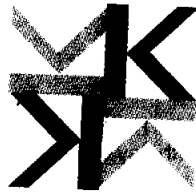


**ANNUAL
REPORT
AND
ACCOUNTS
2001-2002**



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KANCO ENTERPRISES LIMITED



KANCO ENTERPRISES LIMITED

Annual Report & Accounts 2001-2002

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BOARD OF DIRECTORS

Sri U. Kanoria
Chairman & Managing Director

Sri Atul Doshi
Wholetime Director

Sri G. Momen

Sri P. K. Bhattacharjee

Sri A. K. Jain

Sri P. K. Poddar
Directors

COMPANY SECRETARY

Sri D. Arya

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 : 2815217-19
Email : kanco@cal3.vsnl.net.in

BRANCH OFFICE

207, Shitiratna
2nd Floor, Panchavati Circle
Ahmedabad 380 006

TEA DIVISION

Mackeypore Tea Estate
P.O. Nazira
Dist. Sivasagar (Assam)

TEXTILE DIVISION

Kanco Overseas
Village : Walthera
Taluka : Dholka
Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

M C S Limited
77/2A, Hazra Road
3rd & 5th Floor, Kolkata 700 029
Phone : 476 7350-54 Fax : 474 7674
Email : mcscal@cal2.vsnl.net.in



KANCO ENTERPRISES LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of the Members of KANCO ENTERPRISES LIMITED will be held at "KALAKUNJ", 48, Shakespeare Sarani, Kolkata-700 017 on Monday, the 29th day of July, 2002 at 10.30 A.M. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2002, Audited Profit & Loss Account for the year ended on that date and Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri A K Jain who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri G Momen who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

5. "RESOLVED THAT the Board of Directors be and is hereby authorised to appoint individual(s) or firm other than the Company's Auditors, at Head Office as Branch Auditors pursuant to Section 228 of the Companies Act, 1956 and to fix their remuneration for the audit of accounts of its Textile Division at Ahmedabad for the financial year ending 31st March, 2003."

Registered Office :
Jasmine Tower, 3rd Floor,
31, Shakespeare Sarani, Kolkata 700 017
11th May, 2002

By Order of the Board
For KANCO ENTERPRISES LIMITED

D. ARYA
Company Secretary

NOTES :

1. 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.
2. Proxies in order to be effective, must be received by the Company at the Registered Office address not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Register shall remain closed with effect from July 25, 2002 to July 29, 2002 (both days inclusive).
4. The shareholders are requested to communicate to the Registrar & Transfer Agent, change in address, if any at the address given in the Annual Report.
5. Members are requested to preferably send their queries to the Registered Office 7 days before the date of the AGM.
6. The members are advised to submit their Bank Account particulars to the Company for building database to be used for remittance of dividend/other benefits as and when applicable, through Electronic Clearing Service (ECS) as ECS wherever available, has been made mandatory by the concerned authorities.
7. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is appended below.

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

Item No. 5

The Company has decided to appoint Branch Auditors other than the Auditors appointed at Head Office for carrying out audit of the Accounts of its Textile Division at Ahmedabad in Gujarat for the financial year ending 31st March, 2003. The resolution seeks to obtain the members' consent as required under Section 228 of the Act.

The Directors recommend the resolution for your acceptance. None of the Directors are concerned or interested in this resolution.



KANCO ENTERPRISES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors present their Eleventh Annual Report and Audited Accounts for the year ended 31st March, 2002.

FINANCIALS

Your Company's financial performance was as follows :

	2001-2002 (Rs. in lacs)	2000-2001 (Rs. in lacs)
Profit before Interest, Depreciation and Tax	1147.75	1311.13
Less : Interest	565.13	609.69
Gross Profit for the year	582.62	701.44
Less : Depreciation	556.74	523.67
: Taxation	0.63	58.92
Profit After Tax	25.25	118.85
Add : Taxation for earlier years (net)	5.71	Nil
Less : Provision for Deferred Tax	5.31	Nil
Amount available for appropriation	25.65	118.85
Transfer to Debenture Redemption Reserve	25.00	31.25
Balance Brought Forward from Last Account	37.52	(50.08)
Balance Carried to Balance Sheet	38.17	37.52

CAPITAL

4,000 13.5% Non-Cumulative Preference Shares of Rs. 100/- each were redeemed on due date i.e. 16th December, 2001 for which the requisite Preference Share Redemption Reserve created earlier, has been transferred to General Reserve on redemption of the said Preference Shares.

