



## KANCO ENTERPRISES LIMITED

# Annual Report & Accounts 2009-2010

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#### **BOARD OF DIRECTORS**

**Sri U. Kanoria**

*Chairman & Managing Director*

**Sri G. R. Basotia**

*Wholtime Director*

**Sri G. Momen**

**Sri P. K. Bhattacharjee**

**Sri P. K. Poddar**

**Sri A. K. Jain**

*Directors*

#### **COMPANY SECRETARY**

**Sri R. Mundhra**

#### **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 : [kanco@vsnl.com](mailto:kanco@vsnl.com)

Website : [www.kanco.in](http://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](mailto:rta@cbmsl.com)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at the “Bharatiya Bhasha Parishad”, 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 13th of August, 2010 at P.M., inter-alia, to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2010, the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors.
2. To appoint a director in place of Mr. Anil Kumar Jain, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Golam Momen, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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, 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

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION :  
 “RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where securities of the Company are listed and in terms of the provisions of SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (the “SEBI (ICDR) Regulations, 2009”) (including any amendment(s) to or re-enactment thereof), the regulations/guidelines, if any, issued by the Government of India, the Reserve Bank of India and any other applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force), and subject to such approvals, consents, permissions and sanctions as may be required from the Government of India, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other relevant statutory, governmental authorities or departments, institutions or bodies (Concerned Authorities) in this regard and further subject to such terms and conditions or modifications thereto as may be prescribed or imposed by any of the Concerned Authorities while granting such approvals, and permissions as may be necessary or which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which expression shall include any Committee constituted by the Board or any person(s) authorized by the Board to exercise the powers conferred on the Board by this Resolution) and subject to such terms, conditions and modifications as the Board may in its discretion impose or agree to, the consent and approval of the Company be and is hereby accorded to the Board and the Board be and is hereby authorized to create, offer, issue and allot from time to time in one or more tranches, equity shares of face value of Rs.10/- each, fully paid up, at such price (including premium) being not less than the price determined in accordance with Chapter VII of the SEBI(ICDR) Regulations, 2009, on preferential allotment basis, so that the value of the total number of shares so issued, aggregates to not more than Rs. 5,00,00,000 (Rupees Five Crores Only) to the following persons/entities as mentioned below :

Name of the Proposed Allottee	No. of Equity Shares to be allotted	Status	Value
1. Magenta Nirman Pvt. Ltd.	10,00,000 Equity Shares	Non-Promoter	Rs. 2,00,00,000
2. Jainex Securities Pvt. Ltd.	15,00,000 Equity Shares	Non-Promoter	Rs. 3,00,00,000

## **NOTICE (Contd.)**

"RESOLVED FURTHER THAT the relevant date for the purpose of calculating the exercise price under Chapter VII of SEBI (ICDR) Regulations, 2009 is 14th of July, 2010, being 30 days prior to 13th of August, 2010."

"RESOLVED FURTHER THAT the said shares shall be ranked in all respects, pari-passu with the existing equity shares of the Company."

"RESOLVED FURTHER THAT pursuant to the provisions of Chapter VII of SEBI (ICDR) Regulations, 2009, the fresh equity shares to be allotted shall be locked in for a period of one year from the date of allotment and that the equity Shares shall not be sold, transferred, hypothecated or encumbered in any manner during the period of lock-in except to the extent and in the manner permitted there under."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised on behalf of the Company to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to effect the issue and allotment of the aforesaid securities and listing thereof with the stock exchange(s) and to settle any question, difficulties or doubts that may arise in this regard as it may in its absolute discretion deem fit and proper, without being required to seek any further consent or approval of the Members or otherwise to the end and indent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

### *Registered Office :*

Jasmine Tower, 3rd Floor  
31, Shakespeare Sarani, Kolkata 700 017  
Dated, the 21st day of June, 2010

By Order of the Board  
For KANCO ENTERPRISES LIMITED

R. MUNDHRA  
*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 meeting.
- The Register of Members and Share Transfer Register shall remain closed with effect from Wednesday, the 11th of August, 2010 to Friday, the 13th of August, 2010 (both days inclusive).
- The shareholders are requested to communicate to the Registrar & Transfer Agent of the Company, M/s C.B. Management Services (P) Ltd., change in their address, if any, at the address given in the Annual Report.
- Members are requested to preferably send their queries to the Registered Office, seven (7) days before the date of the AGM.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ("The Act")**

### **Item No. 5**

#### **Issue of Shares on preferential basis as per the SEBI (ICDR) Regulations :**

The proposal involves issue and allotment of Equity Shares on preferential basis, thereby increasing the paid up Share Capital of the Company. This requires approval of members of the Company under Section 81(1A) of the Companies Act, 1956 by means of special resolution. The necessary information pertaining to the proposed preferential allotment in terms of the Regulation 73(1) of SEBI (ICDR) Regulations, 2009 are set out as below :

#### **a) The Object(s) of the issue :**

The proposed preferential allotment of shares is made to meet the funding requirements including but not limited to investment for meeting its business requirements, funding ongoing capital expenditure and/or for the repayment of its long term debts and working capital requirements in order to improve its project capacity and enhance infrastructure facilities.

**NOTICE (Contd.)**
**b) Intention of Promoters/Directors/Key Management Persons to subscribe the Offer :**

None of the Directors/Promoters/Key Management Persons has any intention to subscribe to the Offer.

**c) Shareholding Pattern before and after the Issue :**

The Shareholding Pattern before and after the Offer would be as under :

S. No.	Category of Shareholder	Before Issue		Post Issue	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>				
A.1	Indian				
	Individuals/ Hindu Undivided Family	17,41,934		17,41,934	
	Bodies Corporate	95,56,270		95,56,270	
	Sub-Total A.1	1,12,98,204		1,12,98,204	
A.2	Foreign Promoters	0		0	
	Sub-Total (A)	1,12,98,204	73.22	1,12,98,204	63.01
<b>(B)</b>	<b>Public Shareholding</b>				
B.1	Institutions				
(a)	Mutual Funds/ UTI	54,183		54,183	
(b)	Financial Institutions / Banks	1,33,321		1,33,321	
(c)	Central Government/ State Government(s)	14,976		14,976	
	Sub-Total B.1	2,02,480		2,02,480	
B.2	Non-institutions				
(a)	Bodies Corporate	10,01,760		35,01,760	
(b)	Individuals	29,01,856		29,01,856	
(c-i)	NRI	5,778		5,778	
(c-ii)	CLEARING MEMBER	20,296		20,296	
	Sub-Total B.2	39,29,690		64,29,690	
	Sub-Total (B)	41,32,170	26.78	66,32,170	36.99
	<b>GRAND TOTAL (A)+(B)</b>	<b>1,54,30,374</b>	<b>100.00</b>	<b>1,79,30,374</b>	<b>100.00</b>

**d) Consequential Changes in the Voting Rights :**

Voting rights will change in tandem with the shareholding pattern.

**e) Proposed time within which the allotment shall be completed :**

The Board proposes to allot equity shares within a period of 15 days from the date of passing of the resolution by the shareholders in the General Meeting, provided that when the allotment on preferential basis is pending on account of pendency of any approval or permission for such allotment by any regulatory authority or the Central Government, the period of fifteen days shall be counted from the date of such approval or permission.

**NOTICE (Contd.)**
**f) Identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them :**

Sl. No.	Name of the Allotees	No. of Shares held prior to allotment	No. of Shares allotted	No. & % of Post Issue Equity and Voting Share Capital
1.	Magenta Nirman Pvt. Ltd.	NA	10,00,000	10,00,000 5.58%
2.	Jainex Securities Pvt. Ltd	NA	15,00,000	15,00,000 8.36%

**g) Lock in Period :**

The aforesaid allotment of equity shares arising shall be locked in as per the provisions of Chapter VII of the SEBI (ICDR) Regulations, 2009.

Further, the entire Pre-Preferential allotment shareholding of all the proposed allottees, if any, shall also be under lock-in from the relevant date upto a period of one year from the date of the allotment of Equity Shares.

**h) Change in the Shareholding Pattern :**

There will also be a change in the shareholding pattern as well as voting rights consequent to the preferential allotment of equity shares.

**i) Pricing of the Issue :**

The shares are proposed to be allotted on preferential basis at a price of Rs. 20/- per share including premium of Rs. 10/- per share.

**j) Auditors' Certificate :**

A copy of the certificate issued by Statutory Auditors of the Company M/s B.R. Shah & Associates, Chartered Accountants, certifying that the issue of the Equity Shares is being made in accordance with the requirement of SEBI (ICDR) Regulations, 2009 for Preferential Issues, is available for inspection by the shareholders at the Registered Office of the Company on all working days except Public Holidays, Saturdays and Sundays between 3.00 P.M. and 5.00 P.M. upto to the date of the Annual General Meeting and at the Annual General Meeting.

**k) Undertakings :**

- (i) The Issuer Company undertakes that they shall re-compute the price of the Equity shares in terms of the provision of SEBI (ICDR) Regulations, 2009, where it is required to do so.
  - (ii) The Issuer Company undertakes that if the amount payable on account of the re-computation of price is not paid within the time stipulated in terms of the provision of SEBI (ICDR) Regulations, 2009, the Equity Shares shall continue to be locked-in till the time such amount is paid by the allottees.
- l)** Any of the equity shares that may remain unsubscribed for any reason whatsoever, may be offered and allotted by the Board in its absolute discretion to any person/entity/investor, on the same terms and conditions.

