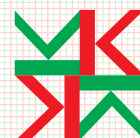




ANNUAL REPORT & ACCOUNTS
for the year ended 30th September, 2013



KANCO ENTERPRISES LIMITED



KANCO ENTERPRISES LIMITED

Annual Report & Accounts

for the year ended
30th September, 2013

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BOARD OF DIRECTORS

Mr. U. Kanoria

Chairman & Managing Director

Mr. Atul Doshi

Mr. Susanta Banerjee

Mr. Krishna Kumar Gupta

Directors

COMPANY SECRETARY

Ms. Charulata Kabra

AUDITORS

M/s. B. R. Shah & Associates

Chartered Accountants

COST AUDITORS

M/s. N. D. Birla & Co.

Cost Accountants

BANKERS

State Bank of India

IDBI Bank Ltd.

REGISTERED OFFICE

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Telefax : 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 : 2280 6692/93/94

Email : rta@cbmsl.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at "Bharatiya Bhasha Parishad", 36A Shakespeare Sarani, Kolkata-700 017 on Friday, the 14th day of March, 2014 at 10.00 A.M., inter-alia, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Statement of Profit & Loss for the financial year ended 30th September, 2013, the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Atul Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Messrs B. R. Shah & Associates, Chartered Accountants (Registration No.129053W) be and are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be decided by the Board, inclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on account of performance of their duties."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. Susanta Banerjee who was appointed as an Additional Director of the Company with effect from June 26, 2013 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retirement by rotation."
5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. Krishna Kumar Gupta who was appointed as an Additional Director of the Company with effect from August 13, 2013 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

Registered Office :
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
Dated, November 27, 2013

By Order of the Board
For KANCO ENTERPRISES LIMITED

CHARULATA KABRA
Company Secretary

Notes :

- **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll, on his behalf. The Proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the scheduled time of commencement of the meeting.**
- Proxies submitted on behalf of Limited Companies, Societies, Partnership Firms, among others, must be supported by appropriate resolution/authority as applicable, issued on behalf of the Appointing Organization and should be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time of commencement of the meeting.
- The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.



NOTICE OF ANNUAL GENERAL MEETING (Contd.)

- As per Clause 49 of the Listing Agreement with the Stock Exchanges, the brief resume of the Director(s) proposed for reappointment or appointment is annexed hereto and forms part of this Notice.
- The Register of Members and Share Transfer Register shall remain closed with effect from 11th March, 2014 to 14th March, 2014 (both days inclusive).
- Members holding shares in physical mode are requested to intimate changes in their address/ bank mandate to the Registrar and Share Transfer Agents, M/s C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata-700 019. Members holding Shares in electronic mode are requested to send intimation for change of address / bank mandate to their respective Depository Participants. Any changes effected by the Depository Participants will automatically reflect in the Company's subsequent records.
- 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.
- The Annual Report of the Company for the year 2012-13 (October 2012-September 2013) circulated to the Members of the Company will also be made available on the Company's website www.kanco.in.
- As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders in respect of Shares held by them. Nomination Forms (Form 2B) can be obtained from the Registrars of the Company for physical shares. In respect of nomination for dematerialised shares, the concerned Depository Participant of the members should be approached.
- Members seeking any information with regard to Accounts may write to the Company 7 (seven) days before the date of the AGM.
- The Register of Directors' Shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the Members at the Meeting.
- Pursuant to MCA Circulars on "Green Initiative in Corporate Governance", Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act, 1956 and in compliance of Clause 32 of the Listing Agreement, your Company proposes to dispatch the Annual Reports and the Notice of the Annual General Meeting through electronic media to the email addresses of all those members as available in the Register of Members of the Company and who wishes to get a copy by the electronic media. Members intending to register their Email IDs can do so by registering at www.cbmsl.com/green.php.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013

Item No. 4

Mr. Susanta Banerjee a graduate in Commerce from Calcutta University has over 30 years of rich experience across a wide spectrum of functional areas.

Mr. Susanta Banerjee has been appointed as an Additional Director of the Company with effect from June 26, 2013 pursuant to Section 260 of the Companies Act, 1956(now read as Section 161 of the Companies Act, 2013) and would hold office up to the date of the Annual General Meeting.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/- (Rupees Five Hundred Only) signifying his intention to propose the candidature of Mr. Susanta Banerjee for the office of Director.

Mr. Susanta Banerjee has complied with the requirement of obtaining the Director Identification Number (DIN) in terms of Section 266A of the Companies Act 1956. His DIN is 01173116. Mr. Susanta Banerjee is not disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act 1956. The Company has received the requisite Form DDA from Mr. Susanta Banerjee in terms of Companies(Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956)Rules, confirming his eligibility for such appointment.

The Directors therefore, recommend the Resolution to be passed as an Ordinary Resolution by the Members.

No other Directors, Key Managerial Personnel and their relatives respectively is, in any way, concerned or interested in the resolution, except Mr. Susanta Banerjee.

Item No. 5

Mr. Krishna Kumar Gupta a Graduate in Science form Calcutta University with robust understanding in the field of Administration and Human Resources Development (HRD) for over 35 years, brings along vast, rich and vivid experience in Human Relations.

NOTICE OF ANNUAL GENERAL MEETING (Contd.)

Mr. Krishna Kumar Gupta has been appointed as an Additional Director of the Company with effect from August 13, 2013 pursuant to Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and would hold office up to the date of the Annual General Meeting.

Pursuant to Section 257 of the Companies Act 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/- (Rupees Five Hundred Only) signifying his intention to propose the candidature of Mr. Krishna Kumar Gupta for the office of Director.

Mr. Krishna Kumar Gupta has complied with the requirement of obtaining the Director Identification Number (DIN) in terms of Section 266A of the Companies Act 1956. His DIN is 06657407. Mr. Krishna Kumar Gupta is not disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act 1956. The Company has received the requisite Form DDA from Mr. Krishna Kumar Gupta in terms of Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, confirming his eligibility for such appointment.

The Directors therefore, recommend the Resolution to be passed as an Ordinary Resolution by the Members.

No other Directors, Key Managerial Personnel and their relatives respectively is, in any way, concerned or interested in the resolution, except Mr. Krishna Kumar Gupta.

The notices received from Members in relation to Item Nos. 4 & 5, pursuant to Section 257 of Companies Act, 1956, are available for inspection at the registered office of the Company; Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata 700 017, on weekdays (between 4.00pm and 5.00pm) upto the date of Annual General Meeting.

INFORMATION PURSUANT TO CLAUSE 49(IV)(G) OF THE LISTING AGREEMENT

Profile of Directors who are being appointed or reappointed:

Mr. Atul Doshi - Mr. Atul Doshi, born on May 31, 1961 is a Chartered Accountant and a Management Accountant from CIMA, London. He has an experience of more than 30 years in the Industry. He is holding 10 (ten) equity shares of the Company. The Directorships and Memberships of the Board Committees of Mr. Atul Doshi as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Chairman- Audit Committee Member- Share Transfer Committee Chairman- Remuneration Committee Chairman- Investors' Grievance Committee

Mr. Susanta Banerjee - Mr. Susanta Banerjee, born on March 13, 1947, holds a Bachelor of Commerce degree. He holds 65 Shares in the Company. The Directorships and Memberships of the Board Committees of Mr. Susanta Banerjee as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Member- Audit Committee Member- Share Transfer Committee Member- Remuneration Committee Member- Investors' Grievance Committee
2.	Orchid Securities Limited	Director

Mr. Krishna Kumar Gupta - Mr. Krishna Kumar Gupta born on April 9, 1952 holds a Bachelor of Science degree. He holds NIL shares in the Company. The Directorships and Memberships of the Board Committees of Mr. Krishna Kumar Gupta as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Member- Audit Committee Member- Remuneration Committee

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twenty Third Annual Report and Audited accounts for the year ended 30th September, 2013.

FINANCIALS

Your Company's financial performance was as follows :

₹ /lacs

	30.9.2013	30.9.2012
Profit/(Loss) Before Interest, Depreciation and Tax	1195.88	295.93
Less : Interest	920.16	911.11
Gross Profit/(Loss) for the year	275.72	(615.18)
Less : Depreciation	386.66	415.32
Profit/(Loss) Before Taxation	(110.94)	(1030.50)
Less : Provision for Tax	—	—
Profit/(Loss) After Taxation	(110.94)	(1030.50)
Balance Brought Forward from Last Account	(6534.55)	(5504.05)
Balance Carried to Balance Sheet	(6645.49)	(6534.55)

DIVIDEND

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

OPERATIONS

The Company started the year under review under severe financial stress due to unprecedented losses incurred in the previous accounting year. Yarn realisations improved marginally from an average of ₹ 182.93 in Sept, 2012 to ₹ 204.47 in Sept, 2013. Average Cotton prices increased from an average of ₹ 34,500/- per candy in the beginning of the season to ₹ 47,000/- per candy towards the end of season. Improvement in demand and higher realizations helped in curtailing the losses. The Company's normal operation is severely affected by liquidity crunch faced by it.

FINANCE

During the year under review, the long term borrowings and short term borrowings of the Company stands at ₹ 434.35 Lakhs and ₹ 4618.93 Lakhs respectively as on 30th September, 2013.

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The accumulated losses of the Company at the end of financial year September 30, 2013, 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 in final hearing stage.

