



ANNUAL REPORT 2010-2011

KANCO ENTERPRISES LIMITED



KANCO ENTERPRISES LIMITED

Annual Report & Accounts 2010-2011

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BOARD OF DIRECTORS

Sri U. Kanoria

Chairman & Managing Director

Sri G. Momen

Sri P. K. Bhattacharjee

Sri P. K. Poddar

Sri A. K. Jain

Sri Atul Doshi

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

Website : www.kanco.in

BRANCH OFFICE

207, Shitiratna, 2nd Floor

Panchavati Circle, Ahmedabad 380 006

PLANT

Kanco Overseas

Village: Walthera

Taluka : Dholka 387 810

Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

C B Management Services (P) Ltd.

P-22, Bondel Road, Kolkata 700 019

Phone : 2280 6692/93/94

Email : rta@cbmsl.com



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at the "Bhartiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 29th of July, 2011, at 10:30 A.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, 2011, 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. Parag Keshar Bhattacharjee, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Pavan Kumar Poddar, 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 an ORDINARY RESOLUTION :

"RESOLVED THAT Mr. Atul Doshi, who was appointed as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing, proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and who is eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office :

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Dated, the 13th day of May, 2011

By Order of the Board
For KANCO ENTERPRISES LIMITED

R. MUNDHRA
Company Secretary

NOTICE (Contd.)

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 27th July, 2011 to 29th July, 2011 (both days inclusive).
- The shareholders are requested to communicate to the Registrar & Transfer Agent, change in 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.
- Please note that as per the green initiative of the Ministry of Company Affairs, your Company proposes to dispatch the Statement of Accounts and the notice of the Annual General Meeting through electronic media to the email addresses of all those members as available in the Register of Members of the Company and who wishes to get a copy by the electronic media. Members intending to register their Email ID can do so by registering at www.cbmsl.com/green.php.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 (“The Act”)

Item No. 5

Pursuant to Article 82 of the Articles of Association of the Company and in terms of Section 260 of the Companies Act, 1956, Mr. Atul Doshi was appointed as an Additional Director of the Company with effect from 4th March, 2011 by the Board of Directors of the Company and holds the office as Director upto the date of ensuing Annual General Meeting.

The Company has received a notice in writing from a member of the Company together with deposit of ₹500/-, proposing the appointment of Mr. Atul Doshi as a director of the Company, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

Mr. Atul Doshi is a Chartered Accountant and a Management Accountant from CIMA, London. He has experience of more than 25 years in the Industry. He is holding 10 (ten) equity shares of the Company.

None of the Directors except Mr. Atul Doshi is in any way concerned or interested in the resolution.

The Board of Directors recommends the resolution for approval of shareholders.

Registered Office :

Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
Dated, the 13th day of May, 2011

By Order of the Board
For KANCO ENTERPRISES LIMITED

R. MUNDHRA
Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twentieth Annual Report and Audited Accounts for the year ended 31st March, 2011.

FINANCIALS

Your Company's financial performance was as follows :

	2010-2011 (Rs. in lacs)	2009-2010 (Rs. in lacs)
Profit Before Interest, Depreciation and Tax	1089.44	117.81
Less : Interest	575.78	570.89
Gross Profit/(Loss) for the year	513.66	(453.08)
Less : Depreciation	453.66	497.21
Profit/(Loss) Before Taxation	60.00	(950.29)
Less : Provision for -		
Net Current Tax	—	—
Deferred Tax	48.67	(13.53)
Profit/(Loss) After Taxation	11.33	(936.76)
Balance Brought Forward from Last Account	(2341.77)	(1405.01)
Balance Carried to Balance Sheet	<u>(2330.44)</u>	<u>(2341.77)</u>

DIVIDEND

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

OPERATIONS

The year started on a strong note with buoyant yarn prices. The Company achieved a turnover of ₹11989.86 Lakhs for the financial year. Average sales realisation increased by 50.76%, as compared to a 46.14% increase in average raw-material cost.

The year has seen unprecedented increase in both raw material and yarn prices. Towards the end of the year, the Government imposed restrictions on yarn exports, as a result of which sales quantity declined by 14.46% to 55.96 lakhs Kgs. in 2010-11 from 65.42 lakhs Kgs. in 2009-10.

Cotton prices moved up throughout the year. Prices moved up by approximately 109% from ₹28,500/- per candy in April 2010 to ₹59,600/- per candy in March 2011. However due to strong demand for Yarn, both in domestic as well as export markets and improved Yarn realisations the Company was able to post vastly improved results as compared to last year.

The current year has started on a weak note with the industry carrying large stocks on account of the restrictions imposed on export of cotton yarn in the last quarter of 2010-11. The restrictions on export of cotton yarn have now been lifted but with the large stocks being carried by the industry, there is pressure on prices. It is expected to take some time before this stock is liquidated and things return to normal. The current year looks difficult and trying for the industry.

FINANCE

During the year under review, the Company repaid installments of Term Loans amounting to ₹896.40 Lakhs, falling due during the current year. The Long Term Debt of the Company stands at ₹2923.65 Lakhs as on 31st March, 2011.

PREFERENTIAL ALLOTMENT OF SHARES

During the year under review, the Board of Directors of the Company allotted 25,00,000 equity shares of ₹10/- each for a premium of ₹10/- per share, aggregating ₹5,00,00,000/- on 17th of August, 2010 on Preferential basis as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 .

DIRECTORS' REPORT (Contd.)

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The accumulated losses of the Company at the end of financial year March 31, 2011 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.

DIRECTORS

Mr. Parag Keshar Bhattacharjee and Mr. Pavan Kumar Poddar, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-election. During the year, Mr. G.R. Basotia has resigned from the directorship of the Company and Mr. Atul Doshi has been inducted as an Additional Director.

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, 2011 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 19 (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 20th 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, of A-3, Nirant Society, Opposite Town Hall, Near Karnavati Hospital, Ellisbridge, Ahmedabad - 380 006, has been appointed as the Cost Auditor of the Company to carry out the Cost Audit for the year 2011-12.

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, 13th day of May, 2011

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, 2011

Energy Conservation measures taken :

	Savings
The Company has implemented the following power saving measures by way of :	
1. 3 nos. positive suction fans of Blow room line eliminated and discharge air pipe line modified for direct discharge.	155 units/day
2. 2 nos Micro dust stripper fan eliminated in Blow room and carding by connecting system directly to compactor fan.	117 units/day
3. Reduced Centrifugal fan speed of Blow room and carding Waste Recovery System.	172 units/day
4. OHTC Parking (Stop) timing 90 seconds given after each round of OHTC for Ring Frame and Autoconer machines.	265 units/day
5. One no. Supply Air Fan of Ring Frame Humidification Plant in Unit-II stopped permanently.	197 units/day
6. In Blow room ordinary V-Belts are replaced by cogged V-Belts for 8 nos ventilators.	43 units/day
7. Replaced ordinary Spindle tapes by W-8 Spindle tapes on 12 nos. Ring Frame m/cs.	400 units/day
Total energy consumption per unit of production is furnished in the prescribed Form "A" annexed hereto.	

