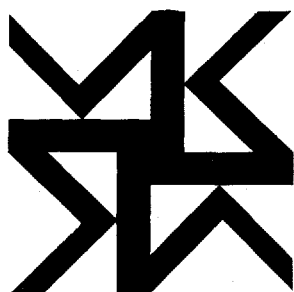


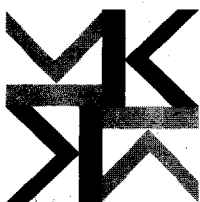
**ANNUAL  
REPORT  
AND  
ACCOUNTS  
2004-2005**

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**KANCO**

**KANCO ENTERPRISES LIMITED**



## KANCO ENTERPRISES LIMITED

### Annual Report & Accounts 2004-2005

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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 01

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 387810

Dist. Ahmedabad (Gujarat)

#### **SHARE REGISTRARS**

**M C S Limited**

77/2A, Hazra Road

Ground Floor, Kolkata 700 029

Phone : 2476 7350-54, 2454 1892-93

Fax : 2454 1961

Email : [mcsca1@cal2.vsnl.net.in](mailto:mcsca1@cal2.vsnl.net.in)



## KANCO ENTERPRISES LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of the members of KANCO ENTERPRISES LIMITED will be held at "KALAKUNJ", 48 Shakespeare Sarani, Kolkata-700 017 on Friday, the 29th day of July, 2005 at 10.30 A.M. to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, 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 P. K. Bhattacharjee who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Sri Pavan Poddar 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

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 Section 94 of the Companies Act, 1956 and all other applicable and enabling provisions of law, the Company's Authorised Capital be increased by Rs.10 Crores by creation of 1,00,00,000 Equity Shares of Rs.10/- each ranking *pari passu* with the existing Equity Shares of the Company.

THAT the Clause V of the Memorandum of Association of the Company be substituted by the following :

'V. The Authorised Share Capital of the Company is Rs.18.50 Crores (Rupees Eighteen Crores and Fifty Lacs) only divided into 1,85,00,000 Equity Shares of Rs. 10/- each with power to increase or reduce the same in accordance with the provisions of the Companies Act, 1956.'

THAT the Board of Directors be and is authorised to take all steps necessary for giving effect to this resolution."

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution :  
"RESOLVED

(i) THAT in terms of Sections 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to consent of the Securities and Exchange Board of India (SEBI) and all other concerned authorities, if and to the extent necessary, and such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed in 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 committee(s) of the Board), at its sole discretion, consent of the Company be and is accorded to the Board to create, offer, issue and allot not more than 80,00,000 Equity Shares of the Company of the face value of Rs.10/- each for cash at par or such premium and in such proportion as may be decided by the Board, to the members on rights basis on a date to be fixed by the Board as the Record Date, aggregating not more than Rs.8 Crores (Rupees Eight Crores only).

(ii) THAT the unsubscribed portion, if any, of the above mentioned issue shall be disposed of by the Board, in such manner as it may think most beneficial to the Company and the Board is hereby authorised accordingly.

(iii) THAT the unsubscribed portion, if any, of the aforementioned issue even if remains unsubscribed after adoption of the manner stated in Clause-(ii) above, and the persons in control have to subscribe to the unsubscribed portion, then the same will be done in compliance of the applicable Regulation(s) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

(iv) THAT the Board is hereby authorised in its discretion to accept such conditions and modifications as may be prescribed by SEBI or other authorities while according their sanction or consent to the proposed issue of the said equity shares and take such consequential action thereon, including the authority to revise/adjust the value/quantum of equity shares or any portion thereof in such manner as may be beneficial to the Company in the event of such variation being considered expedient.

(v) THAT the equity shares to be issued as aforesaid shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing fully paid equity shares of the Company.

(vi) THAT the offer of the equity shares as aforesaid shall be issued on such terms and conditions as the Board may determine and the Board be and is hereby authorised to finalise the same and wherever deemed fit or necessary in consultation with any authority.

