



KANCO ENTERPRISES LIMITED

ANNUAL REPORT & ACCOUNTS
for the period ended 31st March, 2016



KANCO ENTERPRISES LIMITED

(CIN:L51909WB1991PLC053283)

Annual Report & Accounts for the period ended 31st March, 2016

CONTENTS

Notice	2
Directors' Report	7
Annexures A-E to Directors' Report	15
Independent Auditors' Report	31
Balance Sheet	38
Statement of Profit & Loss	39
Cash Flow Statement	40
Notes 1 to 24	41

BOARD OF DIRECTORS

Mr. U. Kanoria

Chairman & Managing Director

Mr. S. Banerjee

Mr. K. K. Gupta

Ms. P. Borar

Directors

CHIEF FINANCIAL OFFICER

Mr. S. V. Tewary

COMPANY SECRETARY

Ms. A. Goel

AUDITORS

M/s. B. R. Shah & Associates

Chartered Accountants

BANKERS

State Bank of India

IDBI Bank Ltd.

REGISTERED OFFICE

Jasmine Tower, 3rd Floor

31, Shakespeare Sarani, Kolkata 700 017

Telefax : +91 33 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 : +91 33 2280 6692/93/94

Email : rta@cbmsl.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of KANCO ENTERPRISES LIMITED will be held at "Bharatiya Bhasha Parishad", 36A, Shakespeare Sarani, Kolkata 700 017 on Friday, the 29th day of July, 2016 at 4:00 p.m. to transact the following business :-

ORDINARY BUSINESS

1. To consider and adopt the audited financial statement of the Company for the period ended 31st March, 2016, the reports of the Board of Directors and Auditors thereon;
2. To appoint a director in place of Mr. Susanta Banerjee (DIN: 01173116), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Messrs B. R. Shah & Associates, Chartered Accountants, (Registration No. 129053W) as Statutory Auditors of the Company and fix their remuneration.

Registered Office :

Jasmine Tower, 3rd Floor
31, Shakespeare Sarani, Kolkata 700 017
(CIN : L51909WB1991PLC053283)
Telefax: +91 33 2281-5217
Email : compliance@kanco.in • Website: www.kanco.in
Dated : May 30, 2016

By Order of the Board
For KANCO ENTERPRISES LIMITED

A GOEL
Company Secretary

NOTES :

- I. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The proxy form duly completed and signed, should be deposited with the Company, at its registered office atleast 48 hours before the time of the meeting. Proxies submitted on behalf of the companies, societies, etc., must be supported by an appropriate resolution/authority as applicable. A proxy form for the Annual General Meeting is enclosed.

A person can act as a proxy on behalf of the members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or members.
- II. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf in the meeting.
- III. Pursuant to the provisions of Section 91 of the Companies Act, 2013, the Register of Members and Share Transfer Books of the Company will remain closed from 23rd day of July, 2016 to 29th day of July, 2016 (both days inclusive) for the purpose of the Annual General Meeting.
- IV. 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.
- V. All documents referred to in the accompanying Notice shall be open for inspection at the Registered Office of the Company on weekdays (3:00 p.m. to 5:00 p.m.) up to and including the date of the Annual General Meeting of the Company.
- VI. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
- VII. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.



NOTICE (Contd.)