FORM-A

PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

(A) POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
(1) Electricity		
(a) Purchased (Units)	2,37,59,840	1,65,25,940
Total Amount (₹)	14,41,15,501	9,66,92,305
Rate/Unit (₹)	6.07	5.85
(b) Own Generation		
Through LDO/FO/Diesel (Units)	4,62,422	1,08,83,467
Unit per Ltr.	4.03	4.28
Cost/Unit (₹)	5.55	4.63
(2) Furnace Oil		
Quantity (K. Ltr.)	108	2,529
Total Amount (₹)	23,61,387	4,98,44,960
Average Rate (₹/K. Ltr.)	21,865	19,709
(3) Others/Internal Generation		
(a) Gas		
Quantity (cm ³)	—	—
Total Cost (₹)	—	—
Rate/Unit (₹/cm ³)	—	—
(b) LDO/Diesel		
Quantity (K. Ltr.)	6.48	17
Total Cost (₹)	2,03,890	4,97,203
Average (₹/K. Ltr.)	31,465	29,247

(B) CONSUMPTION PER UNIT OF PRODUCTION

	<u>Unit</u>	<u>Current Year</u>	<u>Previous Year</u>
Yarn & Fabrics	Kgs.		
Electricity	Unit	3.96	4.30

For the above, there is no prescribed standard.

FORM-B

RESEARCH & DEVELOPMENT (R & D)

(1) Specific areas in which R & D carried out by the Company	a) One rewinding machine of 40 drums installed.		
	b) Type of packing carton changed from 5 ply to 3 ply with similar dimension and strength.		
(2) Benefits derived as a result of the above R & D	a) Percentage of second grade quality is reduced.		
	b) Yarn packing cost is reduced.		
(3) Future plan of action	a) Planning to install new waste bale press machine to increase weight per bale.		
(4) Expenditure on R & D		<u>2010-2011</u>	<u>2009-2010</u>
(a) Capital		₹ 5,75,993	₹ Nil
(b) Recurring		₹ 13,10,700	₹ 12,23,703
(c) Total		₹ 18,86,693	₹ 12,23,703
(d) Total R & D Expenditure as a percentage of total turnover		0.16%	0.13%

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>2010-2011</u>	<u>2009-2010</u>
1. Foreign Exchange Earnings	₹70,49,31,091	₹49,92,02,508
2. Foreign Exchange Outgo	₹ 1,62,62,091	₹ 1,21,87,422

Kolkata
13th day of May, 2011

For and on behalf of the Board
U. KANORIA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

The year started on a strong note with buoyant demand for yarn in export as well as domestic markets. This trend continued during the year up to December 2010. Realisations improved significantly and would have been better but for quantitative restrictions imposed on export of yarn limiting the total exports during the year 2010-11 to 720 million tonnes.

The quantitative restriction resulted in very nominal quantity of yarn exports in the period January 2011 to March 2011, coupled with this the imposition of 10% excise duty on branded garments has stifled domestic demand of cotton yarn. The industry which was comfortable and performing well till December 2010, suddenly found itself in very grim and precarious situation.

Performance of the Company has shown marked improvement in spite of rising input costs for raw material and power.

a) Industry Outlook : The industry is at present carrying large stocks of finished goods caused by the quantitative restrictions on export of cotton yarn that was imposed in the last quarter of 2010-11. As a result, prices are subdued and are expected to remain so till this stock is disposed of. The working results for the coming year will be adversely affected because of the prevailing situation.

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 industry's earnings and export competitiveness.

However, India being a large cotton producer and exporter is a major player in the textile industry globally and it is expected that this demand supply imbalance will be corrected in the next few months after which the industry should perform reasonably.

b) Opportunities : India has emerged as one of the largest producers of cotton in the world. Cotton area under cultivation is expected to increase further in India. This may put Indian producers at competitive advantage. The demand for cotton yarn is expected to remain robust due to growth in domestic consumption as well as exports.

c) Challenges : Huge buildup of cotton yarn inventory at the start of current year, high raw material prices, short term mismatch of supply and demand will pose a serious challenge to the industry's performance. Shortage of skilled labour is expected to result in drop in capacity utilisation.

d) Business Analysis & Review :

	Units	2010-11	2009-10	% Change
Production of Cotton Yarn/Fabrics	Kgs	61,19,808	63,72,101	(3.96%)
Sales of Cotton Yarn/Fabrics	Kgs	55,95,788	65,41,650	(14.46%)
Average Realisation	₹/Kg	192.06	127.39	50.76%
Average Cost of Cotton	₹/Ton	98,910	67,680	46.14%
Profit / (Loss) Before Interest but after Depreciation	₹ in Lacs	635.78	(379.4)	N.A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

Review of Operations : Buoyant demand helped improve realisations by an average 50.76%, average raw material prices rose by 46.14%. Production dropped marginally by 3.96% mainly on account of shortage of workforce. After facing a difficult period it is heartening to note that the Company posted a net profit.

Company Outlook : The immediate outlook is grim. Demand for Yarn has plunged resulting in prices dropping considerably. 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 sharp and unprecedented increase in cotton prices is expected to result in dampening of demand for fabrics / apparels / made ups. Shrinking availability of trained workmen is another area of concern.

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, 2011 was 655 compared to 741 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, 2011

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 13/08/10	No. of outside Directorships held ^(a)	No. of Membership/ Chairmanship in Committees ^(b)	Executive/Non-Executive/Independent
Mr. U. Kanoria	7	Present	4	4	Executive
Mr. G. R. Basotia*	1	Present	Nil	Nil	Executive
Mr. P. K. Bhattacharjee	7	Present	11	4	Independent
Mr. Golam Momen	5	Present	9	8	Independent
Mr. Pavan Poddar	6	Absent	7	2	Independent
Mr. Anil Kumar Jain	—	Absent	3	4	Independent
Mr. Atul Doshi**	—	N.A	—	—	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]

* Mr. G.R. Basotia has resigned from the Board of Directors of the Company with effect from 1st of January, 2011

** Mr. Atul Doshi has been inducted as an Additional Director with effect from 4th of March, 2011.

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, 2011 (F.Y.)

During the Financial Year under review, Seven Board Meetings were held on 28th of April, 2010, 14th of May, 2010, 21st of June, 2010, 13th August, 2010, 17th of August, 2010, 9th of November, 2010, 5th of February, 2011.