The Authorised Share Capital of the Company was increased from Rs. 7.50 Crores to Rs. 8.50 Crores. To augment long term working capital resources and for repayment of loans, Preferential Offer of 25,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 10/- per share was made to the identified Promoters and the said shares were allotted to them on 16th March, 2002. Accordingly the Paid up Share Capital of the Company is now Rs. 7,71,51,870/- divided into 77,15,187 Equity Shares of Rs. 10/- each fully paid up.

DIVIDEND

With a view to conserving resources, the Directors do not recommend any dividend for the year under review.

LISTING OF SHARES

The Company's 52,15,187 Equity Shares of Rs. 10/- each were listed at the Calcutta Stock Exchange Association Limited on 21st November, 2001 and trading permission granted on and from 22nd November, 2001. The Equity Shares are in compulsory dematerialised form and the ISIN Number allotted to the Company is INE248D01011.

An application has been made to the Calcutta Stock Exchange Association Limited for listing of 25,00,000 Equity Shares allotted on 16th March, 2002.

The Company has paid the listing fees till the financial year ending on 31st March, 2004.

OPERATIONS

Tea Division

Tea Industry witnessed a very difficult year with falling realisations and steep increase in cost of inputs. Further, increase in domestic production from 846.50 million kg in 2000 to 853.71 million kg in the year 2001 contributed to increased availability of teas affecting the average prices realised and at times rendering the sale to be a very difficult task.



KANCO ENTERPRISES LIMITED

DIRECTORS' REPORT (Contd.)

In line with the above, performance of Tea Division of your Company was also affected. The Company's consistent focus on manufacture of quality teas has helped it to weather the difficult market conditions and enabled the Tea Division to stem the fall in realisation at 7% as against decline of about 12% in all North Indian teas. In addition to emphasis on quality, all out efforts were made to increase the production base by purchase of more green leaves and increasing area under tea by undertaking vigorous extension planting, replanting and infilling. Accordingly, despite fall in production of own teas by about 5%, this Division recorded increase in manufactured tea of about 14% over that in the last year.

The outlook for the Tea Industry during the current year appears grim in view of depressed market condition and increase in costs like labour wages, fertilizers etc. The Directors are confident that the policy to manufacture quality teas will enable the Division to satisfactorily tide over the prevailing difficult scenario.

Fiscal incentive under Section 33 AB of the Income Tax Act, 1961 is being availed and the funds would be deployed for the development of tea estate in accordance with the provisions of the Scheme and the Company's policy.

The Company has invested over Rs. 100 lacs to upgrade its facilities at its tea estates.

Textile Division

The Textile Industry faced a severe crisis in the first 8 months of the financial year with falling yarn prices and high raw material costs. Indian cotton prices ruled higher than international prices resulting in very low or negative margins. Demand in export market was very sluggish on account of recession in the U.S.A. and the events that took place on and after 11th September, 2001. In spite of difficult market conditions for almost the entire financial year, this Division continues to operate at optimum levels. Production of cotton yarn was 4145 tonnes as compared to 4076 tonnes in the previous year. Sales increased from 4056 to 4130 tonnes. The Division's improvement in quality and aggressive marketing efforts enabled it to withstand the challenges posed by the depressed market. Under the circumstances, the performance of the Division can be termed as satisfactory.

The new cotton crop in India in the current year is good with domestic cotton prices ruling at favourable levels. This coupled with an improvement in the international demand of yarn in the last quarter of the year makes the outlook for the current year quite bright.

FIXED DEPOSITS

A sum aggregating Rs. 43.00 lacs was accepted as Fixed Deposits and nothing remains unclaimed by the depositors as the entire amount together with interest thereon claimed by the depositors has been duly repaid by Company during the year under review.

CORPORATE GOVERNANCE

A separate report on Corporate Governance along with Auditors' certificate on its compliance is attached as Annexure-1 to this Report.

DIRECTORS

Mr. A. K. Jain and Mr. G. Momen retire by rotation at the ensuing Annual General Meeting and are eligible for re-election.

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, 2002 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.



KANCO ENTERPRISES LIMITED

DIRECTORS' REPORT (Contd.)

AUDITORS

Messrs Jain & Company, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and have consented to continue, if so re-appointed.

PERSONNEL

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. Industrial relations were cordial during the year under review. The Directors express their appreciation of efficient and loyal services rendered by the employees.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement pursuant to the 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

The Directors place on record their appreciation of the co-operation and support extended by the Banks/Financial Institutions and all other business partners.

For and on behalf of the Board

Kolkata,
11th day of May, 2002

U. KANORIA
Chairman

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KANCO ENTERPRISES LIMITED

ANNEXURE TO DIRECTORS' REPORT

INFORMATION AS PER SECTION 217 (1) (a) 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, 2002

(a) Energy Conservation measures taken :

The Company implemented energy conservation measures to keep energy cost under tight control. Various steps have been taken to reduce consumption of energy by increase in productivity levels etc. However, reduction in per unit consumption of energy has been effected in the following manner.

