



**KANCO ENTERPRISES LIMITED**

**Annual Report  
&  
Accounts 2008-2009**

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**BOARD OF DIRECTORS**

**Sri U. Kanoria**

*Chairman & Managing Director*

**Sri G. R. Basotia**

*Wholetime 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. Jain & Co.**

*Chartered Accountants*

**BRANCH AUDITORS**

**M/s. Dalal & Shah**

*Chartered Accountants*

**COST AUDITORS**

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

*Cost Accountants*

**BANKERS**

**State Bank of India**

**Punjab National Bank**

**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

**TEA DIVISION**

**Mackeypore Tea Estate**

P.O. Nazira 785 685

Dist. Sivasagar (Assam)

**TEXTILE DIVISION**

**Kanco Overseas**

Village: Walthera

Taluka : Dholka 387 810

Dist. Ahmedabad (Gujarat)

**SHARE REGISTRARS**

**CB Management Services (P) Ltd.**

P-22, Bondel Road, Kolkata 700 019

Phone : 2280 6692/93/94

Email : [cbmsl1@cal2.vsnl.net.in](mailto:cbmsl1@cal2.vsnl.net.in)



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at the "Kalakunj", 48, Shakespeare Sarani, Kolkata 700 017 on Wednesday, the 23rd of September, 2009 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, 2009, the Audited Balance Sheet as at 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 they are hereby 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 pursuant to the provisions of Section 228 of the Companies Act, 1956 and other applicable provisions, the Board of Directors of the Company be and is hereby authorised to appoint individual(s) or firms other than the Company's Statutory Auditors, as Branch Auditors of the Company to conduct audit of its Tea Division and to fix their remuneration, for the financial year ended 31st March, 2010."
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION :  
"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to such consents, approvals and permissions as may be needed, Mr. Umang Kanoria be and is hereby re-appointed as the Managing Director of the Company, not liable to retire by rotation for a period of three years with effect from August 1st, 2009, at a remuneration and on terms and conditions set out below :
  1. (a) Salary (Basic) per month: Rs. 1,81,500-1,99,650-2,19,615/-  
(b) Commission: 1% of the net profits, subject to 50% of annual salary
  2. **Allowances/Perquisites**  
**Housing** : Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 15% of the basic salary relevant for the concerned period.  
OR  
In case Company owned and furnished accommodation is provided no allowance shall be paid.  
  
In case no accommodation-owned or hired-is provided by the Company, the Managing Director shall be entitled to 30% of the basic salary relevant for the concerned period as and by way of House Rent Allowance.  
**Gas/Electricity/ Water and Furniture/fixtures** : Expenditure incurred to be valued as per Income Tax Rules, 1962



NOTICE (*Contd.*)

**Medical Reimbursement :** Expenditure incurred by the Managing Director and his family, subject to a ceiling of one month's salary (basic) in a year or three months salary (basic) over a period of three years.

**Leave Travel Concession :** For Self and family in accordance with the Rules of the Company.

**Personal Accident Insurance :** As per the scheme of the Company provided the Annual Premium does not exceed Rs. 5,000/-.

**Club Fees :** Actual Fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.

The following shall not be included in the computation of ceiling on remuneration specified above :

- a) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company but restricted to the amount not taxable under the Income Tax Act, 1962.
- b) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.
- c) One and a half month's leave with full pay and perquisites, subject to a maximum accumulation of leave for 180 days.
- d) Encashment of un-availed leave at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- e) Provision of car for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

**Minimum Remuneration :**

The remuneration specified at Sl. Nos. 1 and 2 above subject to approval of Central Government should continue to be paid to Shri U. Kanoria as and by way of Minimum Remuneration notwithstanding the loss or inadequacy of profit during the relevant period of tenure of his office as the remuneration proposed is in accordance with the provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER THAT the tenure of the employment of Shri U Kanoria as Managing Director of the Company is terminable by either side with a notice period of three months or payment of basic salary in lieu thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all steps and perform such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution."

7. 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 163(1) of the Companies Act, 1956 and other applicable provisions and subject to the approval of the members of the Company, the Company do hereby provide its consent to keeping of its Registers of Members, Index of Members and Register of Transfers with the Registrar & Transfer Agents at their office, instead of keeping with the Company at its registered office."

8. 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 of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force, such Act being referred to as the "Act"), the applicable provisions of Foreign Exchange Management Act, 1999 ("FEMA"), rules, regulations, guidelines, notifications and circulars issued under FEMA including but not limited to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, provisions of Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, as amended, Chapter XIII A of SEBI (DIP) guidelines and other



NOTICE *(Contd.)*

applicable rules, regulations, guidelines, notifications and circulars of the Securities and Exchange Board of India ("SEBI") 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 the shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions of SEBI, the Stock Exchanges, Reserve Bank of India, the Ministry of Information and Broadcasting, the Department of Industrial Policy and Promotion, Ministry of Commerce, the Foreign Investment Promotion Board, and all other authorities as may be required, whether in India or outside India, and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and / or sanction which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorized at its absolute discretion to create, offer, issue and allot in one or more tranches, in the course of domestic / international offerings to one or more persons as the Board may determine at its absolute discretion, whether or not they are members of the Company, including but not limited to domestic investors / foreign investors whether having presence in India or not / institutional investors / foreign institutional investors, members, employees, non-resident Indians, companies or bodies corporate whether incorporated in India or abroad, trusts, mutual funds, banks, financial institutions, insurance companies, pension funds, individuals or otherwise, whether shareholders of the Company or not, through a public issue, rights issue, preferential issue and / or private placement, with or without an over-allotment option, with or without reservation on firm and / or competitive basis of such part of the issue for such person or categories of persons as may be permitted, equity shares and / or equity shares through depository receipts including Foreign Currency Convertible Bonds and / or Global Depository Receipts and / or American Depository Receipts and / or Qualified Institutions Placement (QIP) and / or any other securities convertible into equity shares at the option of the Company and / or holder(s) of the securities and/or securities linked to equity shares and / or securities with warrants including any instruments or securities representing either equity shares and / or Foreign Currency Convertible Bonds or convertible securities or securities linked to equity shares or equity shares / preferential shares/fully convertible debentures / partly convertible debentures or any securities, which are convertible or exchangeable with equity shares at a later date (hereinafter, collectively referred to as "Securities"), secured or unsecured, listed on any Stock Exchange inside India, through an offer document and / or prospectus and / or offer letter and / or offering circular and / or information memorandum and / or any other offering document(s) including an umbrella or shelf offering document, and / or listing particulars, as the Board in its sole discretion may at any time or times hereafter decide, for an aggregate amount not exceeding US\$ 5 Million (approximately Rs. 25 Crores at the current rate of exchange), inclusive of such premium from time to time, such issue and allotment to be made at such time or times in one or more tranches, denominated in one or more currencies, at such price or prices in such manner and where necessary in consultation with the lead managers and / or underwriters and / or stabilizing agents and / or other advisors or otherwise on such terms and conditions as the Board may, in its absolute discretion, decide at the time of issue of Securities with or without any greenshoe option, through an offer document and / or information memorandum as the Board in its sole discretion decide."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid offer/issue of securities may have all or any terms or combination of terms in accordance with the prevalent market conditions including but not limited to terms and conditions relating to payment of interest, dividend, premium or redemption at the option of the Company and/or the holders of the securities including terms for offer/issue of additional equity shares or variation of the conversion price or period of conversion of securities in to equity shares or terms pertaining to voting rights or option(s) for early redemption of securities and the Board be and is hereby authorised to determine the form, terms, timing of the offer(s)/issue(s) including the class of investors, number of securities to be issued and/or allotted in each tranche, offer/issue price, face value, premium amount on issue / conversion of securities, redemption of securities, rate of interest, redemption period, listing on one or more Stock Exchanges in India or overseas as the Board may in its absolute discretion deem fit and to make and accept any modifications



NOTICE (*Contd.*)

in the proposal as may be required by the authorities and to do all acts, deeds, matters and things as may be necessary and to settle any questions or difficulties that may arise in regard to the said offer(s)/issue(s) of securities.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to offer, issue and allot such number of ordinary equity shares ranking pari-passu, inter-se, with the then existing ordinary shares of the Company in all respects from time to time as may be required to be issued and allotted upon exercise of conversion option by the holder(s) of the securities in accordance with the terms of the issue of securities.”

“RESOLVED FURTHER THAT the consent of the Company be and is hereby granted in terms of Section 293(1)(a) and other applicable provisions, if any, of the Act and subject to all necessary approvals, to the Board to secure, if necessary, all or any of the above Securities to be issued by the creation of mortgage and / or charge on all or any of the Company’s immovable and / or movable assets, both present and future, in such form and manner and on such terms as may be deemed fit and appropriate by the Board.”

“RESOLVED FURTHER THAT the Board and / or any entity, agency or body authorised and / or appointed by the Board may, upon issue of such Securities, issue depository receipts representing the underlying Securities issued by the Company in negotiable registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations in or under such form and practices as may be prevalent in the international market.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution and matters flowing there from, connected with and incidental to any of the matters mentioned in the aforesaid resolution, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue/offer or allotment or conversion of the aforesaid Securities, listing thereof with any of the international /domestic stock exchange(s) and to resolve and settle all questions and difficulties that may arise in the proposed issue / offer, allotment and conversion of any of the aforesaid Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the shareholders or otherwise to the end and intent 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 9th day of May, 2009

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, IN HIS STEAD. 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.
- CB Management Services (P) Ltd has been appointed as RTA of the Company, in place of MCS Ltd. with effect from 1st of August, 2009. Members are advised to send their queries to the former from 1st of August, 2009 onwards.
- The Register of Members and Share Transfer Register shall remain closed with effect from Monday, the 21st of September, 2009 to Wednesday, the 23rd of September, 2009 (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.

## NOTICE *(Contd.)*

- Members are requested to preferably send their queries to the Registered Office, seven (7) days before the date of the AGM.
- In accordance with the Clause 32 as amended, Abridged Statement of Accounts is being sent to the members. However, Complete Statement of Accounts for the financial year ended 31st March, 2009 shall be provided to them on written request & be available for inspection at the Registered Office of the Company in accordance with the applicable law; and a soft copy thereof shall also be posted on the website - [www.kanco.in](http://www.kanco.in).

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

#### **Item No. 5**

The Company proposes to appoint Branch Auditors other than the Auditors appointed at the Head Quarters of the Company for carrying out the audit of the Tea Division of the Company in the State of West Bengal & Assam for the financial year ending 31st March, 2010. The Resolution seeks to obtain the members' consent as required under Section 288 of the Companies Act, 1956.

Accordingly, your Directors recommend the resolution set out in Item No. 5 of the convening notice for your approval. None of the Directors is in any way concerned or interested in the aforesaid resolution.

#### **Item No. 6**

Mr. Umang Kanoria was re-appointed as the Managing Director of the Company on 1st of August, 2006 for a period of three years ended 31st July, 2009. The Board in their meeting on 9th of May, 2009, on the recommendation of the remuneration committee has approved the re-appointment of Mr. Umang Kanoria as the Managing Director of the Company with effect from 1st of August, 2009 for a further period of three years ending 31st July, 2012 on the terms and conditions set out therein.