By Order of the Board  
For KANCO ENTERPRISES LIMITED

R. MUNDHRA  
Company Secretary

Kolkata, the 21st day of June, 2010

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Nineteenth Annual Report and Audited Accounts for the year ended 31st March, 2010.

### FINANCIALS

Your Company's financial performance was as follows :

	<u>2009-2010</u>	<u>2008-2009</u>
	(Rs. in lacs)	(Rs. in lacs)
Profit Before Interest, Depreciation and Tax	117.81	(3.23)
Less : Interest	570.89	614.89
Gross Profit for the year	<u>(453.08)</u>	<u>(618.12)</u>
Less : Depreciation	497.21	625.00
Profit/(Loss) Before Taxation	<u>(950.29)</u>	<u>(1243.12)</u>
Less : Provision for -		
Net Current Tax	—	0.84
Fringe Benefit Tax	—	5.50
Taxation for Earlier Years	—	6.34
Add/Less : Deferred Tax	13.53	430.22
Add/Less : MAT Credit Entitlement	<u>—</u>	<u>—</u>
Profit/(Loss) After Taxation	<u>(936.76)</u>	<u>(819.24)</u>
Balance Brought Forward from Last Account	<u>(1405.01)</u>	<u>(585.77)</u>
Balance Carried to Balance Sheet	<u>(2341.77)</u>	<u>(1405.01)</u>

### DIVIDEND

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

### DEMERGER

During the year under review, the Hon'ble High Court of judicature at Calcutta has approved the Scheme of Arrangement in the nature of De-merger of the Tea Division of the Company. Accordingly the Tea Division of the Company was de-merged and vested with Dhanvaridhi Concerns Limited (since renamed as Kanco Tea & Industries Limited). The appointed date for this de-merger was closing hours of 31st March, 2009. The shares of the resulting company shall be listed on the Stock Exchanges.

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

The accumulated losses of the Company at the end of financial year March 31, 2010 have resulted in erosion of more than 50 % of its peak net worth during the immediately preceding four financial years. While the Company is taking necessary steps to protect further erosion, the Company will report to the Board for Industrial and Financial Reconstruction about such erosion of net worth as envisaged under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 forthwith upon finalization of audited accounts of the Company at its Annual General Meeting.

### OPERATIONS

The First half of the year saw the industry facing difficult times. With the progress of the year, there was an improvement with last quarter of the year witnessing fairly strong revival. In view of improved working conditions, production of yarn, increased by 28.82% from 49.46 lakhs Kgs. in 2008-09 to 63.72 lakhs Kgs. in 2009-10. The sales quantity also registered improvement of 28.37% from 50.95 lakhs Kgs. in 2008-09 to 65.42 lakhs Kgs. in 2009-10. The Company achieved a turnover of Rs.9741.12 Lakhs for the financial year.

The Cotton prices remained firm with an upward trend right through the year. However, due to strong demand for yarn and improved realization in the second half of the year, the Company was able to curtail losses compared to the previous year.

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

The Industry is experiencing a revival of global demand coupled with declining inventory. It is expected that the strong demand and improved realisations will enable the Company to post vastly improved results in the current year.

### **FINANCE**

During the year under review, the Company repaid installments of Term Loans amounting to Rs.534.45 Lakhs, falling due during the current year. The Company also made fresh borrowings of Rs.1195.00 Lakhs for funding working capital requirements. Long Term debts of the Company stands at Rs.3820.05 Lakhs.

The Company's proposal for restructuring of its loans has been approved by State Bank of India.

### **DIRECTORS**

Mr. Anil Kumar Jain and Mr. Golam Momen, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

### **CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS**

A separate report on Corporate Governance along with Auditors' Certificate on its compliance is enclosed and forms part of this Report. Management Discussion and Analysis Report forms a part of the Annexure to the Directors' Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors state that :

- Appropriate Accounting Standards as are applicable to the Annual Statement of Accounts for the financial year ended 31st March, 2010 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 21 (Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

### **AUDITORS**

Messrs B. R. Shah & Associates, Chartered Accountants, retire at the conclusion of the 19th Annual General Meeting and being eligible, has expressed their willingness to continue as Auditors of the Company, if so appointed by the members.

### **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, Ahmedabad, has been appointed as the Cost Auditor of the Company to carry out the Cost Audit for the year 2009-10.

### **EMPLOYEE PARTICULARS**

The particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 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.

For and on behalf of the Board

U. KANORIA

Chairman

Kolkata, 21st day of June, 2010

## 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 31ST MARCH, 2010

Energy Conservation measures taken :

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

	<b>Savings</b>
1. Conversion of hydraulic drive by inverter drives for 02 simplex mc/s	32 units/day
2. 27gms. light weight bobbins used in place of 35 gms. bobbins on 06 KTTM R/F mc/s	110 units/day
3. W-8 Habasit spindle tapes installed on LMW 6S R/F for 08 mc/s	278 units/day
4. Regularly earning about 2.35% rebate in G.E.B. bills by maintaining good power factor. In the year 2009-2010, the above measure earned us Rs. 17.91 lacs.	

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

<b>(A) POWER &amp; FUEL CONSUMPTION</b>	<u>Current Year</u>	<u>Previous Year</u>	
<b>(1) Electricity</b>			
(a) Purchased (Units)	1,65,25,940	1,12,51,800	
Total Amount (Rs.)	9,66,92,305	6,43,67,048	
Rate/Unit (Rs.)	5.85	5.72	
(b) Own Generation			
Through LDO/FO/Diesel (Units)	1,08,83,467	99,78,475	
Unit per Ltr.	4.28	4.19	
Cost/Unit (Rs.)	4.63	4.42	
<b>(2) Furnace Oil</b>			
Quantity (K. Ltr.)	2,529	2,365	
Total Amount (Rs.)	4,98,44,960	4,36,71,697	
Average Rate (Rs./K. Ltr.)	19,709	18,466	
<b>(3) Others/Internal Generation</b>			
(a) Gas			
Quantity (cm <sup>3</sup> )	—	—	
Total Cost (Rs.)	—	—	
Rate/Unit (Rs./cm <sup>3</sup> )	—	—	
(b) LDO/Diesel			
Quantity (K. Ltr.)	17	16	
Total Cost (Rs.)	4,97,203	4,76,051	
Average (Rs./K. Ltr.)	29,247	29,753	
<b>(B) CONSUMPTION PER UNIT OF PRODUCTION</b>	<u>Unit</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Yarn &amp; Fabrics</b>	Kgs.		
Electricity	Unit	4.30	4.29

For the above, there is no prescribed standard.



## Annexure to the Directors' Report (Contd.)

### FORM-B

#### RESEARCH & DEVELOPMENT (R & D)

(1) Specific areas in which R & D carried out by the Company	a) Segmented Licker in under casings are fitted in six cross roll cards. b) Rogue spindles are being controlled by utilizing technologies adopted in the process and thus consistencies in quality are being maintained. c) Optimizing container stuffing for pallets & cartons.		
(2) Benefits derived as a result of the above R & D	a) Segmented licker in under casing improves sliver quality. b) Eliminating rogue spindles ensures uniform Fabric appearance. c) Reduction in logistics cost.		
(3) Future plan of action	a) Planning to install Blendomat or Bale Pucker in Blow Room lines of first unit for automation. b) Soft start system in E 7/4 combers will be upgraded with inverter drive.		
(4) Expenditure on R & D		<u>2009-2010</u>	<u>2008-2009</u>
(a) Capital		Rs. Nil	Rs. 51,21,368
(b) Recurring		Rs. 12,23,703	Rs. 12,72,886
(c) Total		Rs. 12,23,703	Rs. 6,39,425
(d) Total R & D Expenditure as a percentage of total turnover		0.13%	0.91%

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company continues its efforts to enhance exports with vigorous steps to find new markets and develop existing ones.

	<u>2009-2010</u>	<u>2008-2009</u>
1. Foreign Exchange Earnings	Rs.75,58,74,772	Rs.50,87,31,702
2. Foreign Exchange Outgo	Rs. 1,21,87,422	Rs. 1,46,29,067

For and on behalf of the Board

Kolkata  
21st day of June, 2010

U. KANORIA  
Chairman



**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

**OVERVIEW**

Performance of the Company has been adversely affected due to continuously rising input costs for raw material and power. Shortage of working capital restricted optimum procurement of raw materials. Recessionary conditions in earlier part of the year affected Yarn demand and prices, putting pressure on the margins. In the second half of the year Yarn demand and prices improved substantially restricting the quantum of losses. The current year has started on a strong note with strong demand for yarn and improved realisations.

- a) **Industry Outlook :** Outlook for the Industry has turned cautiously optimistic. Raw-material prices continued to rule high throughout the year on account of global shortage and large quantity booked for exports. The Government's effort to control cotton prices through a ban on exports has had little impact on prices.  
Yarn prices across all counts have moved up on account of strong demand. In view of this the Spinners have been able to pass on the increased input costs to the buyers. The Government has withdrawn specific export incentives available to Yarn spinners in the form of Duty Entitlement Passbook (DEPB) / Duty Drawback. This is expected to have a negative impact on the Industries earnings and export competitiveness.
- b) **Opportunities :** Domestic as well as export demand is expected to remain strong. Cotton area under cultivation is expected to increase in India. It is expected that Indian cotton crop will show an increase, whereas world cotton crop may stagnate or decline. This may put Indian producers at competitive advantage.
- c) **Challenges :** Shortage of skilled labour, withdrawal of export incentives and high raw material prices will pose a serious challenge to the industry's performance. The economic crisis in Europe may negatively effect demand.
- d) **Business Analysis & Review :**

	Units	2009-10	2008-09	% Change
Production of Cotton Yarn/Fabrics	Kgs	63,72,101	49,46,513	28.82%
Sales of Cotton Yarn/Fabrics	Kgs	65,41,650	50,95,823	28.37%
Average Realisation	Rs./Kg	127.40	117.83	8.12%
Average Cost of Cotton	Rs./Ton	67,680	64,247	5.34%
Profit / (Loss) Before Interest but after Depreciation	Rs. in Lacs	(379.40)	(628.23)	(53.47%)

**Review of Operations :** Gradual improvement in market scenario enabled better capacity utilization. Production increased by 28.82% and Sales in volume terms increased by 28.37%. Though still a matter of concern, losses were reduced to a great extent. With strong demand for Yarn and better realisations, further improvement is expected in the current year.