DIRECTORS

Mr. Atul Doshi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year under review, Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta were appointed as Additional Directors of your Company with effect from 26th June 2013 and 13th August 2013 respectively. They shall hold office up to the date of the ensuing Annual General Meeting of your Company. Your Company has received individual notices from Members pursuant to Section 257 of the Companies Act, 1956, signifying their intention to propose the candidatures of Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta for the office of Directors. The Board recommends their appointment as Directors of your Company.

DIRECTORS' REPORT (Contd.)

Mr. Golam Momen, Mr. Pavan Kumar Poddar and Mr. Parag Keshar Bhattacharjee have tendered their resignations and the Board in their meeting took note of the same and placed their appreciation of the valuable contributions made by them.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- (i) in the preparation of the Annual Accounts for the financial year ended 30th September, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) they have selected such Accounting Policies and applied them consistently and made judgements and estimates that they are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of Financial Year and of the profit or loss of the Company for that period.
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts for 30th September, 2013 on a going concern basis.

PUBLIC DEPOSITS

The Company did not accept any deposit under Section 58A of the Companies Act 1956, during the year under review.

AUDITORS & AUDITORS' REPORT

Messrs B. R. Shah & Associates, Chartered Accountants, (Registration No. 129053W), Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed. Your Company has received a confirmation 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 224(1B) of the Companies Act 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the Act. They have also confirmed that they hold a valid peer review certificate as prescribed under Clause 41(1) (h) of the Listing Agreement.

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

COST AUDIT

As stipulated by the Central Government and pursuant to Section 233B of the Companies Act, 1956, Cost Audit of the records relating to the Textile Business of the Company is carried out from 1998-1999 onwards. Messrs N.D. Birla & Co., Cost Accountants, of A-3, Nirant Society, Opposite Town Hall, Near Karnavati Hospital, Ellisbridge, Ahmedabad - 380 006 (Registration No. of the Firm : 000028), has been re-appointed as the Cost Auditor of the Company to carry out the Cost Audit for the next financial year. The Cost Audit Report for the financial year ended 30th September 2012 was filed with the Ministry of Corporate Affairs on 4th March 2013, due date being 29th March 2013.

REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. Report on Corporate Governance Practices, the Auditors' Certificate on compliance of mandatory requirements thereof and Report on Management Discussion & Analysis Report are given as annexure and forms part of this report.

EMPLOYEE PARTICULARS

The particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule 1975, as amended by Companies (Particulars of Employees) Amendment Rules 2011, are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules.

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

A statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

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,
November 27, 2013

For and on behalf of the Board
U. KANORIA
Chairman

Annexure to the Directors' Report

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER, 2013

A. Conservation of Energy

Energy Conservation measures taken :

The Company has implemented the following power saving measures by way of :

	Savings
1. Replacement of copper choke fitting in street lights with CFL fitting	20 kwh/day
2. Reinstallation of Elgi-E-55 compressor at DG Room	350 kwh/day
3. Installation of drivers for 4 no. Speed Frame machines	64 kwh/day
4. Increasing total power factor to rebate 2.45% to 2.40%	₹ 5,000/- per month

Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.

FORM-A

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(A) POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
(1) Electricity		
(a) Purchased (Units)	2,56,51,652	2,33,42,453
Total Amount (₹)	15,02,18,151	15,63,66,944
Rate/Unit (₹)	5.86	6.70
(b) Own Generation		
Through LDO/FO/Diesel (Units)	2,942	28,572
Unit per Ltr.	1.06	0.67
Cost/Unit (₹)	44.16	45.37
(2) Furnace Oil		
Quantity (K. Ltr.)	—	40.56
Total Amount (₹)	—	12,09,174
Average Rate (₹/K. Ltr.)	—	29,812
(3) Others/Internal Generation		
(a) Gas		
Quantity (cm ³)	—	—
Total Cost (₹)	—	—
Rate/Unit (₹/cm ³)	—	—
(b) LDO/Diesel		
Quantity (K. Ltr.)	2.78	2.07
Total Cost (₹)	1,29,920	87,019
Average (₹/K. Ltr.)	46,700	42,140

(B) CONSUMPTION PER UNIT OF PRODUCTION

	<u>Unit</u>	<u>Current Year</u>	<u>Previous Year</u>
Yarn & Fabrics	Kgs	63,99,430	58,97,465
Electricity	Unit	4.01	3.96

For the above, there is no prescribed standard.

B. Technology Absorption

FORM-B

RESEARCH & DEVELOPMENT (R & D)

(1) Specific areas in which R & D carried out by the Company	Not applicable		
(2) Benefits derived as a result of the above R & D	Not applicable		
(3) Future plan of action	Not applicable		
(4) Expenditure on R & D		<u>Current Year (₹)</u>	<u>Previous Year (₹)</u>
(a) Capital		Nil	Nil
(b) Recurring		19,91,572	16,48,904
(c) Total		19,91,572	16,48,904
(d) Total R & D Expenditure as a percentage of total turnover		0.13%	0.13%

Annexure to the Directors' Report (Contd.)

C. Foreign Exchange Earnings and Outgo

	Current Year (₹)	Previous Year (₹)
1. Foreign Exchange Earnings	Nil	9,26,80,013
2. Foreign Exchange Outgo	38,53,207	51,32,341

D. Explanations for Auditors Qualification in Auditors' Report

Emphasis of Matter

Please refer to note no. 24 (2) (j) of the financial statements. The Company has no plan for winding up of its business in near future. The Company has run its factory and was able to bring down the losses significantly. The Company has the potential to overcome the present situation subject to sanction of rehabilitation scheme filed with the Board of Industrial and Financial Reconstruction (BIFR). The Company is already involved in discussion with its lenders for this purpose.

Qualified Opinion

During the year ended 30th September, 2012, State Bank of India (SBI) has cancelled the forward contracts and debited ₹ 11,78,81,338/- The losses on account of foreign exchange difference on unilateral cancellation of Forward Contract by State Bank of India without authorisation from the Company, has been challenged by the Company in the Hon'ble High Court at Calcutta on 6th day of August, 2013. The Company has therefore not recognized the said losses in its Books of Accounts as the matter is sub-judice.

Point no. 5 (vii) of the Auditor's Report

State Bank of India has not communicated any change in rate of interest to the Company and therefore Interest on loan accounts have been provided at the last communicated rate.

For and on behalf of the Board

Kolkata,
November 27, 2013

U. KANORIA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

The slow and gradual improvement in demand, which started in October 2011, continued through the current year. Raw material prices continued to move up through the year. Increased raw material costs were well absorbed by increase in average sales realisation due to healthy overseas demand especially from China. The Company was able to substantially cut down the losses due to favourable market conditions.

- a) Industry Outlook :** The year started with a sharp drop in yarn prices. Price of cotton the principal raw material too has come down, however the decline in cotton prices is not to the extent of yarn prices. The Commerce Ministry has withdrawn the 4% incentive to exporters under the Focus Market Scheme (FMS) and put a cap of 2% on incremental exports of these products. This will have a negative impact on the demand for yarn. The sharp depreciation of Rupee has not resulted in improved margins for spinners due to resistance from buyers and relatively higher prices of cotton.
- b) Opportunities :** In view of the excellent rain fall, India is expected to register the highest ever crop of cotton in the current season. Availability is expected to be adequate due to anticipated reduction in quantity of exports. A favourable demographic, rising personal incomes and increased consumer spending is expected to give a fillip to the garment industry, helping the spinning industry to perform well. Following states of Maharashtra and Gujarat, Punjab, Rajasthan and Madhya Pradesh too have announced attractive incentives for establishment of textile industries in their states. This will give fillip to new investments in the sector.
- c) Challenges :** Availability of power in certain production centers is erratic. This results in production and financial losses. There is a also a serious shortage of skilled labour in the sector. Under these circumstances optimum capacity utilisation is big challenge. Training and retaining labour force has become a focus area.
- d) Product Analysis & Review :**

Particulars	Units	Current Year	Previous Year	% Change
Production of Cotton Yarn/Fabrics	Kgs	63,99,430	58,97,465	8.51
Sales of Cotton Yarn/Fabrics	Kgs	63,77,520	59,73,029	6.77
Average Realisation	₹ /Kg	204.47	182.93	11.77
Average Cost of Cotton	₹ /Ton	1,07,542	1,02,040	5.39
Profit / (Loss) Before Interest but after Depreciation	₹ in Lacs	809.22	(119.39)	N.A.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Review of Operations : The gradual return to normalcy seen through 2011-12 continued through the current year. Average realisations have improved significantly by 11.77%, average raw material prices increased by 5.39 %. Production and Sales registered growth of 8.51% and 6.77% respectively. The current years' operations have resulted in losses of ₹ 110.94 lacs as compared to losses of ₹ 1030.51 lacs in the previous year.

Company Outlook : Losses in the last three years have severely eroded the Company's financial position. The Company is at present facing a severe liquidity crunch position, which is affecting its performance. The Company has not been able to keep pace with technological upgradations in the Industry due to financial stringencies and is likely to suffer on this account. The performance will depend on the outcome of suitable rehabilitation scheme to be sanctioned by the lenders.

Risks & Concerns : The announcements of very attractive incentive schemes by the State Governments of Maharashtra, Gujarat, Punjab and Rajasthan for fresh investments in textile units will seriously affect the prospects of older units. Older units will be competing against newer players with better technology and reduced cost structure. The industry also faces a shortage of skilled workforce.

INTERNAL CONTROL SYSTEM AND 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.
- 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 from time to time and their reports are reviewed by the management and Audit Committee.