Mr. Kanoria is a promoter of the Company and has been spearheading the growth of the Company since its inception. Under the able guidance of Mr. Kanoria, the Company has continued its journey toward achieving its vision. The tea division of the Company has recorded tremendous growth in the recent years, under the able leadership of Shri Kanoria. The textile division has also been able to write off its initial loss.

### **INFORMATION REQUIRED PURSUANT TO THE PROVISIONS OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 READ WITH CLAUSE 49 OF THE LISTING AGREEMENT IS FURNISHED AS UNDER :**

#### **I. GENERAL INFORMATION**

##### **(i) Nature of Industry**

Kanco Enterprises Limited is engaged in the manufacturing and marketing of Tea, Yarn and Fabrics and is having a turnover of Rs. 101 Crores. The Company operates through its Tea estates at Mackeypore and Lakhmijan in the Upper Assam valley region and Textile unit at Walthera at Ahmedabad.

Kanco Enterprises Limited is a growing company in the current economic scenario due to inevitable demand of Quality Tea and fabrics. During a short span of time, the tea produced by the Company has carved out a niche for itself in the domestic market. The Textile division of the Company has embarked on the production of quality fabrics from last year and has already seen a spurt in demand for its netted fabrics.

##### **(ii) Date or expected date of commencement of commercial production**

The Company took over the manufacturing units in 1998 under a Scheme of Arrangement, which were operational a long time before that.

##### **(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not Applicable.**

**NOTICE (Contd.)**
**(iv) Financial performance based on given indicators** Rs./ lacs

Particulars	2007-08	2006-07	2005-06
Gross Revenue	10093.56	8742.08	7754.41
Profit before Tax & Extraordinary items	(769.20)	97.78	28.71
Profit After Tax & Extraordinary items	(548.14)	116.03	(115.16)
Gross Fixed Assets	12654.58	12478.79	8822.14
Equity Share Capital	1543.04	1543.04	771.52
Reserves & Surplus (excluding revaluation reserve)	1446.92	1993.51	1873.47
Net Worth	2976.60	3518.75	2629.40

**(v) Export performance and net foreign exchange collaborations** Rs./ lacs

Particulars	2007-08	2006-07	2005-06
Foreign Exchange Earnings	6150.93	5369.65	4484.29
Foreign Exchange Outgo	142.25	678.36	128.98

The Company exports Cotton Yarn and is a registered Star Export House registered with the Government of India besides being accredited with ISO 9000:2001 certification by the Bureau of Indian Standards. The Company has no foreign exchange collaborations.

(vi) Foreign Investments or collaborators, if any : Not Applicable.

**II. INFORMATION ABOUT THE APOINTEE**

- a) **Background details** : Mr. Umang Kanoria is a Commerce graduate with Honours from St. Xavier's College, Kolkata and an Associate Member of the Institute of the Cost and Work Accountants of India. He also holds a Masters in Business Administration from Switzerland. He has vast experience in Tea and Textile Industry and is instrumental in business expansion of the Company. Mr. Kanoria was the Ex- Chairman of Education and Finance Committees of Young Presidents' Organisation (YPO) and the Kolkata YPO Chapter Chairman. At present, he is in the executive committee of Indian Chamber of Commerce (ICC). He is also on the Board of prominent Public Limited Companies.
- b) **Past remuneration** : Remuneration to which Mr. U. Kanoria is entitled to at present is Rs. 22.77 Lakhs.
- c) **Recognition** : The Textile unit has been granted Energy Conservation award from the Ministry of Power, Government of India. Your Company has been rated as a Top 500 manufacturing SMB's in India for 2007.
- d) **Job Profile and his suitability** : As stated above, Mr. U.Kanoria is a Commerce graduate with Honours from St. Xavier's College, Kolkata and an Associate Member of the Institute of the Cost and Work Accountants of India. He also holds a Masters in Business Administration from Switzerland. He has extensive experience of more than 25 years in Tea and Textile business. He has been regularly managing day to day affairs of the Company. Since its inception under a scheme of arrangement, the Company has been growing in size and stature and has been rated as top 500 manufacturing SMB's in India in the year 2007. With the experience and entrepreneurial abilities of Mr. U. Kanoria, the Company has achieved turnover of about Rs. 100.22 Crores which is likely to go up in the foreseeable future.
- e) **Remuneration proposed** : As mentioned in the Resolution proposed as Item No. 6 of the Notice.
- f) **Comparative remuneration Profile with respect to industry, size of the company, profile of the position and person** : There is actually no peer group company operating in both the industries in which the Company has its businesses, i.e. Black Tea & Cotton Yarn, hence the comparative data are not applicable.
- g) **Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any** : Mr. U. Kanoria has no pecuniary relationship with the Company other than his remuneration as Managing Director and Member/ Promoter. Relationships by way of Accounting Standard (AS-18) are disclosed in the Annual Report.  
None of the managerial personnel are related to Mr. U. Kanoria.



NOTICE *(Contd.)*

**III. OTHER INFORMATION**

The last year and this year have been difficult for the textile industry due to several economic effects, which were beyond control of the management of the Company. Last year, the industry was hit by high inflation and abnormal appreciation of rupee against dollar, which has affected the overall manufacturing costs of the unit and lower realization of finished products. This year has been abnormal in terms of the turnover and profits of the Company due to the sub-prime crisis and global meltdown in the overall industry. The Tea division of the Company has seen a rise in the realization for the finished products, since last year and the good run is expected to continue, even this year. Detailed information is available in the Management & Discussion Analysis annexed to the Director's Report.

The Board of Directors has recommended the proposed resolution set out at Item No. 6 of this Notice for your approval by way of a Special Resolution.

Except Mr. U. Kanoria, none of the Director is concerned or interested in the proposed resolution. This explanatory statement along with the relevant resolution may be treated as an abstract of the terms of contract of appointment of managing Director to be disclosed to the members pursuant to Section 302 of the Companies Act, 1956.

**Item No. 7**

Your Company has changed the Registrar & Transfer Agents of the Company and has appointed CB Management Services (P) Ltd in place of MCS Ltd with effect from 1st of August, 2009 and as such all the relevant registers relating to members and transfers, etc will be kept at their office, which requires the consent of the members u/s 163(1) of the Companies Act, 1956.

Accordingly, your Directors recommend the resolution set out in Item No. 7 of the convening Notice for your approval. None of the Directors is in any way concerned or interested in the aforesaid resolution.

**Item No. 8**

As the members are aware, the main business of your Company is manufacturing of tea and textile, which requires high financial resources from time to time. Your Board has been meeting the requirements through borrowings from banks/ Financial Institutions and requisite funding from Promoter Group from time to time. Considering the funding needs and current market conditions, in order to augment the resources available to the Company, it is also proposed to offer, issue and allot, Foreign Currency Convertible Bonds (FCCBs), and/or other equity linked securities and/or securities convertible into equity shares, at a later date, and/or Global Depository Receipts(GDRs) and /or American Depository Receipts (ADRs) and /or Qualified Institutions Placement (QIP), up to a sum not exceeding US\$5 Million (approximately Rs.25 Crores at the current rate of exchange).

In terms of the requirement of Section 81(1A) of the Companies Act, 1956, the above offer for issue of FCCBs or similar securities with conversion option for converting the said Bonds into equity shares would require your consent and approval.

Accordingly, your Directors recommend the resolution set out in Item No. 8 of the convening notice for your approval. None of the Directors of the company is, in any way, concerned or interested in the resolution except in the capacity of the shareholder(s) of the Company.

By Order of the Board  
for KANCO ENTERPRISES LIMITED

R. MUNDHRA  
Company Secretary

Kolkata, the 9th day of May, 2009

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Eighteenth Annual Report and Audited Accounts for the year ended 31st March, 2009.

### FINANCIALS

Your Company's financial performance was as follows :

	<u>2008-2009</u>	<u>2007-2008</u>
	(Rs. in lacs)	(Rs. in lacs)
Profit Before Interest, Depreciation and Tax	(3.23)	471.45
Less : Interest	<u>614.89</u>	<u>593.01</u>
Gross Profit for the year	(618.12)	(121.56)
Less : Depreciation	<u>625.00</u>	<u>647.64</u>
Profit Before Tax	(1,243.12)	(769.20)
Less : Provision for -		
Net Current Tax	0.84	0.22
Fringe Benefit Tax	5.50	8.63
Taxation for Earlier Years	<u>—</u> 6.34	<u>0.53</u> 9.38
Add/Less : Deferred Tax	430.22	230.44
Add/Less : MAT Credit Entitlement	<u>—</u> 430.22	<u>—</u> 230.44
Profit/(Loss) After Taxation	(819.24)	(548.14)
Balance Brought Forward from Last Account	<u>(585.77)</u>	<u>(37.63)</u>
Balance Carried to Balance Sheet	<u>(1,405.01)</u>	<u>(585.77)</u>

### DIVIDEND

In view of loss, the Directors do not recommend any dividend for the year under review.

### OPERATIONS

Your Company has achieved a turnover of Rs.9393.61 Lakhs for the financial year as against Rs.10038.15 Lakhs last year. Whilst North Indian Tea prices remained buoyant, there was no significant improvement in yarn prices. Your Company has made good progress in creating a niche market for its tea. During the year, exports of the Company's textile unit were adversely affected mainly due to higher input costs, particularly raw material, power costs & interest costs and low demand due to global recession. However, the textile division of the Company is also showing signs of recovery. An increase in demand and efforts by your management are expected to produce improved results in the near future.

#### Tea Division

Last year witnessed a strong demand for tea in the market and as such prices were buoyant. In line with the industry, your Company's tea division also benefited from the improved prices and better quality of tea produced by it. In spite of loss of crop, the division reported better results due to improved average realization.

During the current year, the market is buoyant and tea prices have scaled new highs. The year shows a drop in production in all tea producing countries. North India too has experienced a drought. This has resulted in a shortage of supply, resulting in escalation of prices. With steps being taken to augment the availability of labour, better field practices, a buoyant market and firm prices, the outlook for the division looks favourable.

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

### **Textile Division**

The division went through one of the worst years in recent history. The first half of the year saw cotton prices going through the roof due to unbridled exports of cotton in the 2007-08 season. The country reaped a bountiful crop for the 2008-09 cotton season, for second year in running. This generated optimism amongst spinners, however the increase in MSP (Minimum Support Price) of cotton by the Government resulted in domestic prices ruling higher than international prices. This adversely affected the industry's export competitiveness.

Average sales realisation increased by 7.73 %, the improvement was more than negated by increase in average raw-material cost by 15.52%. The continuously rising raw-material costs forced the division to impose voluntary production cut. About 70 days production was lost due to voluntary production cut and power cuts.

The division & the Industry are working on negative margins. However, in the recent past, there has been a moderate increase in demand and your management is hopeful this trend will continue and curtail the losses.

The focus of the management is on cost reduction and optimizing product mix to bring the operations back on rail.