**Company Outlook :** The immediate outlook is optimistic and encouraging. Yarn prices have maintained parity with cotton prices which is a welcome development. The withdrawal of Export incentives will impact bottom line of exporters and hurt their export competitiveness. The division is focusing on productivity, quality and exercising tight control on manufacturing and finance costs for improving performance.

**Risks & Concerns :** The steep increase in cotton MSP effected last year has eroded the Industry's competitiveness. The European debt crisis and recessionary conditions in Europe will negatively impact overall demand.

**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 31st March, 2010 was 741 compared to 767 last year.

**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 March 31, 2010

#### 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 :

Director	No. of Board Meetings attended	Attendance at previous AGM on 23/09/09	No. of outside Directorships held <sup>(a)</sup>	No. of Membership/ Chairmanship in Committees <sup>(b)</sup>	Executive/Non-Executive/Independent
Mr. U. Kanoria	7	Present	2	4	Executive
Mr. G. R. Basotia	1	Present	Nil	Nil	Executive
Mr. P. K. Bhattacharjee	7	Present	10	5	Independent
Mr. Golam Momen	6	Present	9	8	Independent
Mr. Pavan Poddar	5	Present	7	2	Independent
Mr. Anil Kumar Jain	—	—	3	4	Independent

(a) Directorship of Companies registered under the Companies Act, 1956 but excluding Private Companies and alternate directorship.

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

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 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 Directors of the Company are related to each other.

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.

#### Board Meetings held during the Financial Year ended 31st March, 2010

During the Financial Year under review, seven Board Meetings were held on 9th of May, 2009, 23rd of June, 2009, 23rd of July, 2009, 30th of July, 2009, 23rd of September, 2009, 28th of October, 2009 and 28th of January, 2010.

#### Appointment/ Re-appointment of Directors

Information required under Clause 49 IV (G) of the Listing Agreement with respect to the Directors retiring by rotation and seeking reappointment / Directors sought to be appointed is as under :

The following directors retire by rotation at the ensuing AGM and are eligible for reappointment. A brief profile of the above directors together with the other directorship/ committee membership is given below :

**Mr. G. Momen** – Mr. Momen is an eminent industrialist and an acute businessman. He has rich experience in the Tea Industry, especially in valuation and marketing. He is presently the chairman of White Cliff Group of Companies. Presently, he is also on the Board of reputed companies like Apeejay Tea Limited, Birla VXL Limited, Baghmari Tea Company Limited, Bengal Tea & Fabrics Limited, Harrisons Malayalam Limited, Empire & Singlo Tea Limited and Williamson Magor & Co. Limited. He has also served in various committees associated with Tea.

## ANNEXURE-1 (Contd.)

**Mr. Anil Kumar Jain** – Mr. A K Jain is an eminent Industrialist with vast experience in Textile Industry and has been on the Board since 1999. Mr. Jain is Chairman and Managing Director of Indo- Count Industries Limited and is at the helm of its associate companies. He is also on the Boards of Indo-Mauritius Chamber of Commerce and Indo Polish Chamber of Commerce. Mr. Jain is a member of Remuneration Committee of the Company.

### 3. Board Committees

#### 3.1 Audit Committee

Audit Committee of the Board comprises three Independent Directors namely, Mr. P.K. Bhattacharjee, Mr. G. Momen and Mr. Pavan Poddar. 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.

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	Attendance at the meeting held on			
	08/05/09	23/07/09	28/10/09	28/01/10
Sri P. K. Bhattacharjee	Present	Present	Present	Present
Sri G. Momen	Absent	Present	Present	Present
Sri P. K. Poddar	Present	Present	Absent	Present

#### 3.2 Remuneration Committee

Remuneration Committee of the Board comprises three Independent Directors, namely, Mr. P. K. Poddar, Mr. G. Momen and Mr. A.K. Jain, and is headed by Mr. P. K. Poddar. One meeting of the Committee was held during the financial year ended 31st March, 2010.

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 a sitting fees at the rate of Rs.10,000/- (Rupees Ten Thousand) per meeting to the Non-Executive Directors for attending Meeting of the Board, Committee of the Board and Audit Committee. No remuneration is paid to the Non-Executive Directors for attending other Meetings.

Remuneration of Directors for the financial year ended 31st March, 2010 and their shareholding in the Company :

Name of Director	Sitting Fees (Rs.)	Salaries and Perquisites (Rs.)	Total (Rs.)	No. of Shares held
Mr. U. Kanoria	Nil	15,86,975	15,86,975	4,89,065
Mr. G. R. Basotia	Nil	12,16,260	12,16,260	1,400
Mr. P. K. Bhattacharjee	70,000	Nil	70,000	400
Mr. G. Momen	60,000	Nil	60,000	650
Mr. Pavan Poddar	50,000	Nil	50,000	Nil
Mr. A. K. Jain	Nil	Nil	Nil	Nil

#### 3.3 Shareholders/Investors Grievance Committee

Shareholders/Investors Grievance Committee is headed by Mr. Pavan Poddar, a Non-Executive Independent Director with Mr. U. Kanoria and Mr. G. Momen, and the other two members. Mr. Ravi Mundhra is the Compliance Officer. During the financial year ended 31st March, 2010, six complaints were received from shareholders and the same were duly redressed within due time.

All valid requests for transfer of shares received during the financial year ended 31st March, 2010 have been acted upon by the Company and no such transfer is pending.

## ANNEXURE-1 (Contd.)

### 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
2009	18th Annual General Meeting	'Kalakunj', 48 Shakespeare Sarani Kolkata 700 017	23rd September, 2009	10.30 A.M.	Two
2008	17th Annual General Meeting	-do-	29th July, 2008	10.30 A.M.	Nil
2007	16th Annual General Meeting	-do-	28th July, 2007	10.30 A.M.	One

- b) One Court Convened Extra-Ordinary General Meeting of the shareholders was held during the year for approval of the Scheme of Arrangement in the nature of De-merger of the Tea Division of the Company.
- 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 18th Annual General Meeting, the Company passed special resolutions for the following :

- (a) Keeping of Register of Members at a place other than registered office of the Company, (b) Approval U/s 81 (1A). The above resolutions were passed unanimously.

At the 17th Annual General Meeting, the Company has not passed any special resolution.

At the 16th Annual General Meeting held on 28th July, 2007, the Company passed a special resolution for variation in remuneration of the Managing Director of the Company. The resolution was passed unanimously.

### 5. Disclosures

The related party transactions have been disclosed in the Notes on Accounts forming part of the Statement of Accounts for the financial year ended 31st March, 2010 and no transaction is considered to be pecuniary and/or in potential conflict with the interests of the Company at large.

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.

### 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. 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) and Vernacular (Arthik Lipi/ Kalantar) dailies. The Company's website address is [www.kanco.in](http://www.kanco.in) and the periodic results are posted thereon. Official news releases and notices etc. are sent to the Stock Exchange at Kolkata, where shares of the Company are listed and Bombay Stock Exchange, where the shares of the Company are traded.

### 8. 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 under the Chairmanship of Mr. P. K. Bhattacharjee, an Independent Director and no personnel has been denied access to Audit Committee.

## ANNEXURE-1 (Contd.)

### 9. General Shareholder Information

Annual General Meeting	
Date and Time	Friday, the 13th August, 2010 at 12.00 P.M.
Venue	Bhartiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata 700 017

Financial Year : April 1, 2010 to March 31, 2011

Dates of Book Closure : 11th August, 2010 to 13th August, 2010

Financial Calendar (Tentative)

Quarter ending 30th June, 2010	15th August, 2010
Quarter ending 30th September, 2010	15th November, 2010
Quarter ending 31st December, 2010	15th February, 2011
Year ending 31st March, 2011	Last week of May, 2011

### Listing on Stock Exchange and Stock Code

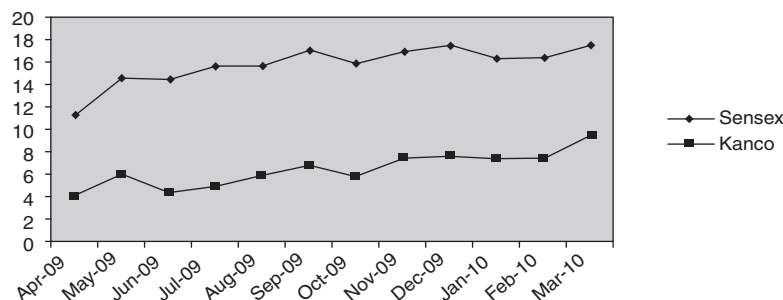
Equity Shares of the Company are listed at the Calcutta Stock Exchange Ltd. (Scrip Codes 21381 & 10021381). The Shares of the Company are traded at the Bombay Stock Exchange (Scrip Code 590084).