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 re-appointment / Directors sought to be appointed is as under :-

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

Mr. P. K. Bhattacharjee – is a Post Graduate in Economics. He has worked in different capacities with the State Bank of India and retired as Deputy Managing Director and Chief Financial Officer in the year 1999. He is empanelled as an arbitrator with National Stock Exchange of India Limited, Kolkata and also listed in the panel of arbitrators with NCDEX and MCX, Mumbai. He is a Director on the Boards of Cheviot Company Limited, Kilburn Chemicals Limited, Stesalit Limited, Stesalit Systems Limited, Kaushalya Infrastructure Development Corp. Limited and other companies of repute. He is the Chairman of the Audit Committee of your Company. He is holding 400 equity shares in the Company.

ANNEXURE-1 (Contd.)

Mr. Pavan Kumar Poddar – Mr. Pavan Kumar Poddar is an eminent Industrialist with vast experience in Tea & Textile Industry. Mr. Poddar is the Chairman and Managing Director of Poddar Udyog Limited and at the helm of its associate companies. He is also on the Boards of eminent tea and textile companies. He is not holding any equity shares in the Company.

3. Board Committees

3.1 Audit Committee

Audit Committee of the Board comprises of 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			
	14/05/10	12/08/10	9/11/10	5/02/11
Sri P. K. Bhattacharjee	Present	Present	Present	Present
Sri G. Momen	Present	Present	Present	Present
Sri P. K. Poddar	Absent	Absent	Present	Present

3.2 Remuneration Committee

Remuneration Committee of the Board comprises of three Independent Directors, namely, Mr. P K Poddar, Mr. G Momen and Mr. A K Jain, and is headed by Mr. P K Poddar. No Meeting of the Committee was held during the financial year ended 31st March, 2011.

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

Remuneration of Directors for the financial year ended 31st March, 2011 and their shareholding in the Company :

Name of Director	Sitting Fees (₹)	Salaries and Perquisites (₹)	Total (₹)	No. of Shares held
Mr. U. Kanoria	Nil	37,68,678	37,68,678	4,89,065
Mr. G.R. Basotia*	Nil	15,43,862	15,43,862	1400
Mr. P K Bhattacharjee	70,000	Nil	70,000	400
Mr. G Momen	50,000	Nil	50,000	650
Mr. Pavan Poddar	60,000	Nil	60,000	Nil
Mr. A K Jain	Nil	Nil	Nil	Nil
Mr. Atul Doshi**	Nil	Nil	Nil	Nil

* Mr. G.R. Basotia has resigned from the Board with effect from 1st of January, 2011

** Mr. Atul Doshi has been appointed as an Additional Director with effect from 4th of March, 2011

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, 2011, Twenty Nine 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, 2011 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
2010	19th Annual General Meeting	Bhartiya Bhasha Parishad 36A, Shakespeare Sarani Kolkata 700 017	13th August, 2010	12:00 Noon	One
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

- b) No Extra-Ordinary General Meeting of the shareholders was held during the year.
c) No Postal ballot was conducted during the Year. None of the resolutions proposed at the ensuing Annual General Meeting need to be passed by Postal Ballot.

Special Resolutions passed in last three General Meetings :

- At the 19th Annual General Meeting, the Company passed a special resolution for Preferential Allotment of shares.
- 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.

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, 2011 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 web site address is 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 the Audit Committee.

ANNEXURE-1 (Contd.)

9. General Shareholder Information

Annual General Meeting	
Date and Time	29th of July, 2011 at 10.30 A. M.
Venue	Bhartiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata 700 017

Financial Year : April 1, 2011 to March 31, 2012

Dates of Book Closure : 27th July, 2011 to 29th July, 2011 (Both days inclusive)

Financial Calendar (Tentative)

Quarter ending 30th June, 2011	14th August, 2011
Quarter ending 30th September, 2011	15th November, 2011
Quarter ending 31st December, 2011	15th February, 2012
Year ending 31st March, 2012	Last week of May, 2012

Listing on Stock Exchange and Stock Code

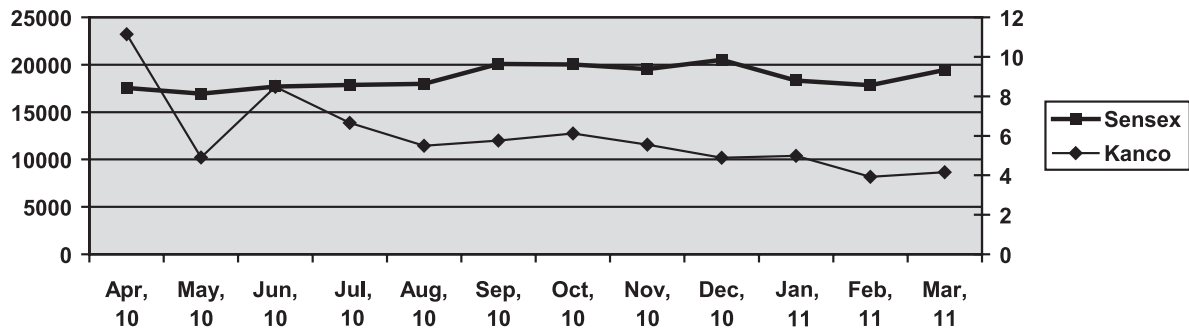
Equity Shares of the Company are listed at the Calcutta Stock Exchange Ltd. (Scrip Codes 21381 & 10021381). The Shares of the Company are traded at the Bombay Stock Exchange (Scrip Code 590084).

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 (₹)	11.73	12.49	9.04	8.91	7.16	6.85	7.59	6.65	6.75	6.85	5.22	4.96
Low (₹)	9.01	4.31	4.23	6.57	5.47	5.23	5.5	5.00	4.37	4.53	3.82	3.55
Volume	632554	1279514	845170	351750	145011	132127	439231	42040	67447	366404	12136	23643

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 700 029 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, 2011

Category	Number of Shares	% of Total Shares
Promoters including Persons deemed to be Acting in Concert	1,11,96,554	62.44
Mutual Funds	54,183	0.30
Financial Institutions/Banks	1,33,321	0.74
State Government	14,976	0.08
Others (Including Corporate bodies)	65,31,340	36.44
Total	1,79,30,374	100.00

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

As on 31st March, 2011, 13472935 equity shares of the Company of ₹ 10/ each, representing 75% of the total paid up equity capital of the Company stands dematerialised.