### **FINANCE**

During the year under review, the Company repaid the installment of Term Loans amounting to Rs.552.69 lakhs, falling due during the current year. The Company has also made fresh borrowings of Rs.1125.84 lakhs for funding capital expenditure and other working capital requirements. Long term debts of the Company stands at Rs. 3803.52 Lakhs.

### **DIRECTORS**

Mr. P.K. 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.

### **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, 2009 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.

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

### **FIXED DEPOSITS**

The amount outstanding as on 31st March, 2009 on account of Fixed Deposits aggregating Rs. 59.35 lacs is yet to mature and all the deposits that matured during the year were repaid with interest due thereon and nothing remains unclaimed.

### **AUDITORS**

Messrs Jain & Co., Chartered Accountants, Auditors of the Company has expressed their inability to continue as the Statutory Auditors of the Company and had since submitted their resignation. Messrs B. R. Shah & Associates, Chartered Accountants, has expressed their willingness to take up the assignment and have submitted the certificate pursuant to Section 224(1)(b) of the Companies Act, 1956 about their eligibility for appointment. The Company proposes to appoint Messrs B. R. Shah & Associates as the Statutory Auditors of the Company to hold office till the conclusion of next Annual General Meeting.

### **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 2008-09.

### **PROMOTER GROUP**

In accordance with the SEBI (Substantial Acquisition and Takeovers) Regulations, 1997, details of Promoter, Promoter Group and its constituents are disclosed in a statement annexed to this Report.

### **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, 9th May, 2009



## 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, 2009

Energy Conservation measures taken :

This year the Company has won prestigious award of "National Energy Conservation" organized by the Bureau of Energy Efficiency (Government of India-Ministry of Power) and Stood First in the Textile Sector. The Company has implemented the following power saving measures by way of :

1. Execution of Steam Heating in place of Electrical heaters :
  - (a) In F.O. Storage tanks of New DG 1.5 MW = 384 Units/day
  - (b) In Seiger Yarn Conditioning Plant = 540 Units/day
  - (c) Preparatory department steam heaters in place of Infra heating lamps for 6 months/year = 228 Units/day
2. Replacement of ordinary V-Belts by E.E. Cogged V-Belts in Blow Room and Preparatory area = 385 Units/day
3. Replacement of normal spindle tape by W-8 Habasit, Switzerland tape on 05 nos. KTTM Ring Frame machines = 61 Units/day
4. Optimisation of parking time in 40s ring Frame OHTC = 144 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	TEA DIVISION		TEXTILE DIVISION	
	Current Year	Previous Year	Current Year	Previous Year
<b>(1) Electricity</b>				
(a) Purchased (Units)	13,29,265	13,07,863	1,12,51,800	53,63,520
Total Amount (Rs.)	73,84,041	72,41,620	6,43,67,048	2,53,55,489
Rate/Unit (Rs.)	5.55	5.54	5.72	4.73
(b) Own Generation				
Through LDO/FO/Diesel (Units)	4,79,036	3,82,668	99,78,475	2,14,15,148
Unit per ltr.	6.46	4.67	4.19	4.20
Cost/Unit (Rs.)	5.17	6.76	4.42	4.44
<b>(2) Furnace Oil</b>				
Quantity (K. Ltr.)	—	—	2,365	4,980
Total Amount (Rs.)	—	—	4,36,71,697	9,13,92,928
Average Rate (Rs./K. Ltr.)	—	—	18,466	18,352
<b>(3) Others/Internal Generation</b>				
(a) Gas				
Quantity (cm <sup>3</sup> )	16,36,708	16,53,495	—	—
Total Cost (Rs.)	55,97,587	52,36,722	—	—
Rate/Unit (Rs./cm <sup>3</sup> )	3,420	3,167	—	—
(b) LDO/Diesel				
Quantity (K. Ltr.)	—	—	16	119
Total Cost (Rs.)	—	—	4,76,051	35,52,550
Average (Rs./K. Ltr.)	—	—	29,753	29,853
<b>(B) CONSUMPTION PER UNIT OF PRODUCTION</b>		Unit	Current Year	Previous Year
<b>(i) Black Tea</b>		Kgs.		
Electricity		Unit	0.91	0.76
Gas		Cm <sup>3</sup>	0.82	0.74
<b>(ii) Yarn</b>		Kgs.		
Electricity		Unit	4.29	4.07

For the above, there is no prescribed standard.

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

### FORM-B

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

	TEA DIVISION	TEXTILE DIVISION	
(1) Specific areas in which R & D carried out by the Company	The Division subscribes to Tea Research Association which is registered u/s 35(1) (ii) of the Income Tax Act, 1961.	(a)	Cotton Bale lay down system has been improved in the mixing room by distributing evenly different lots through the mixing length.
(2) Benefits derived as a result of the above R & D	The Division benefits from the suggestions received from the Association out of R & D activities.	(b)	Increased Cylinder speed and flat speed in cards or increasing carding action.
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	(c)	Finisher draw frames are being periodically checked for its auto leveling performances.
		(a)	Reduced unevenness in the yarn and improved fabric appearance and thereby customer satisfaction.
		(b)	Reduced thick and thin places in the yarn and improved fabric appearance thereby improving customer satisfaction.
		(c)	Reduced long term fault in yarn and thereby improved fabric quality.
		(a)	Planning to replace Loeffe YM 800 EYC with SIRO YM 900 EYC in three autoconers.
		(b)	Planning to replace mechanical autolevellers with electronic autolevellers in crossroll cards to improve sliver evenness.
		(c)	Planning to install VXL waste collection system in Blow room to avoid microdust going into the environment.
		(d)	Soft start system in E 7/4 combers to be upgraded with inverter drive.
(4) Expenditure on R & D	Nil	2008-2009	2007-2008
(a) Capital		Rs. 51,21,368	Rs. 1,19,566
(b) Recurring		Rs. 12,72,886	Rs. 12,12,543
(c) Total		Rs. 6,39,425	Rs. 13,32,109
(d) Total R & D Expenditure as a percentage of total turnover		0.91%	0.16%

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	2008-2009	2007-2008
1. Foreign Exchange Earnings	Rs. 50,87,31,702	Rs. 61,50,93,319
2. Foreign Exchange Outgo	Rs. 1,46,29,067	Rs. 1,42,25,148

For and on behalf of the Board

Kolkata  
9th day of May, 2009

U. KANORIA  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### OVERVIEW

The overall performance of the Company for the year 2008-09 has been adversely affected by the prevailing slump in the Indian Textile Industry. The recession in the world wide economy along with declining demand and steep increase in operating costs due to rise in raw materials, power and fuel costs has resulted in a negative profit margins for the division and the Company as a whole. However, the Tea division of the Company, in spite of a decline in crop in the last quarter, showed improved performance. The Company's strategy revolved around :

- (a) Creating and maintaining niche markets while exploring new horizons simultaneously.
- (b) Improvement in utilisation of assets to achieve productivity gains.
- (c) Improvement of Working capital management.
- (d) Measures to consistently reduce costs and improvement in productivity of factors of production.

### SEGMENT ANALYSIS & REVIEW

The key business segments of the Company are beverages (Tea) and textile. The Company's business is mainly based out of two tea estates in Assam and a Textile division in Gujarat.

#### A. TEXTILE DIVISION

**Industry Conditions :** Outlook for the Industry at present appears to be gloomy. In spite of a bumper crop during the year under review, prices ruled at exorbitant levels, due to export of large quantity of cotton, coupled with a decline in production in China, Pakistan and USA. Appreciation of Rupee by almost 11% has significantly eroded the profit margins of the Industry. Steep increase in international prices of crude oil resulted in substantial increases in power cost. The problem has been aggravated further due to inability of the manufacturers to pass on the increased production cost, due to over capacity. A weak US economy and a drop in global demand have resulted in a decline in export orders, which has significantly played on the revenue projections of the current year.

**Opportunities & Threats :** Small to marginal growth is expected in the domestic demand for Yarn. Large quantities of cotton stocks with CCI and NAFED coupled with increase in imports of cotton will exert downward pressure on prices. The growth in domestic industry needs to be exploited for improving the decline in export margins.

Cotton Yarn spinning industry is suffering from overcapacity. Cotton prices are expected to soften, however margins will continue to remain under pressure due to over supply.

**Textile Division Overview :** The division and industry faced one of the worst years in history. Unbridled exports of cotton resulted in cotton prices reaching historic highs, making the operations unviable. The division opted for voluntary production cut to contain losses. A total of 70 days production was lost due to voluntary lay-off and power cuts.

The immediate outlook is not encouraging. Cotton prices continue to be a cause of concern. The depreciating Rupee and fall in crude oil prices are welcome developments which will mitigate the industry's woes. The division has made inroads in the markets of Europe and Latin America. An increase in DEPB rate for export incentives will help improve the division's bottom line.

The division is focusing on productivity, quality and exercising tight control on manufacturing and finance costs to tide over the difficult times.

**Performance Highlights :** The Performance highlights for the year ended 31st March, 2009 as against 31st March, 2008 are as follows :

	Units	2008-09	2007-08	% Change
Production of Cotton Yarn/Fabrics	Kgs	49,46,513	65,82,661	(24.86)
Sales of Cotton Yarn/Fabrics	Kgs	50,95,823	64,60,813	(21.13)
Average Realisation	Rs./Kg	117.83	109.38	7.73
Average Cost of Cotton	Rs./Ton	64,247	55,614	15.52
Profit / (Loss) Before Interest but after Depreciation	Rs. in Lacs	(813.34)	(291.79)	(186.54)

**Risks & Concerns :** The steep increase in the MSP of cotton has eroded the industry's competitiveness. Yarn demand has weakened due to global economic crisis and world wide recession. The industry is expected to under perform till the demand catches up with prevailing over supply.

In respect of its fixed assets, the Company has taken out insurance policies to cover against the risks they might be exposed to and suitable steps are taken whenever required to overcome the impact of fluctuating Rupee-value on exports.

#### B. TEA DIVISION

**Industry Conditions :** Tea industry in India has over the last few years have been suffering from low prices as a result of excessive supply. However, in the last twelve months, as a result of growth in demand of tea in the Indian market,

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

the excess supplies has been absorbed and has provided much needed relief to the industry. Adverse weather conditions and disparity in demand and supply has created a shortage of teas, resulting in buoyant prices for all varieties of tea. The scenario is expected to continue, which augers well for the industry.

**Opportunities and Threats :** The outlook for the industry looks bright with growth in demand outstripping the growth of supply as a result of which carryover stocks have declined. Rising domestic demand coupled with lower production due to adverse weather conditions in major tea producing countries, augurs well for the Industry and the Company.

A study by Operations Research Group (ORG), indicates that domestic tea consumption has grown at 3.4 per cent last year, up from 2.5 per cent growth witnessed in 2007-08. This indicates that domestic demand is strong and there's a shortage in supply and as such Tea prices will remain firm and the Company and the industry is expected to do well. Rising Costs of operations and shortage of labour is a major area of concern for the industry.

