |  | <u>55,73,38,554</u>         |

- (iv) During the previous years State Bank of India and IDBI Bank has recalled the loan on account of breach of loan covenant, while, so the same loans have been classified as current maturities of long term borrowings for the current year. In case of State Bank of India Interest has been provided as per last communicated rates i.e. 2011-2012 however in case of IDBI Bank Limited same has been provided as debited by the bank.
- (v) Balances of term loans and interest thereon as mentioned in Note 7 (a) & 7 (b) above are as per books of accounts and subject to confirmations from bankers.
- (vi) Includes ₹ 25,000/- (Previous Year ₹ 25,000/-) payable to Director.

**NOTES 1 to 24 (Contd.)**

(Amount in ₹)

As at

March 31, 2016    September 30, 2014
**8 SHORT TERM PROVISIONS**
**Provision for Employee Benefits**

|   |                 |                  |
|---|-----------------|------------------|
| Unavailed Leave                           | 3,10,818        | 2,22,038         |
| Gratuity (Refer Note 24(1)(h) & 24(2)(g)) | 1,54,608        | 41,79,925        |
|   | <u>4,65,426</u> | <u>44,01,963</u> |

**9 PROPERTY, PLANT AND EQUIPMENT**

| Particulars              | GROSS BLOCK           |                                 |                  |                       | DEPRECIATION        |  |                    |                  | NET BLOCK           |                     |                     |
|--------------------------|-----------------------|---------------------------------|------------------|-----------------------|---------------------|--|--------------------|------------------|---------------------|---------------------|---------------------|
|                          | As at<br>01.10.2014   | Additions<br>during the<br>year | Disposal         | As at<br>31.03.2016   | As at<br>01.10.2014 | For the year<br>Debited to<br>Accumulated<br>Loss(2) | For<br>the year    | On<br>Disposals  | As at<br>31.03.2016 | As at<br>31.03.2016 | As at<br>30.09.2014 |
| Land                     | 40,76,694             | —                               | —                | 40,76,694             | —                   | —  | —                  | —                | —                   | 40,76,694           | 40,76,694           |
| Buildings <sup>(1)</sup> | 19,23,01,007          | —                               | —                | 19,23,01,007          | 6,28,47,154         | 98,09,013  | 72,75,954          | —                | 7,99,32,121         | 11,23,68,886        | 12,94,53,853        |
| Plant and Equipment      | 79,06,00,036          | 38,89,300                       | —                | 79,44,89,336          | 69,27,51,723        | 10,34,396  | 3,41,53,947        | —                | 72,79,40,066        | 6,65,49,270         | 9,78,48,313         |
| Furniture and Fixtures   | 35,61,285             | —                               | —                | 35,61,285             | 30,33,829           | 21,791   | 2,68,397           | —                | 33,24,017           | 2,37,268            | 5,27,456            |
| Vehicles                 | 61,27,524             | —                               | 20,02,698        | 41,24,826             | 32,23,209           | —  | 10,13,546          | 19,28,480        | 23,08,275           | 18,16,551           | 29,04,315           |
| Office Equipment         | 55,62,278             | 42,650                          | —                | 56,04,928             | 41,75,426           | 4,74,856   | 4,57,056           | —                | 51,07,338           | 4,97,590            | 13,86,852           |
| Current year             | <u>1,00,22,28,824</u> | <u>39,31,950</u>                | <u>20,02,698</u> | <u>1,00,41,58,076</u> | <u>76,60,31,341</u> | <u>1,13,40,056</u>                                   | <u>4,31,68,900</u> | <u>19,28,480</u> | <u>81,86,11,817</u> | <u>18,55,46,259</u> | <u>23,61,97,483</u> |
| Previous year            | <u>1,00,10,37,242</u> | <u>11,91,582</u>                | <u>—</u>         | <u>1,00,22,28,824</u> | <u>72,86,99,196</u> | <u>—</u>   | <u>3,73,32,145</u> | <u>—</u>         | <u>76,60,31,341</u> | <u>23,61,97,483</u> | <u>27,23,38,046</u> |

(1) Buildings include cost of Ownership Premises ₹ 71,37,356/- ( Previous Year ₹ 71,37,356/- ) and cost of Shares in Co-operative Society ₹ 2,000/- (Previous Year ₹ 2,000/-)

(2) During the year Company has changed the useful life of its assets in line with the requirement of Schedule II of Companies Act 2013. On account of such change Company has charged depreciation of ₹ 1,13,40,056/- to its reserves.

**10 DEFERRED TAX**

|   | As at<br>September 30, 2014 | Charge/ Credit<br>During the Year | As at<br>March 31, 2016 |
|---|-----------------------------|-----------------------------------|-------------------------|
| <b>Deferred Tax Liability Related to Fixed Assets</b> |                             |                                   |                         |
| Depreciation (Including unabsorbed)                   | (6,45,73,673)               | (3,41,16,001)                     | (9,86,89,674)           |
| <b>Deferred Tax Assets on Account of Following</b>    |                             |                                   |                         |
| Provision for Bonus                                   | 24,45,406                   | (22,90,901)                       | 1,54,505                |
| Provision for Gratuity                                | 30,75,647                   | (30,25,484)                       | 50,163                  |
| Provision for Leave Encashment                        | 9,53,034                    | (8,52,189)                        | 1,00,845                |
| Provision for Superannuation Fund                     | —                           | —                                 | —                       |
| Interest on Term Loan                                 | 5,80,99,586                 | 4,02,84,575                       | 9,83,84,161             |
| <b>Deferred Tax Assets (Net)</b>                      | <u>—</u>                    | <u>—</u>                          | <u>—</u>                |

(i) In absence of virtual certainty, the Company has recognised deferred tax assets only to the extent of deferred tax liability.

