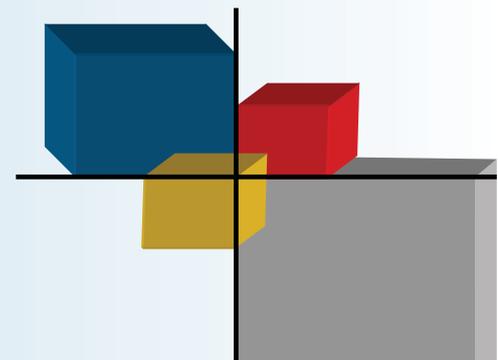
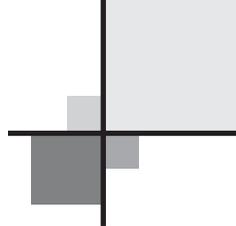


28th Annual Report



KANANI INDUSTRIES LIMITED





Content

FACTORS OF SUCCESS & KEY HIGHLIGHTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	3
MARKET OVERVIEW	5
FUTURE OUTLOOK	6
DOMESTIC OUTLOOK	7
COMPARATIVE ANALYSIS OF LAST 3 YEARS RESULTS	8
GENERAL INFORMATION	9
NOTICE	10
DIRECTORS' REPORT	13
CORPORATE GOVERNANCE REPORT	16
AUDITORS' REPORT	29
BALANCE SHEET	32
PROFIT & LOSS	33
CASH FLOW STATEMENT	34
SCHEDULES	35

○ Factors of Success

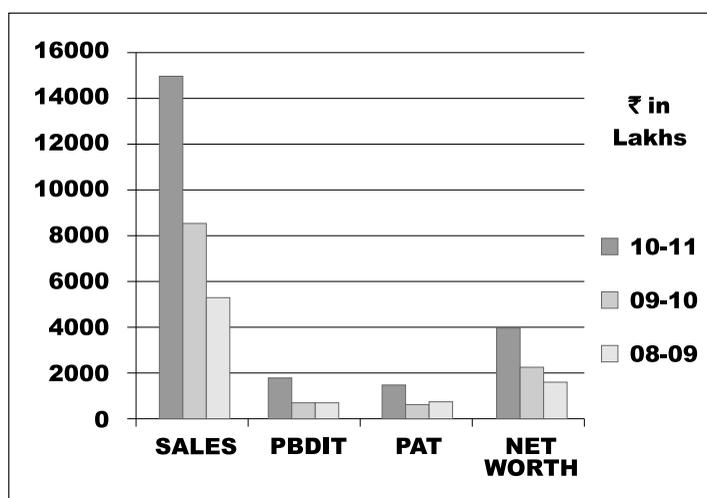
“Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan “press on” has solved and always will solve the problems of the human race.”

Success Factors Reports 74 Percent Billings Growth and 114 Percent Revenue Growth

KANANI INDUSTRIES LIMITED the global leader in India base Gems and Jewellery Sector. “With 74 percent, Success Factors had outstanding growth in F.Y.2010-11. The acceleration caps the fastest growth of company with more than 1516 million in sales,” said Premjibhai Kanani, Chairman of Success Factors. “The market we have created is mostly unsaturated, and it is as if we have created a tipping point in demand, manufacturing and offering. Both our organically built products and major acquisitions are performing above expectations, and every geography and market segment is growing. Despite aggressive hiring, pipeline is growing faster than we can hire sales people to absorb it, the teams are gelling globally, our customers are seeing real results in executing better on their businesses, and they want to do a lot more business with Success Factors.”

○ Key Highlights

- Sales increased to ₹ 15,166.70 Lakhs during the Financial Year 2010-2011 as compared to ₹ 8,683.86 Lakhs during the previous year 2009-2010.
- PAT increased to ₹ 1,618.41 Lakhs during the Financial Year 2010-2011 as compared to ₹ 754.74 Lakhs during the previous year 2009-2010.
- Book Value ₹ 22.12 per share
- EPS at ₹ 9.00



○ Management Discussion and Analysis

Gems and Jewellery Industry in India

The Gems and jewellery sector has a huge market in India and abroad alike. This market encompasses various kinds of jewels including gold, coloured gemstones, costume jewellery, platinum and diamonds. The sector is expected to register a compound annual growth rate (CAGR) of 13 per cent during 2011-2013, according to a report "Indian Gems and Jewellery Market Forecast to 2013".

The RNCOS report came out in the year 2010, and was indirectly supported by the findings of a leading industry body and published in the same year. The growth rate of the gems and jewellery industry in India stands at 15 per cent, while the domestic jewellery market was worth US\$ 16-18 billion. As far as exports are concerned, this sector constitutes more than 12 per cent of the total exported products. The journal estimated that by year 2015 the gems and jewellery sector will help India earn about US\$ 25-35 billion in form of export revenue. A steady sale of jewelries, especially of gold, has helped the gems and jewellery industry in India flourish at this rapid rate. Moreover, people are also investing their money in gold as a future recourse to counter tough times. In addition, India has evolved as a great place for diamond processing, according to the industry body.