**Tea Division Overview :** During the year under review, the crops recorded a decline, due to adverse weather conditions. However, strong demand coupled with shortage of quality teas has improved the average sales realization for the division. Better quality of tea produced, superior marketing strategies and quality adopted by your Company has resulted in improved results. Severe cost control measures helped your Company to keep production costs under control. The Company is currently planning increased irrigation facilities at your estates to reduce the impact of adverse weather conditions. The Company regularly brings more area under cultivation to increase productivity. These developments will have a positive impact on the bottom line of the division. With the thrust on manufacture of quality teas expected to yield higher sales realisations, steps having been taken to mitigate shortage of labour, improved field practices and cost control measures make the outlook for the current year positive.

### Performance Highlights

The performance highlights for the year ended 31st March, 2009 as against 31st March, 2008 are as follows :

	Units	2008-09	2007-08	% Change
Production of Black Tea				
– Own	Kgs	15,42,335	16,90,724	8.77
– From Purchased Green Leaves		4,52,963	5,42,143	16.44
Average Realisation	Rs./Kg	111.77	89.48	25.71
Profit after Tax	Rs. in Lacs	264.35	182.54	46.71

**Risks & Concerns :** Tea being an agricultural commodity is affected by vagaries of weather. The planned irrigation facilities at your estates will help it to reduce the impact of adverse weather conditions in future. Further, there is a risk of supply of cheap teas made available by bought tea leaf factories and from imports affecting the average realisation of teas in the domestic market. It is the endeavour of the Company to minimize such risks by being a consistent manufacturer of quality teas so as to create a niche market for its produce.

### 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

- that its assets are safeguarded.
- that transactions are authorised, recorded and reported properly; and
- that the accounting records are properly maintained and its financial statements are reliable.

The Company appoints external firm of Chartered Accountants to conduct internal audit from time to time and their reports are reviewed by the management and audit committee.

### HUMAN RESOURCES

#### A. Business Segments

**Tea Division :** Being a labour intensive activity, efforts of the staff and the management personnel is on imparting continuous training to improve the management practices.

**Textile Division :** The division is an ISO 9001:2000 certified unit and is focused on improving quality at all levels so that the division continues to strengthen its position in the competitive markets.

**B. Industrial Relations :** Industrial relations at all sites of the Company remain cordial.

**C. No. of Employees :** Manpower employed as at 31st March, 2009 was 2375 compared to 2490 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, 2009

#### **KEL's Philosophy on Code of Governance**

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 for the Employees of the Company.

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.

#### **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 29/7/2008	No. of outside Directorships held (a)	No. of Membership/ Chairmanship in Committees (b)	Executive/Non-Executive/Independent
Mr. U. Kanoria	5	Present	2	4	Executive
Mr. G. R. Basotia	2	Present	Nil	Nil	Executive
Mr. P. K. Bhattacharjee	4	Present	10	5	Independent
Mr. Golam Momen	4	Present	8	8	Independent
Mr. Pavan Poddar	4	Present	7	2	Independent
Mr. Anil Kumar Jain	2	—	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, 2009**

During the Financial Year under review, five Board Meetings were held on 5th May, 2008, 29th July, 2008, 27th October, 2008, 27th November, 2008 and 27th January, 2009.

#### **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. 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, Mumbai. He is serving as a Chairman of SBI Home Finance Co. Ltd. and as a Director on the boards of Cheviot Company Limited, Quipo Infrastructure Equipment Limited, Global Investment Trust Limited, Dhanus Technologies Limited, Kilburn Chemicals Limited, Stesalit Limited, Kaushalya Infrastructure Development Corp. Limited and MSM Energy Limited. He is the Chairman of the Audit Committee of your 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

**Board Committees**
**Audit Committee**

The Audit Committee comprises Mr. P.K. Bhattacharjee, Mr. G. Momen and Mr. Pavan Poddar, all being Non Executive and Independent Directors. Mr. P K Bhattacharjee, Ex Deputy Managing Director & Chief Financial Officer of State Bank of India who is an expert, inter alia, in financial and internal control areas, is the Chairman of the Audit Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The role and duties of the Audit Committee have been defined by the Board of Directors and cover the areas mentioned under Clause 49 of the Listing Agreement besides other terms as may be referred from time to time by the Board of Directors. Attendance at and dates of Audit Committee meetings held are as follows :

Name	Attendance at the meeting held on			
	05/05/08	29/07/08	21/10/08	27/01/09
Sri P. K. Bhattacharjee	Absent	Present	Present	Present
Sri G. Momen	Present	Present	Present	Present
Sri P. K. Poddar	Present	Absent	Absent	Present

**Remuneration Committee**

Remuneration Committee comprising Mr. P. K. Poddar, Mr. G. Momen and Mr. A. K. Jain, all Independent and Non-Executive Directors, is headed by Mr. P K Poddar. There was no meeting of the Committee during the financial year ended 31st March, 2009.

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. No remuneration is paid to the Non Executive Directors for attending other Meetings.

Remuneration of Directors for the financial year ended 31st March, 2009 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	28,96,993	28,96,993	4,89,065
Mr. G. R. Basotia	Nil	11,65,382	11,65,382	1,400
Mr. P. K Bhattacharjee	40,000	Nil	40,000	400
Mr. G. Momen	40,000	Nil	40,000	650
Mr. Pavan Poddar	40,000	Nil	40,000	Nil
Mr. A. K. Jain	20,000	Nil	20,000	Nil

**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, as other two members. Mr. Ravi Mundhra is the Compliance Officer. During the financial year ended 31st March, 2009, four complaints were received from shareholders and the same were duly redressed.

All valid requests for transfer of shares received during the financial year ended 31st March, 2009 have been acted upon by the Company and no such transfer is pending.

**ANNEXURE-1 (Contd.)**
**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
2006	Annual General Meeting	'Kalakunj', 48 Shakespeare Sarani Kolkata 700 017	28th July, 2006	10.30 A.M.	One
2007	Annual General Meeting	-do-	28th July, 2007	10.30 A.M.	One
2008	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.
- d) Resolutions Passed in last three Annual General Meetings :
- At the last 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.
- At the Annual General Meeting held on 28th July, 2006, the Company passed a special resolution for increase in remuneration of the Managing Director of the Company. The resolution was passed unanimously.

**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, 2009 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.

**Code of Conduct**

In compliance of the 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.

**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 or Business Standard) and Vernacular (Arthik Lipi or Kalantar) dailies. The Half-yearly reports are not sent to household of shareholders. 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 the Bombay Stock Exchange, where the shares of the Company are traded w.e.f. 6th May, 2008, under permitted category.

**Whistle Blower**

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.

**General Shareholder Information**

Annual General Meeting

Date and Time : Wednesday, the 23rd September, 2009 at 10.30 A.M.

Venue : Kalakunj, 48 Shakespeare Sarani, Kolkata 700 017

### ANNEXURE-1 (Contd.)

As required under Clause 49 IV (G) (i), particulars of Directors seeking re-appointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 23rd September, 2009.

Dates of Book Closure : 21st September, 2009 to 23rd September, 2009

Financial Calendar (Tentative)

Quarter ending 30th June, 2009 : July, 2009

Quarter ending 30th September, 09 : October, 2009

Quarter ending 31st December, 09 : January, 2010

Year ending 31st March, 2010 : July, 2010

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

#### Listing on Stock Exchange and Stock Code

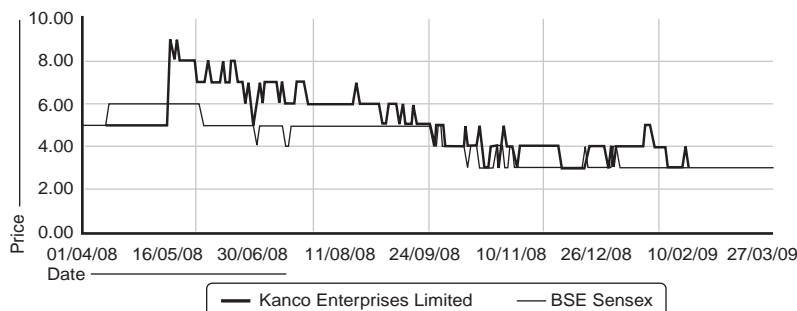
Shares of the Company are listed at the Calcutta Stock Exchange Association Ltd. (Scrip Codes 21381 & 10021381), and permitted to be traded at the Bombay Stock Exchange under permitted category (Scrip Code 590084). ISIN for dematerialisation is INE 248D01011.

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

Month	High (Rs.)	Low (Rs.)	Volume
April, 2008	Nil	Nil	Nil
May, 2008	11.50	7.05	3,01,069
June, 2008	8.60	5.09	75,211
July, 2008	7.60	5.12	38,223
August, 2008	7.46	5.30	65,331
September, 2008	6.00	4.30	56,575
October, 2008	5.88	2.81	12,346
November, 2008	4.76	3.23	6,448
December, 2008	4.20	3.30	4,940
January, 2009	4.85	3.45	7,760
February, 2009	3.58	2.85	10,348
March, 2009	3.19	2.67	5,225

\* The Shares of the Company has started trading at BSE w.e.f. 6th of May, 2008 (Scrip Code : 590084).

Price Vs. BSE Sensex :



#### Registrars and Transfer Agents ('RTA'), Share Transfer System

The Company has appointed CB Management Services (P) Limited, P-22 Bondel Road, Kolkata 700 019 in place of MCS Limited, 77/2A Hazra Road, Ground Floor, Kolkata 700 029, with effect from 1st August, 2009 as 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, 2009

Category	Number of Shares	% of Total Shares
Promoters including Persons deemed to be Acting in Concert	1,12,98,204	73.23
Mutual Funds	53,988	0.35
Nationalised Bank	1,13,438	0.74
State Government	14,976	0.10
Insurance Companies	1,32,021	0.86
Others (Including Corporate bodies)	38,17,747	24.74
<b>Total</b>	<b>1,54,30,374</b>	<b>100.00</b>

**Dematerialisation of Shares and Liquidity :** 19.66% of total equity shares of the Company have been dematerialised as on 31st March, 2009.

## Distribution of Shareholding as on 31st March, 2009

No. of Shares (Range)	Number of Shares	Number of Shareholders	Percentage of Total Shares
1 to 500	14,36,874	17,694	9.3120
501 to 1000	1,84,262	255	1.1942
1001 to 2000	1,64,350	115	1.0651
2001 to 3000	73,928	29	0.4791
3001 to 4000	43,510	12	0.2820
4001 to 5000	31,976	7	0.2072
5001 to 10000	1,63,636	22	1.0605
10001 to 50000	4,75,034	24	3.0786
50001 and 100000	6,48,161	8	4.2006
100001 and above	1,22,08,643	18	79.1208
<b>Total</b>	<b>1,54,30,374</b>	<b>18,184</b>	<b>100.00</b>

**Plant Locations :** The Company's plants are located at :

1. Mackeypore and Lakhmijan Tea Estates  
P.O. Nazira  
District : Sivasagar (Assam)  
Telephone : (03772) 215-318/317
2. 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. CB Management Services (P) Limited  
P-22 Bondel Road, Kolkata-700 019  
Phone : 2280 6692/93/94  
Email : cbmsl1@cal2.vsnl.net.in  
Exclusive email for investor complaints :  
cbmsl1@cal2.vsnl.net.in

On behalf of the Board of Directors

Kolkata  
9th day of May, 2009

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, 2009.

