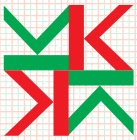
ANNUAL REPORT & ACCOUNTS

for the year ended 30th September, 2013



KANCO ENTERPRISES LIMITED

KANCO ENTERPRISES LIMITED

Annual Report & Accounts

for the year ended
30th September, 2013

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BOARD OF DIRECTORS

Mr. U. Kanoria
Chairman & Managing Director

Mr. Atul Doshi
Mr. Susanta Banerjee
Mr. Krishna Kumar Gupta
Directors

COMPANY SECRETARY

Ms. Charulata Kabra

AUDITORS

M/s. B. R. Shah & Associates
Chartered Accountants

COST AUDITORS

M/s. N. D. Birla & Co.
Cost Accountants

BANKERS

State Bank of India
IDBI Bank Ltd.

REGISTERED OFFICE

Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
Telefax : 2281 5217
Email : compliance@kanco.in
Website : www.kanco.in

BRANCH OFFICE

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

PLANT

Kanco Overseas
Village : Walthera
Taluka : Dholka 387 810
Dist. Ahmedabad (Gujarat)

SHARE REGISTRARS

C B Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019
Phone : 2280 6692/93/94
Email : rta@cbmsl.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at "Bharatiya Bhasha Parishad", 36A Shakespeare Sarani, Kolkata-700 017 on Friday, the 14th day of March, 2014 at 10.00 A.M., inter-alia, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Statement of Profit & Loss for the financial year ended 30th September, 2013, the Balance Sheet as on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Atul Doshi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
   "RESOLVED THAT Messrs B. R. Shah & Associates, Chartered Accountants (Registration No.129053W) be and are hereby re-appointed as Auditors of the Company under Section 224 read with Section 224A and other applicable provisions, if any, of the Companies Act, 1956 to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration as may be decided by the Board, inclusive of reimbursement of out-of-pocket expenses, as may be incurred by the Auditors on account of performance of their duties."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
   ''RESOLVED THAT Mr. Susanta Banerjee who was appointed as an Additional Director of the Company with effect from June 26, 2013 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retirement by rotation."
5. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution :
   "RESOLVED THAT Mr. Krishna Kumar Gupta who was appointed as an Additional Director of the Company with effect from August 13, 2013 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and in respect of whom the Company has received a notice in writing from a Member of the Company under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

By Order of the Board
For KANCO ENTERPRISES LIMITED

CHARULATA KABRA
Company Secretary

Registered Office :
Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
Dated, November 27, 2013

Notes :

- **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on poll, on his behalf. The Proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the scheduled time of commencement of the meeting.**
- Proxies submitted on behalf of Limited Companies, Societies, Partnership Firms, among others, must be supported by appropriate resolution/authority as applicable, issued on behalf of the Appointing Organization and should be deposited at the Registered Office of the Company not less than 48 hours before the scheduled time of commencement of the meeting.
- The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.

NOTICE OF ANNUAL GENERAL MEETING *(Contd.)*

- As per Clause 49 of the Listing Agreement with the Stock Exchanges, the brief resume of the Director(s) proposed for reappointment or appointment is annexed hereto and forms part of this Notice.
- The Register of Members and Share Transfer Register shall remain closed with effect from 11th March, 2014 to 14th March, 2014 (both days inclusive).
- Members holding shares in physical mode are requested to intimate changes in their address/ bank mandate to the Registrar and Share Transfer Agents, M/s C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata-700 019. Members holding Shares in electronic mode are requested to send intimation for change of address / bank mandate to their respective Depository Participants. Any changes effected by the Depository Participants will automatically reflect in the Company's subsequent records.
- Members are requested to bring their copy of Annual Report at the Meeting and produce the enclosed attendance slip at the entrance to the place of the meeting.
- The Annual Report of the Company for the year 2012-13 (October 2012-September 2013) circulated to the Members of the Company will also be made available on the Company's website **www.kanco.in**.
- As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders in respect of Shares held by them. Nomination Forms (Form 2B) can be obtained from the Registrars of the Company for physical shares. In respect of nomination for dematerialised shares, the concerned Depository Participant of the members should be approached.
- Members seeking any information with regard to Accounts may write to the Company 7 (seven) days before the date of the AGM.
- The Register of Directors' Shareholding maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the Members at the Meeting.
- Pursuant to MCA Circulars on "Green Initiative in Corporate Governance", Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act, 1956 and in compliance of Clause 32 of the Listing Agreement, your Company proposes to dispatch the Annual Reports and the Notice of the Annual General Meeting through electronic media to the email addresses of all those members as available in the Register of Members of the Company and who wishes to get a copy by the electronic media. Members intending to register their Email IDs can do so by registering at **www.cbmsl.com/green.php**.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT 2013

Item No. 4

Mr. Susanta Banerjee a graduate in Commerce from Calcutta University has over 30 years of rich experience across a wide spectrum of functional areas.

