

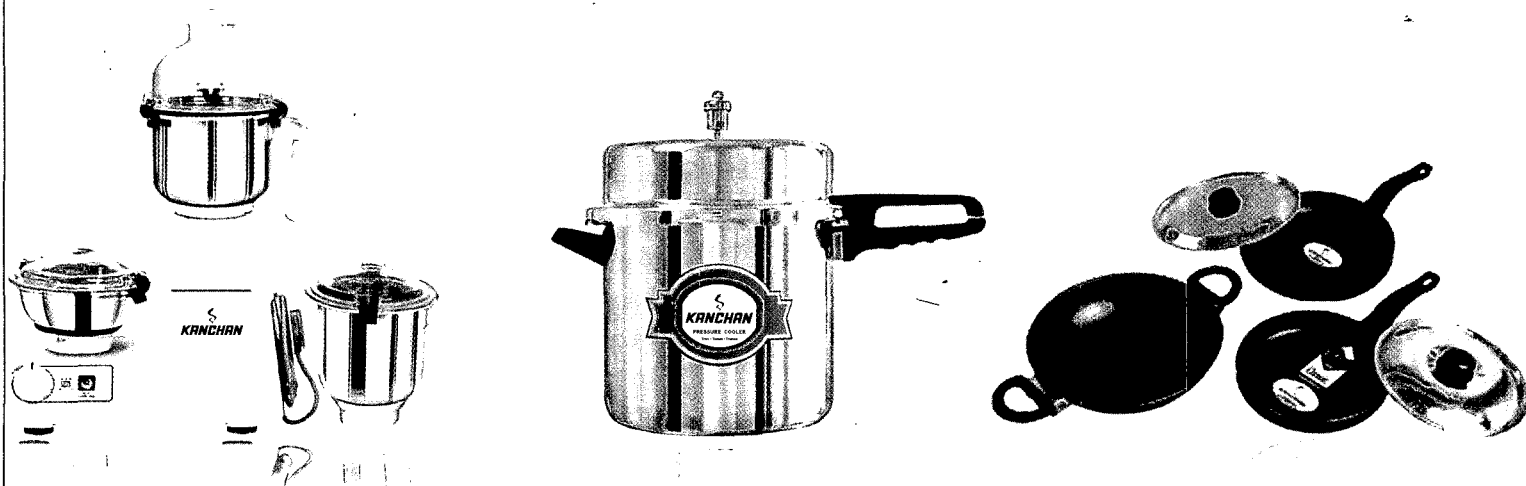


KANCHAN

15th

Annual Report 2008 - 2009

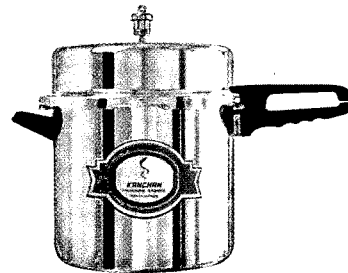
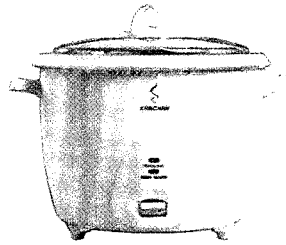
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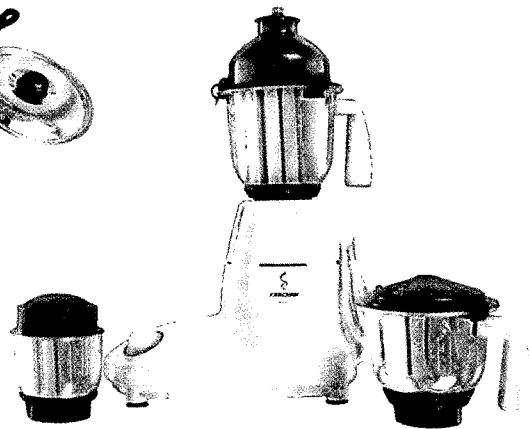
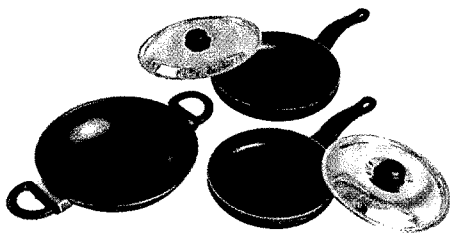
KANCHAN INTERNATIONAL LIMITED

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Recipe for a new life!