Kolkata  
9th day of May, 2009

U. KANORIA  
Managing Director, C.E.O. & C.F.O.

**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, 2009 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  
9th day of May, 2009

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, 2009, 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

For JAIN & CO.  
*Chartered Accountants*

P-21/22, Radhabazar Street  
Kolkata - 700 001  
Dated the 9th day of May, 2009

M. K. JAIN  
*Partner*  
Membership No. 55048



## ANNEXURE-2

**Promoters and Promoter Group pursuant to Regulation 3 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 :**

Sl. No.	Name of the Promoter & Promoter Group	As at 31st March, 2009	
		No. of Shares held	% of Total Equity Share Capital
1	Mr. Umang Kanoria	4,89,065	3.17
2	Umang Kanoria, Karta Umang Kanoria HUF	4,87,350	3.16
3	Satvik Kanoria	1,73,410	1.12
4	Anuradha Kanoria	1,26,295	0.82
5	Stuti Kanoria	3,62,749	2.35
6	Dhanvaridhi Concerns Limited	33,14,291	21.48
7	E. T. Resources Private Limited	18,22,895	11.381
8	B.T. Investments Pvt. Ltd.	15,28,150	9.9
9	Cosmos Resources Pvt. Ltd.	13,26,429	8.6
10	Nidhi Private Limited	3,10,000	2.01
11	Facitcon Investments Private Limited	7,94,505	5.15
12	S T Investments Pvt. Ltd.	2,70,060	1.75
13	OCL Investments & Leasing Ltd.	69,940	0.45
14	Innova Properties Pvt. Ltd.	1,20,000	0.78
	<b>Total</b>	<b>1,11,95,139</b>	<b>72.55</b>
	Shares held by the Persons deemed to be persons acting in concert [Regulation 2(1)(x)] of SEBI (SAST) Regulations, 1997	1,04,640	0.68

## AUDITORS' REPORT

### TO THE MEMBERS OF KANCO ENTERPRISES LIMITED

We have audited the attached Balance Sheet of KANCO ENTERPRISES LIMITED as at 31st March, 2009, as well as the annexed Profit & Loss Account and the Cash Flow Statement for the year ended 31st March, 2009, in which are incorporated the accounts of the Textile Division, as audited by another firm of Chartered Accountants. 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.

We conducted our audit in accordance with 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.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, ('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.

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 31st March, 2009, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2009 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 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 31st March, 2009.
  - ii) In the case of Profit & Loss Account, of the Loss of the Company for the year ended on that date.
  - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

P-21/22, Radhabazar Street  
Kolkata-700 001  
Dated the 9th day of May, 2009

For JAIN & CO.  
*Chartered Accountants*  
M. K. JAIN  
*Partner*  
Membership No. 55048



## AUDITORS' REPORT *(Contd.)*

### ANNEXURE TO THE AUDITORS' REPORT

#### Referred to in Paragraph 1 of our Report of even date :

- (1) The provisions of clauses xiii & xviii of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable for the current year.
- (2) In respect of Fixed Assets
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - (b) The fixed assets have been physically verified during the year by the management in accordance with a program of verification, the frequency whereof is reasonable. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern.
- (3) In respect of Inventories
  - (a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verifications.
- (4) In respect of loans, secured or unsecured, granted or taken by the Company to or from other companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us :
  - (a) The Company has not granted any loans to any party during the year;
  - (b) During the year the Company has taken interest free unsecured loan of Rs.8.00 lacs from one party and the amount outstanding at the close is Rs. 4.50 lacs. The maximum amount involved during the year was Rs.32 lacs and year end balances of loans taken from such party was Rs. 4.50 lacs;
  - (c) The rate of interest and other terms and conditions of such loan are, in our opinion, not prejudicial to the interest of the Company;
  - (d) The Company is regular in payment of principal amount and interest.
- (5) In our opinion and according to the information and explanations given to us during the course of audit, there are adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of stores and spare parts, raw materials, plant and machinery, equipment and other assets and with regard to sale of goods and services. During the course of our previous assessment, no major weakness in internal control, had come to our notice.
- (6) To the best of our knowledge and belief and according to the information and explanations given to us, there were no particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, that were required to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (7) The Company has accepted deposits from the public within the meaning of Sections 58A and Section 58AA of the Act and have complied with the rules framed thereunder.
- (8) The Company has an adequate internal audit system commensurate with the size of the Company and nature of its business.
- (9) 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,

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

and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (10) According to the information and explanations given to us, in respect of statutory dues and other dues the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities where applicable. There are no arrears of aforesaid statutory dues as at the last day of the financial year outstanding for a period of six months from the date they became payable.
- (11) The Company's accumulated losses at the end of the year are not more than fifty percent of its net worth. The Company has incurred cash losses during the year and in the immediate preceding financial year.
- (12) Based on our audit procedure and on the information and explanations given by the management, the Company has not defaulted in repayment of principal and interest, due to the financial institutions and banks except in cases mentioned below :

Sl. No.	Institution	Installment Amount (Rs.)	Due Date	Payment Date
1.	State Bank of India, Term Loan-I	18,00,000	30.09.2008	26.12.2008
		18,00,000	31.12.2008	31.03.2009
		18,00,000	31.03.2009	Not Paid
2.	State Bank of India, Term Loan-II	23,75,000	30.09.2008	26.12.2008
		23,75,000	31.12.2008	31.03.2009
		23,75,000	31.03.2009	Not Paid

- (13) As informed to us the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other investments.
- (14) To the best of our knowledge and belief and according to the information and explanations given to us the Company has maintained proper records of the transactions for dealing in shares, securities and other investments and timely entries have been made therein. The shares, securities and other investments have been held by the Company in its own name.
- (15) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (16) The Company has applied the money received as term loans during the year for the purposes for which the loans were obtained.
- (17) The Funds raised by the Company on short term basis have not been used during the year for long term investment.
- (18) The Company has not issued any debentures during the year and it has created proper security in respect of outstanding debentures.
- (19) The Company has not raised any money through public issues during the year.
- (20) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For JAIN & CO.  
Chartered Accountants  
M. K. JAIN  
Partner  
Membership No. 55048

P-21/22, Radhabazar Street  
Kolkata-700 001  
Dated the 9th day of May, 2009



## BALANCE SHEET as at 31st March, 2009

	Schedules	Current Year		Previous Year	
		Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	15,43,04		15,43,04	
Reserves & Surplus	2	16,61,62	32,04,66	24,91,34	40,34,38
<b>Loan Funds</b>					
Secured Loans	3	56,53,90		53,39,82	
Unsecured Loans	4	3,43,33	59,97,23	3,45,50	56,85,32
TOTAL			92,01,89		97,19,70
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	5	1,25,85,30		1,26,54,58	
Less : Depreciation		59,77,90		55,68,45	
Net Block		66,07,40		70,86,13	
Capital Work in Progress		87	66,08,27	15,43	71,01,56
<b>Investments</b>	6		16,62		16,62
<b>Current Assets, Loans and Advances</b>					
Inventories	7	18,99,07		19,20,76	
Sundry Debtors	8	83,64		1,90,62	
Cash and Bank Balances	9	38,72		26,94	
Loans and Advances	10	12,17,48		15,86,64	
<b>Total Current Assets, Loans and Advances</b>		32,38,91		37,24,96	
<b>Less : Current Liabilities &amp; Provisions</b>					
Current Liabilities	11	18,26,66		18,59,59	
Provisions		83		3,66	
<b>Total Current Liabilities and Provisions</b>		18,27,49		18,63,25	
<b>Net Current Assets</b>			14,11,42		18,61,71
<b>Deferred Tax</b>					
Deferred Tax Asset	12		11,56,67		7,26,45
Miscellaneous Expenditure (To the extent not written off or adjusted)	13		8,91		13,36
TOTAL			92,01,89		97,19,70
<b>Notes on Accounts</b>	20				

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

As per our Report attached.  
For JAIN & CO.  
Chartered Accountants

M. K. JAIN  
Partner  
Membership No. 55048  
P-21/22, Radhabazar Street  
Kolkata-700 001  
Dated : 9th day of May, 2009

R. MUNDHRA  
Company Secretary

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



## PROFIT &amp; LOSS ACCOUNT for the year ended 31st March, 2009

	Schedules	Current Year		Previous Year	
		Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>INCOME</b>					
Sales & Operating Income	14		93,93,61		100,38,15
Other Income	15		87,50		51,42
Closing Stock			7,77,29		9,79,86
			<u>102,58,40</u>		<u>110,69,43</u>
<b>EXPENDITURE</b>					
Opening Stock			9,79,86		6,76,52
Cotton Consumed			45,53,17		51,30,39
Cultivation and Manufacturing Expenses	16		23,71,30		23,94,03
Payments to and Provisions for Employees	17		9,17,18		8,96,91
Selling and Distribution Expenses	18		5,63,25		754,06
Other Expenses	19		8,70,61		7,39,15
Excise Duty & Cess			6,26		6,92
Interest :					
On Loans		3,56,84		2,92,63	
On Debentures		75		10,56	
On Fixed Deposits		5,25		4,66	
On Cumulative Deposits		1,65		1,49	
Others (Net)		2,50,40	6,14,89	2,83,67	5,93,01
Depreciation		6,35,48		6,58,74	
Less : Transferred from Revaluation Reserve		10,48	6,25,00	11,10	6,47,64
			<u>115,01,52</u>		<u>118,38,63</u>
<b>(Loss)/Profit before Taxation</b>			(12,43,12)		(7,69,20)
Less : Provision for Taxation					
Current Tax			84		22
Fringe Benefit Tax			5,50		8,63
Provision for Taxation for Earlier Years			—		53
Deferred Tax			(4,30,22)		(2,30,44)
<b>(Loss)/Profit after Taxation</b>			(8,19,24)		(5,48,14)
Balance Brought Forward from Last Account			(5,85,77)		(37,63)
Balance Carried to Balance Sheet			<u>(14,05,01)</u>		<u>(5,85,77)</u>
Earnings per Share (Basic and Diluted) (Refer Note No. 14 of Schedule 20)			Rs. (5.31)		Rs. (3.55)

**Notes on Accounts**

20

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

As per our Report attached.

For JAIN & CO.