Mr. Susanta Banerjee has been appointed as an Additional Director of the Company with effect from June 26, 2013 pursuant to Section 260 of the Companies Act, 1956(now read as Section 161 of the Companies Act, 2013) and would hold office up to the date of the Annual General Meeting.

Pursuant to Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/- (Rupees Five Hundred Only) signifying his intention to propose the candidature of Mr. Susanta Banerjee for the office of Director.

Mr. Susanta Banerjee has complied with the requirement of obtaining the Director Identification Number (DIN) in terms of Section 266A of the Companies Act 1956. His DIN is 01173116. Mr. Susanta Banerjee is not disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act 1956.The Company has received the requisite Form DDA from Mr. Susanta Banerjee in terms of Companies(Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956)Rules, confirming his eligibility for such appointment.

The Directors therefore, recommend the Resolution to be passed as an Ordinary Resolution by the Members.

No other Directors, Key Managerial Personnel and their relatives respectively is, in any way, concerned or interested in the resolution, except Mr. Susanta Banerjee.

Item No. 5

Mr. Krishna Kumar Gupta a Graduate in Science form Calcutta University with robust understanding in the field of Administration and Human Resources Development (HRD) for over 35 years, brings along vast, rich and vivid experience in Human Relations.

NOTICE OF ANNUAL GENERAL MEETING *(Contd.)*

Mr. Krishna Kumar Gupta has been appointed as an Additional Director of the Company with effect from August 13, 2013 pursuant to Section 260 of the Companies Act, 1956 (now read as Section 161 of the Companies Act, 2013) and would hold office up to the date of the Annual General Meeting.

Pursuant to Section 257 of the Companies Act 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/- (Rupees Five Hundred Only) signifying his intention to propose the candidature of Mr. Krishna Kumar Gupta for the office of Director.

Mr. Krishna Kumar Gupta has complied with the requirement of obtaining the Director Identification Number (DIN) in terms of Section 266A of the Companies Act 1956. His DIN is 06657407. Mr. Krishna Kumar Gupta is not disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act 1956.The Company has received the requisite Form DDA from Mr. Krishna Kumar Gupta in terms of Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules, confirming his eligibility for such appointment.

The Directors therefore, recommend the Resolution to be passed as an Ordinary Resolution by the Members.

No other Directors, Key Managerial Personnel and their relatives respectively is, in any way, concerned or interested in the resolution, except Mr. Krishna Kumar Gupta.

The notices received from Members in relation to Item Nos. 4 & 5, pursuant to Section 257 of Companies Act, 1956, are available for inspection at the registered office of the Company; Jasmine Tower, 3rd Floor, 31, Shakespeare Sarani, Kolkata 700 017, on weekdays (between 4.00pm and 5.00pm) upto the date of Annual General Meeting.

INFORMATION PURSUANT TO CLAUSE 49(IV)(G) OF THE LISITNG AGREEMENT

Profile of Directors who are being appointed or reappointed:

Mr. Atul Doshi - Mr. Atul Doshi, born on May 31, 1961 is a Chartered Accountant and a Management Accountant from CIMA, London. He has an experience of more than 30 years in the Industry. He is holding 10 (ten) equity shares of the Company. The Directorships and Memberships of the Board Committees of Mr. Atul Doshi as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Chairman- Audit Committee Member- Share Transfer Committee Chairman- Remuneration Committee Chairman- Investors' Grievance Committee

Mr. Susanta Banerjee - Mr. Susanta Banerjee, born on March 13, 1947, holds a Bachelor of Commerce degree. He holds 65 Shares in the Company. The Directorships and Memberships of the Board Committees of Mr. Susanta Banerjee as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Member- Audit Committee Member- Share Transfer Committee Member- Remuneration Committee Member- Investors' Grievance Committee
2.	Orchid Securities Limited	Director

Mr. Krishna Kumar Gupta - Mr. Krishna Kumar Gupta born on April 9, 1952 holds a Bachelor of Science degree. He holds NIL shares in the Company. The Directorships and Memberships of the Board Committees of Mr. Krishna Kumar Gupta as on date are as follows :

Sl. No.	Name of Company	Nature of Office
1.	Kanco Enterprises Limited	Director Member- Audit Committee Member- Remuneration Committee

DIRECTORS' REPORT

Dear Shareholders,
Your Directors present their Twenty Third Annual Report and Audited accounts for the year ended 30th September, 2013.