(vii) THAT in case any fractional shares arise from the aforesaid issue of equity shares, such fractional shares shall be consolidated and allotted to such person or persons as the Board may in its absolute discretion



# KANCO ENTERPRISES LIMITED

## NOTICE OF ANNUAL GENERAL MEETING (Contd.)

decide and the said shares shall be disposed of by the said person or persons in such manner as may be deemed expedient by the Board and the Board shall arrange to distribute the proceeds thereof to the shareholders concerned in the proportion they are respectively entitled to.

- (viii) THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its discretion, deem necessary or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue and allotment of the said equity shares as it may think fit."

7. To consider and if thought fit to pass, with or without modification(s) the following resolution as a Special Resolution :  
"RESOLVED

THAT subject to the applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India ('SEBI'), Reserve Bank of India ('RBI'), and Regulation 5(2) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (hereinafter referred to as 'the Regulations') and Memorandum and Articles of Association of the Company and subject also to such terms and conditions as may be prescribed by SEBI or RBI, SEBI-registered Foreign Institutional Investors ('FIIs') be and are hereby permitted to purchase shares of the Company under the Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 2 of the Regulations upto the overall limit of 24% of the Paid up equity capital of the Company.

THAT the sub-limits as applicable in the case of each FII shall be adhered to by the said investor and the FIIs shall comply with the various provisions of the Rules and Regulations prescribed by SEBI for reporting / information wherever applicable.

THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary and expedient and to settle any matter that may arise in connection therewith."

8. To consider and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution :  
"RESOLVED

THAT subject to the applicable provisions of the Companies Act, 1956, the Securities and Exchange Board of India ('SEBI'), Reserve Bank of India ('RBI'), and Regulation 5(3)(i) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (hereinafter referred to as 'the Regulations') and Memorandum and Articles of Association of the Company and subject also to such terms and conditions as may be prescribed by SEBI or RBI, Non Resident Indians ('NRIs') be and are hereby permitted to purchase shares of the Company under the Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 3 of the Regulations upto the overall limit of 24% of the Paid up equity capital of the Company.

THAT the sub-limits as applicable in the case of each NRI shall be adhered to by the said investor and the NRIs shall comply with the various provisions of the Rules and Regulations prescribed by SEBI for reporting / information wherever applicable.

THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary and expedient and to settle any matter that may arise in connection therewith."

9. To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution :  
"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, 2006."

### Registered Office :

Jasmine Tower, 3rd Floor.  
31, Shakespeare Sarani, Kolkata 700 017  
Dated, the 30th day of May, 2005

By Order of the Board  
for KANCO ENTERPRISES LIMITED

D. ARYA  
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 the registered office address not less than 48 hours before the meeting.



## KANCO ENTERPRISES LIMITED

### NOTICE OF ANNUAL GENERAL MEETING (Contd.)

- The Register of Members and Share Transfer Register shall remain closed with effect from July 22, 2005 to July 29, 2005 (both days inclusive).
- The shareholders are requested to communicate to the Registrar & Transfer Agent, change in their address, if any.
- 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.
- The members are requested to note that the amount lying unclaimed on account of proceeds of fractional entitlement remitted to them on 29th January, 2002 will be transferred in due course to the account prescribed by the Government, as may be applicable.
- Members are requested to preferably send their queries to the Registered Office 7 days before the date of the Annual General Meeting.
- The documents pertaining to the Items 5, 6, 7, 8 and 9 as may be applicable are available for inspection at the Registered Office of the Company during 11 A.M. to 1.30 P.M. on all working days.
- 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 intends to issue equity shares on rights basis to the Company's members for the purpose of part financing a project for manufacture of textile products and to facilitate that, its Authorised Share Capital has to be increased.

In terms of Section 94 of the Act, consent of the members is required for increasing the authorised capital of the Company by creation of additional equity shares ranking *pari passu* with the existing equity shares as laid out under Item No. 5 of this Notice. The Directors recommend passing of the resolution.

None of the Directors is concerned or interested in the resolution.