Chartered Accountants

M. K. JAIN

Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata-700 001

Dated : 9th day of May, 2009

R. MUNDHRA  
Company Secretary

U. KANORIA

G. R. BASOTIA

P. K. PODDAR

G. MOMEN

P. K. BHATTACHARJEE

Managing Director

Wholetime Director

Directors



SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2009

SCHEDULE 1	Current Year		Previous Year	
	Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SHARE CAPITAL</b>				
<b>Authorised</b>				
1,85,00,000 Equity Shares of Rs. 10/- each		18,50,00		18,50,00
		<u>18,50,00</u>		<u>18,50,00</u>
<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				
		<u>15,43,04</u>		<u>15,43,04</u>

SCHEDULE 2

**RESERVES & SURPLUS**

	Balance as on April 1, 2008 Rs. ('000)	Additions Rs. ('000)	Deduction Rs. ('000)	Balance as on March 31, 2009 Rs. ('000)
General Reserve	19,74,39	34,11	—	20,08,50
Debenture Redemption Reserve	33,30	—	33,30	—
Revaluation Reserve	10,44,42	—	11,29	10,33,13
Capital Reserve-Subsidy	25,00	—	—	25,00
Balance as per Profit & Loss Account	(5,85,77)	—	8,19,24	(14,05,01)
	<u>24,91,34</u>	<u>34,11</u>	<u>8,63,83</u>	<u>16,61,62</u>

SCHEDULE 3

**SECURED LOANS**

	Current Year		Previous Year	
	Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
A. 4,00,000 9% Non Convertible Debentures of Rs. 100/- each		—		33,30
B. Term Loans from Financial Institutions and State Bank of India under various Schemes		31,59,50		30,08,13
C. From Tea Board Under Tea Machinery & Irrigation Equipment Loan Scheme		1,16		2,57
D. Term Loan from Punjab National Bank under National Bank for Agricultural and Rural Development Refinance Scheme				
In Indian Currency	6,11,80		1,63,90	
In Foreign Currency	—	6,11,80	3,99,89	5,63,79
Carried over		<u>37,72,46</u>		<u>36,07,79</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2009**

SCHEDULE 3 (Contd.)	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
Brought forward		37,72,46		36,07,79
E. From Banks				
i) Punjab National Bank				
a) Cash Credit	5,20,99		3,07,26	
b) FCNR(B) Demand Loan	—	5,20,99	1,80,86	4,88,12
ii) ICICI Bank Limited Car Loan		15,01		4,37
iii) HDFC Bank Limited Car Loan		16,06		16,78
iv) State Bank of India				
Cash Credit	3,82,54		2,23,29	
Export Packing Credit	9,46,84	13,29,38	9,99,47	12,22,76
		<u>56,53,90</u>		<u>53,39,82</u>

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

- A. Debentures issued in terms of Subscription Agreement dated 19th July, 2001 on Private Placement basis, to be redeemed in twelve equal quarterly installments commencing from 1st October, 2005 and the same has been redeemed during the year. The debentures are secured by first Mortgage of all immovable properties both present & future pertaining to Textile Division at Walthera and hypothecation of all movable assets (save and except book debts) including plant and machinery, equipments, machinery spares, tools and accessories, furniture, fixtures, vehicles, other movable assets and other articles and things both present and future pertaining to Textile Division at Walthera, subject to prior charge created and/or to be created in favour of Company's Bankers on the Textile Division's stocks and such other movables as may be agreed to by the debenture holders for securing the borrowings for working capital requirements in the ordinary course of business. The mortgage and charge rank pari-passu inter se and with charges created in favour of participating financial institutions/bankers to the specified extent.
- B. Against Joint Equitable Mortgage of all immovable properties, both present and future, pertaining to Kanco Overseas Unit, ranking pari passu inter se, and hypothecation of all movable properties both present and future pertaining to Kanco Overseas Unit (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.
- C. Secured by assets acquired under the Scheme and also guaranteed by the Managing Director.
- D. 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.
- E. (i)(a) (b) 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 2009-2010, 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.
- E. (ii & iii) Secured by hypothecation of the Motor Cars.
- E. (iv) 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 pertaining to Kanco Overseas Unit and guaranteed by the Managing Director.



SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2009

SCHEDULE 4	<u>Current Year</u>	<u>Previous Year</u>
	Rs. ('000)	Rs. ('000)
<b>UNSECURED LOANS</b>		
<b>Loans and Advances</b>		
From Bodies Corporate	2,65,00	2,65,00
Interest Accrued and Due	14,48	49
Interest Free - From Managing Director	4,50	24,00
Fixed Deposits	48,85	38,85
Cumulative Deposits	10,50	17,16
	<u>3,43,33</u>	<u>3,45,50</u>

SCHEDULE 5

**FIXED ASSETS**

Rs. ('000)

Particulars	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As at 1.04.2008	Additions	Deduction	As at 31.03.2009	Up to 1.04.2008	For the year 2008-2009	Deduction	Up to 31.03.2009	As at 31.03.2009	As at 31.03.2008
Land - Freehold	40,76	—	—	40,76	—	—	—	—	40,76	40,76
Land & Plantation	12,54,69	19,12	1,05	12,72,76	—	—	—	—	12,72,76	12,54,69
Building & Water Supply Installation *	21,34,76	30,85	—	21,65,61	3,36,34	60,77	—	3,97,11	17,68,50	17,98,42
Machinery & Electric Supply Installation	87,96,09	85,66	2,20,50	86,61,25	50,31,39	5,43,68	2,02,09	53,72,98	32,88,27	37,64,70
Vehicles	2,16,97	44,60	30,92	2,30,65	1,25,18	19,10	23,92	1,20,36	1,10,29	91,79
Furniture & Fittings	2,11,31	3,28	32	2,14,27	75,54	11,93	2	87,45	1,26,82	1,35,77
	<u>1,26,54,58</u>	<u>1,83,51</u>	<u>2,52,79</u>	<u>1,25,85,30</u>	<u>55,68,45</u>	<u>6,35,48</u>	<u>2,26,03</u>	<u>59,77,90</u>	<u>66,07,40</u>	<u>70,86,13</u>
Capital Work-in-Progress									87	15,43
									<u>66,08,27</u>	<u>71,01,56</u>
Previous Year	1,24,78,79	2,74,27	98,48	1,26,54,58	49,71,85	6,58,74	62,14	55,68,45	71,01,56	76,17,11

Note : \* 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).

SCHEDULE 6

**INVESTMENTS (AT COST)**

	<u>Face Value</u>	<u>Number</u>	<u>Current Year</u>	<u>Previous Year</u>
<b>Long Term : Other than Trade</b>	Rs.		Rs. ('000)	Rs. ('000)
<b>Unquoted (In Fully Paid up Equity Shares)</b>				
S. T. Investment Pvt. Ltd.	10	68,000	6,81	6,81
B. T. Investments Pvt. Ltd.	10	30,000	19	19
E. T. Resources Pvt. Ltd.	10	30,000	19	19
Cosmos Resources Pvt. Ltd.	10	30,000	2,23	2,23
Facitcon Investments Pvt. Ltd.	10	42,000	2,20	2,20
<b>Unquoted (In Mutual Fund)</b>				
S.B.I. Mutual Fund (NAV Rs. 2,83; Previous Year Rs.5,37)	10	50,000	5,00	5,00
			<u>16,62</u>	<u>16,62</u>



## SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2009

	Current Year		Previous Year	
	Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 7</b>				
<b>INVENTORIES</b>				
(Per inventories taken, valued and certified by the management)				
Stores, Spare Parts and Food Grains		1,87,13		1,90,28
Stores in Transit		7,25		1,66
Cotton		9,27,40		7,48,96
Stock in Trade :				
Finished Tea		1,80,67		2,35,91
Materials in Process		2,54,11		2,10,71
Yarn		2,20,82		3,86,75
Knitted Fabrics		93,48		97,47
Waste		28,21		49,02
		<u>18,99,07</u>		<u>19,20,76</u>
<b>SCHEDULE 8</b>				
<b>SUNDRY DEBTORS</b>				
(Unsecured, Considered Good)				
(a) Good		37		31,98
(b) Doubtful		—		3,82
		<u>37</u>		<u>35,80</u>
Less : Provision		—		3,82
		<u>37</u>		<u>31,98</u>
Others		83,27		1,58,64
		<u>83,64</u>		<u>1,90,62</u>
<b>SCHEDULE 9</b>				
<b>CASH AND BANK BALANCES</b>				
Cash in Hand (Certified by the management)		8,33		9,93
Balances with Scheduled Banks				
In Current Accounts		27,70		14,55
In Fixed Deposit Account (Refer Note No. 2 of Schedule 20)		2,50		2,30
Interest accrued but not due on Fixed Deposit		19		16
		<u>38,72</u>		<u>26,94</u>
<b>SCHEDULE 10</b>				
<b>LOANS AND ADVANCES</b>				
(Unsecured, Considered Good)				
Loans		51,47		33,40
Interest accrued and due on Unsecured Loan		3,54		5,83
Advances recoverable in cash or in kind or for value to be received		6,13,29		9,87,54
Prepaid Expenses		42,53		56,82
Housing Subsidy Receivable		54		54
Balances with Excise Department		1,58,53		2,24,41
Deposits		3,22,31		2,46,50
Interest accrued and due on Security Deposit		3,81		10,09
MAT Credit Entitlement		15,15		15,15
Tax Deducted at Source		5,31		5,36
Advance payment of Tax		1,00		1,00
		<u>12,17,48</u>		<u>15,86,64</u>
<b>SCHEDULE 11</b>				
<b>CURRENT LIABILITIES</b>				
Sundry Creditors		16,53,47		16,36,04
(Refer Note No. 7 of Schedule 20)				
Advances against Consignment of Tea		1,37,56		1,90,44
Interest accrued but not due on Secured Loans		30,85		28,42
Interest accrued but not due on Cumulative Deposits		2,04		1,95
Sundry Deposits		2,74		2,74
		<u>18,26,66</u>		<u>18,59,59</u>



## SCHEDULES FORMING PART OF THE ACCOUNTS as at 31st March, 2009

	Current Year		Previous Year	
	Rs.	Rs.	Rs.	Rs.
<b>SCHEDULE 12</b>				
<b>DEFERRED TAX</b>				
Deferred Tax Assets & Liabilities are attributable to the following items :				
<b>Assets</b>				
Unabsorbed Depreciation	11,08,98		6,79,44	
Provision for Bonus	13,32		13,98	
Provision for Gratuity	27,14		25,76	
Provision for Leave Encashment	<u>7,23</u>	<u>11,56,67</u>	<u>7,27</u>	<u>7,26,45</u>
		<u>11,56,67</u>		<u>7,26,45</u>
<b>SCHEDULE 13</b>				
<b>MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off or adjusted)				
Project Expenses		<u>8,91</u>		<u>13,36</u>
		<u>8,91</u>		<u>13,36</u>
<b>SCHEDULE 14</b>				
<b>SALES &amp; OPERATING INCOME</b>				
Finished Loose Tea (Including claims of Rs.122)	23,49,79		18,30,68	
Yarn, Knitted Fabrics & Waste	<u>68,15,81</u>	91,65,60	<u>78,94,16</u>	97,24,84
Job Work Receipt (Tax Deducted at Source Rs. Nil, Previous Year Rs. 13)		—		5,70
Export Incentives		<u>2,28,01</u>		<u>3,07,61</u>
		<u>93,93,61</u>		<u>100,38,15</u>
<b>SCHEDULE 15</b>				
<b>OTHER INCOME</b>				
Interest (Gross) (Tax Deducted at Source Rs. 2,68 Previous Year Rs. 2,37)				
On Unsecured Loans	4,45		3,93	
On Fixed Deposit with Banks	89		82	
From Others	<u>8,40</u>	13,74	<u>7,91</u>	12,66
Miscellaneous Receipts		23,36		41,28
Adjustment relating to previous years (Net)		2,88		1,47
Profit/(Loss) on Sale of Fixed Assets (Net)		<u>47,52</u>		<u>(3,99)</u>
		<u>87,50</u>		<u>51,42</u>
<b>SCHEDULE 16</b>				
<b>CULTIVATION AND MANUFACTURING EXPENSES</b>				
Cultivation Expenses		3,19,97		2,39,55
Manufacturing Expenses (Including Purchase of Green Tea Leaves Rs.3,18,88)		5,67,02		5,31,13
Power & Fuel		12,80,98		13,79,29
Stores and Spares Consumed		1,79,22		2,20,06
Tea Chest, Paper Sacks and Bags		<u>24,11</u>		<u>24,00</u>
		<u>23,71,30</u>		<u>23,94,03</u>