Gems and Jewellery Industry in India

Gold : The importance of gold in the Indian gems and jewellery sector is significant. India had a gold consumption rate of 24 per cent, according to the report "Indian Gems and Jewellery Market Forecast to 2013".

This made the country become a leader in the table of most gold consuming nations with the consumption amounting to about 16,000 tonnes. The other key markets include Japan, China, Turkey, Italy, USA and UK. It is expected that the Gems and Jewellery industry would enjoy a growth of about 8.5 per cent in the period upto 2015. It is also estimated that about 600 tonnes of gold is used to make jewellery.

Diamond : Currently India is the major polishing and cutting hub for diamonds. India is also the third largest consumer of polished diamonds. The surge of urbanization and rapidly growing middle class in India has led Indian consumerism to new heights, particularly in the diamond jewellery sector. Every 11 out of 12 diamonds sold around the world are processed in India regardless of the place they are mined.

Export of Gems and Jewellery

When it comes to export in the year 2006-2007 Indian gems and jewellery industry made exports worth US\$ 17.1 billion. During the 2007-2008 time periods this number rose to US\$ 20.88 billion, which meant a growth rate of 22.27 per cent. Of this total export about 26.91 per cent were gold jewellery, whole diamond jewellery constituted 70.59 per cent of the total number. During the first part of the 2008-09 fiscal period the export rate rose by 17 per cent and reached US\$ 9.05 billion, and by the end of 2009 the export reached US\$ 25.11 billion. In the year 2010 this grew even further and reached US\$ 37.14 billion. Majority of the gems and jewellery products from India are sent to the US and European markets constitute about 60 per cent of India's gems and jewellery exports. Indian exporters are also exploring other new markets including South America and East Asia. The statistical calendar year, 2011 shows that the gems and jewellery industry in India has exported products worth US\$ 6659.27 million till the month of May.

During the April-May period of 2011, gold jewellery export reached US\$ 2264.53 million, while polished and cut diamond export was recorded at US\$ 4259.70 million. This meant that both these segments have increased their growth rate even further. While the diamond processing segment has grown at the rate of 12.97 per cent, the gold jewellery segment has recorded a growth rate of 19.87. The coloured gemstones segment too has

recorded an increase in profit compared to the last year and has earned US\$ 44.65 million with a growth rate of 19.42. Rough diamonds consists of three per cent of the total export ration of Indian gems and jewellery industry.

Gems and Jewellery Industry in India: Road Ahead

The huge growth of the Indian gems and jewellery industry has seen the advent many new branded jewellery shops in various metros of this country. The availability of cheap labour and presence of well skilled people in various states of India is helping in the growth of diamond polishing and gold jewellery markets. According to experts in the jewelry industry the surge in demand for expensive jewellery in India is a result of the strengthening Indian economy. India will soon overtake the US in the not so distant future, according to a statement given by Rapaport Group, the well known keeper of global diamond related data.

India Government Initiatives:

The Indian government has provided an impetus to the booming gems and jewellery industry with favorable foreign trade policies:

- 100 per cent foreign direct investment (FDI) in gems and jewellery through the automatic route is allowed.
- The government has lowered import duty on Platinum and has exempted rough coloured precious gem stones from customs duty.
- Rough, semi-precious stones are also exempt from import duty.
- Duty-free import of consumables for metals other than gold and platinum up to 2 per cent of freight on board (F.O.B) value of exports.
- Duty-free import entitlement for rejected jewellery up to 2 per cent of f.o.b value of exports.
- Import of gold of 18 carat and above under the replenishment scheme.
- Setting up of SEZs and gems and jewellery parks to promote investment in the sector.
- In May 2007, the government abolished import duty on polished diamonds.
- The government has raised the limit value of jewellery parcels for export through foreign post office from US\$ 50,000 to US\$ 75,000 and the time period for re-import of branded jewellery remaining unsold has been extended from 180 days to 365 days.
- The export of coloured gemstones on a consignment basis has been allowed. The government has announced a series of measures to help gems and jewellery exports in the Foreign Trade Policy 2009-14.
- It has been decided to neutralize duty incidence on Gold jewellery exports, to allow duty drawback on such exports.
- In an endeavor to make India an international diamond trading hub, it has been planned to establish "Diamond Bourses".
- A new facility to allow import of cut and polished diamonds on a consignment basis for the purpose of grading/certification purposes, has been introduced.
- To promote export of gems and jewellery products, the value limits of personal carriage have been increased from US\$ 2 million to US\$ 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage, as samples, for export promotion tours, has been increased from US\$ 0.1 million to US\$ 1 million.