HUMAN RESOURCES

The Company is an ISO 9001:2000 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 30th September, 2013 was 536 compared to 539 as on 30th September, 2012.

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.

ANNEXURE-1

REPORT ON CORPORATE GOVERNANCE for the financial year ended September 30, 2013

1. Corporate Governance Philosophy

The Company's corporate culture vests in the strictest standards of integrity and transparency by adhering to the policies laid down by the Board of Directors comprising of Industrialists and Professionals. The corporate governance is based on the two most important principles of team-work and professionalism where the Shareholders, Customers, Financial Institutions/Banks, Employees and other Stakeholders are the main constituents of the 'team'. The Company has adopted a Code of Conduct for the Independent Directors, Senior Management and other Employees of the Company and a Whistle Blower Policy is in place for the employees of the Company under the Chairmanship of the Audit Committee Chairman.

Kanco Enterprises Limited's business objective is to manufacture and market the products where quality deservingly receives all the attention on a consistent basis with the ultimate aim of bringing full satisfaction to all concerned.

2. Board of Directors

Composition, Attendance at the Board Meetings and the last Annual General Meeting ('AGM'), Outside Directorships and other Board Committees :

Name of the Directors	No. of Board Meetings attended	Attendance at previous AGM on 30/01/2013	No. of other Directorships of Public Ltd. Cos. held ^(a)	No. of other Committee Membership ^(b)	No. of other Committee Chairmanships ^(b)	Executive/ Non-Executive Independent
Mr. Umang Kanoria	5	Present	4	3	1	Executive
Mr. Parag Keshar Bhattacharjee*	5	Present	8	2	1	Non-Executive Independent
Mr. Golam Momen*	3	Absent	10	5	1	Non-Executive Independent
Mr. Pavan Kumar Poddar*	3	Present	9	—	—	Non-Executive Independent
Mr. Atul Doshi	5	Present	—	—	—	Non-Executive Independent
Mr. Susanta Banerjee**	1	—	1	—	—	Non-Executive Independent
Mr. Krishna Kumar Gupta***	—	—	—	—	—	Non-Executive Independent

[(a) Directorship of Companies registered under the Companies Act, 1956 but excluding Private Limited Companies, Foreign Companies, Companies incorporated under Section 25, alternate directorship and membership of the Managing Committee of various chambers/bodies].

[(b) Chairmanship/Membership of Audit Committee & Shareholders/Investor Grievance Committee only]

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013. Mr. Parag Keshar Bhattacharjee has resigned from the Board with effect from 25th November 2013.

** Mr. Susanta Banerjee has been appointed as Additional Director with effect from 26th June 2013.

*** Mr. Krishna Kumar Gupta has been appointed as Additional Director with effect from 13th August 2013.

None of the Directors in the Board is a member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49 across all the Companies in which he is a Director.

The information as required under Annexure IA to Clause 49 is being made available to the Board. As per revised Clause 49, none of the Independent Directors and Executive Director of the Company is related to each other.

Board Meetings held during the Financial Year ended 30th September, 2013

Dates for the Board Meetings in the ensuing year are decided well in advance and communicated to the Directors. Board Meetings are held at the Registered Office of the Company. The Agenda along with the explanatory notes are sent in advance to the Directors. Additional meetings of the Board are held when deemed necessary by the Board.

The Board periodically reviews compliance reports of all laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

During the Financial Year under review, meeting of the Board of Directors took place on 29th of November, 2012, 8th of February 2013, 13th of May 2013, 26th of June 2013 and 13th of August, 2013.

Appointment/ Re-appointment of Directors

Mr. Atul Doshi is retiring by rotation and being eligible offer himself for reappointment. The details are given in the Annexure to the Notice, under the head Information Pursuant to Clause 49(IV)(G) of the Listing Agreement.

ANNEXURE-1 (Contd.)

3. Board Committees

3.1 Audit Committee

Audit Committee of the Board of Directors comprises of the Directors namely, Mr. Atul Doshi, Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta. All the members of the Audit Committee possess financial/accounting expertise/exposure. The composition of the Audit Committee meets the requirement of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Mr. Atul Doshi is the Chairman of the Audit Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

The role and duties of the Audit Committee have been defined by the Board of Directors and cover the areas mentioned under Clause 49 of the Listing Agreement besides other terms as may be referred from time to time by the Board of Directors.

Attendance at and dates of Audit Committee meetings held are as follows:

Name of the Directors	Attendance at the Meeting			
	29.11.2012	08.02.2013	13.05.2013	13.08.2013
Mr. Parag Keshar Bhattacharjee*	Present	Present	Present	Present
Mr. Golam Momen*	Present	Present	Present	—
Mr. Pavan Kumar Poddar*	Present	Present	Present	—
Mr. Atul Doshi	Present	Present	Present	Present
Mr. Susanta Banerjee**	—	—	—	Present
Mr. Krishna Kumar Gupta***	—	—	—	—

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013.

Mr. Parag Keshar Bhattacharjee has resigned from the Board with effect from 25th November 2013.

** Mr. Susanta Banerjee was inducted in the Audit Committee on 26th June 2013.

*** Mr. Krishna Kumar Gupta was inducted in the Audit Committee on 13th August 2013.

3.2 Remuneration Committee

Remuneration Committee of the Board of Directors comprises of the Directors, namely, Mr. Atul Doshi, Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta. Mr. Atul Doshi, Non-Executive Independent Director is the Chairman of the Remuneration Committee.

Attendance at and date of Remuneration Committee meeting held is as follows :

Name of the Directors	Attendance at the Meeting
	19.11.2012
Mr. Pavan Kumar Poddar*	Present
Mr. Golam Momen*	Present
Mr. Parag Keshar Bhattacharjee*	—
Mr. Atul Doshi	Present
Mr. Susanta Banerjee**	—
Mr. Krishna Kumar Gupta**	—

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013.

Mr. Parag Keshar Bhattacharjee has resigned from the Board with effect from 25th November 2013.

** Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta were inducted in the Remuneration Committee on 13th August 2013.

Remuneration policy of the Company is based on the need to attract the best available talent and is in line with the Industry. The Company pays sitting fees at the rate of ₹ 10,000/- (Rupees Ten Thousand only) per meeting to the Non-Executive Directors for attending Meeting of the Board. No remuneration is paid to the Non-Executive Directors for attending Committee Meetings and any other Meetings.

Remuneration of Directors for the financial year ended 30th September, 2013 and their shareholding in the Company:

Name of the Directors	Sitting Fees (₹)	Salaries and Perquisites (₹)	Total (₹)	No. of Shares held
Mr. Umang Kanoria	Nil	24,10,053	24,10,053	40,08,929
Mr. Parag Keshar Bhattacharjee*	50,000	—	50,000	400
Mr. Pavan Kumar Poddar*	30,000	—	30,000	Nil
Mr. Golam Momen*	30,000	—	30,000	650
Mr. Atul Doshi	50,000	—	50,000	10
Mr. Susanta Banerjee**	10,000	—	10,000	65
Mr. Krishna Kumar Gupta***	—	—	—	—

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013.

Mr. P K Bhattacharjee has resigned from the Board with effect from 25th November 2013.

** Mr. Susanta Banerjee has been appointed as Additional Director with effect from 26th June 2013.

*** Mr. Krishna Kumar Gupta has been appointed as Additional Director with effect from 13th August 2013.

ANNEXURE-1 (Contd.)

3.3 Shareholders/Investors' Grievance Committee

Shareholders/Investors' Grievance Committee of the Board comprises of the Directors namely, Mr. Umang Kanoria, Mr. Susanta Banerjee and is headed by Mr. Atul Doshi, Non-Executive Independent Director. The Committee looks to the grievances of the Investors related to transfer of shares, non receipt of Balance Sheet, any complaint letter received from Stock Exchanges, SEBI etc.

Attendance at and date of Shareholders/Investors' Grievance Committee meeting held is as follows :

Name of the Directors	Attendance at the Meeting
	19.11.2012
Mr. Pavan Kumar Poddar*	Present
Mr. Golam Momen*	Present
Mr. Umang Kanoria	Present
Mr. Atul Doshi**	—
Mr. Susanta Banerjee**	—

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013.

** Mr. Susanta Banerjee and Mr. Atul Doshi were inducted in the Shareholders/investors' Grievance Committee with effect from 13th August 2013.

3.4 Share Transfer Committee

The Board of Directors has delegated power of approving transfer/transmission of shares to a Share Transfer Committee. During the year under review, the Committee met Sixteen (16) times on 17th October 2012, 1st November 2012, 9th November 2012, 3rd December 2012, 24th December 2012, 9th January 2013, 25th January 2013, 8th February 2013, 27th February 2013, 15th March 2013, 3rd April 2013, 24th April 2013, 13th May 2013, 24th May 2013, 26th June 2013, 13th August 2013.

The details of the Members and their attendance are as follows :

Name of the Directors	Chairman/Member	No. of Meetings Attended
Mr. Umang Kanoria	Chairman	16
Mr. Pavan Kumar Poddar*	Member	15
Mr. Golam Momen*	Member	14
Mr. Atul Doshi**	Member	1
Mr. Susanta Banerjee**	Member	1

* Mr. Golam Momen and Mr. Pavan Kumar Poddar have resigned from the Board with effect from 28th June 2013.

** Mr. Susanta Banerjee and Mr. Atul Doshi were inducted in the Share Transfer Committee with effect from 13th August 2013.