## SCHEDULES FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

	Current Year		Previous Year	
	Rs. ('000)	Rs. ('000)	Rs. ('000)	Rs. ('000)
<b>SCHEDULE 17</b>				
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>				
Salaries, Wages, Bonus and Gratuity (Including Provision for Bonus Rs. 69,66; Gratuity Rs.8,35; Provision for Leave Encashment for Rs. 1,17 and Short Provision of Bonus for Earlier Year Rs. 32,25)		6,68,38		6,79,49
Contribution to Provident and Other Funds		1,36,29		1,07,23
Workmen & Staff Welfare Expenses		1,12,51		1,10,19
		<u>9,17,18</u>		<u>8,96,91</u>
<b>SCHEDULE 18</b>				
<b>SELLING AND DISTRIBUTION EXPENSES</b>				
Freight and Other Sales Charges		3,91,77		5,41,29
Brokerage, Commission and Discount on Sales				
To Selling Agents	36,61		34,67	
To Others	<u>1,34,87</u>	<u>1,71,48</u>	<u>1,78,10</u>	<u>2,12,77</u>
		<u>5,63,25</u>		<u>7,54,06</u>
<b>SCHEDULE 19</b>				
<b>OTHER EXPENSES</b>				
Rent		11,12		11,37
Insurance Charges		24,60		35,15
Rates & Taxes		26,38		28,94
Transport & Maintenance		83,09		75,71
Hank Yarn Obligation Quota Purchased		1		1
Miscellaneous Expenses		2,07,71		2,34,14
Difference in Foreign Exchange Rate		1,80,80		1,44
Repairs :				
Machinery	2,42,35		2,65,11	
Building	49,12		45,12	
Others	<u>11,79</u>	<u>3,03,26</u>	<u>11,74</u>	<u>3,21,97</u>
Remuneration to the Directors (Refer Note No. 9 of Schedule 20)		27,79		24,77
Directors' Fees		1,40		1,20
Project Expenses Written Off		4,45		4,45
		<u>8,70,61</u>		<u>7,39,15</u>



## SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

## SCHEDULE 20

## NOTES ON ACCOUNTS

	31st March, 2009	31st March, 2008
	Rs. ('000)	Rs. ('000)
(1) Contingent Liabilities not provided for :		
a) Claims against the Company not acknowledged as debts	6,04	5,38
b) i) Bills Discounted	7,24,55	11,84,10
ii) Since realised	2,25,44	2,37,91
c) Irrevocable Stand by Revolving Letter of Credit	4,19	4,30
(2) Fixed Deposits of Rs.1,65 (Previous Year Rs.1,55) have been lodged with Banks for obtaining guarantees in favour of various parties on behalf of the Company.		
(3) Estimated amount of contracts remaining to be executed on Capital Account for Rs.4,13,33 (Previous Year Rs.4,50,95) but not provided for.		
(4) Total Salaries, Wages, Bonus and Gratuity amount to Rs.10,22,91 (Previous Year Rs.10,16,69).		
(5) Miscellaneous Expenses include payments to Auditors as under :		
	<u>2008-2009</u>	<u>2007-2008</u>
	Rs. ('000)	Rs. ('000)
(i) Statutory Auditors :		
Audit Fees (including Rs. 84, to Branch Auditors)	1,56*	1,31*
Tax Audit Fees	39*	32*
Other Matters	77*	75*
Reimbursement of Expenses	7	5
	<u>2,79</u>	<u>2,43</u>
(ii) Cost Auditors :		
Cost Audit Fees	25	25
Reimbursement of Expenses	1	1
	<u>26</u>	<u>26</u>
* includes Service Tax.		
(6) Details of Cotton Consumed :		
Opening Stock	7,48,96	9,27,87
Purchases	47,31,61	49,51,48
	<u>54,80,57</u>	<u>58,79,35</u>
Less : Closing Stock	9,27,40	7,48,96
	<u>45,53,17</u>	<u>51,30,39</u>
(7) Sundry Creditors do not include any amount due (Previous Year Rs.Nil) from suppliers as defined under the "Micro Small & Medium Enterprises Development Act, 2006" as per the information available with the Company.		
(8) 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	
	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008
Black Tea	Not Applicable	Not Applicable	Not Applicable	Not Applicable	19,95,298 Kgs.*	22,32,867 Kgs.*
Green Tea Leaves	Not Applicable	Not Applicable	Not Applicable	Not Applicable	63,06,427 Kgs.	73,86,137 Kgs.
Yarn/Knitted Fabrics	Nil**	Nil**	38,016 Spindles	38,016 Spindles	49,46,513 Kgs.	65,82,661 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.



SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

SCHEDULE 20 (Contd.)

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

Class of Goods	Unit	OPENING STOCK				CLOSING STOCK			
		2008-2009		2007-2008		2008-2009		2007-2008	
		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	1,11,429	95,83	1,63,252	1,80,67	2,70,324	2,35,91
Yarn/Knitted Fabrics	Kgs.	4,28,610	4,84,22	3,07,106	3,17,23	2,79,094	3,14,30	4,28,610	4,84,22
			<u>7,20,13</u>		<u>4,13,06</u>		<u>4,94,97</u>		<u>7,20,13</u>

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

Class of Goods	Unit	PURCHASES				SALES			
		2008-2009		2007-2008		2008-2009		2007-2008	
		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	20,59,049	18,30,68
Green Tea Leaves	Kgs.	20,67,205	3,18,88	23,87,789	2,79,94	—	—	—	—
Yarn/Knitted Fabrics	Kgs.	—	—	—	—	50,95,823	60,04,64	64,60,813	70,66,72
Others		—	—	—	—	—	8,11,17	—	8,27,44
			<u>3,18,88</u>		<u>2,79,94</u>		<u>91,65,60</u>		<u>97,24,84</u>

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

Class of Goods	Unit	2008-2009		2007-2008	
		Quantity	Value	Quantity	Value
			Rs. ('000)		Rs. ('000)
Cotton	M. Tons	7,087	45,53,17	9,225	51,30,39
			<u>45,53,17</u>		<u>51,30,39</u>

Notes : (1) Green Tea Leaves Consumed (Raw Materials) 83,73,632 Kgs. (97,73,926 Kgs.) of which 20,67,205 Kgs. Purchased - Value Rs. 3,18,88.

(2) Yarn used for sample 206 Kgs. (Previous Year 344 Kgs.)

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

	RAW MATERIALS				SPARE PARTS & COMPONENTS CONSUMED			
	2008-2009		2007-2008		2008-2009		2007-2008	
	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%	Rs. ('000)	%
Imported	—	—	—	—	7,87	3.72	15,58	7.89
Indigenous	45,53,17	100.00	51,30,39	100.00	2,03,54	96.28	1,81,85	92.11
	<u>45,53,17</u>	<u>100.00</u>	<u>51,30,39</u>	<u>100.00</u>	<u>2,11,41</u>	<u>100.00</u>	<u>1,97,43</u>	<u>100.00</u>

**F. Value of Imports on C.I.F. Basis :**

	2008-2009	2007-2008
	Rs. ('000)	Rs. ('000)
Spare Parts	11,25	13,87
Capital Goods	60,96	—
	<u>72,21</u>	<u>13,87</u>

**G. Expenditure in Foreign Currency :**

	2008-2009	2007-2008
	Rs. ('000)	Rs. ('000)
Travelling	23,73	21,95
Bank Charges	7,51	14,27
Commission	41,65	91,11
Repair to Computer	—	—
Subscription	1,20	1,05
	<u>74,09</u>	<u>1,28,38</u>



SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

SCHEDULE 20 (Contd.)

**H. Earnings in Foreign Currency : F. O. B. Value of Exports :**

	2008-2009 Rs. ('000)	2007-2008 Rs. ('000)
Direct	42,86,84	61,50,93
Through Export House	8,00,48	—
(Certified by the Management)	<u>50,87,32</u>	<u>61,50,93</u>

(9) Computation of Net Profit under Section 198 of the Companies Act, 1956 read with Section 349 of the Act for the purpose of calculating Directors' Remuneration :

	2008-2009	
	Rs. ('000)	Rs. ('000)
Loss as per Profit & Loss Account		12,43,12
Less : Directors' Remuneration (As per details below)	40,62	
Directors' Fees	<u>1,40</u>	<u>42,02</u>
Add : Profit on Fixed Assets sold (Net)		12,01,10
Net Loss for the purpose of Computation of Directors' Remuneration		<u>47,52</u>
		<u>12,48,62</u>

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

<b>Directors' Remuneration :</b>	Rs. ('000)
Salary	28,34
Contribution to Provident, Superannuation and Gratuity Funds	8,18
Other Benefits	4,10
	<u>40,62</u>

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

- a. The Company during the year, has adopted Accounting Standard 15 (revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India.
- b. Defined Contribution Plans :  
Amount of Rs.88,33 (Previous year Rs. 85,77) is recognised as expense and included in "Payments to and Provision for Employees" in Schedule-17 to the Profit & Loss Account.
- c. Defined Benefit Plans :
- i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	2008-09	2007-08	2008-09	2007-08
	Gratuity		Leave Wages or Compensated Absences	
a. Present Value of Defined Benefit Obligation at the beginning of the year	1,91,36	1,79,54	25,01	25,36
b. Interest Cost	15,31	13,47	2,00	2,09
c. Current Service Cost	15,91	18,66	7,37	3,33
d. Actuarial Losses/(Gains)	11,28	25,55	(2,14)	(2,11)
e. Benefits Paid	33,54	5,24	4,13	3,66
f. Present Value of Defined Benefit Obligation at the close of the year	<u>2,00,32</u>	<u>1,91,36</u>	<u>28,11</u>	<u>25,01</u>

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	53,52	55,41		
b. Add : Expected Return on Plan Assets	5,43	5,00		
c. Add/Less : Actuarial Losses/(Gains)	—	18,66		
d. Add : Contributions	44,91	25,55		
e. Less : Benefits Paid	33,54	—		
f. Fair Value of Plan Assets at the close of the year	<u>70,32</u>	<u>53,52</u>		



## SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

## SCHEDULE 20 (Contd.)

- 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.