#### Item No. 6

The members are aware that the Multi Fibre Agreement has been phased out on 1st January, 2005 and the textile industry is expected to benefit by opening up of new markets and therefore, to enable the Company's Textile Division to cater to the potential increase in demand, it is proposed to implement an expansion project to augment its manufacturing capacity by setting up an integrated spinning unit with a capacity of upto 12000 Spindles. The estimated total cost of the project would be approximately Rs. 40 crores and is proposed to be financed by further issue of equity capital and term loan(s). The project will be implemented alongside the Textile Division's existing Spinning Unit at village Walthera, Taluka Dholka in the District of Ahmedabad.

In terms of Sections 81 / 81(1A) of the Act, the resolution for issue of further equity capital is placed before the members for their approval. The Directors recommend passing of the resolution.

None of the Directors, except Mr. U. Kanoria and Mr. G. Momen to the extent of their shareholding, are concerned or interested in the resolution.

#### Item No. 7

Acquisition/holding/sale of equity shares by the Foreign Institutional Investors ('FIIs') registered with Securities and Exchange Board of India ('SEBI'), under the Portfolio Investment Scheme is subject to a ceiling of 10% of the total paid up equity of the company concerned, for individual FII or SEBI approved sub account of FII and 24% for all of them put together. The resolution seeks to enable investment if any, by FIIs in the Company's equity shares to the extent as aforesaid, subject to necessary approval(s) obtained by them in this connection.

The Directors recommend passing of the resolution. None of the Directors is concerned or interested in the resolution.

#### Item No. 8

Acquisition/holding/sale of equity shares by the Non Resident Indians ('NRIs'), under the Portfolio Investment Scheme is subject to a ceiling of 5% of the total paid up equity of the company concerned for individual NRI and 24% for all of them put together. The resolution seeks to enable investment if any, by NRIs in the Company's equity shares to the extent as aforesaid, subject to necessary approval(s) obtained by them in this connection.

The Directors recommend passing of the resolution. None of the Directors is concerned or interested in the resolution.

#### Item No. 9

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, 2006. 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 is concerned or interested in this resolution.



**KANCO ENTERPRISES LIMITED****DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present their Fourteenth Annual Report and Audited Accounts for the year ended 31st March, 2005.

**FINANCIALS**

Your Company's financial performance was as follows :

	2004-2005	2003-2004
	(Rs. in lacs)	(Rs. in lacs)
Profit Before Interest, Depreciation and Tax	878.94	795.22
Less: Interest	274.75	365.64
Gross Profit for the year	604.19	429.58
Less : Depreciation	595.03	608.26
Profit/(Loss) Before Tax	9.16	-178.68
Less : Provision for Taxation	1.69	0.43
Add/Less : Provision for Deferred Tax	10.70	22.84
Profit/(Loss) After Tax	18.17	-156.27
Less : Taxation for earlier years (Net)	3.81	2.86
	14.36	- 153.41
Balance Brought Forward from Last Account	- 52.86	100.55
Balance Carried to Balance Sheet	- 38.50	- 52.86

**DIVIDEND**

Due to inadequate profits, the Directors do not recommend any dividend for the year under review.

**LISTING**

The Company's Equity Shares are listed at the Calcutta Stock Exchange Association Limited, 7 Lyons Range, Kolkata-700 001 ('CSE') and the listing fees till the financial year ending on 31st March, 2006 have been paid.

**OPERATIONS****Tea Division**

Tea Industry showed improvement during the last year with common varieties of teas fetching higher prices than that in the financial year 2003-04 however, price realisations for quality teas remained depressed and poor weather conditions adversely affected production.

The Division's own crop registered an increase during the financial year under review inspite of poor weather but total production at 17.09 lac kgs declined marginally as compared to the previous financial year due to non-availability of green tea leaves from the suppliers whose crop was also accordingly affected on account of unfavourable weather. However, the Division's operating profit recorded improvement during the last financial year although the margins were strained due to rising costs.