Ms. Charulata Kabra, Company Secretary is the Compliance Officer of the Company. During the year under review ended 30th September, 2013, there was no complaint received from the Shareholders.

All valid requests for transfer of shares received during the financial year ended 30th September, 2013 have been acted upon by the Company and no such transfer is pending.

4. General Body Meetings

a) Location, Venue, Date and Time of last three Annual General Meetings (AGM) :

Year	Kind of Meeting	Venue	Date	Time	No. of Special Resolutions passed
Oct '11– Sept '12	22nd Annual General Meeting	'Bhartiya Bhasha Parishad', 36A, Shakespeare Sarani, Kolkata 700 017	30th January, 2013	10.30 A.M.	Nil
April '11– Sept '11	21st Annual General Meeting	'Kalakunj', 48, Shakespeare Sarani, Kolkata 700 017	27th February, 2012	10.30 A.M.	One
April '10 – March '11	20th Annual General Meeting	'Kalakunj', 48, Shakespeare Sarani, Kolkata 700 017	29th July, 2011	10.30 A.M.	Nil

b) No Extra-Ordinary General Meeting of the shareholders was held during the year.

c) No Postal ballot was conducted during the Year. None of the resolutions proposed at the ensuing Annual General Meeting need to be passed by Postal Ballot.

Special Resolutions passed in last three General Meetings :

- At the 22nd Annual General Meeting, the Company has not passed any special resolution.
- At the 21st Annual General Meeting, the Company passed a special resolution for the re-appointment of Mr. Umang Kanoria as the Managing Director of the Company.
- At the 20th Annual General Meeting, the Company has not passed any special resolution.

ANNEXURE-1 (Contd.)

5. Disclosures

There are no materially significant related party transactions made by the Company with its Promoters, Directors or the Management or relatives that may have potential conflict with the interests of the Company at large.

The related party transactions have been disclosed in the Point No.4 of Significant Accounting Policies and other notes to Account forming part of the Financial Statements for the financial year ended 30th September, 2013.

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchange(s), Securities and Exchange Board of India or any other statutory authority, on any matter relating to the capital markets, during the last 3 years.

The Company adopted all mandatory requirements as recommended by Clause 49 of the Listing Agreement with the Stock exchanges and had also adopted two non-mandatory requirements of constitution and implementation of Whistle Blower Policy and Remuneration Committee.

There are no pecuniary relationships or transactions with Non-Executive Independent Directors, other than those disclosed in this report.

6. Code of Conduct

In compliance to Clause 49 and to emphasize the importance of ethical behaviour and for protection of all stakeholders' interests, Code of Conduct for directors and senior management was laid down by the Board of Directors of the Company and is posted on the Company's website. As per the declarations received from the directors and senior management, there has been due compliance of the Code of Conduct.

7. CEO and CFO Certification

As per Clause 49(v) of the Listing Agreement, the CEO of the Company and the CFO of the Company certifies to the Board regarding the review of the financial statement, compliance with the accounting standard, maintenance of the Internal Control for financial reporting, accounting policies, etc.

8. Means of Communication

Half-yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-yearly and Annual Results are generally published by the Company in English (Financial Express/Business Standard) and Vernacular (Arthik Lipi/ Kalantar) dailies. Official news releases/ notices etc, the Quarterly and Annual Results as well as the Quarter end shareholding pattern are sent to the Calcutta Stock Exchange Limited, where shares of the Company are listed and Bombay Stock Exchange Limited, where the shares of the Company are traded, immediately on approval from the Board of Directors and are also posted on the Company's web site i.e www.kanco.in

Annual Report containing Notice of the Annual General Meeting, Audited Annual Accounts, Directors' Report, Auditors' Report alongwith the Management Discussion & Analysis Report is circulated to the Members and those entitled thereto. The Annual Report is displayed on the Company's Website www.kanco.in

9. Whistle Blower Policy

To achieve the objective of transparent culture wherein the concerns of employees at all levels can be expressed without any fear of retribution, Whistle Blower Policy formulated and adopted by the Board is looked into by the Audit Committee and no personnel has been denied access to the Audit Committee.

10. General Shareholder Information

Annual General Meeting	
Date and Time	14th March, 2014 at 10.00 A.M.
Venue	Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata 700 017
Financial Year	: 1st October, 2013 to 30th September, 2014
Dates of Book Closure	: 11th March, 2014 to 14th March, 2014 (Both days inclusive)
Financial Calendar (Tentative)	
Quarter ending 31st December, 2013	15th February, 2014
Quarter ending 31st March, 2014	15th May, 2014
Quarter ending 30th June, 2014	14th August, 2014
Year ending 30th September, 2014	Last week of November, 2014

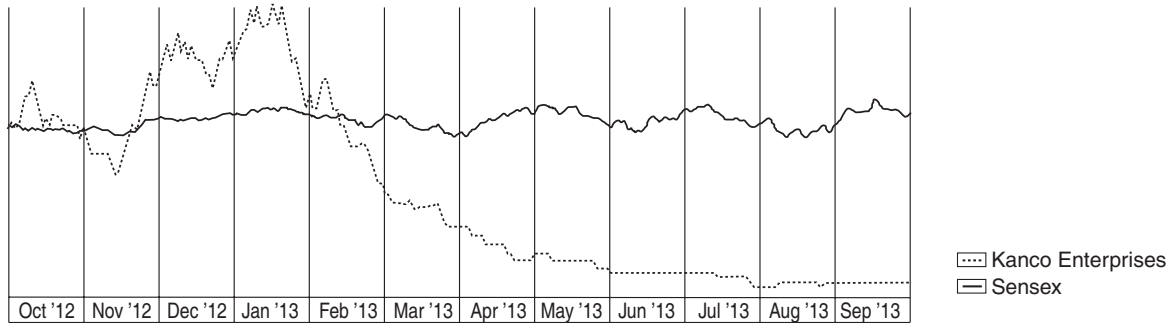
Listing on Stock Exchange and Stock Code

Equity Shares of the Company are listed at the Calcutta Stock Exchange Ltd. (Scrip Codes 21381 & 10021381). The Shares of the Company are traded at the Bombay Stock Exchange (Scrip Code 590084).

ISIN for Dematerialisation : INE 248D01011

Market Price Data : High/Low in each month of Financial Year ended 30th September, 2013

Month	Oct '12	Nov '12	Dec '12	Jan '13	Feb '13	Mar '13	Apr '13	May '13	Jun '13	Jul '13	Aug '13	Sep '13
High (₹)	2.36	2.32	2.71	3.02	2.50	1.88	1.51	1.16	1.06	1.00	1.00	1.01
Low (₹)	1.92	1.70	2.19	2.37	1.90	1.44	1.22	1.11	1.02	1.00	0.96	0.96
Volume	9452	30471	51586	47167	18725	11049	4601	161	130	2000	770	16853

ANNEXURE-1 (Contd.)
Performance in comparison to broad based Indices :

Registrars and Transfer Agents ('RTA') : Share Transfer System

M/s C.B. Management Services (P) Limited, P-22 Bondel Road, Kolkata 700 019 is the RTA for both physical shares and electronic connectivity. Share transfers are generally affected within 15 days of lodgment in the normal course, if the documents are valid and complete in all respects.

Categories of Shareholding as on 30th September, 2013

Category	Number of Shares held	% of Total Shares
Promoters including Persons deemed to be Acting in Concert	1,11,95,139*	62.44
Mutual Funds	54,183	0.30
Financial Institutions/Banks	1,33,321	0.74
State Government	14,976	0.08
Others (Including Corporate bodies)	65,32,755	36.44
Total	1,79,30,374	100.00

* includes 54,00,636 (30.12%) pledged shares

Dematerialisation of Shares and Liquidity : The Shares of the Company are compulsory traded in the stock exchanges in the dematerialised mode and are available for trading under both the Depository Systems, i.e. National Securities Depository Limited and Central Depository Services (India) Limited.

As on 30th September, 2013, 1,68,65,203 equity shares of the Company of ₹ 10/- each, representing 94.06% of the total paid up equity capital of the Company stands dematerialised.

Outstanding ADRs/GDRs/Warrants or any convertible instruments, conversion date and likely impact on equity:- Not Applicable.

Distribution of Shareholding as on 30th September, 2013

Category	Number of Shares	% of Total Shares	Number of Shareholders	% of Total Shareholders
1 to 500	13,40,221	7.47	16,695	96.63
501 to 1000	2,06,542	1.15	281	1.63
1001 to 2000	2,06,573	1.15	141	0.82
2001 to 3000	1,19,620	0.67	47	0.27
3001 to 4000	56,607	0.32	16	0.09
4001 to 5000	46,364	0.26	10	0.06
5001 to 10000	3,00,676	1.68	40	0.23
10001 to 50000	6,61,594	3.69	26	0.15
50001 and 100000	4,31,668	2.41	6	0.03
100001 and above	1,45,60,509	81.20	15	0.09
Total	1,79,30,374	100.00	17,277	100.00

Plant Location : The Company's plant is located at : Kanco Overseas, Village : Walthera, Taluka : Dholka, Dist : Ahmedabad (Gujarat), Telephone : (02714) 247 404/05

ANNEXURE-1 (Contd.)