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

Distribution of Shareholding as on 31st March, 2011

No. of Shares	Number of Shares	% to Total Shares	Number of Shareholders	% of Shareholders
1 to 500	13,68,355	7.63	16,957	96.84
501 to 1000	2,03,746	1.14	276	1.58
1001 to 2000	1,88,193	1.05	128	0.73
2001 to 3000	82,239	0.46	32	0.18
3001 to 4000	86,269	0.48	24	0.13
4001 to 5000	47,588	0.27	10	0.06
5001 to 10000	2,32,925	1.30	32	0.18
10001 to 50000	5,20,738	2.90	22	0.13
50001 and 100000	6,59,934	3.68	10	0.06
100001 and above	1,45,40,387	81.09	19	0.11
Total	1,79,30,374	100.00	17,510	100.00

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

Kanco Overseas

Village : Walthera, Taluka : Dholka, Dist : Ahmedabad (Gujarat), Telephone : (02714) 247 404/05

Address for Correspondence :

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

On behalf of the Board of Directors

Kolkata
13th day of May, 2011

U. KANORIA
Chairman

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

I, Umang Kanoria, Managing Director & Chief Executive Officer (CEO) & Chief Financial Officer (CFO) 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, 2011.

Kolkata
13th day of May, 2011

U. KANORIA
CEO & 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) & 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 31 March, 2011 and that to the best of our knowledge and belief;
 - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
 - these statements present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of 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, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies; and
4. That 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 we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Kolkata
13th day of May, 2011

U. KANORIA
CEO & Managing Director

CERTIFICATE ON CORPORATE GOVERNANCE TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

We have examined the compliance of conditions of Corporate Governance by KANCO ENTERPRISES LIMITED ("the Company") for the year ended on 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

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

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

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

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

BHARAT SHAH
Proprietor

Place : Ahmedabad
Date : 13th day of May, 2011

Membership No. 5806

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, 2011, 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 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 Order.
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, 2011, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of 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 the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - ii) In the case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

BHARAT SHAH
Proprietor

Place : Ahmedabad
Date : May 13, 2011

Membership No. 5806

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, 2011

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items at regular intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, Clause (iii) (b), (iii) (c) and (iii) (d) of paragraph 4 of the Order are not applicable.
(b) The Company has taken unsecured loan from a company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance amounts to ₹ 3,00,00,000/-.
(c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest, wherever applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
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, there are no transactions made in pursuance of contracts or arrangements as defined under Section 297 and 299 of the Act.
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.
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

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

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 regular in depositing undisputed statutory dues including investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no statutory dues outstanding as at March 31, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales tax, wealth-tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
10. The Company's accumulated losses at the end of the year are more than fifty percent of its net worth. The Company has not incurred cash losses during the year however it has incurred cash loss in the immediate preceding financial year.
11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
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

BHARAT SHAH
Proprietor

Place : Ahmedabad
Date : May 13, 2011

Membership No. 5806



BALANCE SHEET as at 31st March, 2011

	<u>Schedules</u>	<u>31st March, 2011</u>		<u>31st March, 2010</u>
		₹ ('000)	₹ ('000)	₹ ('000)
I. SOURCES OF FUNDS				
(1) Shareholders' Funds				
(a) Share Capital	1	17,93,04		15,43,04
(b) Reserves & Surplus	2	<u>2,75,00</u>		<u>25,00</u>
			20,68,04	15,68,04
(2) Loan Funds				
(a) Secured Loans	3	42,99,92		52,61,55
(b) Unsecured Loans	4	<u>19,23,79</u>		<u>8,91,82</u>
			62,23,71	61,53,37
TOTAL			<u>82,91,75</u>	<u>77,21,41</u>
II. APPLICATION OF FUNDS				
(1) Fixed Assets				
(a) Gross Block		99,72,21		99,67,30
(b) Less : Depreciation		<u>62,91,03</u>		<u>58,41,60</u>
(c) Net Block	5	<u>36,81,18</u>		<u>41,25,70</u>
Capital Work in Progress		<u>—</u>		<u>3,40</u>
			36,81,18	41,29,10
(2) Investments	6		5,00	5,00
(3) Current Assets, Loans and Advances				
(a) Inventories	7	28,99,08		20,26,12
(b) Sundry Debtors	8	4,75,62		1,70,57
(c) Cash and Bank Balances	9	36,18		38,42
(d) Loans and Advances	10	<u>5,97,53</u>		<u>9,17,86</u>
		<u>40,08,41</u>		<u>31,52,97</u>
Less : Current Liabilities & Provisions				
(a) Current Liabilities	11	11,13,42		12,93,00
(b) Provisions	12	<u>58,78</u>		<u>1,06,47</u>
		<u>11,72,20</u>		<u>13,99,47</u>
Net Current Assets			28,36,21	17,53,50
Deferred Tax Asset (Net)	13		13,00,45	13,49,12
Miscellaneous Expenditure (To the extent not written off or adjusted)				
Right Issue Expenses			—	4,45
Profit and Loss Account				
Balance as per annexed Account		23,30,44		23,41,77
Less : General Reserve deducted, per Contra		<u>18,61,53</u>		<u>18,61,53</u>
			4,68,91	4,80,24
TOTAL			<u>82,91,75</u>	<u>77,21,41</u>

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 : 13th day of May, 2011

R. MUNDHRA
Company Secretary

U. KANORIA

Managing Director

P. K. BHATTACHARJEE

G. MOMEN

P. K. PODDAR

A. DOSHI

Directors

**PROFIT & LOSS ACCOUNT for the year ended 31st March, 2011**

	<u>Schedules</u>	<u>2010-2011</u>	<u>2009-2010</u>
		₹ ('000)	₹ ('000)
INCOME			
Sales Services Etc.			
Sales	14	1,19,89,86	97,41,12
Other Income	15	1,78,33	69,81
		<u>1,21,68,19</u>	<u>98,10,93</u>
EXPENDITURE			
Material Cost	16	78,98,62	63,78,67
Manufacturing Expenses	17	18,95,91	19,97,72
Employees' Emoluments	18	6,73,97	6,75,52
Interest and Finance Charges	19	5,75,78	5,70,89
Other Expenditure	20	6,10,25	6,41,21
Depreciation		4,53,66	4,97,21
		<u>1,21,08,19</u>	<u>1,07,61,22</u>
Profit/(Loss) before Taxation		60,00	(9,50,29)
Provision for Taxation :			
Current Tax		—	—
Deferred Tax		48,67	(13,53)
		<u>48,67</u>	<u>(13,53)</u>
Profit/(Loss) after Tax		11,33	(9,36,76)
As per last Account		(23,41,77)	(14,05,01)
		<u>(23,30,44)</u>	<u>(23,41,77)</u>
Notes forming part of the Accounts	21		
Basic/Diluted Earning Per Share (See Note 8)		₹ 0.07	₹ (6.07)