Let an international range of cooking appliances make your life hassle-free. Yes, cooking is a pleasure with Kanchan. So, cast a spell over your family with delicious dishes, from today!




KANCHAN

Board of Directors

Mr. Ashok C. Khimavat – Chairman upto 27th June 2009

Mr. Dinesh C. Khimavat – Chairman & Managing Director
(w.e.f. 27th June 2009)

Mr. Bharat H. Pipalia – Whole Time Director

Mr. K. S. Raman – Independent, Non Executive Director

Mr. Parveen Kumar Gupta - Independent, Non Executive Director

Mr. Shailesh Parekh – Additional & Independent Director
(w.e.f. 27th June 2009)

Audit Committee

Mr. Parveen Kumar Gupta – Chairman

Mr. K. S. Raman – Member

Mr. Ashok C. Khimavat – Member

Mr. Shailesh Parekh – Additional & Independent Director
(w.e.f. 27th June 2009)

Auditors

M/s Shankar & Kishor
Chartered Accountants

Bankers

State Bank of India

Mumbai

Website

www.kanchanappliances.com

Registered Office

25, Yudhistir Co-op Housing Society,
Ground Floor, N. L. Complex,
Anand Nagar, Dahisar (East),
Mumbai- 400068

Administrative Office

28-A/B Raju Ind. Estate, Penkar Pada Road,
Near Dahisar Check Naka, P.O. Mira 401 104,
Dist. Thane.

Manufacturing Facilities

At Daman

Unit I (Non Stick Cookware Division)

22-E, GDDIDC,
Somnath Road, Dabhel,
Daman 396 210.

Unit II (Pressure Cooker Division)

41/42, Somnath Road, Dabhel
Daman 396 210

Unit III (Electrical Appliances Division)

9-10, Somnath Road, Dabhel,
Daman 396 210.

Baddi Plant

45/46, Fauji Complex, Sai Road,
Baddi, Solan (H.P.).

Registrar & Transfer Agent

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai 400 078.

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15th Annual Report 2008-2009

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the Members of **KANCHAN INTERNATIONAL LIMITED** will be held on Wednesday, the 23rd September 2009, at 11 A.M. at Club Link, A & B 1064, 2nd floor, Chincholi Bunder, Malad Link Road, Malad (West) Mumbai - 400 064 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2009, the Profit and Loss Account and Cash Flow Statement for the year ended on that date and the Reports of the Board of Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr. Ashok Khimavat, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modifications(s), the following resolution as a Special Resolution: "RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 or any modifications thereof (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the Rules framed there under, Listing Agreements, and all other applicable Rules, Regulations and Guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, 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 for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to De-list the Equity Shares of the Company from **Ahmedabad Stock Exchange Ltd.**, at such time or times as the Board may decide."
5. To consider and, if thought fit, to pass, with or without modifications(s), the following resolution as a Special Resolution: "RESOLVED THAT pursuant to the applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 or any modifications thereof (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the Rules framed there under, Listing Agreements, and all other applicable Rules, Regulations and Guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, 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 for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to De-list the Equity Shares of the Company from **Madras Stock Exchange Ltd.**, at such time or times as the Board may decide."
6. To consider and, if thought fit, to pass, with or without modifications(s), the following resolution as a Ordinary Resolution: "RESOLVED THAT Mr. Shailesh Parekh who was appointed as an Additional Director by the Board of Directors of the Company with effect from 27th June, 2009 under Section 260 of the Companies Act, 1956 (the Act) and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company."