Address for Correspondence :

1. Kanco Enterprises Limited
Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata-700 017
Telefax : (033) 2281 5217, Email for Investors : compliance@kanco.in
Website : www.kanco.in
2. C. B. Management Services (P) Ltd.
P-22, Bondel Road, Kolkata-700 019
Phone : 2280 6692/93/94
Email : rta@cbmsl.com
On behalf of the Board of Directors

Kolkata

November 27, 2013

U. KANORIA

Chairman

Declaration by the Chief Executive Officer (C.E.O.) of the Company

I, Sushil V Tewary, Chief Executive Officer (CEO) of the Company, to the best of my knowledge and belief, declare that all the board members and senior managerial personnel have affirmed compliance with code of conduct for the financial year ended 30th September, 2013.

Ahmedabad,

November 27, 2013

Sushil V Tewary

CEO

Certificate by Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

We hereby certify

1. That we have reviewed the financial statements and the cash flow statement for the year ended 30th September, 2013 and that to the best of our knowledge and belief:-
 - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - these statements present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. That we accept the responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of :
 - I. significant changes in internal control during the year;
 - II. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - III. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Kolkata

November 27, 2013

Sushil V Tewary

CEO

U. KANORIA

CFO & Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

We have examined the compliance of conditions of Corporate Governance by KANCO ENTERPRISES LIMITED ("the Company") for the year ended on 30th September, 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

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

DEVAL R. DESAI

Partner

Place : Ahmedabad

Date : November 27, 2013

Membership No. 132426

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 September 30, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for 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 Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 of India ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

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 September 30, 2013 is lower by the said amount. The loss above does not include interest, if any.*
- (b) *Interest on Loan accounts with State Bank of India has been debited in the accounts as per last agreed rate. 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.*

Subject to Above,

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 24 (2) (j) in the financial statements which indicates that the Company incurred a net loss of ₹ 66,45,49,107/- as on year ended September 30, 2013. These conditions, along with other matters as set forth in Note 24 (2) (j), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as "the Order"), 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 4 and 5 of the Order.

INDEPENDENT AUDITORS' REPORT (Contd.)

TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

As required by Section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (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) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

DEVAL R. DESAI
Partner

Place : Ahmedabad
Date : November 27, 2013

Membership No. 132426

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 year ended September 30, 2013

- i.
 - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
 - (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items at regular intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii.
 - (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the 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.
- iii.
 - (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, Clause (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the order are not applicable.
 - (b) The Company has taken unsecured loan from a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance amounts to ₹ 4,71,62,990/- and ₹ 4,34,34,766/- respectively.
 - (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
 - (d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, wherever applicable.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

ANNEXURE TO AUDITORS' REPORT (Contd.)

- v. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements and exceeding the value of ₹ Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at that time.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. We have broadly reviewed the Books of Account maintained by the Company 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 clause (d) of sub-section (1) of Section 209 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.
- ix. (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 including investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no statutory dues outstanding as at September 30, 2013 for a period of more than six months from the date they became payable.
- (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, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- x. The Company's accumulated losses at the end of the year are more than fifty percent of its net worth. The Company has not incurred cash losses during the current year but has incurred cash loss in the immediately preceding financial period.
- xi. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or debenture holders as at the balance sheet date. However Company has defaulted in repayment of dues to bank as detailed below :

Particulars	Outstanding Since	Period of Default as on September 30, 2013 (In days)	Amount of Default - Loan Rupees
IDBI - Rupee Loan	Oct-11	731	54,00,000
	Jan-12	639	54,00,000
	Apr-12	548	54,00,000
	Jul-12	457	54,00,000
	Oct-12	365	54,00,000
	Jan-13	273	54,00,000
	Apr-13	183	68,02,500
	Jul-13	92	68,02,500
SBI - Rupee Loan	Sep-11	732	26,50,000
	Dec-11	640	37,50,000
	Mar-12	549	37,50,000
	Jun-12	458	42,50,000
	Sep-12	366	42,50,000
	Dec-12	274	42,50,000
	Mar-13	184	42,50,000
	Jun-13	93	45,00,000
Sep-13	1	45,00,000	

ANNEXURE TO AUDITORS' REPORT (Contd.)

Particulars	Outstanding Since	Period of Default as on September 30, 2013 (In days)	Amount of Default - Loan Rupees
S.B.I. Corporate Loan	Sep-11	732	30,00,000
	Dec-11	640	30,00,000
	Mar-12	549	30,00,000
	Jun-12	458	30,00,000
	Sep-12	366	30,00,000
	Dec-12	274	30,00,000
	Mar-13	184	30,00,000
S.B.I. -Rupee Loan (FITL)	Sep-12	366	15,00,000
	Dec-12	274	20,00,000
	Mar-13	184	20,00,000
	Jun-13	93	20,00,000
	Sep-13	1	20,00,000
I.D.B.I. Line Of Credit	Aug-11	792	50,00,000
	Sep-11	761	50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	Aug-11	792	16,70,000
	Sep-11	761	16,10,000

- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. The Company has not received any term loans during the year.
- xvii. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix. The Company has not issued debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- xxi. 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 instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

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

DEVAL R. DESAI
Partner

Place : Ahmedabad
Date : November 27, 2013

Membership No. 132426

BALANCE SHEET as at September 30, 2013

(Amount in ₹)

Particulars	Note	As at September 30, 2013	As at September 30, 2012
I EQUITY AND LIABILITIES			
1 Shareholders' Funds			
(a) Share Capital	1	17,93,03,740	17,93,03,740
(b) Reserves and Surplus	2	(45,08,96,170)	(43,98,02,591)
		(27,15,92,430)	(26,04,98,851)
2 Non-current Liabilities			
(a) Long-term Borrowings	3	4,34,34,766	4,71,62,991
(b) Long-term Provisions	4	78,82,005	46,06,655
		5,13,16,771	5,17,69,646
3 Current Liabilities			
(a) Short-term Borrowings	5	21,77,87,941	26,28,97,831
(b) Trade Payables	6	7,35,43,514	17,89,10,255
(c) Other Current Liabilities	7	39,15,29,588	32,56,61,375
(d) Short-term Provisions	8	29,24,237	9,04,864
		68,57,85,280	76,83,74,325
		46,55,09,621	55,96,45,120
II ASSETS			
1 Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets	9	27,23,38,046	30,77,64,317
(ii) Capital Work in Progress		5,83,995	3,72,830
(b) Deferred Tax Assets (net)	10	—	—
(c) Long-term Loans and Advances	11	3,98,43,881	4,65,34,880
		31,27,65,922	35,46,72,027
2 Current Assets			
(a) Current Investments	12	3,60,500	4,08,000
(b) Inventories	13	8,97,41,562	15,40,13,655
(c) Trade Receivables	14	74,95,453	88,99,224
(d) Cash and Bank Balances	15	41,50,144	44,19,025
(e) Short-term Loans and Advances	16	5,09,96,040	3,72,33,189
		15,27,43,699	20,49,73,093
		46,55,09,621	55,96,45,120

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 : November 27, 2013

 CHARULATA KABRA
 Company Secretary

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

 U. KANORIA
 Managing Director

 A. DOSHI
 Director

**STATEMENT OF PROFIT & LOSS for the year ended September 30, 2013**

		(Amount in ₹)	
Particulars	Note	Year ended on September 30, 2013	Year ended on September 30, 2012
Revenue from Operations	17	145,46,68,295	123,27,27,831
Other Income	18	53,62,368	55,22,839
Total Revenue		<u>146,00,30,663</u>	<u>123,82,50,670</u>
Expenses			
Cost of Materials Consumed	19	99,49,61,998	87,06,36,873
Changes in Inventories of Finished Goods and Work-in-Progress	20	16,29,897	1,09,03,286
Employee Benefits Expense	21	10,55,40,335	8,12,14,522
Finance Costs	22	9,20,15,900	9,11,11,369
Depreciation	9	3,86,65,980	4,15,32,343
Other Expenses	23	23,83,10,132	24,59,02,807
Total Expenses		<u>147,11,24,242</u>	<u>134,13,01,200</u>
Loss before Tax		(1,10,93,579)	(10,30,50,530)
Tax Expenses			
(1) Current tax		—	—
(2) Deferred tax	10	—	—
Loss for the year		<u>(1,10,93,579)</u>	<u>(10,30,50,530)</u>
Earnings per Equity Share			
Equity Share of par value of ₹ 10/- each			
Basic and Diluted		(0.62)	(5.75)

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 : November 27, 2013

CHARULATA KABRA
Company Secretary

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

U. KANORIA
Managing Director
A. DOSHI
Director

CASH FLOW STATEMENT for the year ended September 30, 2013

(Amount in ₹)

Particulars	September 30, 2013	September 30, 2012
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(1,10,93,579)	(10,30,50,530)
Add/Less : Adjustments		
Interest Paid	9,20,15,900	9,11,11,369
Depreciation	3,86,65,980	4,15,32,343
Interest Received	(32,43,307)	(11,31,280)
Provision for Diminution in the value of Investment	47,500	2,500
Profit/(Loss) on Fixed Assets Sold	(37,829)	(29,571)
Operating Profit Before Working Capital Changes	<u>11,63,54,665</u>	<u>2,84,34,831</u>
ADJUSTMENT FOR :		
Trade & Other Receivables	(95,40,026)	4,48,03,043
Inventories	6,42,72,093	(3,25,52,580)
Trade & Other Payables	(9,16,41,028)	(1,06,39,105)
Cash Generated From Operations	<u>7,94,45,704</u>	<u>3,00,46,189</u>
Income Tax Paid (Net of Refund)	(1,78,755)	78,264
Net Cash Flow From Operating Activities	<u>7,92,66,949</u>	<u>3,01,24,453</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	5,42,606	(27,66,162)
Fixed Assets Sold	95,049	3,37,623
Interest Received	32,43,307	11,31,280
Net Cash Flow from Investing Activities	<u>38,80,962</u>	<u>(12,97,259)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Repayment) in Borrowings	(4,88,38,115)	1,01,72,677
Interest Paid	(3,45,78,677)	(4,03,11,303)
Net Cash Used in Financing Activities	<u>(8,34,16,792)</u>	<u>(3,01,38,626)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(2,68,881)	(13,11,432)
Cash and Cash Equivalents as at (Opening Balance)	44,19,025	57,30,457
Cash and Cash Equivalents as at (Closing Balance)	<u>41,50,144</u>	<u>44,19,025</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 : November 27, 2013