FINANCIALS

Your Company's financial performance was as follows : ₹ /lacs

	30.9.2013	30.9.2012
Profit/(Loss) Before Interest, Depreciation and Tax	1195.88	295.93
Less : Interest	920.16	911.11
Gross Profit/(Loss) for the year	275.72	(615.18)
Less : Depreciation	386.66	415.32
Profit/(Loss) Before Taxation	(110.94)	(1030.50)
Less : Provision for Tax	–	–
Profit/(Loss) After Taxation	(110.94)	(1030.50)
Balance Brought Forward from Last Account	(6534.55)	(5504.05)
Balance Carried to Balance Sheet	(6645.49)	(6534.55)

DIVIDEND

The Directors of your Company do not recommend any dividend for the year under review.

OPERATIONS

The Company started the year under review under severe financial stress due to unprecedented losses incurred in the previous accounting year. Yarn realisations improved marginally from an average of ₹ 182.93 in Sept, 2012 to ₹ 204.47 in Sept, 2013. Average Cotton prices increased from an average of ₹ 34,500/- per candy in the beginning of the season to ₹ 47,000/- per candy towards the end of season. Improvement in demand and higher realizations helped in curtailing the losses. The Company's normal operation is severely affected by liquidity crunch faced by it.

FINANCE

During the year under review, the long term borrowings and short term borrowings of the Company stands at ₹ 434.35 Lakhs and ₹ 4618.93 Lakhs respectively as on 30th September, 2013.

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The accumulated losses of the Company at the end of financial year September 30, 2013, have resulted in erosion of 100% of its peak net worth in the current year. The Company's reference bearing no.06/2013 filed with Board for Industrial and Financial Reconstruction under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 for the year ended 30th September, 2012 is still pending and therefore the Board has decided not to file any fresh reference under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 in the current year.

The Company's appeal under Section 25(1) of the Sick Industrial Companies (Special Provisions) Act,1985 against the order passed by the BIFR for reference no.3/2012 filed u/s 15(1) of the SICA,1985 on 13/01/2012 is in final hearing stage.

DIRECTORS

Mr. Atul Doshi, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year under review, Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta were appointed as Additional Directors of your Company with effect from 26th June 2013 and 13th August 2013 respectively. They shall hold office up to the date of the ensuing Annual General Meeting of your Company. Your Company has received individual notices from Members pursuant to Section 257 of the Companies Act, 1956, signifying their intention to propose the candidatures of Mr. Susanta Banerjee and Mr. Krishna Kumar Gupta for the office of Directors. The Board recommends their appointment as Directors of your Company.

DIRECTORS' REPORT *(Contd.)*

Mr. Golam Momen, Mr. Pavan Kumar Poddar and Mr. Parag Keshar Bhattacharjee have tendered their resignations and the Board in their meeting took note of the same and placed their appreciation of the valuable contributions made by them.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) in the preparation of the Annual Accounts for the financial year ended 30th September, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures.

(ii) they have selected such Accounting Policies and applied them consistently and made judgements and estimates that they 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 Financial Year and of the profit or loss of the Company for that period.

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and

(iv) they have prepared the annual accounts for 30th September, 2013 on a going concern basis.

PUBLIC DEPOSITS

The Company did not accept any deposit under Section 58A of the Companies Act 1956, during the year under review.

AUDITORS & AUDITORS' REPORT

Messrs B. R. Shah & Associates, Chartered Accountants, (Registration No. 129053W), Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed. Your Company has received a confirmation from Messrs B. R. Shah & Associates, Chartered Accountants to the effect that their re-appointment if made, would be within the limits prescribed under Section 224(1B) of the Companies Act 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the Act. They have also confirmed that they hold a valid peer review certificate as prescribed under Clause 41(1) (h) of the Listing Agreement.

The Auditors' have qualified their Report and the explanation in this regard forms part of the Annexure to Directors' Report.

COST AUDIT

As stipulated by the Central Government and pursuant to Section 233B of the Companies Act, 1956, Cost Audit of the records relating to the Textile Business of the Company is carried out from 1998-1999 onwards. Messrs N.D. Birla & Co., Cost Accountants, of A-3, Nirant Society, Opposite Town Hall, Near Karnavati Hospital, Ellisbridge, Ahmedabad - 380 006 (Registration No. of the Firm : 000028), has been re-appointed as the Cost Auditor of the Company to carry out the Cost Audit for the next financial year. The Cost Audit Report for the financial year ended 30th September 2012 was filed with the Ministry of Corporate Affairs on 4th March 2013, due date being 29th March 2013.

REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. Report on Corporate Governance Practices, the Auditors' Certificate on compliance of mandatory requirements thereof and Report on Management Discussion & Analysis Report are given as annexure and forms part of this report.

EMPLOYEE PARTICULARS

The particulars of employees pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees)Rule 1975, as amended by Companies (Particulars of Employees) Amendment Rules 2011, are not applicable as no employee was in receipt of remuneration to the extent laid down in the said Rules.

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

A statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 on conservation of energy, technology absorption, foreign exchange earnings and outgo is annexed to and forms part of this Report.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the cooperation and support extended by the Employees, Banks/ Financial Institutions and all other business partners.

For and on behalf of the Board

U. KANORIA
Chairman

Kolkata,
November 27, 2013

Annexure to the Directors' Report

INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30TH SEPTEMBER, 2013

A. Conservation of Energy

Energy Conservation measures taken :

The Company has implemented the following power saving measures by way of :		**Savings**
1.	Replacement of copper choke fitting in street lights with CFL fitting	20 kwh/day
2.	Reinstallation of Elgi-E-55 compressor at DG Room	350 kwh/day
3.	Installation of drivers for 4 no. Speed Frame machines	64 kwh/day
4.	Increasing total power factor to rebate 2.45% to 2.40%	₹ 5,000/- per month

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	Current Year	Previous Year
(1) Electricity		
(a) Purchased (Units)	2,56,51,652	2,33,42,453
Total Amount (₹)	15,02,18,151	15,63,66,944
Rate/Unit (₹)	5.86	6.70
(b) Own Generation		
Through LDO/FO/Diesel (Units)	2,942	28,572
Unit per Ltr.	1.06	0.67
Cost/Unit (₹)	44.16	45.37
(2) Furnace Oil		
Quantity (K. Ltr.)	—	40.56
Total Amount (₹)	—	12,09,174
Average Rate (₹/K. Ltr.)	—	29,812
(3) Others/Internal Generation		
(a) Gas		
Quantity (cm^3)	—	—
Total Cost (₹)	—	—
Rate/Unit (₹/cm^3)	—	—
(b) LDO/Diesel		
Quantity (K. Ltr.)	2.78	2.07
Total Cost (₹)	1,29,920	87,019
Average (₹/K. Ltr.)	46,700	42,140

(B) CONSUMPTION PER UNIT OF PRODUCTION	Unit	Current Year	Previous Year
Yarn & Fabrics	Kgs	63,99,430	58,97,465
Electricity	Unit	4.01	3.96

For the above, there is no prescribed standard.

B. Technology Absorption

FORM-B

RESEARCH & DEVELOPMENT (R & D)

(1)	Specific areas in which R & D carried out by the Company	Not applicable	
(2)	Benefits derived as a result of the above R & D	Not applicable	
(3)	Future plan of action	Not applicable	
(4)	Expenditure on R & D	Current Year (₹)	Previous Year (₹)
	(a) Capital	Nil	Nil
	(b) Recurring	19,91,572	16,48,904
	(c) Total	19,91,572	16,48,904
	(d) Total R & D Expenditure as a percentage of total turnover	0.13%	0.13%

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

C. Foreign Exchange Earnings and Outgo

		Current Year (₹)	Previous Year (₹)
1.	Foreign Exchange Earnings	Nil	9,26,80,013
2.	Foreign Exchange Outgo	38,53,207	51,32,341

D. Explanations for Auditors Qualification in Auditors' Report

Emphasis of Matter

Please refer to note no. 24 (2) (j) of the financial statements. The Company has no plan for winding up of its business in near future. The Company has run its factory and was able to bring down the losses significantly. The Company has the potential to overcome the present situation subject to sanction of rehabilitation scheme filed with the Board of Industrial and Financial Reconstruction (BIFR). The Company is already involved in discussion with its lenders for this purpose.

Qualified Opinion

During the year ended 30th September, 2012, State Bank of India (SBI) has cancelled the forward contracts and debited ₹ 11,78,81,338/- The losses on account of foreign exchange difference on unilateral cancellation of Forward Contract by State Bank of India without authorisation from the Company, has been challenged by the Company in the Hon'ble High Court at Calcutta on 6th day of August, 2013. The Company has therefore not recognized the said losses in its Books of Accounts as the matter is sub-judice.

Point no. 5 (vii) of the Auditor's Report

State Bank of India has not communicated any change in rate of interest to the Company and therefore Interest on loan accounts have been provided at the last communicated rate.