As at

March 31, 2016    September 30, 2014
**11 LONG TERM LOANS AND ADVANCES**

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Prepaid Expenses                   | 22,000             | 47,805             |
| Deposits                           | 9,66,024           | 2,24,63,067        |
| Amount with Government Authorities | <u>1,28,30,700</u> | <u>2,14,10,081</u> |
|                                    | <u>1,38,18,724</u> | <u>4,39,20,953</u> |

**12 CURRENT INVESTMENTS**
**Current Investment <sup>(1)</sup>**

|   |          |                 |
|---|----------|-----------------|
| Investments in Mutual Funds - SBI Infrastructure Fund (No. of Units Nil, P.Y. ₹ 50,000) | —        | 5,00,000        |
| Less: Provision for Diminution  | —        | 1,23,500        |
|   | <u>—</u> | <u>3,76,500</u> |

(1) Valued at lower of cost or fair value

**NOTES 1 to 24 (Contd.)**

(Amount in ₹)

|   | As at            |                    |
|---|------------------|--------------------|
|   | March 31, 2016   | September 30, 2014 |
| <b>13 INVENTORIES</b>                             |                  |                    |
| a. Raw Materials and Components <sup>(1)(a)</sup> | —                | 95,87,631          |
| b. Work-in-Progress <sup>(1)(b)</sup>             | —                | 1,47,64,409        |
| c. Finished Goods <sup>(1)(b)</sup>               | —                | 4,50,24,351        |
| d. Stores and Spares <sup>(2)</sup>               | 65,64,410        | 1,08,12,399        |
| e. Waste <sup>(3)</sup>                           | —                | 19,12,693          |
|   | <u>65,64,410</u> | <u>8,21,01,483</u> |

(1) Valued at cost or net realisable value whichever is lower

(2) Valued at cost

(3) At Net realisable value

(a) Excludes inventory of cotton ₹ 5,37,18,385/- (Net of VAT ₹ 26,66,596/-) for the previous year, lying with the Company in respect of which, as per the terms of purchase agreement, the property in and title of goods shall continue with the suppliers until and to the extent payment is not made to them.

(b) In view of (a) above, unpaid suppliers of cotton as at September 30, 2014 amounting ₹ 5,99,99,140 whose material have been consumed on or before September 30, 2014 have lien over the work-in-progress and finished goods produced out of consumption of those cotton, to the extent of the outstanding amount due to them.

**Details of Inventory**
**i) Goods manufactured**

Yarn/Knitted Fabrics — 4,50,24,351

**ii) Work-in-progress**

Yarn/Knitted Fabrics — 1,47,64,409

**14 TRADE RECEIVABLES**
**Unsecured, considered good**

|   |          |                    |
|---|----------|--------------------|
| Outstanding for a period exceeding six months from the date they become due for payment | —        | —                  |
| Other receivables   | —        | 1,34,41,238        |
|   | <u>—</u> | <u>1,34,41,238</u> |

**15 CASH AND BANK BALANCES**
**Cash and Cash Equivalents**

Cash in hand 1,83,603 5,13,866

**Balances with Banks**

|                     |                    |                  |
|---------------------|--------------------|------------------|
| In Current Accounts | 1,24,32,110        | 87,88,932        |
|                     | <u>1,26,15,713</u> | <u>93,02,798</u> |

**16 SHORT TERM LOANS AND ADVANCES**
**Others - Unsecured, considered good**

|                                    |                    |                    |
|------------------------------------|--------------------|--------------------|
| Prepaid Expenses                   | 2,08,192           | 7,22,240           |
| Amount with Government Authorities | 1,40,56,087        | 2,93,09,866        |
| Advances to Suppliers              | 6,09,448           | 51,72,258          |
| Advances to Staff                  | —                  | 3,45,493           |
| Advance Income Tax                 | 11,96,403          | 9,91,435           |
| Others                             | 14,31,136          | 21,95,342          |
|                                    | <u>1,75,01,266</u> | <u>3,87,36,634</u> |

**NOTES 1 to 24 (Contd.)**

|   | Eighteen Months<br>period ended on<br>March 31, 2016 | (Amount in ₹)<br>Year ended on<br>September 30<br>2014 |
|---|--|--|
| <b>17 REVENUE FROM OPERATIONS</b>                                       |  |  |
| Sale of Products  | 141,72,06,023  | 159,66,27,301  |
| Sale of Services  | 3,07,579   | —  |
| <b>Other Operating Revenues</b>   |  |  |
| Export Benefits received  | 31,75,049  | —  |
| Scrap Sales   | 9,82,693   | 14,05,149  |
|   | <u>142,16,71,344</u>                                 | <u>159,80,32,450</u>                                   |
| Less: Excise Duty   | 1,46,481   | —  |
|   | <u>142,15,24,863</u>                                 | <u>159,80,32,450</u>                                   |
| <b>Details of Goods Sold</b>  |  |  |
| Yarn/Knitted Fabrics  | 128,98,10,885  | 143,73,31,035  |
| Others  | 12,73,95,138   | 15,92,96,266   |
|   | <u>141,72,06,023</u>                                 | <u>159,66,27,301</u>                                   |
| <b>18 OTHER INCOME</b>  |  |  |
| Interest Income   | 46,41,073  | 17,94,067  |
| Liabilities / Provision no longer required                              | 21,07,779  | 4,36,449   |
| Other non-operating income  | 1,24,338   | 46,869   |
| Surplus on sale of fixed assets   | 2,47,742   | —  |
| Provision written back for diminutions in the value of Investment       | 1,23,500   | 16,000   |
| Profit on sales of current investment                                   | 44,990   | —  |
|   | <u>72,89,422</u>                                     | <u>22,93,385</u>                                       |
| <b>19 COST OF MATERIALS CONSUMED</b>                                    |  |  |
| <b>Raw Material Consumption</b>   |  |  |
| Opening Stock   | 95,87,631  | 1,47,99,082  |
| Add: Purchases  | 92,59,75,730   | 118,00,35,174  |
| Less: Closing Stock   | —  | 95,87,631  |
| <b>Total Cost of Material Consumed</b>                                  | <u>93,55,63,361</u>                                  | <u>118,52,46,625</u>                                   |
| <b>Details of Raw Material Consumed</b>                                 |  |  |
| Cotton  | 93,48,29,399   | 118,22,60,081  |
| Yarn  | 7,33,962   | 29,86,544  |
|   | <u>93,55,63,361</u>                                  | <u>118,52,46,625</u>                                   |
| <b>20 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b> |  |  |
| <b>Changes in Inventory</b>   |  |  |
| Work-in-Progress  |  |  |
| Opening   | 1,47,64,409  | 1,54,61,271  |
| Closing   | —  | 1,47,64,409  |
| Finished Goods  |  |  |
| Opening   | 4,69,37,044  | 4,70,21,065  |
| Closing   | —  | 4,69,37,044  |
| <b>(Increase) / Decrease in Inventory</b>                               | <u>6,17,01,453</u>                                   | <u>7,80,883</u>  |
| <b>21 EMPLOYEE BENEFIT EXPENSES</b>                                     |  |  |
| Salaries and Incentives   | 11,05,24,377   | 9,76,38,504  |
| Contribution to Gratuity Fund   | 46,02,857  | 31,21,876  |
| Contributions to Provident and other funds                              | 65,94,807  | 66,99,302  |
| Staff Welfare Expenses  | 51,23,600  | 38,37,686  |
|   | <u>12,68,45,641</u>                                  | <u>11,12,97,368</u>                                    |