ISIN for Dematerialisation : INE 248D01011

### Market Price Data : High/Low in each month of Financial Year

Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
High (Rs.)	4.41	6.38	6.30	5.34	6.60	6.85	7.44	7.74	8.69	11.05	8.50	9.49
Low (Rs.)	2.80	3.90	4.45	3.43	4.99	4.75	5.56	5.05	6.76	7.37	7.00	6.54
Volume	11571	27082	18290	163010	37280	36750	45644	168294	69208	123531	34335	90323

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 and dematerialised share maintenance. Share transfers are generally effected within 15 days of lodgment or such period as may be permissible by law/regulatory authority.

**ANNEXURE-1 (Contd.)**
**Categories of Shareholding as on 31st March, 2010**

Category	Number of Shares	% of Total Shares
Promoters including Persons deemed to be Acting in Concert	1,12,98,204	73.22
Mutual Funds	54,183	0.35
Financial Institutions/Banks	1,33,321	0.86
State Government	14,976	0.10
Others (Including Corporate bodies)	39,29,690	25.47
<b>Total</b>	<b>1,54,30,374</b>	<b>100.00</b>

**Dematerialisation of Shares and Liquidity** : 70.77% of total equity shares of the Company have been dematerialised as on 31st March, 2010

**Distribution of Shareholding as on 31st March, 2010**

No. of Shares	Number of Shares	% to total Shares	Number of Shareholders	% of Shareholders
1 to 500	13,88,164	9.00	17,302	97.22
501 to 1000	1,80,631	1.17	249	1.40
1001 to 2000	1,50,742	0.98	106	0.60
2001 to 3000	64,614	0.42	26	0.15
3001 to 4000	62,154	0.40	17	0.09
4001 to 5000	45,797	0.30	10	0.06
5001 to 10000	2,56,866	1.66	34	0.19
10001 to 50000	5,28,654	3.43	26	0.15
50001 and 100000	6,48,161	4.20	8	0.04
100001 and above	1,21,04,591	78.44	18	0.10
<b>Total</b>	<b>1,54,30,374</b>	<b>100.00</b>	<b>17,796</b>	<b>100.00</b>

**Plant Location** : The Company's plant is located at :

Kanco Overseas

Village : Walthera, Taluka : Dholka

Dist : Ahmedabad (Gujarat)

Telephone : (02714) 247 404/05

**Address for Correspondence :**

1. Kanco Enterprises Limited  
 Jasmine Tower, 3rd Floor  
 31, Shakespeare Sarani, Kolkata-700 017  
 Telefax : (033) 2281 5217  
 Email for Investors : kanco@vsnl.com  
 Website : www.kanco.in

2. C. B. Management Services (P) Limited  
 P-22, Bondel Road, Kolkata-700 019  
 Phone : 2280 6692/93/94  
 Email : rta@cbmsl.com

On behalf of the Board of Directors

Kolkata  
 21st day of June, 2010

U. KANORIA  
 Chairman

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

I, Umang Kanoria, Managing Director & 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 31st March, 2010.

Kolkata  
 21st day of June, 2010

U. KANORIA  
 Managing Director

## **ANNEXURE-1 (Contd.)**

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

I, Umang Kanoria, Managing Director, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company certify :

1. That I have reviewed the Financial Statements and the Cash Flow Statement for the year ended 31st March, 2010 and that to the best of my 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 my 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 I accept the responsibility for establishing and maintaining internal controls, I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps that I have taken or propose to take to rectify the identified deficiencies and;
4. That I 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 I 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  
21st day of June, 2010

U. KANORIA  
*Managing Director*

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### **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 31st March, 2010, 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.

Ahmedabad  
Dated the 21st day of June, 2010

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

B. R. SHAH  
*Proprietor*  
Membership No. 05806



## **AUDITORS' REPORT**

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

1. We have audited the attached Balance Sheet of KANCO ENTERPRISES LIMITED (the "Company") as at March 31, 2010, and the related Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the "Order") issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956 of India ("the Act") 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 said Order to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to above, we report that :
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the Directors, as on March 31, 2010, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2010 from being appointed as a director under Clause (g) of Sub-section (1) of Section 274 of the Act;
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements together with notes thereon and attached thereto give in the prescribed manner the information required by the Act and also give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) In the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2010.
    - ii) In the case of Profit & Loss Account, of the Loss of the Company for the year ended March 31, 2010.
    - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

B. R. SHAH  
*Proprietor*

Place : Ahmedabad  
Date : 21st day of June, 2010

Membership No. 05806

## **ANNEXURE TO THE AUDITORS' REPORT**

**[Referred to in Paragraph 3 of Auditors' Report of even date to the Members of Kanco Enterprises Limited on the Financial Statements for the year ended March 31, 2010]**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) As explained to us, fixed assets, according to the practice of the Company are physically verified by the Management at reasonable intervals, in a phased verification programme, which, in our opinion, is reasonable, looking to the size of the Company and the nature of its business. According to the information and explanations given to us, no material discrepancies have been noticed on physical verification.  
(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 period.
2. (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 inventory records, in our opinion, the Company is maintaining proper records of inventory. No discrepancies were noticed on our physical verification of inventory as compared to book records.
3. (i) 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.  
(ii) 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 Rs. 1,00,00,000/-  
(iii) 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.  
(iv) 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.
4. In our opinion and according to the information and explanations given to us, there are generally adequate internal checks to commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets. 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 checks of the Company.
5. (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 Rs. Five Lakhs in respect of any party during the year are of specialised nature for which alternate quotations are not available and therefore comparison with prevalent market prices is not possible.
6. 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.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.



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

8. We have broadly reviewed the Books of Account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956, in respect of its products to which the said rules are made applicable, 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.
9. (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 generally regular in depositing undisputed statutory dues including provident fund, income-tax and other material statutory dues as applicable with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company's accumulated losses at the end of the year are more than fifty percent of its net worth. The Company has incurred cash losses during the year and in the immediate preceding financial year.
11. On the basis of the records examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. 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.
16. The Company has applied the money received as term loans during the year for the purposes for which the loans were obtained.
17. 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 short term basis which have been used for long-term investment.
18. 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.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. 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*

B. R. SHAH  
*Proprietor*

Place : Ahmedabad  
Date : 21st day of June, 2010

Membership No. 05806

**BALANCE SHEET as at 31st March, 2010**

	Schedules	31st March, 2010		31st March, 2009
		Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>I. SOURCES OF FUNDS</b>				
<b>(1) Shareholders' Funds</b>				
(a) Share Capital	1	15,43,04		15,43,04
(b) Reserves & Surplus	2	25,00		16,61,62
			15,68,04	32,04,66
<b>(2) Loan Funds</b>				
(a) Secured Loans	3	52,61,55		56,53,90
(b) Unsecured Loans	4	8,91,82		3,43,33
			61,53,37	59,97,23
<b>TOTAL</b>			<b>77,21,41</b>	<b>92,01,89</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>(1) Fixed Assets</b>				
(a) Gross Block		99,67,30		1,25,85,30
(b) Less : Depreciation		58,41,60		59,77,90
(c) Net Block	5	41,25,70		66,07,40
Capital Work in Progress		3,40		87
			41,29,10	66,08,27
<b>(2) Investments</b>	6		5,00	16,62
<b>(3) Current Assets, Loans and Advances</b>				
(a) Inventories	7	20,26,12		18,99,07
(b) Sundry Debtors	8	1,70,57		83,64
(c) Cash and Bank Balances	9	38,42		38,72
(d) Loans and Advances	10	9,17,86		12,16,65
		3,15,297		32,38,08
<b>Less : Current Liabilities &amp; Provisions</b>				
(a) Current Liabilities	11	12,93,00		16,60,26
(b) Provisions	12	1,06,47		1,66,40
		13,99,47		18,26,66
<b>Net Current Assets</b>			17,53,50	14,11,42
Deferred Tax Asset (Net)	13		13,49,12	11,56,67
Miscellaneous Expenditure (To the extent not written off or adjusted)				
Right Issue Expenses			4,45	8,91
Profit and Loss Account				
Balance as per annexed Account		23,41,77		14,05,01
Less : Adjusted from General Reserve, per Contra		—		14,05,01
		23,41,77		—
Less : General Reserve deducted, per Contra		18,61,53		—
			4,80,24	—
<b>TOTAL</b>			<b>77,21,41</b>	<b>92,01,89</b>

**Notes forming part of the Accounts** 21

The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached Report of even date.