- VIII. Copies of the Annual Report for the period 1st October, 2014 to 31st March 2016, the Notice of the 25th Annual General Meeting, instructions for e-voting, Attendance Slip, Proxy Form and the route map to the venue are being sent by electronic mode only to the members whose email addresses are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the Annual Report for the period 1st October, 2014 to 31st March 2016, the Notice of the 25th Annual General Meeting, instructions for e-voting, Attendance Slip, Proxy Form and the route map to the venue are being sent by the permitted mode. Members may register their email address by visiting Website namely [www.cbmsl.com /green.php](http://www.cbmsl.com/green.php) of our Registrar and Share Transfer Agent.
- IX. Members may also note that the Notice of the Annual General Meeting and the Annual Report for the period 1st October, 2014 to 31st March 2016 will also be available on the Company's website www.kanco.in. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Kolkata for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the members may also send requests to the email id: compliance@kanco.in or rta@cbmsl.com.
- X. Members seeking any information with regard to Accounts may write to the Company 7 (seven) days before the date of the Annual General Meeting.
- XI. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their Demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Registrar and Share Transfer Agent.
- XII. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form can be downloaded from the Company's website.
- XIII. Members are requested to furnish or update their e-mail IDs with the Registrar for sending the soft copies of the Annual Report of the Company as required vide circular no.17/2011 dated April 21, 2011 and circular no.18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs and to avail remote e-voting facility in respect of the resolutions which would be passed at the General Meetings of the Company.
- XIV. Pursuant to prohibition imposed vide Secretarial Standard on General Meeting (SS-2) issued by The Institute of Company Secretaries of India and The Ministry of Corporate Affairs circular, no gifts/coupons shall be distributed at the Meeting.
- XV. Voting through electronic means:
- Pursuant to Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, the Company is pleased to provide its members facility of 'remote voting' (e-voting from a place other than venue of the AGM) to exercise their right to vote at the 25th Annual General Meeting. The business may be transacted through e-voting Services provided by Central Depository Services (India) Limited (CDSL).
 - The facility for voting either through ballot/polling papers shall also be made available at the venue of the 25th Annual General Meeting. The members attending the meeting, who have not already cast their vote through remote e-voting shall be able to exercise their voting rights at the meeting. The members who have already cast their vote through remote e-voting may attend the meeting but shall not be entitled to cast their vote again at the AGM.
 - Mr. A. K. Labh, Practising Company Secretary (Membership No. 3238) (Address: A. K. Labh & Co, 40, Weston Street, 3rd Floor, Kolkata - 700013) has been appointed as the Scrutinizer for conducting the remote evoting and voting process at the AGM in a fair and transparent manner.



NOTICE (Contd.)

- d. The e-Voting procedure to be followed by the shareholders to cast their votes:

A. In case of members receiving e-mail :

- (i) The voting period begins on 26th day of July, 2016 (9:00 a.m.) and ends on 28th day of July, 2016 (5:00 p.m.) During this period the shareholders' of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date i.e. 22nd day of July, 2016 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after 5:00 p.m. on 28th day of July, 2016.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) Log on to the e-voting website **www.evotingindia.com**
- (iv) Click on "Shareholders" tab.
- (v) Now Enter your User ID
 - a. For **CDSL**: 16 digits beneficiary ID,
 - b. For **NSDL**: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

Particulars	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none">• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <p>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).</p>

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this



NOTICE (Contd.)

password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xii) Click on the EVSN for the relevant <KANCO ENTERPRISES LIMITED> on which you choose to vote.
- (xiii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiv) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xvi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xviii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. iPhone and Windows phone users can download the app from the App Store and the Windows Phone Store respectively on or after 30th June, 2016. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xx) Note for Institutional Shareholders
 - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details, a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

NOTICE (Contd.)

(xxii) Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e. 22nd day of July, 2016, may obtain the USER ID and password by sending an e-mail request to rt@cbmsl.com / compliance@kanco.in.

Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the brief profile of the Director eligible for re-appointment vide Item no. 2 of the Notice is as follows:

Particulars	Mr. Susanta Banerjee
DIN	01173116
Date of Birth	13.03.1947
Date of Appointment	26.03.2013
Qualifications	B. Com.
Experience in specific functional areas	Mr. Susanta Banerjee a graduate in Commerce from Calcutta University has over 30 years of rich experience across a wide spectrum of functional areas.
Directorship held in other listed entities	Orchid Securities Limited
Membership/Chairmanship of Committees of listed entities (includes only Audit Committee and Stakeholders' Relationship Committee)	Member of Audit Committee & Stakeholders' Relationship Committee of Kanco Enterprises Limited and also in Stakeholders' Relationship Committee of Orchid Securities Limited
Number of shares held in the company	65 Equity Shares
Relationship with any Director(s) of the Company	Nil