CHARULATA KABRA
 Company Secretary

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

U. KANORIA
 Managing Director

A. DOSHI
 Director

Notes '1' to '24' annexed to and forming part of the Balance Sheet as at and Statement of Profit and Loss for the year ended September 30, 2013

	(Amount in ₹)			
	As at September 30, 2013		As at September 30, 2012	
	Number	Amount (₹)	Number	Amount (₹)
1 SHARE CAPITAL				
(a) Details of Authorised, Issued, Subscribed and fully Paid up Shares				
Authorised				
Equity Shares of ₹ 10 each	1,85,00,000	18,50,00,000	1,85,00,000	18,50,00,000
Issued, Subscribed and Paid up				
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	September 30, 2013		September 30, 2012	
	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%
Jainex Securities Pvt. Ltd.	—	—	15,00,000	8.37%
Cosmos Resources Pvt. Ltd.	13,26,429	7.40%	13,26,429	7.40%
Magenta Nirman Pvt. Ltd.	—	—	10,00,000	5.58%

2 RESERVES & SURPLUS

	As at September 30, 2013	As at September 30, 2012
a. Capital Reserves	25,00,000	25,00,000
b. Securities Premium Account	2,50,00,000	2,50,00,000
c. General Reserves	18,61,52,937	18,61,52,937
d. Surplus : Opening Balance	(65,34,55,528)	(55,04,04,998)
Add : Profit / (Loss) transferred from Statement of Profit and Loss	(1,10,93,579)	(10,30,50,530)
Closing Balance	<u>(66,45,49,107)</u>	<u>(65,34,55,528)</u>
	<u>(45,08,96,170)</u>	<u>(43,98,02,591)</u>

3 LONG TERM BORROWINGS
I Unsecured

Term Loans from Related Parties (Interest free)	4,34,34,766	4,71,62,991
(Please refer note no. 24(2)(h))	<u>4,34,34,766</u>	<u>4,71,62,991</u>

Term for repayment of Loan -

Loan is payable on demand not earlier than September 30, 2014

4 LONG TERM PROVISIONS
Provision for Employee Benefits

Unavailed Leave	27,12,408	19,14,294
Gratuity [Refer note 24(1)(h) & 24(2)(g)]	51,69,597	26,92,361
	<u>78,82,005</u>	<u>46,06,655</u>

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2013	September 30, 2012
5 SHORT TERM BORROWINGS		
I Secured^{(i) & (ii)}		
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	2,97,71,557	4,48,81,447
	<u>12,97,87,941</u>	<u>14,48,97,831</u>
II Unsecured		
(a) Term Loans from Related Parties	6,80,00,000	8,40,00,000
(a) Term Loans from Other Parties	2,00,00,000	3,40,00,000
	<u>8,80,00,000</u>	<u>11,80,00,000</u>
	<u>21,77,87,941</u>	<u>26,28,97,831</u>

Nature of Security

- (i) Secured by hypothecation of all tangible assets 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) 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

Payable to Micro, Small and Medium Enterprises ⁽¹⁾	-	-
Payable to Others	7,35,43,514	17,89,10,255
	<u>7,35,43,514</u>	<u>17,89,10,255</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.

7 OTHER CURRENT LIABILITIES

(a) Current Maturities of Long-term Debt		
Term Loans from Banks		
I.D.B.I. Rupee Term Loan ^{(A) & (B)}	10,04,25,000	10,04,25,000
S.B.I. Rupee Term Loan ^{(A) & (B)}	8,49,00,000	8,49,00,000
S.B.I. Corporate Loan ^{(A) & (B)}	2,10,00,000	2,10,00,000
I.D.B.I. Rupee Term Loan (WCTL) ^{(A) & (B)}	32,80,000	32,80,000
S.B.I. Rupee Term Loan (F.I.T.L.) ^{(A) & (B)}	3,44,99,895	3,44,99,895
	<u>24,41,04,895</u>	<u>24,41,04,895</u>
(b) Interest accrued and due on Borrowings	10,99,78,505	5,25,41,282
(c) Accrued Salaries and Benefits		
Salaries	1,34,85,158	1,08,34,776
Contribution of Provident and Other Funds	7,67,073	5,68,064
	<u>1,42,52,231</u>	<u>1,14,02,840</u>
Carried forward	36,83,35,631	30,80,49,017

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2013	September 30, 2012
7 OTHER CURRENT LIABILITIES (Contd.)		
Balance Brought Forward	36,83,35,631	30,80,49,017
(d) Other Payables		
Statutory Obligation	20,04,670	18,78,917
Advance from Customers	60,79,732	63,54,387
Others Payable ^(v)	<u>1,51,09,555</u>	<u>93,79,054</u>
	<u>2,31,93,957</u>	<u>1,76,12,358</u>
	<u>39,15,29,588</u>	<u>32,56,61,375</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 September 30, 2013 (In days)	Amount of Default - Loan Rupees
IDBI - Rupee Loan	Oct-11	731	54,00,000
	Jan-12	639	54,00,000
	Apr-12	548	54,00,000
	Jul-12	457	54,00,000
	Oct-12	365	54,00,000
	Jan-13	273	54,00,000
	Apr-13	183	68,02,500
	Jul-13	92	68,02,500
SBI - Rupee Loan	Sep-11	732	26,50,000
	Dec-11	640	37,50,000
	Mar-12	549	37,50,000
	Jun-12	458	42,50,000
	Sep-12	366	42,50,000
	Dec-12	274	42,50,000
	Mar-13	184	42,50,000
	Jun-13	93	45,00,000
	Sep-13	1	45,00,000
S.B.I. Corporate Loan	Sep-11	732	30,00,000
	Dec-11	640	30,00,000
	Mar-12	549	30,00,000
	Jun-12	458	30,00,000
	Sep-12	366	30,00,000
	Dec-12	274	30,00,000
	Mar-13	184	30,00,000

NOTES 1 to 24 (Contd.)

(Amount in ₹)

7 OTHER CURRENT LIABILITIES (Contd.)

Particulars	Outstanding Since	Period of Default as on September 30, 2013 (In days)	Amount of Default - Loan Rupees
S.B.I. - Rupee Loan (FITL)	Sep-12	366	15,00,000
	Dec-12	274	20,00,000
	Mar-13	184	20,00,000
	Jun-13	93	20,00,000
	Sep-13	1	20,00,000
I.D.B.I. Line Of Credit	Aug-11	792	50,00,000
	Sep-11	761	50,00,000
I.D.B.I. Rupee Term Loan (WCTL)	Aug-11	792	16,70,000
	Sep-11	761	16,10,000
Total Principle Installments Default			12,59,35,000
Interest accrued and due on above loans			10,86,69,929
Total			23,46,04,929

(iv) During the previous year 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. Interest has been provided as per last communicated rates or at the rate debited by Bank.

(v) Includes ₹ 25,000/- (Previous Year ₹ 25,000/-) payable to Director.

As at	
September 30, 2013	September 30, 2012

8 SHORT TERM PROVISIONS
Provision for Employee Benefits

Unavailed Leave	4,81,576	2,50,983
Gratuity (Refer Note 24(1)(h) & 24(2)(g))	24,42,661	6,53,881
	29,24,237	9,04,864

9 FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.10.2012	Additions during the year	Disposal during the year	As at 30.09.2013	As at 01.10.2012	For the year	On Disposals	As at 30.09.2013	As at 30.09.2013	As at 30.09.2012
Tangible Assets										
Land	40,76,694	—	—	40,76,694	—	—	—	—	40,76,694	40,76,694
Buildings ⁽¹⁾	19,06,82,926	9,99,441	—	19,16,82,367	5,18,82,544	54,74,173	—	5,73,56,717	13,43,25,650	13,88,00,382
Plant and Equipment	79,01,03,429	4,96,607	—	79,06,00,036	62,91,47,653	3,24,81,520	—	66,16,29,173	12,89,70,863	16,09,55,776
Furniture and Fixtures	35,13,775	26,290	—	35,40,065	27,90,326	1,55,871	—	29,46,197	5,93,868	7,23,449
Vehicles	47,60,148	16,43,191	7,53,787	56,49,552	31,20,342	3,55,859	6,96,567	27,79,634	28,69,918	16,39,806
Office Equipment	53,57,128	1,31,400	—	54,88,528	37,88,918	1,98,557	—	39,87,475	15,01,053	15,68,210
	99,84,94,100	32,96,929	7,53,787	100,10,37,242	69,07,29,783	3,86,65,980	6,96,567	72,86,99,196	27,23,38,046	30,77,64,317
Previous year	99,88,50,583	23,93,332	27,49,815	99,84,94,100	65,16,39,203	4,15,32,343	24,41,763	69,07,29,783	30,77,64,317	—

(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/-)

10 DEFERRED TAX

	As at September 30, 2012	Charge/ Credit During the Year	As at September 30, 2013
Deferred Tax Liability Related to Fixed Assets			
Depreciation (Including unabsorbed)	(2,07,98,564)	(2,03,11,725)	(4,11,10,289)
Deferred Tax Assets on Account of Following			
Provision for Bonus	19,04,075	3,44,247	22,48,322
Provision for Gratuity	10,85,688	13,84,109	24,69,797
Provision for Leave Encashment	7,02,524	3,33,764	10,36,288
Provision for Superannuation Fund	59,258	38,666	97,924
Interest on Term Loan	1,70,47,019	1,82,10,939	3,52,57,958
Deferred Tax Assets (Net)	—	—	—

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

NOTES 1 to 24 (Contd.)