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

B. R. SHAH  
Proprietor  
Membership No. 05806  
Ahmedabad  
Dated : 21st day of June, 2010

R. MUNDHRA  
Company Secretary

U. KANORIA *Managing Director*  
G. R. BASOTIA *Wholetime Director*  
G. MOMEN  
P. K. BHATTACHARJEE  
P. K. PODDAR *Directors*

**PROFIT & LOSS ACCOUNT for the year ended 31st March, 2010**

	<u>Schedules</u>	<u>2009-2010</u>	<u>2008-2009</u>
		Rs. ('000)	Rs. ('000)
<b>INCOME</b>			
Sales & Services Etc.			
Sales	14	97,41,12	93,93,61
Other Income	15	69,81	87,50
		<u>98,10,93</u>	<u>94,81,11</u>
<b>EXPENDITURE</b>			
Material Cost	16	63,78,67	47,55,74
Manufacturing Expenses	17	19,97,72	26,80,82
Employees' Emoluments	18	6,75,52	9,44,97
Interest and Finance Charges	19	5,70,89	6,14,89
Other Expenditure	20	6,41,21	11,02,81
Depreciation and Other Write offs			
[Net of Transferred From Revaluation Reserve			
Rs. Nil (Previous Year Rs. 10,47)]		4,97,21	6,25,00
		<u>1,07,61,22</u>	<u>1,07,24,23</u>
<b>(Loss)/Profit before Taxation</b>		(9,50,29)	(12,43,12)
Provision for Taxation :			
Current Tax		—	84
Deferred Tax		(13,53)	(4,30,22)
Fringe Benefit Tax		—	5,50
		<u>(13,53)</u>	<u>(4,23,88)</u>
<b>(Loss)/Profit after Tax</b>		(9,36,76)	(8,19,24)
As per last Account		(14,05,01)	(5,85,77)
		<u>(23,41,77)</u>	<u>(14,05,01)</u>
<b>Notes forming part of the Accounts</b>	21		
Basic/Diluted Earning Per Share (See Note 8)		Rs. (6.07)	Rs. (5.31)

The Schedules referred to above form an integral part of the Profit & Loss Account.

As per our attached Report of even date.

For B. R. SHAH & ASSOCIATES

Firm Registration No. 129053W

Chartered Accountants

B. R. SHAH

Proprietor

Membership No. 05806

Ahmedabad

Dated : 21st day of June, 2010

R. MUNDHRA  
Company Secretary

U. KANORIA

G. R. BASOTIA

G. MOMEN

P. K. BHATTACHARJEE

P. K. PODDAR

Managing Director

Wholetime Director

Directors

**CASH FLOW STATEMENT for the year ended 31st March, 2010**

	For the year ended	
	31.03.2010	31.03.2009
	Rs. ('000)	Rs. ('000)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before Tax & Extraordinary items	(9,50,29)	(12,43,12)
Interest paid	5,70,89	6,14,89
Depreciation	4,97,21	6,25,00
Interest Received	(9,11)	(13,74)
Profit/(Loss) on Fixed Assets Sold	—	(47,52)
<b>Operating Profit Before Working Capital Changes</b>	<b>1,08,70</b>	<b>(64,49)</b>
ADJUSTMENT FOR :		
Trade & Other Receivables	(2,40,78)	4,76,09
Inventories	(3,73,61)	21,69
Trade Payables	1,33,77	(32,93)
<b>Cash Generated From Operations</b>	<b>(3,71,92)</b>	<b>4,00,36</b>
Income Tax paid (Net of Refund)	(1,96)	(9,12)
<b>Cash Flow Before Extraordinary Items</b>	<b>(3,73,88)</b>	<b>3,91,24</b>
Extraordinary Items	—	—
<b>Net Cash Flow From Operating Activities</b>	<b>(3,73,88)</b>	<b>3,91,24</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(12,80)	(1,68,95)
Fixed Assets Sold	5,77	74,29
Interest Received	9,11	13,74
Transfer of Gross Block	—	—
<b>Net Cash Flow from Investing Activities</b>	<b>2,08</b>	<b>(80,92)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Borrowings	9,68,08	1,39,49
Long Term Borrowings	—	1,74,58
Increase in Intercompany Loans and others	—	(2,17)
Interest Paid	(5,70,89)	(6,14,89)
Right Issue Expenses	4,45	4,45
<b>Net Cash Used In Financing Activities</b>	<b>4,01,64</b>	<b>(2,98,54)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	29,84	11,78
CASH AND CASH EQUIVALENTS AS AT (OPENING BALANCE)	38,72	26,94
Less: Transfer to DCL Pursuant to Demerger of Tea Division	30,14	—
	8,58	—
<b>CASH AND CASH EQUIVALENTS AS AT (CLOSING BALANCE)</b>	<b>38,42</b>	<b>38,72</b>

- 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 attached Report of even date.

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

B. R. SHAH  
Proprietor  
Membership No. 05806  
Ahmedabad  
Dated : 21st day of June, 2010

R. MUNDHRA  
Company Secretary

U. KANORIA  
G. R. BASOTIA  
G. MOMEN  
P. K. BHATTACHARJEE  
P. K. PODDAR

Managing Director  
Wholetime Director  
Directors

**Schedule 1 to 20 annexed to and forming part of the Balance Sheet as at and Profit & Loss Account for the year ended 31st March, 2010**

	31st March, 2010		31st March, 2009
	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
1,85,00,000 Equity Shares of Rs. 10/- each		18,50,00	18,50,00
<b>Issued, Subscribed and Paid Up</b>			
1,54,30,374 Equity Shares of Rs. 10/- each fully paid up		15,43,04	15,43,04
<b>Of the Above Shares</b>			
(i) 1,02,25,187 Equity Shares of Rs. 10/- each fully paid up in cash			
(ii) 52,05,187 Equity Shares were allotted pursuant to Scheme of Arrangement without payment being received in cash			
		15,43,04	15,43,04
<b>SCHEDULE 2</b>			
<b>RESERVES &amp; SURPLUS</b>			
Capital Reserve - Subsidy		25,00	25,00
As per Last Account			
Revaluation Reserve			
As per Last Account	10,33,15		10,44,44
Transferred to Profit & Loss Account	—		11,29
	10,33,15		10,33,15
Less: Transferred pursuant to De-merger of Tea Division of the Company as per Scheme	10,33,15		—
		—	10,33,15
General Reserve			
As per Last Account	20,08,48		19,74,37
Set aside this year	—		34,11
	20,08,48		20,08,48
Less: Excess of Assets over Liabilities adjusted as per Scheme	1,46,95		—
Less : Debit Balance of Profit & Loss Account, per contra	—		14,05,01
	18,61,53		6,03,47
Less : Deducted from Profit & Loss Account, per contra	18,61,53		—
		—	6,03,47
		25,00	16,61,62
<b>SCHEDULE 3</b>			
<b>SECURED LOANS</b>			
A. Term Loan from Industrial Development Bank of India and State Bank of India under various Schemes		38,20,05	31,59,50
B. From Tea Board - Under Tea Machinery & Irrigation Equipment Loan Scheme		—	1,16
C. Term Loan from Punjab National Bank under National Bank for Agricultural and Rural Development Refinance Scheme		—	6,11,80
Carried over		38,20,05	37,72,46

**SCHEDULE 1 to 20 (Contd.)**

	31st March, 2010		31st March, 2009
	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 3 (Contd.)</b>			
	Brought forward		37,72,46
D. From Banks		38,20,05	
i) Punjab National Bank			
a) Cash Credit Loan		—	5,20,99
ii) State Bank of India			
a) Cash Credit	4,39,68		3,82,54
b) Export Packing Credit	8,64,70		9,46,84
c) Packing Credit in Foreign Currency	<u>1,29,69</u>		<u>—</u>
		14,34,07	13,29,38
E. Car Loan against Hypothecation of Cars			
i) From ICICI Bank Limited	—		15,01
ii) From HDFC Bank Limited	<u>7,43</u>		<u>16,06</u>
		7,43	31,07
		<u>52,61,55</u>	<u>56,53,90</u>

Security in respect of each of the above is given in seriatim :

- 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, and guaranteed by the Managing Director.
- B. Secured by the assets acquired under the Scheme and also guaranteed by the Managing Director.
- C. Secured by hypothecation of tea crops, plant and machinery, spare parts and furniture etc., present and future, and by extensions of equitable mortgage by deposit of title deeds of Tea Estates and also guaranteed by the Managing Director.
- D. (i) Secured by hypothecation of green tea leaves, before and after plucking, teas in process, finished tea in stock/transit and/or lying with brokers relating to Season 2009, book debts and by way of equitable mortgage of immovable properties and machineries of Tea Estates as collateral security and further guaranteed by the Managing Director.  
(ii) 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 the Managing Director.
- E. (i & ii) Secured by Hypothecation of Motor cars.

	31st March, 2010	31st March, 2009
	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
From Bodies Corporate	8,69,15	2,65,00
Interest Accrued & Due on Unsecured Loans	22,67	14,48
Interest Free From Managing Director	—	4,50
Fixed Deposits ( Including Cumulative Deposits)	<u>—</u>	<u>59,35</u>
	<u>8,91,82</u>	<u>3,43,33</u>



**SCHEDULE 1 to 20 (Contd.)**
**SCHEDULE 5**
**FIXED ASSETS**

Rs. ('000)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	As at	Additions	Deduction*	Deduction	As at	Up to	For the year	Deduction*	Deduction	Up to	As at	As at
	1.04.2009				31.03.2010	1.04.2009	2009-2010			31.03.2010	31.03.2010	31.03.2009
Land - Freehold	40,76	—	—	—	40,76	—	—	—	—	—	40,76	40,76
Land & Plantation	12,72,76	—	12,72,76	—	—	—	—	—	—	—	—	12,72,76
Building & Water Supply Installation **	21,65,61	—	2,77,99	—	18,87,62	3,97,10	54,34	68,68	—	3,82,76	15,04,86	17,68,51
Machinery & Electric Supply Installation	86,61,23	65	6,75,48	77,51	79,08,89	53,72,98	4,34,25	344,17	71,74	53,91,32	25,17,57	32,88,25
Vehicles	2,30,66	5,66	1,73,41	—	62,91	1,20,35	5,26	95,95	—	29,66	33,25	1,10,31
Furniture & Fittings	2,14,28	3,09	1,50,25	—	67,12	87,47	3,36	52,97	—	37,86	29,26	1,26,81
	<u>1,25,85,30</u>	<u>9,40</u>	<u>25,49,89</u>	<u>77,51</u>	<u>99,67,30</u>	<u>59,77,90</u>	<u>4,97,21</u>	<u>5,61,77</u>	<u>71,74</u>	<u>58,41,60</u>	<u>41,25,70</u>	<u>66,07,40</u>
Previous Year	1,26,54,58	1,83,51	—	2,52,79	1,25,85,30	55,68,45	6,35,48	—	2,26,03	59,77,90	66,07,40	

\* Pursuant to Scheme of Arrangement, the assets have been transferred to Dhanvaridhi Concerns Limited at book value as on 01.04.2009. Please refer Note 11 of Schedule 21.