**NOTES 1 to 24 (Contd.)**

|                                | Eighteen Months<br>period ended on<br>March 31, 2016 | (Amount in ₹)<br>Year ended on<br>September 30<br>2014 |
|--------------------------------|--|--|
| <b>22 FINANCE COSTS</b>        |  |  |
| Interest Expense               | 14,26,49,866   | 9,30,80,548  |
|                                | <u>14,26,49,866</u>                                  | <u>9,30,80,548</u>                                     |
| <b>23 OTHER EXPENSES</b>       |  |  |
| Consumption of Store Materials | 2,66,80,379  | 2,61,87,790  |
| Power and Fuel                 | 19,89,93,483   | 16,74,58,562   |
| Repairs to Buildings           | 17,38,274  | 7,14,164   |
| Repairs to Machinery           | 3,24,40,311  | 3,51,49,981  |
| Repairs to others              | 7,01,108   | 5,82,740   |
| Insurance                      | 8,31,631   | 8,22,529   |
| Rates and Taxes                | 6,73,288   | 5,39,618   |
| Legal and Professional Fees    | 93,02,924  | 62,74,548  |
| Commission and Discount        | 1,25,33,581  | 1,13,67,276  |
| Freight and Despatch Charges   | 80,20,844  | 72,19,766  |
| Travelling and Conveyance      | 40,99,425  | 49,12,528  |
| Vehicle Expenses               | 24,69,407  | 24,70,552  |
| Director's Sitting Fees        | 1,20,000   | 1,20,000   |
| Sundry Balances Written Off    | 23,69,055  | —  |
| Payment to Auditors            | 3,19,856   | 2,30,338   |
| Exchange Rate Difference       | 11,087   | —  |
| Prior Period Expense           | 19,59,919  | —  |
| Miscellaneous Expenses         | <u>88,46,795</u>                                     | <u>70,89,801</u>                                       |

**24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT**
**1. SIGNIFICANT ACCOUNTING POLICIES**
**a) Basis of Accounting**

These financial statements have been prepared in accordance with generally accepted accounting principles in India under historical cost convention on accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rule, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects, with Accounting Standards notified under Section 211 (3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

The financials statements have been prepared on non-going concern basis (refer Note 24 (2) (k)) and assets are stated at lower of carrying value or net realisable value. No material adjustment arose as a result of ceasing to apply the going concern basis.

All the assets and liabilities have been classified as current or non-current as per the normal operating cycle of the Company and other criteria set out in Schedule III to the Companies Act 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

**b) Property, Plant and Equipment and Depreciation**

Property, Plant and Equipment : Property, Plant and Equipment are stated at cost / book value less depreciation and net of cenvat and subsidy except on freehold land.

## NOTES 1 to 24 (Contd.)

### **24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)**

Depreciation :

- (i) Useful lives / rates : Depreciation is being provided on a pro-rata basis on the 'Straight Line Method' over the estimated useful lives of the assets as prescribed under Schedule II to the Companies Act, 2013 except plant and equipment, for which the management has estimated 10 years useful life of assets based on technical assessment, till the year ended 30 September 2014, depreciation was provided in the manner and rates prescribed under Schedule XIV to the Companies Act, 1956.
- (ii) In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis.

#### **c) Investments**

All long term investments are stated at cost unless there is a permanent fall in the value of Investments. All current investment are stated at cost or realisable value which ever is lower.

#### **d) Inventories**

- (i) Stores and spares are valued at cost. Cost is arrived at on F.I.F.O. basis.
- (ii) Raw materials are valued at cost or net realisable value whichever is lower. Cost is arrived at on the basis of cost of respective lots remaining in stock and related expenses.
- (iii) Materials in Process is valued at (\*) cost or net realisable value whichever is lower.
- (iv) Yarn and Knitted Fabrics are valued at cost(\*) or net realisable value whichever is lower.
- \* (v) Cost of Valuation of materials in process and yarn has been arrived at 'by adding direct cost & relevant overhead cost' in accordance with the revised Accounting Standard (AS-2) "Valuation of Inventories" issued by the Institute of Chartered Accountants of India.
- (vi) Waste is valued at estimated realisable value.
- (vii) Materials in transit are valued at cost to date of the Balance Sheet.