(Amount in ₹)

	As at	
	September 30, 2013	September 30, 2012
11 LONG TERM LOANS AND ADVANCES		
Capital Advances	—	40,50,700
Prepaid Expenses	72,895	14,707
Deposits	2,06,07,822	1,99,04,522
Amount with Government Authorities	<u>1,91,63,164</u>	<u>2,25,64,951</u>
	<u>3,98,43,881</u>	<u>4,65,34,880</u>
12 CURRENT INVESTMENTS		
Current Investment ⁽¹⁾		
Investments in Mutual Funds - SBI Infrastructure Fund (No. of Units 50,000 P.Y.50,000)	5,00,000	5,00,000
Less: Provision for Diminution	<u>1,39,500</u>	<u>92,000</u>
	<u>3,60,500</u>	<u>4,08,000</u>
(1) Valued at lower of cost or fair value		
13 INVENTORIES		
a. Raw Materials and Components ^{(1)(a)}	1,47,99,082	7,89,08,944
b. Work-in-Progress ^{(1)(b)}	1,54,61,271	2,72,82,853
c. Finished Goods ^{(1)(b)}	4,21,30,874	3,26,42,408
d. Stores and Spares ⁽²⁾	1,24,60,144	1,09,92,478
e. Waste ⁽³⁾	<u>48,90,191</u>	<u>41,86,972</u>
	<u>8,97,41,562</u>	<u>15,40,13,655</u>
(1) Valued at cost or net realizable value whichever is lower		
(2) Valued at cost		
(3) At Net realisable value		
a) Excludes inventory of cotton ₹ 6,82,80,224/- (Net of VAT ₹ 34,14,012/-) for the current 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, 2013 amounting ₹ 6,98,03,788/- whose material have been consumed on or before September 30, 2013 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	4,21,30,874	3,26,42,408
ii) Work-in-progress		
Yarn/Knitted Fabrics	1,54,61,271	2,72,82,853
14 TRADE RECEIVABLES		
Unsecured, considered good		
Outstanding for a period exceeding six months from the date they become due for payment	2,52,286	—
Other receivables	<u>72,43,167</u>	<u>88,99,224</u>
	<u>74,95,453</u>	<u>88,99,224</u>
15 CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on hand	4,12,378	4,04,060
Balances with Banks		
In Current Accounts	37,37,766	37,95,018
In Fixed Deposit Accounts	<u>—</u>	<u>2,19,947</u>
	<u>41,50,144</u>	<u>44,19,025</u>
16 SHORT TERM LOANS AND ADVANCES		
Others - Unsecured, considered good		
Prepaid Expenses	10,22,106	3,90,088
Amount with Government Authorities	2,84,31,154	2,13,69,529
Advances to Suppliers	46,59,450	15,06,491
Advances to Staff	2,98,769	7,04,119
Advance Income Tax	8,17,733	6,38,978
Others	<u>1,57,66,828</u>	<u>1,26,23,984</u>
	<u>5,09,96,040</u>	<u>3,72,33,189</u>

NOTES 1 to 24 (Contd.)

	Year ended on September 30, 2013	(Amount in ₹) Year ended on September 30, 2012
17 REVENUE FROM OPERATIONS		
Sale of Products	145,35,18,952	122,71,63,117
Sale of Services	2,03,834	9,39,461
Other Operating Revenues		
Export Benefits received	—	38,86,225
Scrap Sales	9,45,509	7,39,028
	<u>145,46,68,295</u>	<u>123,27,27,831</u>
Details of Goods Sold		
Yarn/Knitted Fabrics	130,39,85,842	109,26,18,234
Others	14,95,33,110	13,45,44,883
	<u>145,35,18,952</u>	<u>122,71,63,117</u>
18 OTHER INCOME		
Interest Income	32,43,307	11,31,280
Exchange Rate Difference	—	37,05,819
Liabilities / Provision no longer required	13,54,459	5,49,338
Other non-operating income	7,26,773	647
Surplus on sale of fixed assets	37,829	1,28,022
Service tax Refund	—	7,733
	<u>53,62,368</u>	<u>55,22,839</u>
19 COST OF MATERIALS CONSUMED		
Raw Material Consumption		
Opening Stock	7,89,08,944	3,48,10,636
Add: Purchases	93,08,52,136	91,47,35,181
Less: Closing Stock	1,47,99,082	7,89,08,944
Total Cost of Material Consumed	<u>99,49,61,998</u>	<u>87,06,36,873</u>
Details of Raw Material Consumed		
Cotton	<u>99,49,61,998</u>	<u>87,06,36,873</u>
	<u>99,49,61,998</u>	<u>87,06,36,873</u>
20 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS		
Changes in Inventory		
Work-in-Progress		
Opening	2,72,82,853	3,13,50,156
Closing	1,54,61,271	2,72,82,853
Finished Goods		
Opening	3,68,29,380	4,36,65,363
Closing	4,70,21,065	3,68,29,380
(Increase) / Decrease in Inventory	<u>16,29,897</u>	<u>1,09,03,286</u>
21 EMPLOYEE BENEFIT EXPENSES		
Salaries and Incentives	8,94,02,490	7,09,34,602
Contribution to Gratuity Fund	59,16,016	9,48,471
Contributions to Provident and other funds	63,53,416	54,35,295
Staff Welfare Expenses	38,68,413	38,96,154
	<u>10,55,40,335</u>	<u>8,12,14,522</u>
22 FINANCE COSTS		
Interest Expense	9,20,15,900	8,93,61,807
Other Borrowing Costs	—	17,49,562
	<u>9,20,15,900</u>	<u>9,11,11,369</u>

NOTES 1 to 24 (Contd.)

	Year ended on September 30, 2013	(Amount in ₹) Year ended on September 30, 2012
23 OTHER EXPENSES		
Consumption of Store Materials	23,593,792	20,433,960
Power and Fuel	15,03,49,588	15,76,71,156
Repairs to Buildings	19,12,905	5,78,785
Repairs to Machinery	2,71,89,899	2,61,13,156
Repairs to others	10,72,637	12,04,304
Insurance	7,58,202	6,21,845
Rates and Taxes	2,73,525	2,62,156
Commission and Discount	1,05,72,114	1,35,01,065
Freight and Despatch Charges	42,19,749	62,24,627
Travelling and Conveyance	58,57,318	41,23,623
Vehicle Expenses	22,69,992	24,87,441
Director's Sitting Fees	1,70,000	2,30,000
Loss on Sale of Fixed Assets	—	98,451
Sundry Balances Written Off	—	63,445
Payment to Auditors [Refer Note 24(2)(d)]	2,25,573	2,12,197
Provision for Diminutions in the value of Investment	47,500	2,500
Miscellaneous Expenses	97,97,338	1,20,74,096
	<u>23,83,10,132</u>	<u>24,59,02,807</u>

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

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current – non current classification of assets and liabilities.

b) Fixed Assets and Depreciation

Fixed Assets : Fixed Assets are stated at cost / book value less depreciation and net of cenvat and subsidy except on freehold land.

Depreciation : (i) Depreciation is being provided on Straight Line Method in terms of Section 205(2) (b) of the Companies Act, 1956 at the rates and in the manner specified in Schedule XIV to the said Act.

(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.

NOTES 1 to 24 (Contd.)

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

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 :
 Funded Plan: The Company has defined benefit plans in the form of Gratuity and Leave Encashment the liability for which is determined on the basis of actuarial valuation at the end of the year. Gains and losses arising out of actuarial valuation are recognised immediately to the Statement of Profit and Loss as income or expense.
 Unfunded Plan : The Company has unfunded Defined Benefit Plans in the form of Compensated Absences, as per Company Policy.
- (iii) Other Defined Benefits : Provision for other defined benefit for long term leave encashment is made based on 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 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.

NOTES 1 to 24 (Contd.)
24 SIGNIFICANT ACCOUNTING POLICIES AND OTHER NOTES TO ACCOUNT (Contd.)
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. In assessing value in use, the estimated future cash flows are discounted to the present value by using weighted average cost of capital.

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

	As at	
	30.09.2013	30.09.2012
(i) Contingent Liabilities		
(a) Claims against the Company not acknowledged as debt - Labour Matters	5,65,877	3,35,231
(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 against the Bank.	11,78,81,338	11,78,81,338
	<u>11,84,47,215</u>	<u>11,82,16,569</u>
(ii) Commitments		
Estimated amount of contracts remaining to be executed on Capital Account and not provided for	—	4,23,45,734
	<u>—</u>	<u>4,23,45,734</u>
	<u>11,84,47,215</u>	<u>16,05,62,303</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 Company's 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 acquire 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 September 30, 2013 and as on that date.