\*\* Buildings include cost of Ownership Premises Rs.71,37 ( Previous Year Rs.71,37) and cost of Shares in Co-operative Society Rs.2 (Previous Year Rs.2)

	31st March, 2010	31st March, 2009
	Rs. ('000)	Rs. ('000)

**SCHEDULE 6**
**INVESTMENTS ; AT COST**
**Long Term : Other than Trade**

Unquoted: (In Fully Paid up Equity Shares)

68,000 Equity Shares of Rs.10/- each in S. T. Investment Pvt. Ltd.	—	6,81
30,000 Equity Shares of Rs. 10/- each in B.T. Investments Pvt. Ltd.	—	19
30,000 Equity Shares of Rs. 10/- each in E.T. Resources Pvt. Ltd.	—	19
30,000 Equity Shares of Rs. 10/- each in Cosmos Resources Pvt Ltd.	—	2,23
42,000 Equity Shares of Rs. 10/- each in Facitcon Investments Pvt.Ltd.	—	2,20
	—	<u>11,62</u>

Unquoted : ( In Mutual Fund )

50,000 Units of S.B.I Mutual Fund of Rs. 10 each ( NAV Rs. 5,17 Previous Year Rs. 2,83 )	5,00	5,00
	<u>5,00</u>	<u>16,62</u>

**SCHEDULE 7**
**INVENTORIES**

Stores, Spares, etc. at cost or net realizable value whichever is lower	1,30,22	1,87,13
Stores in Transit	—	7,25
Stock-in-Trade, at cost or net realizable value whichever is lower		
— Raw Materials	14,24,33	9,27,40
— Materials in Process	2,63,17	2,54,11
— Finished Goods	1,48,91	4,94,97
— Waste, at estimated realizable value	<u>59,49</u>	<u>28,21</u>
	18,95,90	17,04,69
	<u>20,26,12</u>	<u>18,99,07</u>

**SCHEDULE 1 to 20 (Contd.)**

	31st March, 2010		31st March, 2009
	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 8</b>			
<b>SUNDRY DEBTORS - UNSECURED, GOOD</b>			
(i) Outstanding for more than six months		—	37
(ii) Others		1,70,57	83,27
		<u>1,70,57</u>	<u>83,64</u>
<b>SCHEDULE 9</b>			
<b>CASH AND BANK BALANCES</b>			
Cash on hand		3,11	8,33
Bank Balances :			
With Scheduled Banks :			
— In Current Account	<u>35,31</u>		<u>27,70</u>
— In Fixed Deposit :			
Deposit receipt endorsed in favour of Company's			
Banker for guarantees given	—		2,50
— Interest accrued on above	—		19
	<u>—</u>		<u>2,69</u>
		35,31	30,39
		<u>38,42</u>	<u>38,72</u>
<b>SCHEDULE 10</b>			
<b>LOANS AND ADVANCES - UNSECURED, GOOD</b>			
Loans		—	51,47
Interest Accrued & Due on Loans		—	3,54
Advances recoverable in cash or in kind or for			
value to be received		6,93,19	6,56,37
Deposits		2,08,69	3,22,31
Interest Accrued & Due on Deposits		—	3,81
Balance with Central Excise etc.		13,28	1,58,53
Tax paid in Advance, net of Provisions		2,70	5,47
MAT Credit Entitlement		—	15,15
		<u>9,17,86</u>	<u>12,16,65</u>
<b>SCHEDULE 11</b>			
<b>LIABILITIES</b>			
Sundry Creditors :			
Due to Micro, Small and Medium Enterprises (See Note 4)	—		—
Others	<u>12,91,67</u>		<u>16,24,62</u>
		12,91,67	16,24,62
Interest Accrued but not due on Cumulative Deposits	—	2,04	
Sundry Deposits		1,33	2,75
Interest Accrued but not due on loans		—	30,85
		<u>12,93,00</u>	<u>16,60,26</u>
Note :			
There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2010.			
<b>SCHEDULE 12</b>			
<b>PROVISIONS</b>			
For Un-encashed Leave		21,88	20,21
For Gratuity		84,59	1,46,19
		<u>1,06,47</u>	<u>1,66,40</u>

**SCHEDULE 1 to 20 (Contd.)**
**SCHEDULE 13  
DEFERRED TAX**

	As on 31.03.2009	Transferred to DCL Pursuant to Scheme of of De-merger	Charge/ Credit during the Year	Rs. ('000) As on 31.03.2010
Deferred Tax Assets on account of following :				
Unabsorbed Depreciation	13,06,37	—	—	13,06,37
Provision for Bonus	13,32	5,47	4,49	12,34
Provision for Gratuity	27,14	12,02	11,02	26,14
Provision for Leave Encashment	7,22	97	51	6,76
	<u>13,54,05</u>	<u>18,46</u>	<u>16,02</u>	<u>13,51,61</u>
Deferred Tax Liability				
Depreciation	1,97,38	1,97,38	2,49	2,49
Deferred Tax Assets ( Net )	<u>11,56,67</u>	<u>(1,78,92)</u>	<u>13,53</u>	<u>13,49,12</u>

**SCHEDULE 14**
**SALES AND SERVICES ETC.**

	2009-2010		2008-2009
	Rs. ('000)	Rs. ('000)	Rs. ('000)
Finished Loose Tea	—	—	23,49,79
Yarn, Knitted Fabrics & Waste	<u>93,63,93</u>	—	<u>68,15,81</u>
Export Incentives	—	93,63,93	91,65,60
	—	<u>3,77,19</u>	<u>2,28,01</u>
	—	<u>97,41,12</u>	<u>93,93,61</u>

**SCHEDULE 15**
**OTHER INCOME**

Miscellaneous Income	58,19	23,36
Surplus on Sale of Fixed Assets	—	47,52
Adjustment Related to Previous Years ( Net)	2,51	2,88
Interest Earned (Gross, Tax deducted Rs. 1,95 Previous Year Rs.2,68 )	9,11	13,74
	<u>69,81</u>	<u>87,50</u>

**SCHEDULE 16**
**MATERIAL COST**

(a) Raw Materials consumed :		
Stocks at Commencement	9,27,40	7,48,96
Purchases	<u>67,50,56</u>	<u>47,31,61</u>
	<u>76,77,96</u>	<u>54,80,57</u>
Less : Stocks at Close	<u>14,24,33</u>	<u>9,27,40</u>
	62,53,63	45,53,17
(b) Increase/Decrease in Stocks		
Stocks at Close :		
Materials in Process	2,63,17	2,54,11
Finished Goods	1,48,92	4,94,97
Waste	59,49	28,21
	<u>4,71,58</u>	<u>7,77,29</u>
Less : Stocks at Commencement :		
Materials in Process	2,54,11	2,10,71
Finished Goods (Net of Stock of Rs.1,80,67 Transfer to DCL Pursuant to De-merger of Tea Division)	3,14,30	7,20,13
Waste	28,21	49,02
	<u>5,96,62</u>	<u>9,79,86</u>
	1,25,04	2,02,57
	<u>63,78,67</u>	<u>47,55,74</u>

**SCHEDULE 1 to 20 (Contd.)**

	2009-2010		2008-2009
	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 17</b>			
<b>MANUFACTURING EXPENSES</b>			
Stores, Spares and Packing Materials consumed		2,04,24	1,79,22
Tea Cultivation & Manufacturing Expenses		—	8,87,00
Tea Chest, Paper Sacks and Bags		—	24,11
Power, Fuel and Water		14,98,24	12,80,98
Excise Duty and Cess		—	6,25
Repairs to:			
Repairs to Building etc.	15,34		49,12
Machinery Repairs	2,70,27		2,42,35
Other Repairs	9,63		11,79
		<u>2,95,24</u>	<u>3,03,26</u>
		<u>19,97,72</u>	<u>26,80,82</u>
<b>SCHEDULE 18</b>			
<b>EMPLOYEES' EMOLUMENTS</b>			
Salaries, Wages, Bonus etc.		5,46,80	6,96,17
Contribution to Provident and Other Funds		95,91	1,36,29
Welfare Expenses		32,81	1,12,51
		<u>6,75,52</u>	<u>9,44,97</u>
<b>SCHEDULE 19</b>			
<b>INTEREST AND FINANCE CHARGES</b>			
Interest :			
- On Debentures		—	75
- On Fixed Loans ( Net of Receipts under T.U.F.S.)	3,59,22		3,56,84
- On Fixed Deposits		—	5,25
- On Cumulative Deposits		—	1,65
- Other	2,11,67		2,50,40
		<u>5,70,89</u>	<u>6,14,89</u>
		<u>5,70,89</u>	<u>6,14,89</u>
<b>SCHEDULE 20</b>			
<b>OTHER EXPENDITURE</b>			
Rent		1,25	11,12
Rates and Taxes		2,46	26,38
Insurance		15,59	24,60
Freight, Duty etc.		2,09,32	3,91,77
Brokerage Commission and Discount on Sales		1,74,26	1,71,48
Transport & Maintenance		19,10	83,09
Exchange Rate Difference		75,37	1,80,80
Miscellaneous Expenses		1,37,61	2,07,72
Directors' Fees		1,80	1,40
Right Issue Expenses Written off		4,45	4,45
		<u>6,41,21</u>	<u>11,02,81</u>