#### **e) Exchange Fluctuations**

Monetary Current Assets and Liabilities in foreign currency outstanding at the close of the financial year are valued at the appropriate exchange rates at the close of the year. The loss or gain due to fluctuation of exchange rates is charged to Statement of Profit & Loss.

#### **f) Revenue Recognition**

- (i) Sale of goods is recognised at the point of transfer of significant risk and rewards to the customers.
- (ii) Benefit on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book under the Duty Exemption Scheme" and Duty Draw Back Scheme are accounted in the year of export.

#### **g) Government Grants and Subsidy**

Revenue Grants and Subsidy received during the year have been shown by way of deduction from related expenses.

#### **h) Employee Benefits**

- (i) Defined Contribution Plan : The Company has defined contribution plans in the form of Provident Fund, Pension Scheme, EDLI, Super Annuation Fund and Labour Welfare Fund and the contributions are charged to the Statement of Profit and Loss of the year when the contribution to the respective funds are due. There are no other contributions other than the contributions payable to the respective funds.
- (ii) Defined Benefit Plan :  
 Fund Plan: The Company has defined benefit plans in the form of Gratuity and Leave Encashment, the liability for which is determined on the actual basis (till previous year, on the basis of actual actuarial valuation) at the end of the period. Gains and losses arising out of actuarial valuation are recognised immediately to the Profit and Loss Account as income or expense.  
 Unfunded Plan : The Company has unfunded Defined Benefit Plans in the form of Compensated Absences, as per Company Policy.

**NOTES 1 to 24 (Contd.)**
**24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)**

(iii) Other Defined Benefits : Provision for other defined benefit for long term leave encashment is made based on actual basis (till previous year, on basis of an independent actuarial valuation on projected unit credit method) at the end of each financial year. Actuarial gain and losses are recognised immediately in the Statement of Profit and Loss as income or expenses. Company recognised actual amount (till previous year, the undiscounted amount) of short term employee benefits during the accounting period based on service rendered by an employee.

**i) Borrowing Cost**

Borrowing costs in relation to acquisition and construction of assets are capitalised as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which these are incurred.

**j) Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred Tax is recognised, 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.

**k) Impairment of Assets**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An Impairment loss will be recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets net selling price and value in use.

**2. OTHER NOTES TO ACCOUNTS**
**(a) Contingent Liabilities and Commitments (to the extent not provided for)** (Amount in ₹)

|   | As at               |                     |
|---|---------------------|---------------------|
|   | 31.03.2016          | 30.09.2014          |
| <b>(i) Contingent Liabilities</b>   |                     |                     |
| (a) Claims against the Company not acknowledged as debt - Labour Matters  | 9,23,862            | 10,27,271           |
| (b) Losses on account of foreign exchange difference, excluding interest, if any, on unilateral cancellation of Forward Contract by State Bank of India without authorisation from the Company for which the Company has filed a suit in the Hon'ble High Court at Calcutta and subsequent transferred to the Hon'ble City Civil Court at Ahmedabad against the Bank. | 11,78,81,338        | 11,78,81,338        |
|   | <u>11,88,05,200</u> | <u>11,89,08,609</u> |
| <b>(ii) Commitments</b>   |                     |                     |
| Estimated amount of contracts remaining to be executed on Capital Account and not provided for  | —                   | 15,00,000           |
|   | <u>—</u>            | <u>15,00,000</u>    |
|   | <u>11,88,05,200</u> | <u>12,04,08,609</u> |

(b) As of the Balance Sheet date, the Company's net foreign currency exposures that are not hedged by a derivative instrument or otherwise is ₹ Nil (PY ₹ Nil)

**(c) Segment Reporting**

In accordance with the requirements of Accounting Standard 17 - 'Segment Reporting' the Company has determined its business segment as Textile Products. Since 100% of the Companies' business is from Textile Products, there are no other primary reportable segments. Thus the segment revenue, segment results, total carrying amount of segment liabilities, total cost incurred to acquired segment assets, the total amount of charge for depreciation and amortisation during the year are all as reflected in the financial statements for the year ended March 31, 2016 and as on that date.

**NOTES 1 to 24 (Contd.)**
**24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)** (Amount in ₹)

**(d) Payment to Auditors**

| Particulars                      | Eighteen Months<br>period ended on<br>March 31, 2016 | Year ended on<br>September 30<br>2014 |
|----------------------------------|--|---------------------------------------|
| <b>Auditor</b>                   |  |                                       |
| a. For audit services            | 1,68,750   | 1,00,000                              |
| b. For taxation matters          | 20,000   | 15,000                                |
| c. For other services            | 97,500   | 58,500                                |
| d. Service Tax                   | 28,213   | 21,445                                |
|                                  | <u>3,14,463</u>                                      | <u>1,94,945</u>                       |
| <b>Cost Auditor</b>              |  |                                       |
| a. Cost audit fees               | —  | 30,000                                |
| b. For reimbursement of expenses | 1,685  | 1,685                                 |
| c. Service Tax                   | 3,708  | 3,708                                 |
|                                  | <u>5,393</u>   | <u>35,393</u>                         |
|                                  | <u>3,19,856</u>                                      | <u>2,30,338</u>                       |

**(e) Earning Per Share**

|  |                |               |
|--|----------------|---------------|
| Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings per Share |                |               |
| Profit/(Loss) for the year attributable to the Equity Shareholders   | (19,32,26,303) | (9,85,51,927) |
| Basic/weighted average number of Equity Shares outstanding during the period                                     | 1,79,30,374    | 1,79,30,374   |
| Nominal Value of Equity Share  | ₹ 10/-         | ₹ 10/-        |
| Basic and Diluted Earning Per Share  | (₹ 10.78)      | (₹ 5.50)      |