By Order of the Board of Directors

Dinesh C. Khimavat
Managing Director

Place: Mumbai
Date: 30th June 2009

Registered Office: Kanchan International Limited
25, Yudhstir Co-op Housing Society, Ground Floor,
N. L. Complex, Anand Nagar, Dahisar (East),
Mumbai- 400068

NOTES:

- 1 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY AND THE PROXY IN ORDER TO BE VALID, MUST BE DULY COMPLETED, STAMPED AND SIGNED, SHOULD REACH AT THE REGISTERED/CORPORATE OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- 2 The explanatory statement as required under Section 173(2) of the Companies Act, 1956, in respect of the Special Business set out above is annexed hereto.
- 3 Members who hold Shares in dematerialized form are requested to write their Client ID and DP ID Nos. and those who hold shares in Physical form are requested to write their Folio No. in the attendance slip while attending the Meeting for easy identification of attendance at the Meeting.
- 4 The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, September 16, 2009 to Wednesday, September 23, 2009 (both days inclusive).
- 5 Members are requested to:
 - i) Write to the Company at least 7 days before the date of the meeting, in case they desire any information as regards the Audited Accounts for the financial year ended 31st March 2009, so as to enable the Company to keep the information ready.
 - ii) Bring their copy of the Annual Report and the Attendance Slip at the Annual General Meeting.
 - iii) Intimate to the Registrar & Transfer Agent (R&TA) of the Company immediately, about any change in their addresses, where the shares are held in electronic form such change is to be informed to the Depository Participant (DP) and not to the Company / R & TA.
 - iv) Quote Registered Folio Number or DP ID/ Client ID in all the correspondence,
 - v) Approach the R&TA of the Company for consolidation of folios.
 - vi) Furnish bank account details to the R&TA/ Depository Participant
 - vii) Avail of Nomination facility by filling in and forwarding the nomination form to the R&TA, if not already done.
 - viii) Send all share transfer lodgments (physical mode) / correspondence to the **R&TA** of the Company M/s Link Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400078.
6. Securities & Exchange Board of India (SEBI) has made trading in the shares of the Company compulsory in dematerialized form for all investors with effect from 8th May 2000. Shareholders are requested to open an account with Depository Participants, if not done so far.
7. Members/ Proxies are requested to bring the Attendance Slip duly filled up for attending the Meeting.
8. Non-Resident Indian Members are requested to inform the Company / R&TA the following immediately:
 - i) Change in the residential status on return to India for permanent settlement.
 - ii) The particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.
9. Corporate Members are requested to forward a certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
10. The Company has listed its shares at Mumbai, Madras and Ahmedabad Stock Exchanges. All the listing fees, till date, have been paid.
11. Mr. Ashok C. Khimavat is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Pursuant to clause 49 of the listing agreement relating to the code of Corporate Governance, the particulars of aforesaid Director is given below:

Mr. Ashok C. Khimavat, aged 47 is a commerce graduate, founder Director and the Chairman of the Company. He has 29 years of rich experience in the area of manufacturing and marketing of electrical and non-electrical home appliances. The Company will be benefited by immensely from his extensive and diverse experience.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956 in respect of item No. 4, 5 & 6)

Item No. 4 & 5:

The Securities & Exchange Board of India (SEBI) has issued the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provision for delisting of securities of a Company by its promoter or an acquirer or any person other than the Stock Exchanges.

The Equity shares of the Company are currently listed on the following three (3) Stock Exchanges in India:

1. Bombay Stock Exchange Ltd.
2. Ahmedabad Stock Exchange Ltd.
3. Madras Stock Exchange Ltd.

With the extensive net working of BSE and also through its terminals in other cities, investors have access to online dealings in Equity Shares of the Company across the Country. The bulk of the trading (almost entire) in the Company's Equity Shares takes place on BSE and the liquidity of trading in the Company's Equity Shares on all other Stock Exchanges is not significant/negligible.

The Company's Equity Shares are one of the scrip, which the Securities & Exchange Board of India (SEBI) has specified for settlement only in dematerialized form, since May 2000.