Registered Office :

Jasmine Tower, 3rd Floor
 31, Shakespeare Sarani, Kolkata 700 017
 (CIN : L51909WB1991PLC053283)
 Telefax: +91 33 2281-5217
 Email : compliance@kanco.in • Website: www.kanco.in
 Dated : May 30, 2016

By Order of the Board
 For KANCO ENTERPRISES LIMITED

A GOEL
 Company Secretary

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present their Twenty Fifth Annual Report and Audited Accounts for the period ended 31st March, 2016.

FINANCIALS

Your Company's financial performance was as follows :

₹ /lacs

Particulars	31.03.2016	30.09.2014
Profit before Interest, Depreciation and Tax	(74.07)	318.61
Less : Interest	<u>1426.50</u>	<u>930.81</u>
Gross (Loss) for the Year	(1500.57)	(612.20)
Less : Depreciation	<u>431.69</u>	<u>373.32</u>
(Loss) Before Tax	(1932.26)	(985.52)
Less : Provision for Tax	-	-
(Loss) After Taxation	(1932.26)	(985.52)
Depreciation transferred on account of change in useful life of Property, Plant and Equipment	(113.40)	-
Balance Brought Forward from last Account	<u>(7631.01)</u>	<u>(6645.49)</u>
Balance Carried to Balance Sheet	<u>(9676.67)</u>	<u>(7631.01)</u>

RESULTS OF OPERATIONS AND THE STATE OF THE COMPANY'S AFFAIRS

Yarn prices were under pressure throughout the year in view of supply exceeding demand largely due to capacity addition in cotton spinning sector. Yarn prices moved downwards from an average of ₹ 192/- per Kg. in October 2014 to an average of ₹ 170/- per Kg. in September 2015. Raw material prices moved up from an average of ₹ 33,500/- per candy in October 2014 to ₹ 35,000/- per candy in September 2015.

The addition in capacity was a result of incentives given by various state governments. The cost advantage to new units and lacklustre international demand put tremendous pressure on margins with older units struggling to survive the competition.

The Company was forced to suspend manufacturing operations from September 30, 2015 in view of large scale resignations of staff and workmen at the Company's factory situated at "Kanco Overseas" Village: Walthera, Taluka: Dholka, Ahmedabad 387810 and has decided to continue the same in view of overall negative outlook of the Textile Industry. The management is watching the developments and will take appropriate decision as and when the markets improve and the supply / demand mis-match is bridged.

The current period operations have resulted in a net loss of ₹ 1932.26 lacs.

FINANCE

During the year under review, the long term borrowings and short term borrowings of the Company stands at ₹ 434.35 Lakhs and ₹ 1937.88 Lakhs respectively as on 31st March 2016.

CHANGE IN FINANCIAL YEAR

In compliance with the provisions of Section 2(41) of the Companies Act, 2013 with regard to Financial Year, which has been notified w.e.f. 01/04/2014 the Board of Directors decided to change the current Financial Year of the Company from 1st October, 2014 to 30th September, 2015 to 1st October, 2014 to 31st March, 2016 so as to align it with the requirements of the Act. The Registrar of Companies, Kolkata has approved the Company's request for extension of Annual General Meeting by 3 months. The subsequent financial years of the Company shall be from 1st day of April to 31st March.

DIRECTORS' REPORT (Contd.)

DIVIDEND

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

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form No. MGT-9 as required under Section 92 of the Companies Act, 2013 is annexed herewith marked as Annexure A to this report.

REFERENCE TO THE BOARD OF INDUSTRIAL AND FINANCIAL RECONSTRUCTION

The accumulated losses of the Company for the period ended March 31, 2016, 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 also pending.