During the year under review we have taken study in Ring Frame with Hollow Shaft (LR-6/s) & Solid Shaft (Converted G5/1) and observed power saving. We are going to change main shafting of the Ring Frame by Hollow Shaft.

(b) 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

	TEA DIVISION		TEXTILE DIVISION	
	Current Year	Previous Year	Current Year	Previous Year
(A) POWER & FUEL CONSUMPTION				
(1) Electricity				
(a) Purchased (Units)	3,14,761	3,10,401	5,86,765	6,95,820
Total Amount (Rs.)	25,81,362	20,32,325	50,53,450	58,86,316
Rate/Unit (Rs.)	8.20	6.55	8.61	8.46
(b) Own Generation				
i) Through LDO/FO/Diesel (Units)	3,61,230	4,41,830	1,91,20,931	1,88,49,155
Unit per ltr.	2.31	3.57	4.11	3.98
Cost/Unit (Rs.)	7.37	4.25	2.06	2.42
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm3)	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
(2) Coal (Specify quality and where used)				
Quantity (Tonnes)	—	—	—	—
Total Cost (in Rs.)	—	—	—	—
Average Rate (Rs.)	—	—	—	—
Quality	—	—	—	—
(3) Furnace Oil				
Quantity (K. Ltr.)	75.00	11.58	4,291	3,986
Total Amount (Rs.)	9,71,280	1,36,609	3,48,04,195	3,67,27,238
Average Rate (Rs./K.Ltr.)	12,950	11,797	8,111	9,214
(4) Others/Internal Generation				
(a) Gas :				
Quantity (cm ³)	13,85,899	15,17,014	—	—
Total Cost (Rs.)	26,23,992	27,15,769	—	—
Rate/Unit (Rs./cm ³)	1,893	1,790	—	—
(b) LDO/Diesel				
Quantity (K Ltr.)	—	—	365	754
Total Cost (Rs.)	—	—	45,40,349	89,37,670
Average (Rs./K. Ltr.)	—	—	12,439	11,853
(B) CONSUMPTION PER UNIT OF PRODUCTION				
		Unit	Current Year	Previous Year
(i) Black Tea		Kgs.		
Electricity	Unit		0.39	0.49
Furnace Oil	Ltrs.		0.04	0.01
Coal (Quality as above)	Kgs.		—	—
Gas	CM ³		0.80	1.00
(ii) Yarn		Kgs.		
Electricity	Unit		4.75	4.80
Coal	Kgs.		—	—

For the above, there is no prescribed standard.



KANCO ENTERPRISES LIMITED

ANNEXURE TO DIRECTORS' REPORT (Contd.)

FORM-B

RESEARCH & DEVELOPMENT (R & D)

	TEA	TEXTILE										
(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) With the help of the Uster Hairiness Module and R & D, we have optimized the size of ring traveler to be used in ring frame. (b) With the application of AFIS-II, optimized the beater speed in Blow Room Machines. (c) With the continuous application of Classimat-3, optimized the settings of Xorella Yarn Conditioning Machines.										
(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.	(a) Reduced yarn hairiness thereby improved the yarn quality resulting in better performance of the yarn at knitting. (b) Reduced the Nep generation in Blow Room thereby improved the yarn quality resulting in better appearance of the product. (c) Reduction in total classimat faults in the yarn thereby avoiding apparent faults resulting in customer satisfaction.										
(3) Future plan of action	The Division wishes to continue the membership of Tea Research Association.	(a) Installation of FRP fans is being explored for the purpose of bringing down power consumption for humidification plant. (b) Examining the possibility of changing the main shafting of the Ring Frame by hollow shaft.										
(4) Expenditure on R & D	NIL	<table><tr><th>2001-2002</th><th>2000-2001</th></tr><tr><td>Rs. —</td><td>Rs. —</td></tr><tr><td>Rs. 6,99,674</td><td>Rs. 6,77,163</td></tr><tr><td>Rs. 6,99,674</td><td>Rs. 6,77,163</td></tr><tr><td>0.13%</td><td>0.12%</td></tr></table>	2001-2002	2000-2001	Rs. —	Rs. —	Rs. 6,99,674	Rs. 6,77,163	Rs. 6,99,674	Rs. 6,77,163	0.13%	0.12%
2001-2002	2000-2001											
Rs. —	Rs. —											
Rs. 6,99,674	Rs. 6,77,163											
Rs. 6,99,674	Rs. 6,77,163											
0.13%	0.12%											
(a) Capital												
(b) Recurring												
(c) Total												
(d) Total R & D Expenditure as a percentage of total turnover												