Investment of Rs. 62 lacs was made during the year under review to upgrade the manufacturing facilities at the Division for production of quality teas.

The first month's crop in current year is comparable with that in the corresponding month in the last financial year. The Division's continued focus on quality, improved field practices, programme of increased purchase of green tea leaves from larger number of suppliers should result in larger production and sales volume. In view of these measures and thrust on consistent endeavour to optimise costs, your Directors expect the Division to perform better in the current year.

**Textile Division**

The performance of the Division showed improvement owing to higher productivity, efficient utilisation of power and improved cost control. Downward revision of the DEPB rates twice during the year under review, appreciating Rupee and increase in furnace oil price due to substantially higher international crude prices, affected the profitability. During the current financial year the Division is entitled to duty free credit of Rs. 117 lacs due to incremental growth of exports achieved last year under the "Target Plus Entitlement for Exports" scheme announced by the Central Government.

**KANCO ENTERPRISES LIMITED****DIRECTORS' REPORT (Contd.)**

Favourable monsoon and improvement in average cotton yield resulted in abundant availability of cotton at attractive prices. The Division achieved the highest ever production, sales and export during the financial year ended 31st March, 2005.

The Division has comfortable stock of raw material and continues to keep its focus on cost control with more efficient utilisation of power being the thrust area, and quality improvement to strengthen its competitive position. Multi Fibre Agreement has been phased out and the exports are expected to receive further boost with opening up of new markets in Europe and USA. The Textile Industry in the State of Gujarat would further benefit by implementation of Value Added Tax which is eagerly awaited. The Directors are reasonably confident of a bright outlook for the Division's performance during the current year.

**FIXED DEPOSITS**

The amount outstanding as on 31st March, 2005 on account of Fixed Deposits aggregating Rs. 76.85 lacs is yet to mature and all the deposits that matured during the year were repaid with interest due thereon and nothing remains unclaimed.

**CORPORATE GOVERNANCE & MANAGEMENT DISCUSSION AND ANALYSIS**

A separate report on Corporate Governance incorporating therein the Management Discussion & Analysis along with the Auditors' Certificate on its compliance is attached as Annexure-1 to this Report.

**DIRECTORS**

Mr. P. K. Bhattacharjee and Mr. Pavan Poddar 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, 2005 have been followed in preparation of the said accounts.
- The Directors have followed the accounting policies as described in the Schedule 19 (Notes on Accounts) and applied them consistently to facilitate true and fair view of the state of affairs of the Company.
- Sufficient care has been taken to maintain accounting records of the Company.
- The statement of accounts has been prepared on a going concern basis.

**AUDITORS**

Messrs Jain & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and have consented to continue, if 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 appreciation of the efficient services rendered by the employees.

**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 Board 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 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  
2nd day of May, 2005

U. KANORIA  
Chairman



# KANCO ENTERPRISES LIMITED

## ANNEXURE TO 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, 2005

### (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 with increase in productivity level too. However, the following steps are taken to achieve power saving :

During the year under review :

(a) The Company has implemented energy conservation measures by way of installation of Waste Heat Recovery Boiler at CPP exhaust of 2.5 MW DG Set.

(i) The Company has successfully converted Xorella Yarn Conditioning Machine from hot water circulation heating to LP steam heating. With this conversion, there is a power saving of 45 units per day and saving of 90 litres LDO and increase in production capacity of machine.

(ii) HFO storage tanks electric heaters are converted into steam heaters for maintaining required temperature of individual storage tank, thereby a power saving of 450 units per day.

(iii) Besides this, we are also taking advantage of steam to increase preparatory department temperature for maintaining RH% during winter and rainy season. We have saved power of about 80 units per day by putting of infra heating lamps in winter season.

(b) In Humidification plant, various measures are taken to balance ratio of supply air and exhaust air flow in all the departments.