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 : 13th day of May, 2011

R. MUNDHRA
Company Secretary

U. KANORIA
Managing Director

P. K. BHATTACHARJEE
G. MOMEN
P. K. PODDAR
A. DOSHI
Directors



CASH FLOW STATEMENT for the year ended 31st March, 2011

	For the year ended	
	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES	₹ ('000)	₹ ('000)
Net Profit/(Loss) before Tax & Extraordinary items	60,00	(9,50,29)
Interest paid	5,75,78	5,70,89
Depreciation	4,53,66	4,97,21
Interest Received	(14,91)	(9,11)
Profit/(Loss) on Fixed Assets Sold	3,23	—
Operating Profit Before Working Capital Changes	10,77,76	1,08,70
ADJUSTMENT FOR :		
Trade & Other Receivables	18,89	(2,40,78)
Inventories	(8,72,96)	(3,73,61)
Trade Payables	(2,57,56)	1,33,77
Cash Generated From Operations	(33,87)	(3,71,92)
Income Tax paid (Net of Refund)	(3,61)	(1,96)
Cash Flow Before Extraordinary Items	(37,48)	(3,73,88)
Extraordinary Items	—	—
Net Cash Flow From Operating Activities	(37,48)	(3,73,88)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,95)	(12,80)
Fixed Assets Sold	1,98	5,77
Interest Received	14,91	9,11
Transfer of Gross Block	—	—
Net Cash Flow from Investing Activities	5,94	2,08
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Borrowings	70,34	9,68,08
Issue of Share Capital	5,00,00	—
Increase in Intercorporate Loans and others	—	—
Interest Paid	(5,45,49)	(5,70,89)
Right Issue Expenses	4,45	4,45
Net Cash Used In Financing Activities	29,30	4,01,64
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(2,24)	29,84
CASH AND CASH EQUIVALENTS AS AT (OPENING BALANCE)	38,42	38,72
Less: Transfer to DCL Pursuant to Demerger of Tea Division	—	30,14
	38,42	8,58
CASH AND CASH EQUIVALENTS AS AT (CLOSING BALANCE)	36,18	38,42

- 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 : 13th day of May, 2011

R. MUNDHRA
 Company Secretary

U. KANORIA

P. K. BHATTACHARJEE
 G. MOMEN
 P. K. PODDAR
 A. DOSHI

Managing 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, 2011**

	31st March, 2011		31st March, 2010
	₹ ('000)	₹ ('000)	₹ ('000)
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
1,85,00,000 Equity Shares of ₹ 10/- each		18,50,00	18,50,00
Issued, Subscribed and Paid Up			
1,79,30,374 (1,54,30,374) Equity Shares of ₹ 10/- each		17,93,04	15,43,04
Of the Above Shares			
(i) 1,27,25,187 Equity Shares (Previous year 1,02,25,187 Equity Shares) of ₹ 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			
(iii) During the year Company has allotted 25,00,000 Equity Shares of ₹ 10/- each on preferential allotment basis			
		<u>17,93,04</u>	<u>15,43,04</u>
SCHEDULE 2			
RESERVES & SURPLUS			
Capital Reserve - Subsidy As per Last Account		25,00	25,00
Securities Premium As per Last Account	—		
Received during the year	<u>2,50,00</u>	2,50,00	—
Revaluation Reserve As per Last Account	—		10,33,15
Less: Transferred pursuant to De-merger of Tea Division of the Company as per Scheme	<u>—</u>	—	<u>10,33,15</u>
General Reserve As per Last Account	18,61,53		20,08,48
Less: Excess of Assets over Liabilities adjusted as per Scheme	<u>—</u>		<u>1,46,95</u>
	<u>18,61,53</u>		<u>18,61,53</u>
Less : Deducted from Profit & Loss Account, per contra	<u>18,61,53</u>		<u>18,61,53</u>
		<u>2,75,00</u>	<u>25,00</u>
SCHEDULE 3			
SECURED LOANS			
A. Term Loan from Industrial Development Bank of India and State Bank of India under various Schemes		29,23,65	38,20,05
B. Working Capital Loan from State Bank of India			
a) Cash Credit	4,92,71		4,39,68
b) Export Packing Credit	8,80,07		8,64,70
c) Packing Credit in Foreign Currency	<u>—</u>		<u>1,29,69</u>
		13,72,78	14,34,07
C. Car Loan against Hypothecation of Cars From HDFC Bank Limited		<u>3,49</u>	<u>7,43</u>
		<u>42,99,92</u>	<u>52,61,55</u>

SCHEDULE 1 to 20 (Contd.)
SCHEDULE 3 (Contd.)

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

- 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.
- Secured by hypothecation of all tangible assets including movable machinery, stock in trade, stores, book debts, etc and second charge on entire fixed assets, present and future, and guaranteed by Managing Director.
- Secured by Hypothecation of Motor cars.

<u>31st March, 2011</u>	<u>31st March, 2010</u>
₹ ('000)	₹ ('000)

SCHEDULE 4
UNSECURED LOANS

From Bodies Corporate

Interest Accrued & Due on Unsecured Loans

18,70,83	8,69,15
52,96	22,67
<u>19,23,79</u>	<u>8,91,82</u>

SCHEDULE 5
FIXED ASSETS

₹ ('000)

Particulars	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	As at	Additions	Transfer*	Deduction	As at	Up to	For the year	Transfer*	Deduction	Up to	As at	As at
	1.04.2010				31.03.2011	1.04.2010	2010-2011			31.03.2011	31.03.2011	31.03.2010
Land - Freehold	40,76	—	—	—	40,76	—	—	—	—	—	40,76	40,76
Building & Water												
Supply Installation **	18,87,62	5,91	—	—	18,93,53	3,82,76	54,35	—	—	4,37,11	14,56,42	15,04,86
Machinery & Electric												
Supply Installation	79,08,89	7,35	—	—	79,16,24	53,91,32	3,90,73	—	—	57,82,05	21,34,19	25,17,57
Vehicles	62,91	—	—	7,46	55,45	29,66	4,98	—	2,91	31,73	23,72	3325
Furniture & Fittings	67,12	1,09	—	1,98	66,23	37,86	3,60	—	1,32	40,14	26,09	29,26
	<u>99,67,30</u>	<u>14,35</u>	<u>—</u>	<u>9,44</u>	<u>99,72,21</u>	<u>58,41,60</u>	<u>4,53,66</u>	<u>—</u>	<u>4,23</u>	<u>62,91,03</u>	<u>36,81,18</u>	<u>41,25,70</u>
Previous Year	1,25,85,30	9,40	25,49,89	77,51	99,67,30	59,77,90	4,97,21	5,61,77	71,74	58,41,60	41,25,70	

* Pursuant to Scheme of Arrangement, the assets have been transferred to Dhanvaridhi Concerns Limited at book value as on 01.04.2009.