For and on behalf of the Board

Kolkata, U. KANORIA

November 27, 2013 *Chairman*

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERVIEW

The slow and gradual improvement in demand, which started in October 2011, continued through the current year. Raw material prices continued to move up through the year. Increased raw material costs were well absorbed by increase in average sales realisation due to healthy overseas demand especially from China. The Company was able to substantially cut down the losses due to favourable market conditions.

a) **Industry Outlook :** The year started with a sharp drop in yarn prices. Price of cotton the principal raw material too has come down, however the decline in cotton prices is not to the extent of yarn prices.

The Commerce Ministry has withdrawn the 4% incentive to exporters under the Focus Market Scheme (FMS) and put a cap of 2% on incremental exports of these products. This will have a negative impact on the demand for yarn. The sharp depreciation of Rupee has not resulted in improved margins for spinners due to resistance from buyers and relatively higher prices of cotton.

b) **Opportunities :** In view of the excellent rain fall, India is expected to register the highest ever crop of cotton in the current season. Availability is expected to be adequate due to anticipated reduction in quantity of exports. A favourable demographic, rising personal incomes and increased consumer spending is expected to give a fillip to the garment industry, helping the spinning industry to perform well. Following states of Maharashtra and Gujarat, Punjab, Rajasthan and Madhya Pradesh too have announced attractive incentives for establishment of textile industries in their states. This will give fillip to new investments in the sector.

c) **Challenges :** Availability of power in certain production centers is erratic. This results in production and financial losses. There is a also a serious shortage of skilled labour in the sector. Under these circumstances optimum capacity utilisation is big challenge. Training and retaining labour force has become a focus area.

d) **Product Analysis & Review :**

Particulars	Units	Current Year	Previous Year	% Change
Production of Cotton Yarn/Fabrics	Kgs	63,99,430	58,97,465	8.51
Sales of Cotton Yarn/Fabrics	Kgs	63,77,520	59,73,029	6.77
Average Realisation	₹/Kg	204.47	182.93	11.77
Average Cost of Cotton	₹/Ton	1,07,542	1,02,040	5.39
Profit / (Loss) Before Interest but after Depreciation	₹ in Lacs	809.22	(119.39)	N.A.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT *(Contd.)*

Review of Operations : The gradual return to normalcy seen through 2011-12 continued through the current year. Average realisations have improved significantly by 11.77%, average raw material prices increased by 5.39 %. Production and Sales registered growth of 8.51% and 6.77% respectively. The current years' operations have resulted in losses of ₹ 110.94 lacs as compared to losses of ₹ 1030.51 lacs in the previous year.

Company Outlook : Losses in the last three years have severely eroded the Company's financial position. The Company is at present facing a severe liquidity crunch position, which is affecting its performance. The Company has not been able to keep pace with technological upgradations in the Industry due to financial stringencies and is likely to suffer on this account. The performance will depend on the outcome of suitable rehabilitation scheme to be sanctioned by the lenders.

Risks & Concerns : The announcements of very attractive incentive schemes by the State Governments of Maharashtra, Gujarat, Punjab and Rajasthan for fresh investments in textile units will seriously affect the prospects of older units. Older units will be competing against newer players with better technology and reduced cost structure. The industry also faces a shortage of skilled workforce.

INTERNAL CONTROL SYSTEM AND ADEQUACY

The Company has adequate system of internal controls and necessary checks and balances are introduced/ strengthened so as to ensure :-

a) that its assets are safeguarded.
b) that all transactions are authorised, recorded and reported properly.
c) that accounting records are properly maintained and its financial statements are reliable.

The significant findings, if any, are placed before the Audit Committee of the Board and corrective measures are recommended for implementation. The Company appoints external firms of Auditors to conduct internal audit from time to time and their reports are reviewed by the management and Audit Committee.

HUMAN RESOURCES

The Company is an ISO 9001:2000 certified Company. The Company has a favourable working environment that motivates performance, customer focus and innovation and adheres to the highest degree of quality and integrity amongst employees. Industrial relations at the Company remain cordial. Manpower employed with the Company as at 30th September, 2013 was 536 compared to 539 as on 30th September, 2012.

CAUTIONARY STATEMENT

The statements in this report describing the Company's policy, strategy, projections, estimation and expectations may appear forward looking statements within the meaning of applicable securities laws or regulations. These statements are based on certain assumptions and expectations of future events and the actual results could materially differ from those expressly mentioned in this Report or implied for various factors including those mentioned in the paragraph "Risks and Concerns" herein above and subsequent developments, information or events.