**(f) Other Details**
**(i) Value of Raw Materials Consumed** (Amount in ₹)

|            | March 31, 2016      |               | September 30, 2014   |               |
|------------|---------------------|---------------|----------------------|---------------|
|            | Amount              | %             | Amount               | %             |
| Indigenous | 93,55,63,361        | 100.00        | 118,52,46,625        | 100.00        |
|            | <u>93,55,63,361</u> | <u>100.00</u> | <u>118,52,46,625</u> | <u>100.00</u> |

**(ii) Value of Spares Consumed**

|            | March 31, 2016     |               | September 30, 2014 |               |
|------------|--------------------|---------------|--------------------|---------------|
|            | Amount             | %             | Amount             | %             |
| Imported   | 38,81,540          | 12.63         | 31,48,354          | 9.52          |
| Indigenous | 2,68,40,666        | 87.37         | 2,99,08,156        | 90.48         |
|            | <u>3,07,22,206</u> | <u>100.00</u> | <u>3,30,56,510</u> | <u>100.00</u> |

|  | 31.03.2016 | 30.09.2014 |
|--|------------|------------|
|  | Amount     | Amount     |

**(iii) Value of Imports on C.I.F. Basis**

|             |                  |                  |
|-------------|------------------|------------------|
| Spare Parts | 32,40,646        | 31,46,513        |
|             | <u>32,40,646</u> | <u>31,46,513</u> |

**(iv) Expenditure in Foreign Currency**

|            |                 |                  |
|------------|-----------------|------------------|
| Travelling | 8,83,482        | 16,58,271        |
|            | <u>8,83,482</u> | <u>16,58,271</u> |

**(v) Export Sales**

|                      |                      |                      |
|----------------------|----------------------|----------------------|
| Direct Exports       | 10,59,84,210         | —                    |
| Through Export House | 100,67,57,115        | 124,06,53,935        |
|                      | <u>111,27,41,325</u> | <u>124,06,53,935</u> |

## NOTES 1 to 24 (Contd.)

### 24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)

#### (g) Disclosure pursuant to Accounting Standard -15 (Revised) "Employee Benefits":

##### a. Defined Contribution Plans :

Amount of ₹ 79,85,307/- (Previous year ₹ 66,99,302/-) is recognised as expense and included in "Employee Benefits Expenses" in Note - 21 to the Statement of Profit & Loss.

##### b. Defined Benefit Plans :

The Company has suspended its operations at the Company's factory since September 30, 2015 and majority of the workers and staff have left the Company. For remaining few employees, gratuity and leave encashment liability determined on the actual basis (till previous year, on the basis of actual actuarial valuation). Hence, disclosures as required by Accounting Standard 15 - Employee Benefits are not provided herewith.

Amount of ₹ 46,02,857/- (Previous year ₹ 31,21,876/-) is recognised as expense and included in "Employee Benefits Expenses" in Note - 21 to the Statement of Profit & Loss.

##### c. Amount recognised as an expense in respect of Compensated Leave Absences is ₹ 34,20,638/- (Previous year ₹ 7,15,454/-)

#### (h) Related Party Disclosures

Related party disclosures, as required by AS-18 "Related Party Disclosures", are given below:

##### 1. Relationships:

##### (i) Key Management Personnel and their relatives :

|                 |                    |
|-----------------|--------------------|
| Mr. U. Kanoria  | Ms. Stuti Kanoria  |
| Mrs. A. Kanoria | Mr. Satvik Kanoria |

##### (ii) Enterprises over which the key management personnel and/or their relatives have significant influence :

|                                  |                                |
|----------------------------------|--------------------------------|
| B.T. Investments Pvt. Ltd.       | Innova Properties Pvt. Ltd.    |
| Cosmos Resources Pvt. Ltd.       | Milan Agencies Pvt. Ltd.       |
| Kanco Tea & Industries Ltd.      | Nidhi Pvt. Ltd.                |
| E.T. Resources Pvt. Ltd.         | OCL Investments & Leasing Ltd. |
| Facitcon Investments Pvt. Ltd.   | S.T. Investment Pvt. Ltd.      |
| Suryasakti Commodities Pvt. Ltd. |                                |

##### 2. The following transactions were carried out with the related parties in the ordinary course of business :

| Particulars                       | Details relating to parties referred to in item 1(i) and 1 (ii) above: (Amount in ₹) |                              |                             |                              |
|-----------------------------------|--|------------------------------|-----------------------------|------------------------------|
|                                   | March 31, 2016   |                              | September 30, 2014          |                              |
|                                   | In Relation to<br>Item 1(i)  | In Relation to<br>Item 1(ii) | In Relation to<br>Item 1(i) | In Relation to<br>Item 1(ii) |
| <b>Intercorporate Loan Repaid</b> |  |                              |                             |                              |
| Nidhi Pvt. Ltd.                   | —  | 40,00,000                    | —                           | 50,00,000                    |
| S.T. Investment Pvt. Ltd.         | —  | 1,00,00,000                  | —                           | —                            |
| <b>Remuneration</b>               |  |                              |                             |                              |
| Mr. U. Kanoria                    | 36,86,905  | —                            | 18,04,348                   | —                            |
| <b>Interest Paid</b>              |  |                              |                             |                              |
| Nidhi Pvt. Ltd.                   | —  | 77,808                       | —                           | 8,50,685                     |
| S.T. Investment Pvt. Ltd.         | —  | 92,64,201                    | —                           | 74,05,000                    |
| Kanco Tea & Industries Ltd. (net) | —  | 39,09,129                    | —                           | —                            |