It is also observed that the listing fee paid to the other Stock Exchanges (other than BSE) is disproportionately higher, vis-a-vis the extremely low trading volumes of the Company's Securities on those Stock Exchanges. The Board has also been informed that no trading was reported on the Stock Exchanges of Ahmedabad and Madras for the last three (3) years.

In view of the above and also as a part of its cost reduction measures, the Company has proposed this resolution, which will enable it to delist its Equity Shares from both or either of the Ahmedabad or Madras Stock Exchanges at an appropriate time, as may be decided by the Board of Directors, in future.

In line with SEBI Regulations and Approvals, if any, required of any statutory authorities, member's approval is being sought by Special Resolutions for enabling voluntary Delisting of its securities from the said Stock Exchanges.

The proposed Delisting of the Company's Equity Shares from Ahmedabad and Madras Stock Exchanges, as and when it takes place, will not affect the investors adversely. The Company's Equity Shares will continue to be listed on BSE. The delisting will take effect after the receipt of all the required approvals, permissions and sanctions. The exact date on which delisting will take effect will be suitably notified.

The Special Resolutions, at item no. 4 & 5 are commended for passing by the members.

None of the Directors of the Company are in any way, concerned or interested in passing of the resolution.

Item No. 6:

Mr. Shilesh Parekh was appointed by the Board of Directors in their meeting held on 27th June 2009 as an Additional Director of the Company under Section 260 of the Companies Act, 1956. He holds office as Director only upto the date of ensuing Annual General Meeting. As required by the provisions of section 257 of the Companies Act, 1956, a notice has been received from a member proposing his appointment as Director along with a deposit of Rs.500/- (Rupees Five Hundred Only). The Board of Directors considers it desirable that the Company should continue to avail the services of Mr. Shailesh Parekh.

Mr. Shailesh Parekh, aged 50 Years, has been appointed as Additional Director of the Company. He is qualified Chartered Accountant and has rich experience in the field of accounting, finance, taxation. The Board recommends his appointment as Director of the Company. Further, he was appointed as the Chairman of Audit Committee w.e.f. 27th June 2009.

The Board recommends the resolution for passing by the members.

None of the Directors interested or concerned in this resolution except Mr. Shailesh Parekh.

By order of the Board

Dinesh C. Khimavat
Managing Director

Place: Mumbai
Date: 30th June 2009

Registered Office:

Kanchan International Limited
25, Yudhstir Co-op Housing Society, Ground Floor,
N. L. Complex, Anand Nagar, Dahisar (East),
Mumbai- 400068

Annexure to items 2 and 6 of the Notice

Details of Directors seeking appointment and re-appointment at the forthcoming Annual General Meeting (in pursuance of revised Clause 49 of the Listing Agreement)

Name of the Director	Mr. Ashok Khimavat	Mr. Shailesh Parekh
Date of Birth	01 / 01 / 1958	26/06/1959
Nationality	Indian	Indian
Date of Appointment on the Board	01/06/1994	27/06/ 2009
Qualification	Commerce Graduate	Chartered Accountant
Shareholding in the Company.	1,24,110	----
List of Directorships held in other Companies	4	----
Committee Membership	----	----

15th Annual Report 2008-2009**DIRECTORS' REPORT**

To,
The Members,
KANCHAN INTERNATIONAL LIMITED

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited statement of Accounts of the Company for the year ended 31st March 2009.