With these we have saved power of 2220 units per 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
(1) Electricity				
(a) Purchased (Units)	7,48,516	6,10,537	10,03,155	11,70,285
Total Amount (Rs.)	46,68,173	37,73,089	63,90,431	68,85,111
Rate/Unit (Rs.)	6.24	6.18	6.37	5.88
(b) Own Generation				
i) Through LDO/FO/Diesel (Units)	4,25,900	4,46,940	1,89,00,338	1,88,71,909
Unit per ltr.	3.15	2.59	4.19	4.20
Cost/Unit (Rs.)	7.53	7.50	2.79	2.45
ii) Through Steam Turbine/Generator (Units)	—	—	—	—
Unit per ltr. of Fuel/Gas (cm <sup>3</sup> )	—	—	—	—
Cost/Unit (Rs.)	—	—	—	—
(2) Coal (Specify quality and where used)				
Quantity (Tonnes)	—	—	—	—
Total Cost (in Rs.)	—	—	—	—
Average Rate (Rs.)	—	—	—	—
Quality : Dust khasi, 4500 kilo calories/kg used in drier: Ash 40% to 60% and 30% to 35%				
(3) Furnace Oil				
Quantity (K. Ltr.)	79.97	145.83	4,009	4,153
Total Amount (Rs.)	13,77,215	23,82,158	4,19,81,628	4,04,06,454
Average Rate (Rs./K. Ltr.)	17,222	16,335	10,471	9,729
(4) Others/Internal Generation				
(a) Gas				
Quantity (Cm <sup>3</sup> )	15,49,594	13,41,504	—	—
Total Cost (Rs.)	33,04,317	28,99,750	—	—
Rate/Unit (Rs./cm <sup>3</sup> )	2,132	2,162	—	—
(b) LDO/DIESEL				
Quantity (K. Ltr.)	—	—	497	344
Total Cost (Rs.)	—	—	1,02,96,814	51,09,379
Average (Rs./K. Ltr.)	—	—	20,698	14,853
(B) CONSUMPTION PER UNIT OF PRODUCTION				
		Unit	Current Year	Previous Year
(I) Black Tea		Kgs.		
Electricity		Unit	0.69	0.61
Furnace Oil		Ltrs.	0.05	0.08
Coal (Quality as above)		Kgs.	—	—
Gas		Cm <sup>3</sup>	0.91	0.77
(II) Yarn		Kgs.		
Electricity		Unit	4.17	4.64
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 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. |
| (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.                   |
| (3) Future plan of action                                     | The Division wishes to continue the membership of Tea Research Association.                                         |
| (4) Expenditure on R & D                                      | Nil                                                                                                                 |
| (a) Capital                                                   |                                                                                                                     |
| (b) Recurring                                                 |                                                                                                                     |
| (c) Total                                                     |                                                                                                                     |
| (d) Total R & D Expenditure as a percentage of total turnover |                                                                                                                     |

##### TEXTILE DIVISION

- |                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------|
| (a) Optimised Comber and Comber Lap preparation settings by continuous application of AFIS-II Classimat-3.              |
| (b) Optimised Card settings with continuous application of AFIS-II and Uster Tester-3.                                  |
| (c) Optimised Autoconer settings by continuous application of Classimat-3.                                              |
| (a) Reduction in the yarn faults resulting better product quality, thereby better fabric quality at customer end.       |
| (b) Reduction in imperfection level of the yarn resulting better final yarn appearance.                                 |
| (c) Reduction in short faults in the yarn resulting better final product.                                               |
| (a) We are planning to install power saving Habasit W-8 spindle tapes at ring frame to reduce power consumption.        |
| (b) We are planning to replace Loeple YM 800 EYC with new SIRO YM 900+ EYC or Uster Quantum-2 EYC in 3 nos. Autoconers. |
| (c) To replace 'V' belt with 'Cogged' type belt in all the machines for power saving.                                   |

	2004-2005	2003-2004
Rs.	—	Rs. —
Rs.	7,67,522	Rs. 7,69,168
Rs.	7,67,522	Rs. 7,69,168
	0.13%	0.13%