**NOTES 1 to 24 (Contd.)**
**24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)** (Amount in ₹)

**2. The following transactions were carried out with the related parties in the ordinary course of business :**
**Details relating to parties referred to in item 1(i) and 1 (ii) above: (Contd.)**

| Particulars   | March 31, 2016           |                           | September 30, 2014       |                           |
|---|--------------------------|---------------------------|--------------------------|---------------------------|
|   | In Relation to Item 1(i) | In Relation to Item 1(ii) | In Relation to Item 1(i) | In Relation to Item 1(ii) |
| <b>Outstanding Balances at the end (Payable)(Net)</b> |                          |                           |                          |                           |
| Umang Kanoria   | (25,000)                 |                           | (25,000)                 |                           |
| Kanco Tea & Industries Ltd.                           |                          | (4,69,52,982)             |                          | (4,34,34,766)             |
| S. T. Investment Pvt. Ltd.                            |                          | (5,40,84,564)             |                          | (6,23,41,380)             |
| Nidhi Pvt. Ltd.                                       |                          | —                         |                          | (43,61,726)               |

(i) The Company's appeal filed on 18/01/2013 in Appellate Authority for Industrial and Financial Reconstruction u/s 25(1) the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA, 1985) for reference bearing no.3/2012 filed u/s 15(1) of the SICA, 1985 against the order passed by the Board of Industrial and Financial Reconstruction (BIFR) is pending. The Company's reference bearing no.6/2013 filed u/s 15(1) of SICA, 1985 filed with BIFR is also pending.

(j) The Company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of ₹ 4,34,34,766/- from related party and unsecured loan of ₹ 1,50,00,000/- received from non-related party.

(k) The Company suspended operations in September, 2015 to contain losses due to un-favourable market conditions. The incentives given to new cotton spinning units under the State textile policy created an uneven playing field making it difficult for the older units to compete in times of general lack of demand and a situation of oversupply in the market. The financial statements as at 31-03-2016 have been therefore been prepared on non going concern basis.

The Company is in dialogue with the bankers for a negotiated settlement. It is hopeful of a positive outcome. The Company has also filed a reference with Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act 1985. The company is confident and determined to restart operations on sanction of a suitable rehabilitation and revival scheme from BIFR.

(l) The previous period figures have been regrouped/reclassified, wherever necessary to confirm to the current year presentation. The Financial Year of the Company was changed from 1st October, 2014 - 30th September, 2015 to 1st October, 2014 – 31st March, 2016 to align with the requirement of the provisions of Section 2(41) of the Companies Act, 2013. Therefore, the previous year figures are not comparable with the current period figures.

As per our report of even date.  
 For B. R. SHAH & ASSOCIATES  
 Firm Registration No. 129053W  
 Chartered Accountants  
 DEVAL R DESAI  
 Partner  
 Membership No. 132426  
 Place : Ahmedabad  
 Dated : May 30, 2016

A. Goel  
 Company Secretary

**For and on behalf of the Board of Directors of  
 Kanco Enterprises Limited**

U. KANORIA  
 Managing Director  
 S V. Tewary  
 Chief Financial Officer





# KANCO ENTERPRISES LIMITED

(CIN L51909WB1991PLC053283)

Registered Office : Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata 700 017

Telefax: +91 33 2281-5217 • Email id: compliance@kanco.in • Website: www.kanco.in

## PROXY FORM

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014

Name of the Member(s) .....

Registered Address.....

E-mail ID.....

Folio No/ Client ID .....

DP ID.....

I/We, being the member(s) of .....shares of the above named Company, hereby appoint.

1. Name : \_\_\_\_\_

Address: \_\_\_\_\_

Email Id : \_\_\_\_\_

Signature : \_\_\_\_\_, or failing him/her

2. Name : \_\_\_\_\_

Address: \_\_\_\_\_

Email Id : \_\_\_\_\_

Signature : \_\_\_\_\_, or failing him/her

3. Name : \_\_\_\_\_

Address: \_\_\_\_\_

Email Id : \_\_\_\_\_

Signature : \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 25th Annual General Meeting of the Company, to be held on Friday, the 29th day of July, 2016 at 4:00 p.m. at Bharatiya Bhasha Parishad, 36A Shakespeare Sarani, Kolkata- 700017 and at any adjournment thereof in respect of such resolutions as are indicated below :

| Sl. No. | Resolution  | For | Against |
|---------|---|-----|---------|
| 1.      | To consider and adopt the Audited Financial Statement of the Company for the period ended 31st March, 2016, the Reports of the Board of Directors and Auditors thereon                        |     |         |
| 2.      | To appoint a director in place of Mr. Susanta Banerjee (holding DIN: 01173116), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment. |     |         |
| 3.      | To appoint Messrs B. R. Shah & Associates, Chartered Accountants (Firm Regn. No:129053W) as Statutory Auditors of the Company and fix their remuneration                                      |     |         |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature of Shareholder: \_\_\_\_\_

Affix Revenue Stamp

**Note :** This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, at "Jasmine Tower", 3rd Floor, 31, Shakespeare Sarani, Kolkata-700 017 not less than FORTY EIGHT HOURS before the meeting. The proxy holder shall prove his identity at the time of attending the meeting.





**KANCO ENTERPRISES LIMITED**

(CIN L51909WB1991PLC053283)

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Telefax: +91 33 2281-5217 • Email id: compliance@kanco.in • Website: www.kanco.in

**ATTENDANCE SLIP**

DP Id\* ..... Folio No. ....

Client Id\* ..... No. of Shares .....

I hereby record my presence at the 25th Annual General Meeting of the Company held on Friday, the 29th day of July, 2016 at 4:00 p.m. at Bharatiya Bhasha Parishad, 36A Shakespeare Sarani, Kolkata- 700017.

\*Applicable for investors holding shares in electronic form.

Signature of Shareholder / Proxy



**KANCO ENTERPRISES LIMITED**

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Telefax: +91 33 2281-5217 • Email id: compliance@kanco.in • Website: www.kanco.in

**Registration of e-mail address for future communication**

DP Id\* ..... Folio No. ....

Client Id\* ..... No. of Shares .....

Name of the Member(s) .....