**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**

**SCHEDULE 21**

**NOTES ON ACCOUNTS**

	<u>31st March, 2010</u>	<u>31st March, 2009</u>
	Rs. ('000)	Rs. ('000)
(1) Contingent Liabilities not provided for :		
a) Claims against the Company not acknowledged as debts -		
Labour Matters	2,32	6,04
b) i) Bills discounted	10,16,40	7,24,55
ii) Since realised	8,52,87	2,25,44
c) Irrevocable Stand by Revolving Letter of Credit	—	4,19
(2) Estimated amount of contracts remaining to be executed on capital account for Rs.4,14,95 (Previous Year Rs.4,13,33 ) but not provided for.		
(3) Miscellaneous Expenses include payments to Auditors as under :		
(i) Statutory Auditors :		
Audit Fees	1,08*	1,56*
Tax Audit Fees	15*	39*
Other Matters	30*	77*
Re-imburement of Expenses	<u>2</u>	<u>7</u>
	<u>1,55</u>	<u>2,79</u>
(ii) Cost Auditors :		
Cost Audit Fees	25	25
Re-imburement of Expenses	<u>1</u>	<u>1</u>
	<u>26</u>	<u>26</u>

\* includes Service Tax.

- (4) 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 year, b) Interest paid during year, c) Interest payable at the end of the accounting year and d) Interest accrued at the end of accounting year, has not been disclosed or provided.

The Company is making efforts to get the confirmations from the suppliers as regards their status under the Act.

- (5) 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 acquired segment assets, the total amount of charge for depreciation and amortisation during the year are all as reflected in the financial statements for the year ended March 31, 2010 and as on that date.

<b>Secondary Segment- Geographical by location of customers</b>	<u>2009-2010</u>	<u>2008-2009</u>
	Rs.('000)	Rs.('000)
I. Sales & Operating Income :		
In India	46,58,66	26,10,81
Outside India	<u>50,82,46</u>	<u>44,33,01</u>
	<u>97,41,12</u>	<u>70,43,82</u>
II. Carrying cost of Assets by Location :		
In India	85,02,78	70,61,71
Outside India	<u>1,26,38</u>	<u>69,35</u>
	<u>86,29,16</u>	<u>71,31,06</u>
III. Capital Expenditure :		
In India	12,80	91,98
Outside India	<u>—</u>	<u>—</u>
	<u>12,80</u>	<u>91,98</u>

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**
**SCHEDULE 21 (Contd.)**

(6) Additional information pursuant to the provisions of Part II of the Schedule VI of the Companies Act, 1956 :

**A. Licenced and Installed Capacity and Actual Production :**

Class of Goods	LICENCED CAPACITY		INSTALLED CAPACITY		ACTUAL PRODUCTION	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
Black Tea	Not Applicable	Not Applicable	Not Applicable	Not Applicable	—	19,95,298 Kgs.*
Green Tea Leaves	Not Applicable	Not Applicable	Not Applicable	Not Applicable	—	63,06,427 Kgs.
Yarn/Knitted Fabrics	Nil**	Nil**	38,016 Spindles	38,016 Spindles	63,72,101 Kgs.	49,46,513 Kgs.

\* Production Quantity in Gross (Waste, Gratis etc. not excluded).

\*\* Company has filed Memorandum for manufacture of 51,01,000 kgs. of Yarn per annum at Kanco Overseas Unit with Secretariat of Industrial Approvals, Ministry of Industry, Government of India.

**B. Opening and Closing Stock of Goods Produced :**

Class of Goods	Unit	OPENING STOCK				CLOSING STOCK			
		2009-2010		2008-2009		2009-2010		2008-2009	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
			Rs. ('000)		Rs. ('000)		Rs. ('000)		Rs. ('000)
Black Tea	Kgs.	—	—	2,70,324	2,35,91	—	—	1,63,252	1,80,67
Yarn/Knitted Fabrics	Kgs.	2,79,094	31,43	4,28,610	4,84,22	1,09,367	1,48,91	2,79,094	3,14,30
			31,43		7,20,13		1,48,91		4,94,97

**C. Particulars in respect of Purchases and Sales :**

Class of Goods	Unit	PURCHASES				SALES			
		2009-2010		2008-2009		2009-2010		2008-2009	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
			Rs. ('000)		Rs. ('000)		Rs. ('000)		Rs. ('000)
Black Tea	Kgs.	—	—	—	—	—	—	21,02,396	23,49,79
Green Tea Leaves	Kgs.	—	—	20,67,205	3,18,88	—	—	—	—
Yarn/Knitted Fabrics	Kgs.	—	—	—	—	65,41,650	83,34,07	50,95,823	60,04,64
Others		—	—	—	—	—	10,29,86	—	8,11,17
			—		3,18,88		93,63,93		91,65,60

**D. Details of Raw Materials Consumed :**

Class of Goods	Unit	2009-2010		2008-2009	
		Quantity	Value	Quantity	Value
			Rs. ('000)		Rs. ('000)
Cotton	M.Tons	9,241	62,53,63	7,087	45,53,17
			62,53,63		45,53,17

Notes : (1) Green Tea Leaves Consumed (Raw Materials) Nil Kgs. (83,73,632 Kgs. of which 20,67,205 Kgs. Purchased - Value Rs.3,18,88)

(2) Yarn used for Sample 178 Kgs. (Previous Year 206 Kgs)

**E. Value of Raw Materials, Spare Parts and Components Consumed :**

	RAW MATERIALS				SPARE PARTS & COMPONENTS CONSUMED			
	2009-2010		2008-2009		2009-2010		2008-2009	
	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
Imported	—	—	—	—	39,58	15.62	7,87	3.11
Indigenous	62,53,63	100.00	45,53,17	100.00	2,13,84	84.38	2,03,54	80.32
	62,53,63	100.00	45,53,17	100.00	2,53,42	100.00	2,11,41	83.42

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**
**SCHEDULE 21 (Contd.)**

	2009-2010 Rs. ('000)	2008-2009 Rs. ('000)
<b>F. Value of Imports on C.I.F. Basis :</b>		
Spare Parts	28,06	11,25
Capital Goods	—	60,96
	<u>28,06</u>	<u>72,21</u>
<b>G. Expenditure in Foreign Currency :</b>		
Travelling	47	23,73
Bank Charges	13,53	7,51
Commission	79,81	41,65
Repair to Computer	—	—
Subscription	—	1,20
	<u>93,81</u>	<u>74,09</u>
<b>H. Earnings in Foreign Currency : F. O. B. Value of Exports :</b>		
Direct	49,92,03	42,86,84
Through Export House	25,66,72	8,00,48
	<u>75,58,75</u>	<u>50,87,32</u>

- (7) Profit and Loss Account includes payments and provision on account of remuneration to Managing Director and Wholetime Director as under (Paid as Minimum Remuneration)

	2009-2010			
	Rs. ('000)		Rs. ('000)	
Loss as per Profit & Loss Account				9,50,29
Less: Director's Remuneration (As detailed below)	28,03			
Director Fees	1,80			29,83
Net Loss for the purpose of Computation of Director's Remuneration				<u>9,20,46</u>
Remuneration including actual/estimated value of perquisites paid to Managing Director and Wholetime Director in terms of approval as per details below :	2009-2010		2008-2009	
	Rs. ('000)		Rs. ('000)	
	Managing Director	Whole Time Director	Managing Director	Whole Time Director
Salary	21,78	7,76	21,12	7,22
Contribution to Provident, Superannuation and Gratuity Fund	6,41	1,93	6,32	1,86
Other Benefits	2,11	2,47	1,67	2,43
	<u>30,30</u>	<u>12,16</u>	<u>29,11</u>	<u>11,51</u>
Less : Recovered from DCL pursuant to Demerger of Tea Division	14,43			
	<u>15,87</u>	<u>12,16</u>	<u>29,11</u>	<u>11,51</u>

As employee wise details regarding contribution to Gratuity Fund are not available so contribution to Gratuity Fund for the Whole Time Director is not shown above.

(8) **Earning Per Share**

Earning Per Share (EPS) - The numerators and denominators used to calculate Basic and Diluted Earnings per Share :	31.3.2010	31.3.2009
Profit for the year attributable to the Equity Shareholders - Rs.('000)	(9,36,76)	(8,19,24)
Basic/Weighted average number of Equity Shares outstanding during the year	1,54,30,374	1,54,30,374
Nominal Value of Equity Share	Rs.10/-	Rs.10/-
Basic and Diluted Earning Per Share	(Rs.6.07)	(Rs.5.31)

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

- The Company during the year, has adopted Accounting Standard 15 (revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India.
- Defined Contribution Plans : Amount of Rs. 51,36 (Previous year Rs. 88,33) is recognised as expense and included in "Payments to and provision for Employees" in Schedule-18 to the Profit & Loss Account.