FINANCIAL RESULTS

The Financial performance of your Company for the year under review is summarized below:

PARTICULARS	Amount in Rs.	
	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Sales	34,66,43,206	28,52,35,422
Profit/ (Loss) before Exceptional Items	(43,65,821)	(5,45,06,874)
Less: Exceptional Items	(6,51,714)	1,27,76,764
Profit/ (Loss) before Taxation	(37,14,107)	(6,72,83,638)
Less: Provision for Taxation		
Provision for Deferred Tax	(43,91,116)	(2,38,65,042)
Provision for Fringe Benefits Tax	3,17,543	3,22,332
Net Profit after Taxation	3,59,466	(4,37,40,928)
Balance Brought Forward from previous years	(5,40,05,550)	(1,02,64,622)
Balance carried to Balance Sheet	(5,36,46,084)	(5,40,05,550)

REVIEW OF OPERATIONS

During the year, sales turnover is increased to Rs. 34,66,43,206/- as compared to Rs. 28,52,35,422/- during the preceding year. The Company has incurred loss before tax of Rs. 37,14,107/- as compared to the loss before tax of Rs. 6,72,83,638/- during the preceding year. Profit after tax for the current year is Rs. 3,59,466/- During the earlier years, the Company had incurred losses which are carried forward to the current year, which impacted the balance carried to Balance sheet which shows the loss of Rs. 5,36,46,084/-

The Company has now adopted innovative strategies to increase the turnover and profitability of the Company. Accordingly, the Company has taken vigorous measures with respect to Debtors management, Stock management, introduced ERP operating system as an internal control measure. Due to these measures, infusion of funds by the Management and the support extended by bankers, the Company could earn marginal profits during the year.

The Company is continuing its efforts to improve its productivity and curtail costs. Plant at Baddi continues to be eligible for tax holidays pursuant to section 80 IB of the Income Tax Act, 1956 and exemption from Excise tax.

The operation of the Company is carried in a single segment i.e. manufacturing and marketing of home appliance products.

DIVIDEND

In view of carry forward of the losses, the Company could not recommend any dividend for the financial year ended 2008-09.

FUTURE OUTLOOK

As regards macro variables, interest rates are stable and are going to be steady in the near future, which is adding to the strength of the Indian Economy.

The growth in demand for home appliances continues to rise in tandem with the increase income and living standards of the people in rural and urban areas of India. It is being noticed by your management that the demand for home appliances like Pressure Cookers, Mixers, Gas Stoves has been on encouragingly uptrend in India in the present year, which is going to be likewise in the coming years also.

In the light of the said scenario, your directors have already initiated suitable steps therefore; and the relevant details are as follows:

DIVISION	PRODUCT	QUANTITY PER DAY
Unit - I - Daman	Non-Stick	1500 pieces
Unit - II - Daman	Pressure Cooker	1000 pieces
Unit - III - Daman	Mixer	1000 pieces
Baddi	Mixer	300 pieces

Now, we are expecting to make monthly sales of about Rs. 500 Lacs from manufacturing activity and Rs.100 lacs from sourcing business.

Furthermore, as regards domestic market, we were earlier marketing our products in two states i.e, Andhra and Karnataka only, which has now been expanded to other states like Tamilnadu, Kerala in the South; and Gujarat , Rajasthan and Maharashtra in the West.

On exports front, we used to market our products hitherto in one country i.e, Sri Lanka, which was expanded to few other countries, namely, Nigeria, Kenya, Middle East Countries. Thus, your directors hope that the Company would be able to make monthly sales of at least Rs. 600 Lacs in both domestic and overseas markets.

RECLASSIFICATION OF SHARE CAPITAL

During the year under review, the Company in its Extra ordinary General Meeting originally scheduled to be held on 28th March 2009 which was adjourned and subsequently held on 30th March 2009, has reclassified its Authorised Share Capital of Rs.5,00,00,000/-(Rupees Five Crores Only) consisting of 50,00,000 (Fifty Lacs) Equity Shares into 36,50,000 (Thirty Six Lacs Fifty Thousand) Equity Shares of Rs. 10/- each and 13,50,000 (Thirteen Lacs Fifty Thousand) 6% Cumulative Redeemable Preference Shares of Rs. 10/- each.

The Company took the approval of members, in their meeting held on 30th March 2009, for issuing 13,50,000 6% Cumulative Redeemable Preference Shares on preferential basis, out of which, on 12th June 2009 the Company allotted 8,55,000 6% Cumulative Redeemable Preference Shares of Rs. 10/- each at par on preferential basis to Kanchan Kitchenaid Private Limited.