Registered Address.....

.....

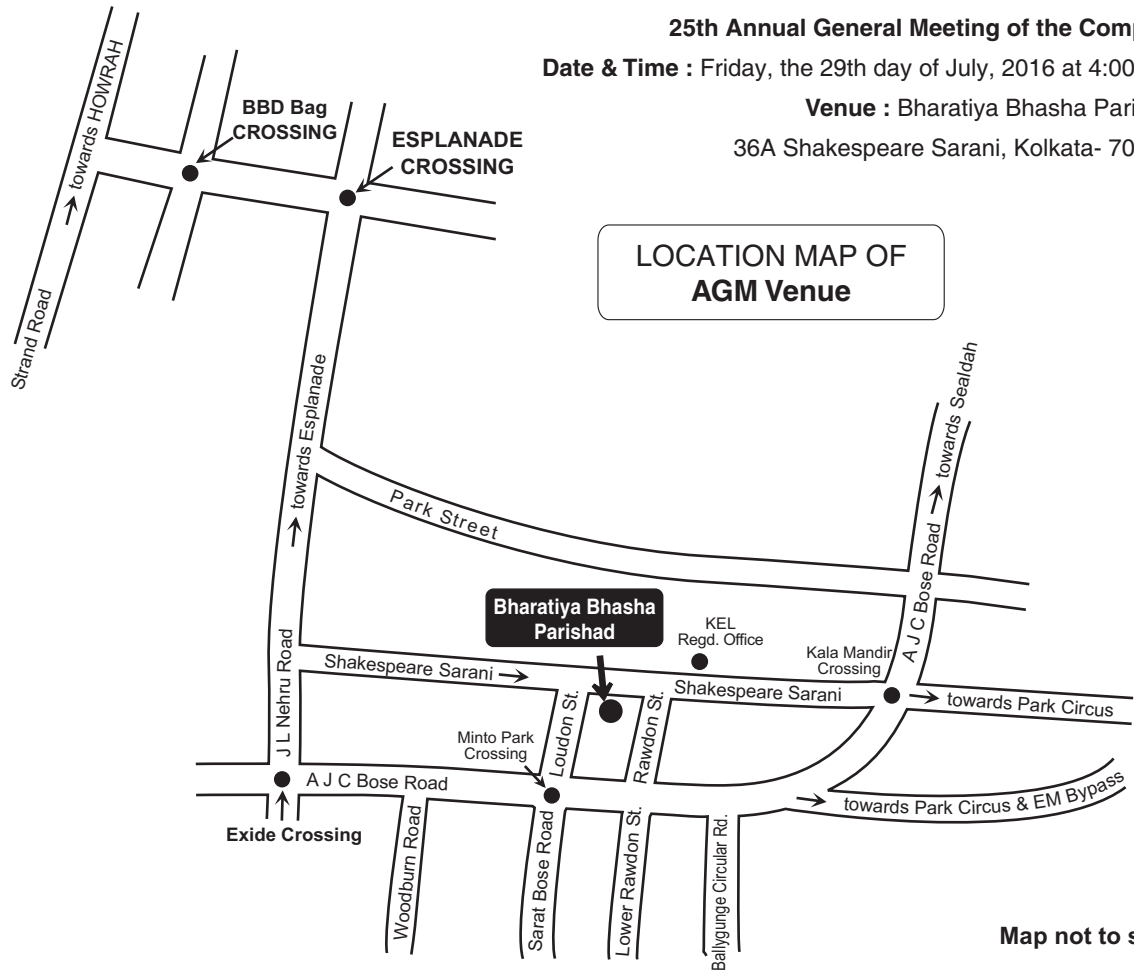
E-mail ID.....

Signature of the Shareholder .....

**25th Annual General Meeting of the Company**

**Date & Time :** Friday, the 29th day of July, 2016 at 4:00 p.m.

**Venue :** Bharatiya Bhasha Parishad  
36A Shakespeare Sarani, Kolkata- 700017



**Map not to scale**



## KANCO ENTERPRISES LIMITED

(CIN L51909WB1991PLC053283)

Regd Office: "Jasmine Tower", 3rd Floor, 31 Shakespeare Sarani, Kolkata- 700017

Website: www.kanco.in E-mail: compliance@kanco.in Telefax: +91 33 2281-5217

### STATEMENT ON IMPACT OF AUDIT QUALIFICATIONS FOR THE 18 MONTHS PERIOD ENDED ON 31ST MARCH, 2016

| SI No. | Particulars  | Audited Figures<br>(as reported before<br>adjusting for<br>qualifications) | Adjusted Figures<br>(audited figures<br>after adjusting for<br>qualifications) |
|--------|--|--|--|
|        |  | ₹  | ₹  |
| 1.     | Turnover/Total Income  | 142,88,14,285  | 142,88,14,285  |
| 2.     | Total Expenditure  | 162,20,40,588  | 162,77,66,356  |
| 3.     | Net Profit/(Loss)  | (19,32,26,303)   | (19,89,52,071)   |
| 4.     | Earnings Per Share   | (10.78)  | (11.10)  |
| 5.     | Total Assets   | 23,60,46,372   | 23,60,46,372   |
| 6.     | Total Liabilities  | 81,07,57,088   | 93,43,64,194   |
| 7.     | Net Worth  | (57,47,10,716)   | (69,83,17,822)   |
| 8.     | Any other financial item(s)(as felt appropriate by the management) | -  | -  |