DIRECTORS

Mr. Susanta Banerjee (DIN:01173116), Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The Central Government has approved the reappointment of Mr. Umang Kanoria (DIN: 00081108) as the Managing Director of the Company for a period of three years with effect from 1st January, 2015 to 31st December, 2017.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has devised a Policy for Performance evaluation of Independent Directors, Board, Committees and other Individual Directors which includes criteria for performance evaluation of the non-executive directors and executive directors and is annexed herewith marked as Annexure B to this report.

The performance evaluation of the Chairman and the non-independent Directors was carried out by the Independent Directors. On the basis of the Policy the Performance Evaluation of Independent Directors, Board, Committees and other individual Directors were carried. The Board of Directors expressed their satisfaction with the evaluation process.

Mr. Atul Doshi has tendered his resignation from the directorship of the Company with effect from 27th November, 2014, due to his preoccupation and inability to devote time to discharge his responsibilities. The Board of Directors in their meeting took note of the same and placed their appreciation of the valuable contribution made by him.

POLICY ON DIRECTORS' APPOINTMENT, REMUNERATION ETC

Pursuant to Section 178(3) of the Companies Act, 2013 Nomination and Remuneration Committee has formulated the criteria for identification and selection of the suitable candidates for various positions in senior management and also candidates who are qualified to be appointed as director on the Board of the Company. The Committee also recommended a policy relating to the remuneration for the directors, key managerial personnel and other senior management personnel and a process by which the performance of the directors could be evaluated and the same is annexed herewith marked as Annexure B to this report.

KEY MANAGERIAL PERSONNEL

The following persons are the Key Managerial Personnel (KMP) of the Company in compliance with the provisions of Section 203 of the Companies Act, 2013:

- a) Mr. U. Kanoria (DIN:00081108), Managing Director
- b) Ms. Charulata Kabra, Company Secretary (resigned w.e.f. 16/11/2015)



DIRECTORS' REPORT (Contd.)

c) Ms. Anupama Goel, Company Secretary (w.e.f. 14/05/2016)

d) Mr. S. V Tewary, Chief Financial Officer

NUMBER OF MEETINGS OF THE BOARD

Six meeting of the Board of Directors were held during the year.

AUDIT COMMITTEE

The Audit Committee comprises of Independent Directors namely Ms. Puja Borar (Chairperson) and Mr. Krishna Kumar Gupta and Mr. Susanta Banerjee, Non-Executive Director. All the recommendations made by the Audit Committee were accepted by the Board.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors hereby confirms that :

- a) in the preparation of the annual accounts, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) they had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2016 and of the loss of the Company for the period ended on that date;
- c) they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they had not prepared the annual accounts on a going concern basis;
- e) they had laid down internal financial control to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

STATUTORY AUDITORS

Messrs B. R. Shah & Associates, Chartered Accountants, (Registration No.129053W), Statutory Auditors of the Company, hold office till the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. They have expressed their willingness to continue as Statutory Auditors of the Company, if so appointed by the members. Your Company has received the consent and certificate 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 141 of the Companies Act, 2013 read with rules and that they are not disqualified for reappointment within the meaning of Section 141 of the Companies Act, 2013. They have also confirmed that they hold a valid peer review certificate as prescribed under regulation 33(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

STATUTORY AUDITORS' REPORT

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

Qualified Opinion

- (a) As referred to in note no. 24(2) (a) (i) (b) of financial statements, during the year ended September 30, 2012, the Company has not accounted for Foreign Exchange loss of ₹ 11,78,81,338/- arising out of Cancellation of Forward Contract and disclosed the same as contingent liability. On account of this, accumulated loss as at March 31, 2016 is lower by the said amount. The loss above does not include interest, if any.

During the year ended September 30, 2012, State Bank of India (SBI) has unilaterally cancelled the forward contracts and debited ₹ 11,78,81,338/-, being the losses on account of foreign exchange difference excluding interest, if any, into our cash credit account without any authorization from us. The Company is not in agreement