The Company also took the approval of members, in their meeting held on 30th March 2009, to offer, issue and allot in one or more lot(s) upto 4,00,000 (Four Lacs) Equity Shares of Rs.10/- each, on preferential basis, at par. The Company is waiting for the In- Principal Approval from the Stock Exchange for allotting the same on preferential basis.

CHANGE IN THE REGISTERED OFFICE

During the year under review, the Company has changed its registered office within the city limits for operational convenience. The registered office has changed from "Shah Arcade, G-2, Rani Sati Marg, Malad (E), Mumbai 400097" to "25, Yudhistir Co-Op. Housing Society, Ground Floor, N L Complex, Anand Nagar, Dahisar (East), Mumbai-400068"

15th Annual Report 2008-2009

SUBSIDIARY ACCOUNTS

The accounts of the Subsidiary of the Company viz., Kanchan International Middle East F.Z.E for the year ended 31st March 2009 along with the statement Required under section 212(1) (e) of the Indian Companies Act, 1956 are annexed.

The Government of Ajman (UAE) has not prescribed any reporting formats for preparation of financial statements and audit of the same under their law. However, the Company has drawn accounts of Kanchan International Middle East F.Z.E (subsidiary) as per the provisions of the Indian Companies Act, 1956 and the applicable Indian Accounting Standards. The same is annexed with the holding company's accounts.

The parent company intends to develop distribution and service channel through the wholly owned subsidiary to boost exports of its products to the Middle East countries. Hence, the Company has incorporated a wholly owned subsidiary at trade free zone of Ajman (UAE), which provides hassle free world class logistic and infrastructure facilities. The subsidiary is helping parent company in distribution of its products in Middle East and making products available to market at minimum lead time by warehousing the same at Ajman.

Kanchan International Middle East F.Z.E has achieved a modest sale of Rs 1,85,98,973 (previous year Rs. 2,36,95,746/-)

OPPORTUNITIES & THREATS

Opportunities

- Strong Brand.
- Wide distribution network
- Global coverage
- Established leadership position in home appliance segment.
- The implementation of VAT should help to remove the disadvantage due to activities of unorganized sector.

Threats

- Cheap imports from China and Far East
- Uncertain Market
- A large number of players in the unorganized sector enjoy price advantage either due to tax concessions or SSI status.

RISK & CONCERNS

As you are aware, there has been global economic slowdown, which adversely affected every country including Indian Industries. The home appliances industry is no exception to this negative phenomenon. Consequently, there has been a lower pay scale among the salaried class in our country too, which would certainly affect home appliances industry.

On the other hand, there has been rise in the global prices of raw materials especially Aluminum and Copper, which are being extensively used by your company. Hence, the said uncontrollable factor is likely to increase the cost of production of many products manufactured by the Company.

Hence, in order to insulate ourselves from the said negative impact, the management of the Company has been vigorously expanding its exports where the profit margins are high. For instance, the Company expanded its existing dealer network in Sri Lanka, resulting in higher sales. Furthermore, the Company has recently introduced its products in Nigeria, Kenya and Middle East Countries, which were hitherto unexplored territories.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY

We have always believed that transparency, systems and controls are important factors in the success and growth of any organization. The Company has appointed qualified professional for carrying out the internal audit and internal control/systems on periodic basis, close monitoring thereof and to strengthen and modify the same from time to time to meet the changing requirement of the Company. The deviation from the norms are first informed to the concerned operating person for corrective actions and in case of need, these are brought to the notice of the concerned head of the unit or the department, as the case may be. The Management is constantly look into the areas where there is a possibility of saving in cost and submits their suggestions to the concerned operating departments. All major findings and suggestions are complied and reported to the Audit Committee of the Directors on a quarterly basis or earlier if so required. It operates at all the Plants at Daman and other business locations but centrally controlled from the corporate office at Mumbai. We believe that we have a sound internal control system in our Company.