

18th Annual Report 2011-12



KANCHAN INTERNATIONAL LTD.

Registered Office : 41 & 42, Midtown Co-operative Housing Society, S. V. Road
Borivalli (W), Mumbai - 400 092.

Board of Directors

Mr. Dinesh C. Khimavat

- Chairman & Managing Director

Mr. Ashok C. Khimavat

- Director

Mr. Chetan Chunilal Doshi

- Independent, Non Executive Additional

Director

Mr. Shailesh Parekh

- Independent Director, Non Executive Director

Mr. K. S. Raman (upto 24th November 2011)

- Independent, Non Executive Director

Mr. Bharat H. Pipalia (upto 30th November 2011)

- Whole-time Director

Auditors

M/s. M.B. Ladha & Co.

Chartered Accountants

Bankers

State Bank of India

Email

investorgrievance@kanchanappliances.com

Website

www.kanchanappliances.com

Registered Office

41, Mid Town,
S. V. Road,
Borivali (West),
Mumbai 400092.

Corporate Office

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

Manufacturing Facilities

At Daman

Unit I (Non Stick Cookware Division)

22-E, GDDIDC, Somnath Road,
Daman- 396210

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 Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W),
Mumbai-400 078.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of the members of **KANCHAN INTERNATIONAL LIMITED** will be held on Saturday, 29th September 2012 at 10.00 A.M at Ajanta Hall, Sumer Nagar, Adjacent to Flyover, S. V. Road, Borivali (W), Mumbai - 400 092 to transact the following business:

ORDINARY BUSINESS:

- 1) To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March 2012, Profit & Loss Account (Statement of Profit and Loss) for the year ended as on that date and the Reports of Directors' and Auditors' 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 M/s. M.B. Ladha & Co., Chartered Accountants - having Firm Registration Number 105503W, as Auditors to hold office from the conclusion of the Eighteenth Annual General Meeting until the conclusion of the Nineteenth Annual General Meeting and to authorize the Board of Directors to fix their remuneration as agreed to between the Board of Directors and the Auditors, in addition to reimbursement of service tax and all out of pocket expenses incurred in connection with the audit of accounts of the Company.

By the order of the Board,

Dinesh C. Khimavat
Chairman & Managing Director

Date: 1st September 2012
Place: Mumbai

Registered Office :
41, Mid Town,
S. V. Road,
Borivali (West),
Mumbai 400092.

NOTES:

- 1 **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE GENERAL MEETING IS ENTITLED TO APPOINT A PROXY, WHO NEED NOT BE A MEMBER, TO ATTEND AND VOTE ON BEHALF OF HIMSELF/HERSELF. The instruments appointing the Proxy should be deposited at the Registered Office of the Company not less than 48 (forty eight) hours before the commencement of the Meeting.**
- 2 An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to special business to be transacted at the meeting 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 Number 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 Saturday, 22nd September 2012 to Saturday, 29th September 2012. (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 2012, 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 to prevent fraudulent encashment of dividend warrants.
 - 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. Linkintime Spectrum Registry Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078 up to the date of book closure.
- 6 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.
- 7 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.

- 8 The Company is supporting “**Green Initiative in Corporate Governance**”, a step taken by the Ministry of Corporate Affairs wherein the service of various documents including Notice, Directors' Report, Annual Accounts and various correspondence by a Company can be made through electronic mode which shall also be in compliance with the provisions of Section 53 of the Companies Act, 1956.

The Company had sent the 17th Annual Report to the members whose email ids were made available in electronic form. To support this initiative in full measure, Members who have not registered their email address with the Depository through their concerned Depository Participants (DPs) are requested to register the same with their DPs. Members who hold shares in physical form are requested to register their email address with M/s. Linkintime Spectrum Registry Ltd., Registrar & Transfer Agent, C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078.