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- |                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Efforts, in brief, made towards technology absorption, adaptation and innovation. | (a) We have installed one latest Lakshmi LC 300 A Card to increase productivity and to improve quality.<br>(b) We have installed one latest Lakshmi LK 54 Comber with continuous waste collection system to increase productivity and to improve quality.<br>(c) We have installed Heat Recovery System for 2.5 MW DG Set hot exhaust air to improve department RH condition.<br>(d) We have installed one set of 'Titan' rings imported from M/s. Backer A.G., Germany.                                                                                                                                                                                                                                                                                                                                                            |
| (2) Benefits derived as a result of the above efforts.                                | (a) 10% higher productivity as compared to previous model card with reduction in neps level, thereby better yarn quality.<br>(b) 20% higher productivity as compared to previous model comber with better product through reduction in lap weight and feed per nip in 40s mixing resulting in significant reduction in classimat faults and reduction in comber noil by 1.5%.<br>(c) Improved department RH condition in winter and rainy season. Improved working of carding sections in winter season, thereby more efficiency in carding and comber. With above system, converted Xorella yarn conditioning machine from hot water circulation heating to LP steam heating.<br>Also HFO storage tanks electric heaters are converted into steam heaters.<br>(d) Longer life rings with consistent quality during running period. |
| (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.

	2004-2005	2003-2004
1. Foreign Exchange Earnings	Rs. 44,82,76,782	Rs. 31,26,95,154
2. Foreign Exchange Outgo	Rs. 2,12,00,423	Rs. 54,56,933

For and on behalf of the Board

Kolkata  
2nd day of May, 2005

U. KANORIA  
Chairman



# KANCO ENTERPRISES LIMITED

## ANNEXURE-1

### REPORT ON CORPORATE GOVERNANCE FOR THE FINANCIAL YEAR ENDED MARCH 31, 2005

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

KEL's corporate culture continues to follow the strictest standards of integrity and transparency by adhering to the policies laid down by the Board of Directors comprising 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'.

KEL'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, Outside Directorships and memberships of Board Committees

Director	No. of Board Meetings attended	Attendance at previous AGM on 26/7/2004	No. of outside Directorships held (a)	No. of membership/ chairmanship in Committees (b)	Executive/Non-Executive/ Independent
U. Kanoria	4	Present	2	2	Executive
Atul Doshi	4	Present	—	1	Executive
P. K. Bhattacharjee	4	Present	3	5	Non-Executive & Independent
Anil Kumar Jain	1	—	3	—	Non-Executive & Independent
Golam Momen	4	Present	12	12	Non-Executive & Independent
Pavan Poddar	3	Present	6	2	Non-Executive & 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 and Share Transfer Committee only.

#### Board Meetings held during the Financial Year ended 31st March, 2005

During the year, four Board Meetings were held on 30th April, 2004, 26th July, 2004, 29th October, 2004 and 31st January, 2005.

#### Appointment/Re-appointment of Directors

The following directors retire by rotation and are eligible for re-appointment. A brief resume together with the other directorship/committee membership of the directors being re-appointed is given below :

**Mr. P. K. Bhattacharjee** was Deputy Managing Director & Chief Financial Officer of State Bank of India. He is an eminent Banker and astute Financial Consultant. Mr. Bhattacharjee has been on the Board since 1999. He is Chairman of SBI Home Finance Ltd. and is also director of Indian Infrastructure Equipment Ltd. and Cheviot Company Ltd. Mr. Bhattacharjee is a member of Audit Committee & Chairman of Share Transfer Committee, Committee of Directors and Investment Committee of SBI Home Finance Ltd.; member of Audit Committee of Indian Infrastructure Equipment Ltd. and member of Audit Committee of Cheviot Company Ltd. He is also Chairman of Audit Committee of the Company.

Mr. P. K. Bhattacharjee does not hold any shares in the Company.

**Mr. P. K. Poddar** is Managing Director of Poddar Udyog Limited. He is an Industrialist with experience in Tea, Real Estate, Industrial Chemicals and Information & Technology Industries. Mr. Poddar is Senior Vice President of Bharat