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

<u>31st March, 2011</u>	<u>31st March, 2010</u>
₹ ('000)	₹ ('000)

SCHEDULE 6
INVESTMENTS ; AT COST
Unquoted : (In Mutual Fund)

50,000 Units of S.B.I Mutual Fund of ₹ 10 each
(NAV ₹ 4,69 Previous Year ₹ 5,17)

5,00	5,00
------	------

<u>5,00</u>	<u>5,00</u>
-------------	-------------

SCHEDULE 7
INVENTORIES

Stores, Spares, etc. at cost or net realizable value whichever is lower

Stock-in-Trade, at cost or net realizable value whichever is lower

— Raw Materials	10,11,02	14,24,33
— Materials in Process	4,59,28	2,63,17
— Finished Goods	12,35,44	1,48,91
— Waste, at estimated realizable value	<u>87,58</u>	<u>59,49</u>
	<u>27,93,32</u>	<u>18,95,90</u>
	<u>28,99,08</u>	<u>20,26,12</u>

SCHEDULE 1 to 20 (Contd.)

	31st March, 2011		31st March, 2010
	₹ ('000)	₹ ('000)	₹ ('000)
SCHEDULE 8			
SUNDRY DEBTORS - UNSECURED, GOOD			
(i) Outstanding for more than six months		1	—
(ii) Others		4,75,61	1,70,57
		<u>4,75,62</u>	<u>1,70,57</u>
SCHEDULE 9			
CASH AND BANK BALANCES			
Cash in hand		6,17	3,11
Bank Balances :			
With Scheduled Banks :			
—In Current Account		30,01	35,31
		<u>36,18</u>	<u>38,42</u>
SCHEDULE 10			
LOANS AND ADVANCES - UNSECURED, GOOD			
Advances recoverable in cash or in kind or for value to be received		4,28,11	6,93,19
Deposits		1,58,70	2,08,69
Balance with Central Excise etc.		4,41	13,28
Tax paid in Advance, net of Provisions		6,31	2,70
		<u>5,97,53</u>	<u>9,17,86</u>
SCHEDULE 11			
LIABILITIES			
Sundry Creditors :			
Due to Micro, Small and Medium Enterprises (See Note 4)		—	—
Others		11,12,09	12,91,67
			<u>12,91,67</u>
Sundry Deposits		11,12,09	12,91,67
		1,33	1,33
		<u>11,13,42</u>	<u>12,93,00</u>
Note : There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2011.			
SCHEDULE 12			
PROVISIONS			
For Un-encashed Leave		23,91	21,88
For Gratuity		34,87	84,59
		<u>58,78</u>	<u>1,06,47</u>
SCHEDULE 13			₹ ('000)
DEFERRED TAX	As on 31.03.2010	Charge/Credit During the Year	As on 31.03.2011
Deferred Tax Assets on account of following :			
Unabsorbed Depreciation	13,06,37	(52,38)	12,53,99
Provision for Bonus	12,34	(1,97)	10,37
Provision for Gratuity	26,14	(15,37)	10,77
Provision for Leave Encashment	6,76	63	7,39
Depreciation	(2,49)	20,42	17,93
Deferred Tax Assets (Net)	<u>13,49,12</u>	<u>(48,67)</u>	<u>13,00,45</u>
SCHEDULE 14		2010-2011	2009-2010
SALES AND SERVICES ETC.		₹ ('000)	₹ ('000)
Yarn, Knitted Fabrics & Waste		1,19,17,92	93,63,93
Job Work Income(Gross, Tax Deducted			
₹ 21, Previous year ₹ Nil)		10,67	—
Export Incentives		61,27	3,77,19
		<u>1,19,89,86</u>	<u>97,41,12</u>

SCHEDULE 1 to 20 (Contd.)

SCHEDULE 15	2010-2011		2009-2010
OTHER INCOME	₹ ('000)	₹ ('000)	₹ ('000)
Miscellaneous Income		12,86	58,19
Compensation on Surrender of Rented Premises		75,00	—
Exchange Rate Difference		74,37	—
Adjustment Related to Previous Years (Net)		1,19	2,51
Interest Earned (Gross, Tax Deducted ₹ 89, Previous Year ₹ 1,95)		14,91	9,11
		<u>1,78,33</u>	<u>69,81</u>
SCHEDULE 16			
MATERIAL COST			
(a) Raw Materials consumed :			
Stocks at Commencement	14,24,33		9,27,40
Purchases	<u>87,96,03</u>		<u>67,50,56</u>
	1,02,20,36		76,77,96
Less : Stocks at Close	<u>10,11,02</u>	92,09,34	<u>62,53,63</u>
(b) Increase/Decrease in Stocks			
Stocks at Close :			
Materials in Process	4,59,28		2,63,17
Finished Goods	12,35,44		1,48,92
Waste	87,58		59,49
	<u>17,82,30</u>		<u>4,71,58</u>
Less : Stocks at Commencement :			
Materials in Process	2,63,17		2,54,11
Finished Goods (Previous year-Net of Stock of ₹ 1,80,67			
Transfer to DCL Pursuant to De-merger of Tea Division)	1,48,92		3,14,30
Waste	59,49		28,21
	<u>4,71,58</u>		<u>5,96,62</u>
		(13,10,72)	1,25,04
		<u>78,98,62</u>	<u>63,78,67</u>
SCHEDULE 17			
MANUFACTURING EXPENSES			
Stores, Spares and Packing Materials consumed		1,81,06	2,04,24
Power, Fuel and Water		14,67,86	14,98,24
Repairs to: Repairs to Building etc.	6,90		15,34
Machinery Repairs	2,34,14		2,70,27
Other Repairs	5,95		9,63
		<u>2,46,99</u>	<u>2,95,24</u>
		<u>18,95,91</u>	<u>19,97,72</u>
SCHEDULE 18			
EMPLOYEES' EMOLUMENTS			
Salaries, Wages, Bonus etc.		6,09,21	5,46,80
Contribution to Provident and Other Funds		32,47	95,91
Welfare Expenses		32,29	32,81
		<u>6,73,97</u>	<u>6,75,52</u>
SCHEDULE 19			
INTEREST AND FINANCE CHARGES			
Interest : On Fixed Loans (Net of Receipts under T.U.F.S.)	3,60,57		3,59,22
Other	<u>1,52,12</u>		<u>1,63,54</u>
		5,12,69	5,22,76
Discounting Charges		<u>63,09</u>	<u>48,13</u>
		<u>5,75,78</u>	<u>5,70,89</u>

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

SCHEDULE 20	2010-2011		2009-2010
	₹ ('000)	₹ ('000)	₹ ('000)
OTHER EXPENDITURE			
Rent		45	1,25
Rates and Taxes		2,39	2,46
Insurance		5,61	15,59
Freight, Duty etc.		2,00,64	2,09,32
Brokerage, Commission and Discount on Sales		2,43,94	1,74,26
Transport & Maintenance		22,24	19,10
Travelling & Conveyance		16,86	6,99
Exchange Rate Difference		—	75,37
Miscellaneous Expenses		1,08,41	1,29,96
Sundry Debit Balances Written Off		23	66
Loss on Sale of Fixed Assets		3,23	—
Directors' Fees		1,80	1,80
Right Issue Expenses Written off		4,45	4,45
		<u>6,10,25</u>	<u>6,41,21</u>