9 Re-appointment of Director:

Pursuant to Clause 49 (IV) (G) of the Listing Agreement relating to Corporate Governance, the brief profile of the Directors is given below:

Name	: Mr. Ashok Khimavat
Date of Birth	: 1.1.1958
Qualification & Expertise	: Commerce Graduate
Other Details	: He is the 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.
List of Directorship held in : Other Companies	: Kanchan Kitchenaid Private Limited, Kanchan Engineering Private Limited, Orchid Builtcon Private Limited, Rushabh Avenues Private Limited
Committee Membership in Other Companies	: Nil
No. of Equity shares held	: Nil
Relationship between Directors Inter-se	: Related to Mr. Dinesh Khimavat

By the order of the Board

Dinesh C. Khimavat
(Chairman & Managing Director)

Date : 1st September 2012

Place : Mumbai

Registered Office :

41, Mid Town, S.V. Road,

Borivali (West), Mumbai - 400 092.

DIRECTORS' REPORT

To,
The Members,
KANCHAN INTERNATIONAL LIMITED

Your Directors present the **18th Annual Report** together with the Audited statement of Accounts of the Company for the year ended 31st March 2012.

1) FINANCIAL RESULTS:

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

PARTICULARS	(In Rs.)	
	YEAR ENDED 31.03.2012	YEAR ENDED 31.03.2011
Revenue from operations (net)	394,452,303	430,112,159
Other Income	13,489,685	33,398,652
Less : Expenditure (excluding Depreciation)	401,792,553	442,380,327
Profit / (Loss) Before Depreciation and Taxation	6,149,435	21,130,484
Less : Depreciation	4,688,966	4,829,417
LESS : Prior period items	----	----
Profit / (Loss) before Taxation	1,460,469	16,301,067
Less : Extra-ordinary item	----	32,304
Less : Provision for Taxation	(1,81,960)	22,290,812
Net Profit / (Loss) after Taxation	16,42,429	(6,022,049)

2) REVIEW OF OPERATION:

During the year, the Company's revenue from operations has decreased from Rs.430,112,159/- in previous year to Rs. 394,452,303/- in current year due to unstable market conditions. The expenditure of the Company excluding Depreciation has also decreased from Rs. 442,380,327/- in previous year to Rs.401,792,553/- in current year. The profit after tax of the Company has increased to Rs.16,42,429/- as compared to loss of Rs.6,022,049/- in the previous year

Your Company could achieve marginal profit of Rs. 16.42 Lacs during the year as compared to loss of Rs. 60.22 lacs in the previous year. Your Directors are hopeful to achieve a better result during the current financial year.

3) DIVIDEND:

Due to **meagre profit**, your Directors do not recommend any dividend for the financial year ended 2011-12.

4) ISSUE OF EQUITY SHARES:

In the Board Meeting held on 31st March 2012 and 9th May 2012, the Board issued 4,76,300 and 13,42,608 equity shares respectively pursuant to conversion of equity warrants issued on preferential basis to Promoters and independent investors.

5) DELISTING OF SECURITIES FROM ASE AND MSE:

As decided by the Members in the 15th Annual General Meeting, your Company has completed all the procedure for delisting of the securities from the Madras as well as Ahmedabad Stock exchanges. However, formal letters of delisting of the securities from the said Stock exchanges are awaited.

6) SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENT:

The Company has a Subsidiary in the name of Kanchan International Middle East F.Z.E in UAE. Pursuant to Listing Agreement, the Consolidated Financial Statement of the Company alongwith its Subsidiary forms part of Annual Report. Also the Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with Section 212 of the Companies Act, 1956 i.e. attaching the Balance Sheet and Profit & Loss Account of the Subsidiary Company, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements. The Company will make available the Annual Accounts of the Subsidiary Company to any member of the Company who may be interested in obtaining the same. The Annual Accounts of the Subsidiary Company will also be kept open for inspection at the Registered Office of the Company between 10.30 a.m. to 12.30 p.m. on all working days except Saturdays, Sundays and Public Holidays.

The Government of Ajman (UAE) has not prescribed any format for preparation of accounts of the Company. But the Company had prepared the accounts as per the provisions of Companies Act, 1956 and other provisions of applicable Accounting Standards.

7) FIXED DEPOSITS:

The Company has not accepted any Deposits under Section 58A of the Companies Act, 1956 during the year under review.

8) DIRECTORS:

The Board of Directors of a Company provides leadership, strategic guidance & objective judgment, independent from the management of the Company, while remaining at all times accountable to the shareholders.