#### II Audit Qualification (each audit qualification separately):

1. a. Details of Audit Qualification: The Company has not accounted for Foreign Exchange loss of ₹ 117,881,338/- arising out of Cancellation of Forward Contract during the year ended September 30, 2012, and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.
- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appeared earlier in Annual Report for the period ended 30th September, 2012, 30th September, 2013 and 30th September, 2014
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: During the year ended September 30, 2012, State Bank of India (SBI) has unilaterally cancelled the forward contracts and debited ₹ 11,78,81,338/-, being the losses on account of foreign exchange difference excluding interest, if any, into our cash credit account without any authorization from us. The Company is not in agreement with the action taken by the SBI and has lodged its objection with SBI. The Company filed a suit in Hon'ble Court at Calcutta on 6th day of August 2013 against State Bank of India and therefore disputes the forex losses. The said suit has been transferred to the City Civil Court in Ahmedabad pursuant to the order dated 18th day of August 2014 of Calcutta High Court. The Company therefore has not recognized the said forex loss in its books of accounts. The dispute is sub-judice.
- e. For Audit Qualification(s) where the impact is not quantified by the auditor:
  - (i) Management's estimation on the impact of audit qualification: Not Applicable
  - (ii) If management is unable to estimate the impact, reasons for the same: The company has disputed the principal amount of forward contract losses of ₹ 117,881,338/-. The Company is of the opinion that the principal amount is not payable and consequently payment of interest on principal does not arise.
  - (iii) Auditors' Comments on (i) or (ii) above: In absence of adequate information and communication from bank regarding interest charged till date if any, impact of the same cannot be ascertained.
2. a. Details of Audit Qualification: Company has stopped repaying Secured loan and interest thereon to State Bank of India and IDBI bank since 2011-2012. Interest charged on borrowing from State Bank of India has been accounted as per last agreed rate of 2011-2012. We have been explained that the Company has no information about any change in the rate of interest, so impact, if any, of the same in statement of profit and loss and Reserve and Surplus is not determinable. The said loans have been recalled by the respective lenders and matter is sub-judice.
- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appeared earlier in Annual Report for the period ended 30th September, 2012, 30th September, 2013 and 30th September, 2014
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
- e. For Audit Qualification(s) where the impact is not quantified by the auditor:
  - (i) Management's estimation on the impact of audit qualification: Not Applicable
  - (ii) If management is unable to estimate the impact, reasons for the same: SBI has not communicated any changes in the rate of interest to the Company and therefore Interest on loan accounts with State Bank of India has been provided at the last communicated rate.
  - (iii) Auditors' Comments on (i) or (ii) above: In absence of adequate information and communication from bank regarding changes in interest rate if any, impact of the same cannot be ascertained.
3. a. Details of Audit Qualification: Balance of secured loan and Interest thereon from State Bank of India and IDBI Bank are as per books of accounts and subject to confirmation by lenders.

- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appearing for the first time
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
- e. For Audit Qualification(s) where the impact is not quantified by the auditor:
- (i) Management's estimation on the impact of audit qualification: Not Applicable
  - (ii) If management is unable to estimate the impact, reasons for the same: Both SBI and IDBI have neither send any statement of account nor issued any balance confirmation and therefore the management is unable to get the confirmation.
  - (iii) Auditors' Comments on(i) or (ii) above: In absence of bank confirmation, we are not able to check correctness and completeness of the same and impact if any cannot be ascertained.
4. a. Details of Audit Qualification: The company has not made provision for interest for delayed in payment to vendors during the period as per agreed terms with vendors. Also trade Payables are subject to confirmations. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appearing for the first time
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
- e. For Audit Qualification(s) where the impact is not quantified by the auditor:
- (i) Management's estimation on the impact of audit qualification: Not Applicable
  - (ii) If management is unable to estimate the impact, reasons for the same: As per the understanding reached with vendors, the Company has decided not to provide any interest on delayed payment due to financial constraints and closure of operation and during the year no such bill for interest has been raised by the vendors. Further, no legal action has also been taken by the vendors for not providing interest on delayed payment. The trade payable has been reduced from ₹ 7,38,17,338/- in September,2014 to ₹ 96,29,234/- in March, 2016.
  - (iii) Auditors' Comments on(i) or (ii) above: In absence of vendor confirmations available with the company, we are not able to check the correctness and completeness of the same, and hence impact of the same cannot be ascertained
5. a. Details of Audit Qualification: The Company has valued stores and spares at cost. Impact if any for net realisable being lower than the cost could not be determined.
- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appearing for the first time
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Not Applicable
- e. For Audit Qualification(s) where the impact is not quantified by the auditor:
- (i) Management's estimation on the impact of audit qualification: Not Applicable
  - (ii) If management is unable to estimate the impact, reasons for the same: The Stores & Spares as on 31st March,2016 is ₹ 65,64,410/- and Company has valued it at cost as it's difficult to ascertain the realisable value of such a large number of store items and difference if any, between realizable value and cost value won't be material.
  - (iii) Auditors' Comments on(i) or (ii) above: In absence of details and working for net realizable value of stores and spares, impact of the same cannot be ascertained.
6. a. Details of Audit Qualification: The company has not provided interest for the period from April 1, 2015 to March 31, 2016 on unsecured intercorporate loan of ₹ 4,34,34,766/- from related party and unsecured loan of ₹ 1,50,00,000/- received from non-related party. Amount of the Interest for the said period on the said loan as per last agreed rate with the parties is ₹ 57,25,768/-
- b. Type of Audit Qualification: Qualified Opinion
- c. Frequency of qualification: Appearing for the first time
- d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: The Company has shut down its operation in September, 2015 and lenders have recalled the loan and the loan accounts have been declared NPA. The Company is facing acute liquidity crunch and therefore unable to make any payment to its lenders at the moment and therefore no interest has been provided on unsecured loans.
- e. For Audit Qualification(s) where the impact is not quantified by the auditor: Not Applicable

Signatories:

- CEO/Managing Director- U. Kanoria
- CFO - S. V. Tewary
- Audit Committee Chairperson - P. Borar
- Statutory Auditor - **Deval R. Desai**  
Partner  
For **B. R. Shah & Associates**  
Chartered Accountants

Date : 30th May, 2016