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011**SCHEDULE 21****NOTES ON ACCOUNTS**

	31st March, 2011	31st March, 2010
	₹ ('000)	₹ ('000)
(1) Contingent Liabilities not provided for :		
a) Claims against the Company not acknowledged as debts -		
Labour Matters	27,89	2,32
b) i) Bills discounted	3,36,72	10,16,40
ii) Since realised	1,72,42	8,52,87
(2) Estimated amount of contracts remaining to be executed on capital account for ₹ 4,14,95 (Previous Year ₹ 4,14,95) but not provided for.		
(3) Miscellaneous Expenses include payments to Auditors as under :		
(i) Statutory Auditors :		
Audit Fees	1,00	1,08*
Tax Audit Fees	15	15
Other Matters	40	30*
Re-imburement of Expenses	—	2
	<u>1,55</u>	<u>1,55</u>
(ii) Cost Auditors :		
Cost Audit Fees	30	25
Re-imburement of Expenses	1	1
	<u>31</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, 2011 and as on that date.

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011
SCHEDULE 21 (Contd.)

Secondary Segment- Geographical by location of customers	2010-2011	2009-2010
	₹ ('000)	₹ ('000)
I. Sales & Operating Income :		
In India	48,49,53	46,58,66
Outside India	71,40,33	50,82,46
	<u>1,19,89,86</u>	<u>97,41,12</u>
II. Carrying cost of Assets by Location :		
In India	85,70,16	85,02,78
Outside India	4,24,88	1,26,38
	<u>89,95,04</u>	<u>86,29,16</u>
III. Capital Expenditure :		
In India	10,95	12,80
Outside India	—	—
	<u>10,95</u>	<u>12,80</u>

(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	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Yarn/Knitted Fabrics	Nil*	Nil*	38,016 Spindles	38,016 Spindles	61,19,808 kgs.	63,72,101 kgs.

** 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			
		2010-2011		2009-2010		2010-2011		2009-2010	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Yarn/Knitted Fabrics	Kgs.	1,09,367	₹ ('000) 1,48,92	2,79,094	₹ ('000) 3,14,30	6,33,305	₹ ('000) 12,35,44	1,09,367	₹ ('000) 1,48,92
			<u>1,48,92</u>		<u>3,14,30</u>		<u>12,35,44</u>		<u>1,48,92</u>

C. Particulars in respect of Sales :

Class of Goods	Unit	SALES							
		2010-2011			2009-2010				
		Quantity	Value	Quantity	Value	Quantity	Value		
Yarn/Knitted Fabrics	Kgs.	55,95,788	₹ ('000) 107,47,44	65,41,650	₹ ('000) 83,34,07				
Others			11,70,48		10,29,86				
			<u>1,19,17,92</u>		<u>93,63,93</u>				

Note : Yarn used for Sample 82 Kgs. (Previous Year 178 Kgs)

D. Details of Raw Materials Consumed :

Class of Goods	Unit	2010-2011		2009-2010	
		Quantity	Value	Quantity	Value
Cotton	M.Tons	9,311	₹ ('000) 92,09,34	9,241	₹ ('000) 62,53,63
			<u>92,09,34</u>		<u>62,53,63</u>

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

	RAW MATERIALS				SPARE PARTS & COMPONENTS CONSUMED			
	2010-2011		2009-2010		2010-2011		2009-2010	
	₹ ('000)	%	₹ ('000)	%	₹ ('000)	%	₹ ('000)	%
Imported	—	—	—	—	35,14	16.16	39,58	15.62
Indigenous	92,09,34	100.00	62,53,63	100.00	1,82,29	83.84	2,13,84	84.38
	<u>92,09,34</u>	<u>100.00</u>	<u>62,53,63</u>	<u>100.00</u>	<u>2,17,43</u>	<u>100.00</u>	<u>2,53,42</u>	<u>100.00</u>



SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011

SCHEDULE 21 (Contd.)

	<u>2010-2011</u>	<u>2009-2010</u>
	₹ ('000)	₹ ('000)
F. Value of Imports on C.I.F. Basis :		
Spare Parts	27,23	28,06
	<u>27,23</u>	<u>28,06</u>
G. Expenditure in Foreign Currency :		
Travelling	4,77	47
Bank Charges	15,53	13,53
Commission	1,15,09	79,81
	<u>1,35,39</u>	<u>93,81</u>
H. Earnings in Foreign Currency : F. O. B. Value of Exports :		
Direct	70,49,31	4992,03
	<u>70,49,31</u>	<u>4992,03</u>
I. Export sales :		
Direct Exports	71,40,33	50,82,46
Through Export House	21,66,21	25,66,72
	<u>93,06,54</u>	<u>76,49,18</u>

(7) Managerial Remuneration (Paid as Minimum Remuneration)

Calculation of Managing Director's Commission :

Computation of Net Profit as per Section 349 of the Companies Act, 1956

	<u>2010-2011</u>		<u>2009-2010</u>	
	₹ ('000)	₹ ('000)	₹ ('000)	₹ ('000)
Profit/(Loss) as per Profit & Loss Account		60,00		(9,50,29)
Add: Directors' Remuneration (As detailed below)	51,95		28,03	
Directors Fees	1,80		1,80	
Loss on sale of Fixed Assets	3,23		—	
		<u>56,98</u>		<u>29,83</u>
		1,16,98		(9,20,46)
Less : Loss adjusted from past year		(4,23,18)		—
Net Loss for the purpose of Computation of Directors' Remuneration		<u>(3,06,20)</u>		<u>(9,20,46)</u>

Remuneration including actual/estimated value of perquisites paid to Managing Director and Wholtime Director in terms of approval as per details below :

	<u>2010-2011</u>		<u>2009-2010</u>	
	₹ ('000)		₹ ('000)	
	Managing Director	Whole Time Director	Managing Director	Whole Time Director
Salary	30,20	9,20	21,78	7,76
Contribution to Provident, Superannuation and Gratuity Fund	6,27	1,54	6,41	1,93
Other Benefits	4	4,70	2,11	2,47
	<u>36,51</u>	<u>15,44</u>	<u>30,30</u>	<u>12,16</u>
Less : Recovered from DCL pursuant to Demerger of Tea Division	—	—	14,43	—
	<u>36,51</u>	<u>15,44</u>	<u>15,87</u>	<u>12,16</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 in above.