During the year under review, Mr. K.S. Raman, Director of the Company did not opt for re-appointment for the Directorship of the Company from 24th November 2011 and Mr. Bharat Pipalia, Whole-time Director of the Company, resigned from the directorship of the Company from 30th November 2011. The Board places on record its appreciation for the services rendered by Mr. K.S. Raman and Mr. Bharat Pipalia during their respective tenure as Directors of the Company.

In accordance with the provision of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ashok Khimavat, Director of the Company retire by rotation and being eligible, offer himself for re-appointment at the ensuing Annual General Meeting.

9) CORPORATE GOVERNANCE:

Your Company is committed to maintain the highest standard of Corporate Governance and adhere to the requirements set out by SEBI. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement, including the shareholder's information and auditors' certificate on its compliance, forms a part of this Annual Report.

10) DEPOSITORIES:

The Company is registered with both the Depositories viz, the National Securities Depository Limited and Central Depository (Services) Limited. As of March 31, 2012, 84.15% of the equity shares of your Company were held in demat form.

11) INSURANCE:

All the assets of the Company wherever necessary and to the extent required have been insured.

12) DIRECTORS' RESPONSIBILITY STATEMENT:

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

- a) the Company has followed the applicable accounting standards in the preparation of the Annual Accounts and there had been no material departure except accounts drawn as per revised Schedule VI as per the Companies Act, 1956.
- b) Directors had selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
- c) the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) the Directors have prepared the Annual Accounts on a going concern basis.

The Directors of your Company further confirm that proper systems are in place to ensure compliance of all laws applicable to Company.

13) AUDITORS AND AUDITORS' REPORT:

M/s. M.B. Ladha & Co., Chartered Accountants, retires as Statutory Auditors of the Company at the conclusion of the ensuing Annual General Meeting and has confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed. The retiring Auditors have furnished a Certificate of their eligibility for re-appointment under section 224(1-B) of the Companies Act, 1956. Your Directors recommend appointing M/s. M.B. Ladha & Co., Chartered Accountants as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

With reference to the Auditors' Observations in the Auditors' Report & Corporate Governance Certificate, your Director's have to state as under:

- The Company being a small company and involved in few transactions, decided to provide retirement benefits and leave encashment on accrual basis. However, the management is exploring possibility to appoint recognized institution such as LIC for availing services of retirement benefit offered by LIC.
- Due to urgency in finalizing accounts, the Company could not send letters to the said parties. However, management does not expect any material changes.
- Your Director state that the Company is passing through acute cash crunch position due to that reason the Company could not pay some of the Government dues as mentioned by the auditors such as Fringe Benefit Tax, Sales Tax etc.

14) COMPLIANCE CERTIFICATE:

The Company is required to obtain Compliance Certificate from the Practicing Company Secretary as provided under section 383A (1) of the Companies Act, 1956. Accordingly the Company has appointed M/s. Hemanshu Kapadia & Associates, Practicing Company Secretary to issue compliance certificate and his certificate is attached herewith.

15) MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT:

Management's Discussion and Analysis Report for the year under review, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in separate Section forming part of the Annual Report.

16) CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars pursuant to requirements under 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 is given in the annexure of the report.

17) PARTICULARS OF EMPLOYEES:

As on date, none of the employees of the Company fall within the purview of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and Companies (Particulars of Employees) Amendment Rules, 2011. Therefore, the statement for the same is not attached.

18) INTERNAL AUDITOR:

During the year under review, the management has considered recommendations made by the Internal Auditor, **Mr. Anil Jain, Chartered Accountant**. The Audit committee members reviewed and discussed in detail the scope of audit and audit schedule. Your Company is and shall be immensely benefited from his appointment.

19) APPRECIATION:

The Board of Directors expresses their deep gratitude for the co-operation and support extended to your Company by its customers, suppliers, Bankers and various Government agencies. Your Directors also place on record the commitment and involvement of the employees at all levels and looks forward to their continued co-operation.

For and on behalf of the Board,

Dinesh C. Khimavat
(Chairman & Managing Director)

Date : 1st September 2012

Place : Mumbai