Rs. ('000)

	2008-09	2007-08	2008-09	2007-08
	Gratuity		Leave Wages or Compensated Absences	
a. Present Value of Defined Benefit Obligation	2,00,32	1,91,36	28,11	25,01
b. Less: Fair Value of Plan Assets	70,32	53,52	—	—
c. Present Value of unfunded obligation	1,30,00	1,37,84	28,11	25,01
d. Net Liability/(Asset) recognised in the Balance Sheet	1,30,00	1,37,84	28,11	25,01

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

a. Current Service Cost	15,91	18,66	7,37	3,33
b. Interest Cost	15,31	13,47	2,00	2,09
c. Expected Return on Plan Assets	5,43	5,00	—	—
d. Actuarial Losses/(Gains)	11,28	5,24	(2,14)	(2,11)
e. Past Services Costs	—	—	—	—
f. Effect of Curtailment/Settlement	—	—	—	—
g. Adjustments for earlier years	—	—	—	6
h. Recognised in the Profit and Loss Account	37,07	32,37	7,23	3,37

- v. Actuarial Assumptions at the Balance Sheet date :

a. Discount Rate	8.00%	8.00%	8.25%	8.25%
b. Expected Rate of Return on Plan Assets	—	—	—	—
c. Salary Escalation Rate - Management Staff	3%	3%	5%	5%
d. Salary Escalation Rate - Non-Management Staff	3%	3%	5%	5%

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

- vi. Short Term Liability amounting to Rs.2,97 for Leave Encashment has been charged out to Profit & Loss Account.

**(11) 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.	Facitcon Investments Pvt. Ltd.	OCL Investments & Leasing Ltd.
Cosmos Resources Pvt. Ltd.	Innova Properties Pvt. Ltd.	S. T. Investment Pvt. Ltd.
Dhanvaridhi Concerns Ltd.	Milan Agencies Pvt. Ltd.	Suryasakti Commodities Pvt. Ltd.
E. T. Resources Pvt. Ltd.	Nidhi Pvt. Limited	



SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

SCHEDULE 20 (Contd.)

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	2008-2009 Rs. ('000)		2007-2008 Rs. ('000)	
	In Relation to Item1(i)	In Relation to Item1(ii)	In Relation to Item1(i)	In Relation to Item 1(ii)
a. Rent Paid	Nil	10,80	Nil	10,80
b. Intercorporate Loan Given	Nil	31,90	Nil	1,28,50
c. Intercorporate Loan Received	Nil	13,83	Nil	1,40,80
d. Interest Free Loan Given	27,50	Nil	29,00	Nil
e. Interest Free Loan Received	8,00	Nil	53,00	Nil
f. Fixed Deposits Received	11,85	Nil	12,00	Nil
g. Fixed Deposits Paid	3,75	Nil	12,00	Nil
h. Remuneration	41,95	Nil	35,70	Nil
i. Interest Paid	2,75	Nil	1,51	Nil
j. Interest Received	Nil	9,25	Nil	8,73
k. Outstanding Balances at the end of the Financial Year				
i) Security Deposit	Nil	1,50,00	Nil	1,50,00
ii) (Payable)/Receivable (Net)	(27,10)	58,82	(38,50)	49,33

(12) Segment Reporting for the year ended 31st March, 2009

	31st March, 2009 Rs. ('000)	31st March, 2008 Rs. ('000)
<b>A. Information about Primary Business Segment</b>		
1. Segment Revenue (Net Sales/Income from each Segment)		
a) Tea	23,49,79	18,30,68
b) Textile	70,43,82	82,07,47
Sub-total	93,93,61	1,00,38,15
Less : Inter Segment Revenue	—	—
Net Sales/Income from Operations	93,93,61	1,00,38,15
2. Segment Results Profit (+)/Loss (-)		
a) Tea	2,64,35	1,80,18
b) Textile	(8,13,34)	(2,83,84)
Sub-total	(5,48,99)	(10366)
Less : (i) Interest	6,14,89	5,93,01
(ii) Other un-allocated expenditure net of un-allocated income	79,24	72,53
Total Profit Before Tax	12,43,12	(7,69,20)
3. Capital Employed		
a) Tea	11,21,46	11,45,45
b) Textile	58,59,61	67,66,07
Total	69,81,07	79,11,52
4. Capital Expenditure		
a) Tea	76,97	87,23
b) Textile	91,98	92,30
Total	1,68,95	1,79,53
5. Depreciation		
a) Tea	63,72	64,78
b) Textile	5,61,28	5,82,86
Total	6,25,00	6,47,64
6. Non Cash Expenditure other than depreciation		
a) Tea	—	—
b) Textile	4,45	4,45
Total	4,45	4,45



## SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

## SCHEDULE 20 (Contd.)

B. Information about Secondary Geographical Segment	31st March, 2009	31st March, 2008
	Rs. ('000)	Rs. ('000)
Sales and Operating Income		
a) India	49,60,60	34,57,27
b) Outside India	44,33,01	65,80,88
Total	<u>93,93,61</u>	<u>100,38,15</u>

## C. Notes:

- i) The Company is operating under two main business segments namely Tea and Textile.
- ii) Segment revenue in each of the business segments primarily includes sales (net of excise duty as applicable), commission and service charges and export incentives.
- iii) The expenses which are not directly attributable to the business segment are shown as unallocated expenditure.
- iv) Segment assets include all operating assets used by the business segment and consist principally of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities.
- v) Segment revenue by geographical area is based on geographical location of customers.

## (13) CASH FLOW STATEMENT for the year ended 31st March, 2009

	For the year ended	
	31.03.2009	31.03.2008
	Rs. ('000)	Rs. ('000)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net (Loss)/Profit before Tax & Extraordinary Items	(12,43,12)	(7,69,20)
Interest Paid	6,14,89	5,93,01
Depreciation	6,25,00	6,47,64
Interest Received	(13,74)	(12,66)
Profit/(Loss) on Fixed Assets Sold	<u>(47,52)</u>	<u>3,99</u>
<b>Operating Profit before Working Capital Changes</b>	<u>(64,49)</u>	<u>4,62,78</u>
ADJUSTMENT FOR :-		
Trade & Other Receivables	4,76,09	(1,80,30)
Inventories	21,69	(50,22)
Trade Payables	<u>(32,93)</u>	<u>5,22,42</u>
<b>Cash Generated from Operations</b>	<u>4,00,36</u>	<u>7,54,68</u>
Interest Paid/Payable	(6,14,89)	(5,93,01)
Income Tax Paid (Net of Refund)	(9,12)	(16,75)
<b>Cash Flow before Extra Ordinary Items</b>	<u>(2,23,65)</u>	<u>1,44,92</u>
Extra Ordinary Items	—	—
<b>Net Cash Flow from Operating Activities</b>	<u>(2,23,65)</u>	<u>1,44,92</u>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,68,95)	(1,79,53)
Fixed Assets Sold	74,28	32,35
Interest Received	13,74	12,66
Purchase of Investments	—	(5,00)
<b>Net Cash Flow from Investing Activities</b>	<u>(80,93)</u>	<u>(1,39,52)</u>

**SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009**
**SCHEDULE 20 (Contd.)**
**(13) CASH FLOW STATEMENT for the year ended 31st March, 2009 (Contd.)**

	For the year ended	
	31.03.2009 Rs. ('000)	31.03.2008 Rs. ('000)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Borrowings from Banks	1,39,49	(46,79)
Long Term Borrowings	1,74,59	(2,53,97)
Increase in Intercompany Loans and others	(2,17)	2,62,35
Project Expenses	4,45	4,44
<b>Net Cash Used in Financing Activities</b>	<b>3,16,36</b>	<b>(33,97)</b>
Net Increase in Cash and Cash Equivalents (A + B + C)	11,78	(28,57)
Cash and Cash Equivalents as at (Opening Balance)	26,94	55,51
Cash and Cash Equivalents as at (Closing Balance)	38,72	26,94

(14) Earnings per Share: Calculation of Basic and Diluted Earning per Share as required by AS-20 dealing with "Earning per Share" as given below :

	2008-2009	2007-2008
(Loss) after Tax - Rs. ('000)	(8,19,24)	(5,48,14)
Weighted average number of Equity Shares of Rs. 10/- each fully paid up	1,54,30,374	1,54,30,374
Earnings Per Share (Basic & Diluted) (Rs.)	(5.31)	(3.55)

(15) Deferred Tax Asset on account of unabsorbed depreciation has been recognised by the Company as prudent because it has gone for a major expansion consisting of forward integration and increase in capacity at its Textile Division, which would considerably increase its future profitability.

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

**(17) STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**
**1) Basis of Accounting**

- The Company generally follows mercantile system of accounting unless otherwise stated and recognises income and expenditure on accrual basis except those with significant uncertainties.
- The accounts have been prepared in accordance with historical cost convention modified by revaluation of certain fixed assets.

**2) Fixed Assets and Depreciation**

- Fixed Assets :  
Fixed Assets other than those revalued are stated at cost/book value less depreciation and net of Cenvat and subsidy, except on freehold land and land & plantation.
- Depreciation :
  - Depreciation is being provided on Straight Line Method in terms of Section 205(2) (b) of the Companies Act, 1956 at the rates specified in Schedule XIV to the said Act.
  - In respect of assets acquired/sold during the year, depreciation has been provided on *pro-rata* basis.
- 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.

## SCHEDULE FORMING PART OF THE ACCOUNTS for the year ended 31st March, 2009

### SCHEDULE 20 (Contd.)

#### 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 "Full absorption basis" in accordance with revised Accounting Standard (AS-2) "Valuation of Inventories" issued by the Institute of Chartered Accountants of India.
- 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

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" is being 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 Profit & Loss Account of the year when the contribution to the respective funds are due. There are no other contribution 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 expenses.
  - (b) Unfunded Plan : The Company has unfunded Defined Benefit Plans in the form of Compensated Absences, as per Company Policy.

#### 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 expenses 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, 2009

## SCHEDULE 20 (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.

## (18) 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	31.03.09		

## 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	92,01,89	Total Assets	92,01,89
<b>Sources of Funds</b>		<b>Application of Funds</b>	
Paid-up Capital	15,43,04	Net Fixed Assets	66,08,27
Reserves & Surplus	16,61,62	Investments	16,62
Secured Loans	56,53,90	Net Current Assets	14,11,42
Unsecured Loans	3,43,33	Deferred Tax Assets	11,56,67
		Miscellaneous Expenditure	891

## iv. Performance of Company (Amount in Rs. Thousand) :

Turnover	93,93,61	Earning per Share (Rs.)	(5.31)
Total Expenditure	106,36,73	Dividend	Nil
Profit Before Tax	(12,43,12)		
Profit After Tax	(8,19,24)		

## 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.	09024002	Product Description	Black Tea
Item Code No.	60062100	Product Description	Knitted Fabrics

As per our Report attached.

For JAIN &amp; CO.

Chartered Accountants

M. K. JAIN

Partner

Membership No. 55048

P-21/22, Radhabazar Street

Kolkata-700 001

Dated : 9th day of May, 2009

R. MUNDHRA  
Company Secretary

U. KANORIA

Managing Director

G. R. BASOTIA

Wholetime Director

P. K. PODDAR

G. MOMEN

P. K. BHATTACHARJEE

Directors

Signature