(8) **Earning Per Share**

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

	<u>31.3.2011</u>	<u>31.3.2010</u>
Profit for the year attributable to the Equity Shareholders - ₹ ('000)	11,33	(9,36,76)
Basic/Weighted average number of Equity Shares outstanding during the year	1,69,85,169	1,54,30,374
Nominal Value of Equity Share	₹ 10/-	₹ 10/-
Basic and Diluted Earning Per Share	₹ 0.07	(₹ 6.07)

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011
SCHEDULE 21 (Contd.)
(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.

a. Defined Contribution Plans:

Amount of ₹ 57,19 (Previous year ₹ 51,36) is recognised as expense and included in "Payments to and Provision for Employees" in Schedule-18 to the Profit & Loss Account.

b. Defined Benefit Plans :
i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation : ₹ ('000)

Particulars	2010-2011	2009-2010
	Gratuity	
a. Present Value of Defined Benefit obligation at the beginning of the year	2,31,13	66,47
b. Interest Cost	18,49	5,32
c. Current Service Cost	18,59	7,37
d. Actuarial Losses/(Gains)	(1,17,98)	39,53
e. Benefits Paid	58,75	13,27
f. Present Value of Defined Benefit Obligation at the close of the year	91,48	1,05,42

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	76,53	23,33
b. Add : Expected return on Plan Assets	4,60	1,87
c. Add/Less: Actuarial Losses/(Gains)	—	—
d. Add : Contributions	34,23	8,90
e. Less : Benefits Paid	58,75	13,27
f. Fair Value of Plan Assets at the close of the year	56,61	20,83

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	91,48	1,05,42
b. Less: Fair Value of Plan Assets	56,61	20,83
c. Present Value of unfunded obligation	34,87	84,59
d. Net Liability/(Asset) recognised in the Balance Sheet	34,87	84,59

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

a. Current Service Cost	18,59	7,37
b. Interest Cost	18,49	5,32
c. Expected Return on Plan Assets	4,60	1,87
d. Actuarial Losses/(Gains)	(1,17,98)	39,53
e. Past Services Costs	—	—
f. Effect of Curtailment/Settlement	—	—
g. Adjustments for earlier years	60,78	(5,80)
h. Recognised in the Profit and Loss Account	(24,72)	44,55

v. Actuarial Assumptions at the Balance Sheet date :

a. Discount Rate	8.00%	8.00%
b. Expected Rate of Return on Plan Assets	8.00%	8.00%
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 ₹ 12,46.

c. Current year figures are given by LIC after giving effect of adjustment on account of demerger of Tea division of the Company during previous year and same has been adjusted from current year.

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011
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 (upto 31.12.2010)
 Mrs. Anuradha Kanoria Master Satvik Kanoria

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

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

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

Details relating to parties referred to in item 1(i) and 1(ii) above :

Particulars	2010-2011 ₹ ('000)		2009-2010 ₹ ('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 to Nidhi Pvt. Ltd. - Other	Nil	45	Nil	1,08 3,60
b. Inter corporate Loan Repaid - Nidhi Pvt. Ltd.	Nil	10,00	Nil	Nil
c. Inter corporate Loan Received - S.T. Investment Pvt. Ltd. - Nidhi Pvt. Ltd.	Nil	2,00,00 1,00,00	Nil	1,00,00
d. Interest Free Loan Given	Nil	Nil	Nil	5,20
e. Interest Free Loan Received - Kanco Tea & Industries Ltd.	Nil	11,69	Nil	Nil
f. Security Deposits Received back from Nidhi Pvt. Ltd.	Nil	50,00	Nil	Nil
g. Remuneration	51,96	Nil	28,03	Nil
h. Interest Paid - S.T. Investment Pvt. Ltd. - Nidhi Pvt. Ltd.	Nil	19,34 5,92	Nil	7,69 Nil
i. Compensation Received - Nidhi Pvt. Ltd.	Nil	75,00	Nil	Nil
j. Outstanding at the end of Financial Year				
i) Security Deposit	Nil	Nil	Nil	50,00
ii) (Payable)/ Receivable (Net)	(25)	(8,30,83)	Nil	(5,29,15)

(11) 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.

(12) Previous year figures have been regrouped / rearranged wherever necessary.

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011

SCHEDULE 21 (Contd.)

(13) 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.

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.
- (f) Waste is valued at estimated realisable value.
- (g) 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

SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2011

SCHEDULE 21 (Contd.)

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.

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.

(14) The year end foreign currency exposures that have not been hedged by derivative instruments or otherwise are given below :

<u>Particulars</u>	<u>Current Year</u>	<u>Previous Year</u>
Debtors	US \$ 953052	US \$ 281957

(15) The Company has made reference to the Board of Industrial & Financial Reconstruction ("BIFR") pursuant to Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 on account of erosion of Net Worth of the Company by more than fifty percent.

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

B. R. SHAH
Proprietor
Membership No. 05806
Ahmedabad
Dated : 13th day of May, 2011

R. MUNDHRA
Company Secretary

U. KANORIA *Managing Director*

P. K. BHATTACHARJEE
G. MOMEN
P. K. PODDAR
A. DOSHI
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	31.03.2011		

ii. Capital Raised during the year (Amount in ₹ Thousand) :

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	5,00,00

iii. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousand) :

Total Liabilities	82,91,75	Total Assets	82,91,75
Sources of Funds		Application of Funds	
Paid-up Capital	17,93,04	Net Fixed Assets	36,81,18
Reserves & Surplus	2,75,00	Investments	5,00
Secured Loans	42,99,92	Net Current Assets	28,36,21
Unsecured Loans	19,23,79	Deferred Tax Assets	13,00,45
		Miscellaneous Expenditure	—
		Debit Balance of Profit & Loss Account	4,68,91

iv. Performance of Company (Amount in ₹ Thousand) :

Turnover	1,19,89,86	Earning per Share (₹)	0.07
Total Expenditure	1,19,31,00	Dividend	Nil
Profit Before Tax	60,00		
Profit After Tax	11,33		

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

Kolkata
Dated : 13th day of May, 2011

R. MUNDHRA
Company Secretary

U. KANORIA
Managing Director

P. K. BHATTACHARJEE
G. MOMEN
P. K. PODDAR
A. DOSHI
Directors



KANCO ENTERPRISES LIMITED

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

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

ATTENDANCE SLIP

I hereby record my presence at the TWENTIETH ANNUAL GENERAL MEETING of the Company being held at "Bhartiya Bhasha Parishad, 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 29th July, 2011 at 10.30 A.M.

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



KANCO ENTERPRISES LIMITED

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



PROXY FORM

REGD. FOLIO /BENEFICIARY ID NO. :

NO. OF SHARES :

I/We

of

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

hereby appointof

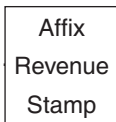
or failing himof

or failing him.....of

as my/our Proxy to attend and vote for me/us on my/our behalf at the TWENTIETH ANNUAL GENERAL MEETING of the Company to be held on Friday, the 29th July, 2011 at 10.30 A.M. and at any adjournment thereof.

Signed thisday of2011.

Signature.....



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