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010****SCHEDULE 21 (Contd.)**

## c. Defined Benefit Plans :

## i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation : Rs.('000)

Particulars	2009-2010	2008-2009
	Gratuity	
a. Present Value of Defined Benefit obligation at the beginning of the year	66,47	1,91,36
b. Interest Cost	5,32	15,31
c. Current Service Cost	7,37	15,91
d. Actuarial Losses/(Gains)	39,53	11,28
e. Benefits Paid	13,27	33,54
f. Present Value of Defined Benefit Obligation at the close of the year	1,05,42	2,00,32

## 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	23,33	53,52
b. Add : Expected return on Plan Assets	1,87	5,43
c. Add/Less: Actuarial Losses/(Gains)	—	—
d. Add : Contributions	8,90	44,91
e. Less : Benefits Paid	13,27	33,54
f. Fair Value of Plan Assets at the close of the year	20,83	70,32

## 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	1,05,42	2,00,32
b. Less: Fair Value of Plan Assets	20,83	70,32
c. Present Value of unfunded obligation	84,59	1,30,00
d. Net Liability/(Asset) recognised in the Balance Sheet	84,59	1,30,00

## iv. Amount recognised in the Profit and Loss Account are as follows :

a. Current Service Cost	7,37	15,91
b. Interest Cost	5,32	15,31
c. Expected Return on Plan Assets	1,87	5,43
d. Actuarial Losses/(Gains)	39,53	11,28
e. Past Services Costs	—	—
f. Effect of Curtailment/Settlement	—	—
g. Adjustments for earlier years	(5,80)	—
h. Recognised in the Profit and Loss Account	44,55	37,07

## v. Actuarial Assumptions at the Balance Sheet date :

a. Discount Rate	8.00%	8.00%
b. Expected Rate of Return on Plan Assets	—	—
c. Salary Escalation Rate - Management Staff	3%	3%
d. Salary Escalation Rate - Non-Management Staff	3%	3%

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

## vi. Amount recognised as an expense in respect of Compensated Leave Absences is Rs.6,94.





**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**

**SCHEDULE 21 (Contd.)**

**(10) 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                      Mr. G. R. Basotia  
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.                      Milan Agencies Pvt. Ltd.  
Cosmos Resources Pvt. Ltd.                  Nidhi Pvt. Limited  
E.T. Resources Pvt. Ltd.                      OCL Investments & Leasing Ltd.  
Facitcon Investments Private Limited      S. T. Investment Pvt. Ltd.  
Innova Properties Pvt. Ltd.                  Suryasakti Commodities Pvt. Ltd.  
Kanco Tea & Industries Limited  
(Formerly known as Dhanvaridhi Concerns 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 :

Particulars	2009-2010 Rs. ('000)		2008-2009 Rs. ('000)	
	In Relation to Item 1(i)	In Relation to Item 1(ii)	In Relation to Item 1(i)	In Relation to Item 1(ii)
a. Rent Paid	Nil	4,68	Nil	10,80
b. Intercompany Loan Given	Nil	Nil	Nil	31,90
c. Intercompany Loan Received	Nil	1,00,00	Nil	13,83
d. Interest Free Loan Given	Nil	5,20	27,50	Nil
e. Interest Free Loan Received	Nil	Nil	8,00	Nil
f. Fixed Deposits Received	Nil	Nil	11,85	Nil
g. Fixed Deposits Paid	Nil	Nil	3,75	Nil
h. Remuneration	28,03	Nil	41,95	Nil
i. Interest Paid	Nil	7,69	2,75	Nil
j. Interest Received	Nil	Nil	Nil	9,25
k. Outstanding Balances at the end of the Financial Year				
i) Security Deposit	Nil	50,00	Nil	1,50,00
ii) (Payable)/ Receivable (Net)	Nil	(5,29,15)	(27,10)	58,82

(11) Arrangement between Dhanvaridhi Concerns Limited (DCL) with Kanco Enterprises Limited ("the Company") :

In accordance with the Scheme of Arrangement (the Scheme) between the Company with DCL as approved by the members, at a court convened meeting held on October 7, 2009, the Honorable High Court of Judicature at Calcutta, vide its Order dated, March 10, 2010, sanctioned the following :

- (i) The Tea Division of the Company, being all its assets and properties, both movable and immovable, industrial and other licenses, trademarks, all other interests, rights and powers of every kind, etc., and all its debts, liabilities, duties and obligations, has been transferred to and vested in DCL with effect from April 01, 2009 (the appointed date). The Scheme has accordingly been given effect to in these accounts.

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**
**SCHEDULE 21 (Contd.)**

- (ii) On account of the said demerger, the Company has transferred all the assets and liabilities of the Tea Division to DCL at their book values as at April 01, 2009. As stipulated in the Scheme of Arrangement, difference arising out of this transfer has been adjusted to General Reserves Account.

Accordingly, the arrangement has resulted in transfer of assets, liabilities and reserves in accordance with the terms of the Scheme at the following values :

Particulars	Amount	Amount
Fixed Assets ( Net )		9,55,85
Investments		11,62
Current Assets, Loans and Advances	11,66,48	
Less : Current Liabilities and Provisions	7,40,70	
		4,25,78
Total Assets		13,93,25
Less : Loans Funds		12,46,29
Net Assets Transferred		1,46,96

(Rs.'000)

Excess of Assets over Liabilities adjusted from General Reserve Account.

- (iii) On account of giving the effect of the Scheme, in these accounts, current year figures do not contain figures of Tea Division and so, are not comparable with previous year figures.
- (12) Deferred Tax Asset on account of unabsorbed depreciation has been recognised by the Company as prudent because Company has gone for a major expansion consisting of forward integration and increase in capacity, which would considerably increase its future profitability.
- (13) Previous year figures have been regrouped / rearranged wherever necessary.
- (14) **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

1) **Basis of Accounting**

- (a) The Company generally follows mercantile system of accounting unless otherwise stated and recognises income and expenditure on accrual basis except those with significant uncertainties.
- (b) The accounts have been prepared in accordance with historical cost convention method.

2) **Fixed Assets and Depreciation**

- (a) **Fixed Assets**  
Fixed Assets are stated at cost / book value less depreciation and net of cenvat and subsidy except on freehold land.
- (b) **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) In respect of revalued assets the difference between written down value of the assets as on the date of revaluation and their replacement value is transferred to Revaluation Reserve.

3) **Investments**

All Investments are held as long term investments and are stated at cost unless there is a permanent fall in the value of Investments.

4) **Inventories**

- (a) Stores and spares are valued at cost. Cost is arrived at on F.I.F.O. basis.
- (b) 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.
- (c) Materials in Process is valued at (\*) cost or net realisable value whichever is lower.
- (d) Yarn and Knitted Fabrics are valued at cost(\*) or net realisable value whichever is lower.

- \* (e) 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.

## **SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**

### **SCHEDULE 21 (Contd.)**

- (f) Finished Tea is valued at net realisable value.
  - (g) Waste is valued at estimated realisable value.
  - (h) Materials in transit are valued at cost to date of the Balance Sheet.
- 5) **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 Profit & Loss Account.
- 6) **Sales**
- (a) Sale of goods is recognised at the point of dispatch of finished goods to the customers.
  - (b) Export sales are accounted on the basis of dates of Bill of Lading.
  - (c) 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.
  - (d) Benefit on account of entitlement to import goods free of duty under the “Target Plus Scheme” is being accounted in the year in which license for such benefit is received.
- 7) **Government Grants and Subsidy**  
Revenue Grants and Subsidy received during the year have been shown by way of deduction from related expenses.
- 8) **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 Profit & Loss Account 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 :
    - (a) Fund 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 Profit & Loss account as income or expense.
    - (b) 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 & losses are recognised immediately in the Statement of Profit & Loss Account 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.
- 9) **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.
- 10) **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.

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2010**
**SCHEDULE 21 (Contd.)**
**11) 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.

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

B. R. SHAH  
Proprietor

Membership No. 05806

Ahmedabad

Dated : 21st day of June, 2010

R. MUNDHRA  
Company Secretary

U. KANORIA *Managing Director*

G. R. BASOTIA *Wholetime Director*

G. MOMEN  
P. K. BHATTACHARJEE  
P. K. PODDAR *Directors*

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 :**

i. Registration Details :			
Registration No.	53283	State Code	21
Balance Sheet Date	31.03.10		
ii. Capital Raised during the year (Amount in Rs. Thousand) :			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
iii. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousand) :			
Total Liabilities	77,21,41	Total Assets	77,21,41
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	15,43,04	Net Fixed Assets	41,29,10
Reserves & Surplus	25,00	Investments	5,00
Secured Loans	52,61,55	Net Current Assets	17,53,50
Unsecured Loans	8,91,82	Deferred Tax Assets	13,49,12
		Miscellaneous Expenditure	4,45
		Debit Balance of Profit & Loss Account	4,80,24
iv. Performance of Company (Amount in Rs. Thousand) :			
Turnover	97,41,12	Earning per Share (Rs.)	(6.07)
Total Expenditure	106,91,41	Dividend	Nil
Profit Before Tax	(9,50,29)		
Profit After Tax	(9,36,76)		
v. Generic Names of Three Principal Products/Services of the Company (as per monetary terms) :			
Item Code No.	52051401	Product Description	Cotton Yarn
Item Code No.	60062100	Product Description	Knitted Fabrics

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

B. R. SHAH  
Proprietor

Membership No. 05806

Ahmedabad

Dated : 21st day of June, 2010

R. MUNDHRA  
Company Secretary

U. KANORIA *Managing Director*

G. R. BASOTIA *Wholetime Director*

G. MOMEN  
P. K. BHATTACHARJEE  
P. K. PODDAR *Directors*