Secondary Segment- Geographical by location of customers

	As at	
	30.09.2013	30.09.2012
Sales & Operating Income		
In India	145,46,68,295	113,85,86,069
Outside India	—	9,41,41,762
	<u>145,46,68,295</u>	<u>123,27,27,831</u>
Carrying cost of Assets by Location		
In India	46,55,09,621	55,96,45,120
Outside India	—	—
	<u>46,55,09,621</u>	<u>55,96,45,120</u>
Capital Expenditure		
In India	35,08,094	27,66,162
Outside India	—	—
	<u>35,08,094</u>	<u>27,66,162</u>

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

(d) Payment to Auditors

	As at	
	30.09.2013	30.09.2012
Auditor		
a. For audit services	1,00,000	1,00,000
b. For taxation matters	16,854	15,000
c. For other services	63,326	63,500
	<u>1,80,180</u>	<u>1,78,500</u>
Cost Auditor		
a. Cost audit fees	33,708	32,318
b. For other services	10,000	—
c. For reimbursement of expenses	1,685	1,379
	<u>45,393</u>	<u>33,697</u>
	<u>2,25,573</u>	<u>2,12,197</u>

(e) Earning Per Share

Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings per Share

Particulars	As at	
	30.09.2013	30.09.2012
Profit/(Loss) for the year attributable to the Equity Shareholders	(1,10,93,579)	(10,30,50,530)
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	(₹ 0.62)	(₹ 5.75)

(f) Other Details
(i) Value of Raw Materials Consumed

	September 30, 2013		September 30, 2012	
	Amount	%	Amount	%
Indigenous	99,49,61,998	100.00	87,06,36,873	100.00
	<u>99,49,61,998</u>	<u>100.00</u>	<u>87,06,36,873</u>	<u>100.00</u>

(ii) Value of Spares Consumed

	September 30, 2013		September 30, 2012	
	Amount	%	Amount	%
Imported	21,78,205	8.62	31,18,519	12.85
Indigenous	2,30,81,466	91.38	2,11,57,806	87.15
	<u>2,52,59,671</u>	<u>100.00</u>	<u>2,42,76,325</u>	<u>100.00</u>

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

	30.09.2013	30.09.2012
Spare Parts	15,40,157	28,61,415
	<u>15,40,157</u>	<u>28,61,415</u>

(iv) Expenditure in Foreign Currency

	30.09.2013	30.09.2012
Travelling	23,13,050	14,36,093
Bank Charges	—	3,74,886
Commission	—	4,59,947
	<u>23,13,050</u>	<u>22,70,926</u>

(v) Earnings in Foreign Currency

	30.09.2013	30.09.2012
F.O.B. Value of Exports	—	9,26,80,013
	<u>—</u>	<u>9,26,80,013</u>

(vi) Export Sales

	30.09.2013	30.09.2012
Direct Exports	—	9,41,41,762
Through Export House	104,35,20,470	73,54,51,958
	<u>104,35,20,470</u>	<u>82,95,93,720</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 ₹ 63,53,416/- (Previous year ₹ 54,35,295/-) is recognised as expense and included in "Employee Benefits Expenses" in Note - 21 to the Statement of Profit & Loss.

b. Defined Benefit Plans :

(Amount in ₹)

i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

Particulars	Gratuity as at	
	30.09.2013	30.09.2012
a. Present value of Defined Benefit obligation at the beginning of the year	89,18,568	1,00,83,368
b. Interest cost	6,72,333	8,06,669
c. Current service cost	15,91,329	9,99,646
d. Actuarial Losses/(Gains)	41,72,967	(78,148)
e. Benefits paid	(15,38,154)	(28,92,967)
f. Present value of Defined Benefit Obligation at the close of the year	1,38,17,043	89,18,568

ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

a. Fair value of Plan Assets at the beginning of the year	55,72,326	52,85,597
b. Add: Expected Return on Plan Assets	5,20,613	4,66,118
c. Add/Less: Actuarial Losses/(Gains)	—	3,13,578
d. Add: Contributions	16,50,000	24,00,000
e. Less: Benefits Paid	(15,38,154)	(28,92,967)
f. Fair value of Plan Assets at the close of the year	62,04,785	55,72,326

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to assets and liabilities recognised in the Balance Sheet.

a. Present value of Defined Benefit obligation	1,38,17,043	89,18,568
b. Less: Fair value of plan Assets	62,04,785	55,72,326
c. Present value of unfunded obligation	76,12,258	33,46,242
d. Net Liability/(Asset) recognised in the Balance Sheet	76,12,258	33,46,242

iv. Amount recognised in the Statement of Profit and Loss are as follows:

a. Current Service Cost	15,91,329	9,99,646
b. Interest Cost	6,72,333	8,06,669
c. Expected Return on Plan Assets	(5,20,613)	(4,66,118)
d. Actuarial Losses/(Gains)	41,72,967	(3,91,726)
e. Past services costs	—	—
f. Effect of Curtailment/Settlement	—	—
g. Adjustments for earlier years	—	—
h. Recognised in the Statement of Profit and Loss	59,16,016	9,48,471

v. Actuarial Assumptions at the Balance Sheet date:

a. Discount Rate	9.25%	8.25%
b. Expected Rate of Return on Plan Assets	9.25%	9.25%
c. Salary Escalation Rate - Management Staff	7%	3%
d. Salary Escalation Rate - Non Management Staff	7%	3%

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

Particulars	Gratuity as at	
	30.09.2013	30.09.2012
vi. Experience Adjustments :		
a. Defined Benefit Obligation	1,38,17,043	89,18,568
b. Plant Assets	62,04,785	55,72,326
c. (Surplus) / Deficit	76,12,258	33,46,242
d. Experience adjustments on plan liabilities (gain) / loss	41,72,967	1,20,833
e. Experience adjustments on plan assets (gain) / loss	—	(3,13,578)

The Estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

vii. Amount recognised as an expense in respect of Compensated Leave Absences is ₹ 19,60,242/- (Previous year ₹ 11,34,601/-)

(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. Umang Kanoria | Miss Stuti Kanoria |
| Mrs. Anuradha Kanoria | Master 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 :
Details relating to parties referred to in item 1(i) and 1(ii) above: (Amount in ₹)

Particulars	September 30, 2013		September 30, 2012	
	In Relation to Item 1(i)	In Relation to Item 1(ii)	In Relation to Item 1(i)	In Relation to Item 1(ii)
Intercorporate Loan Repaid				
Kanco Tea & Industries Ltd. (net)	—	37,28,225	—	—
S.T. Investment Pvt. Ltd.	—	1,60,00,000	—	—
Intercorporate Loan Received				
S.T. Investment Pvt. Ltd.	—	—	—	5,50,00,000
Kanco Tea & Industries Ltd. (net)	—	—	—	12,05,256
Remuneration	31,56,901	—	21,05,966	—
Deposit Received	—	—	—	—
Interest Paid				
Nidhi Pvt. Ltd.	—	9,00,000	—	9,00,000
S.T. Investment Pvt. Ltd.	—	88,73,725	—	77,92,377
Outstanding Balances at the end (Payable)/ Receivable (Net)				
Umang Kanoria	(25,000)		(25,000)	
Kanco Tea & Industries Ltd.		(4,34,34,766)		(4,71,62,991)
S. T. Investment Pvt. Ltd.		(5,90,00,000)		(7,79,52,062)
Nidhi Pvt. Ltd.		(94,06,110)		(1,02,16,110)

NOTES 1 to 24 (Contd.)

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

- (i) The Company's appeal filed on 18/01/2013 in Appellate Authority for Industrial and Financial Reconstruction u/s 25(1) of 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 accumulated losses of ₹ 66,45,49,107/- as on September 30, 2013, resulting in complete erosion of its net worth. The Company has no specific plan to wind up its operations in the near future. The management is of the view that long term prospects of the Company appear better with overall turnaround in the textile industry, stability in the cotton price. In view of this the financial statement have been prepared on a going concern basis.
- In addition to this management also expect reliefs/concessions on sanction of rehabilitation/ revival package by the Board of Industrial and Financial Reconstructions (BIFR) as company is already involved in discussion with its lenders for this purpose which will help the company to run its operations in coming years.
- (k) The previous period figures have been regrouped/reclassified, wherever necessary to conform to the current year presentation.

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 : November 27, 2013

CHARULATA KABRA
Company Secretary

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

U. KANORIA
Managing Director
A. DOSHI
Director



KANCO ENTERPRISES LIMITED

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

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.

ATTENDANCE SLIP

I hereby record my presence at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company being held at "Bharatiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 14th March, 2014 at 10.00 A.M.

REGD. FOLIO/BENEFICIARY ID NO. :	NO. OF SHARES :
NAME OF THE MEMBER (IN BLOCK CAPITALS)	
SIGNATURE OF THE MEMBER OR PROXY	



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PROXY FORM

REGD. FOLIO /BENEFICIARY ID NO. :

NO. OF SHARES :

I/We

of

..... being a Member/Members of KANCO ENTERPRISES LIMITED

hereby appoint of

or failing him/her of

or failing him/her of

as my/our Proxy to attend and vote for me/us on my/our behalf at the TWENTY THIRD ANNUAL GENERAL MEETING of the Company to be held on Friday, the 14th March, 2014 at 10.00 A.M. and at any adjournment thereof.

Signed thisday of2014.

Signature



Note : The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.