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(1) Efforts, in brief, made towards technology absorption, adaptation and innovation.	(a) We have installed one Unimix in Blow Room line. (b) Installed pin beater in one ERM in place of Saw teeth beater. (c) Introduced Pallet packing.
(2) Benefits derived as a result of the above efforts.	(a) By introducing one more Unimix we can run one more mixing thereby reduction in mixing cost. (b) Reduced Nep generation thereby improved yarn quality resulting in better appearance of the product. (c) Reduced packing cost.
(3) There is no imported technology involved.	

FOREIGN EXCHANGE EARNINGS AND OUTGO

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

	2001-2002	2000-2001
1. Foreign Exchange Earnings	Rs. 32,11,66,154	Rs. 33,79,06,501
2. Foreign Exchange Outgo	Rs. 5,07,11,992	Rs. 1,39,54,055

Kolkata,
11th day of May, 2002

For and on behalf of the Board
U. KANORIA
Chairman



KANCO ENTERPRISES LIMITED ("KEL")

ANNEXURE-1

REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED MARCH 31, 2002

KEL's Philosophy on Code of Governance

Although KEL became a listed Company only in November 2001, its corporate policy has over the years been modeled on the strictest standards of integrity and transparency by adhering to policies laid down by the Board of Directors comprising of industrialists and professionals. The corporate governance will continue 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'.

KEL's business objective is to manufacture and market the products where quality deservedly 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, Outside Directorships and other Board Committees

Director	No. of Board meetings attended	Attendance at previous AGM on 18/08/2001	No. of outside Directorship held*	No. of membership/ chairmanship in Committees**	Executive/Non-Executive/Independent
U. Kanoria	6	Present	1	2	Executive
Atul Doshi	6	Present	-	1	Executive
P. K. Bhattacharjee	5	Present	3	3	Non-Executive & Independent
Anil Kumar Jain	-	Leave of absence	3	-	Non-Executive & Independent
Golam Momen	2	Leave of absence	13	7	Non-Executive & Independent
Pavan Poddar	6	Present	8	2	Non-Executive & Independent

* Directorship of Companies registered under the Companies Act, 1956 but excluding private companies and alternate directorship.

** Chairmanship/membership of Audit Committee, Shareholders/Investors Grievance Committee and Share Transfer Committee only.

Board Meetings held during the Financial Year ended 31st March, 2002

During the year six Board Meetings were held on 28th June, 2001, 18th August, 2001, 1st December, 2001, 24th January, 2002, 11th March, 2002 and 16th March, 2002.

Appointment/Re-appointment of Directors

The following directors retire by rotation and are eligible for reappointment and a brief resume together with their other directorship/committee membership is given below :

Mr. G. Momen was Chairman & Managing Director of Caritt Moran & Company Pvt. Ltd. for 21 years. He is a veteran in Tea Industry sharing his rich experience with directors of many prominent tea companies in this part of the country and is an expert Financial Consultant too. Mr. Momen is Chairman of White Cliff Group. Besides being on the Company's Board since 1998 he is also a director of AFT Industries Ltd., Assam Brook Ltd., Assam Brook International Ltd., Baghmari Tea Co. Ltd., Bengal Tea & Fabrics Ltd., Birla VXL Ltd., Bhatkawa Tea Industries Ltd., Empire & Singlo Tea Co. Ltd., Jutlibari Tea Co. Ltd., Jorhat Group Ltd., Norben Tea & Exports Ltd., Rydak Syndicate Ltd., and Scottish Assam (India) Ltd.

Mr. Momen is a member of Remuneration Committee of Norben Tea & Exports Ltd., Share Transfer & Share Sub Division Committee of AFT Industries Ltd., Share Transfer & Audit Committees of Bengal Tea & Fabrics Ltd. and the Company, Audit Committee of Assam Brook Ltd., and Investments/Assets Committee of Birla VXL Ltd.

Mr. A. K. Jain, is an eminent Industrialist with vast experience in Textile Industry and has been on the Board since 1999. Mr. Jain is Chairman and Managing Director of Indo Count Industries Ltd. Chairman of Indo Count Finance Ltd., and of Advisory Committee for Yarn, All India Exporters' Chamber of Commerce. Mr. Jain is also on the Boards of Garuda Cotex Shades Ltd., Rini Investment & Finance Pvt. Ltd., Indo Mauritius Chamber of Commerce and Indo Polish Chamber of Commerce.