○ Market Overview

Gems and Jewellery (GJ) has been used by the Indian civilization since ages for both its aesthetic as well as investment purposes. Precious metals and stones have been an integral part of the Indian civilization since its recorded history. India has the distinction of being the first country to introduce diamonds to the world. The country was also the first to mine, cut & polish and trade in diamonds.

The GJ industry can be classified into various sub segments like diamonds, coloured stones, gold and silver jewellery, pearls, etc. However, the two major segments in India are gold and diamonds. India dominates the diamond processing trade with 11 out of 12 diamonds being cut and polished in India. India also dominates the gold and silver consumption globally with consumption of about 800 tonnes p.a. The industry holds prominent significance as it is a net exporter and provides employment to 1.3 million people directly and indirectly.

The industry is characterized by highly unorganized trade, labour intensive operations, working capital & raw material intensiveness, price volatility of gold especially and export orientation. Demand for gold and diamond jewellery is driven by festivals and wedding, increasing affluent and middle class population, increase in per capita spend on luxury items, etc.

Though India plays a dominant role in the GJ industry in terms of processing and consumption, mining of gold and diamond is amongst the lowest in the world. India imports gold and rough diamonds along with other precious metals. Gold is purchased from countries like Switzerland, South Africa, Australia, UAE, etc and rough diamonds are sourced from Belgium, UK, Israel, UAE, etc. With political pressure to increase local bonification in African mining nations, new cutting and polishing centers like Botswana, Namibia, Angola will emerge, reducing India's dominance in diamond processing.

We expect organised sales to grow due to changing buying preference by growing young population, introduction of Hallmarking and Certifications. The key drivers for the industry growth are raising disposable income, conscious marketing efforts, rising young population with urge to spend and jewellery regarded as fashion accessory. However, with current economic crises world wide, spend on luxury goods will reduce impacting the GJ industry considerably. Also, exports have taken a hit with key consuming nations like US and Europe in recession.

In this time of economic crises, with higher costs and reducing margins, we expect the large diamond processing companies to forward integrate to relatively higher margin areas like jewellery fabrication/ retail. The industry is likely to witness consolidation with small players either shutting down operations or merging with larger players.

The Indian Gems and Jewellery (GJ) industry is dominated by diamond processing for exports and gold and silver consumption domestically. The Indian jewellery market is worth about ₹ 700 billion (USD 16 billion). Of this, domestic demand for gold jewellery is estimated at about 80% and the balance comprises diamond jewellery and other fabricated jewellery.

Demand for gold in India has an inverse relationship with price volatility. With increased volatility in current months, the consumption has declined. However, gold is also considered a natural hedge against inflation and is considered a safer option in times of economic uncertainty which leads to gold demand in the form of retail investments and Exchange Traded funds (ETF). Prices of diamonds are dictated by demand supply gap with demand dominated in western countries, especially the US.

○ Future Outlook

In India, jewellery is revered and valued as a treasure from ages, be it any festival or a marriage, the celebrations are incomplete without gold and silver ornaments. Being the biggest consumers of gold, the industry is set to thrive for a very long time. However, the market is highly dominated by the unorganized players, but with the prospering economy and surging income levels, the organized segment and retailing of branded jewellery is fast catching up in the currently fragmented market which is worth USD 16 billion and shows huge potential for growth in the future.

An analysis of the drivers explain the factors for growth of the industry including mass appeal and growing income among households, low cost and abundance of skilled labour, growing use of high-end technology, advantages of SEZs, changing consumer perceptions and preferences and growing training institutes. The key challenges identified encompass rising gold prices, competition from unorganized players, dependence on raw material import and emerging threat from other countries. Key trends identified include the growth in organized retail space, aggressive marketing and advertising, large scale shows and exhibitions, domestic players acquiring foreign companies, investments from PE firms and corporate houses entering the market. The major government bodies regulating this sector have been described and the policies adopted by the government have also been analyzed including industrial policy, FDI policy, Kimberley certification process and hallmarking. The key initiatives of the government identified include tax benefits, import duty relaxations, provisions for exports and other initiatives.

The competition section provides an overview of the competitive landscape in the industry illustrating the share of organized and unorganized players. It also includes a detailed profile of the major players in the market including their financials and expansion plans. The key developments in the sector have also been highlighted.

The Indian gems and jewellery sector is expected to cross US\$ 26 billion by 2012, driven by availability of a huge base of skilled labour and improving lifestyle, according to a new report called "Indian Gems and Jewellery Market - Future Prospects to 2011":

- According to the same report, the Indian gems and jewellery sector is expected to grow at a compound annual growth rate (CAGR) of around 14 per cent from 2009 to 2012.
- According to industry experts the consumption of diamond jewellery in India is expected to touch US\$ 6.41 billion in 2012.

○ Domestic Outlook

India is a leading player in the global gems and jewellery markets

The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner, as well as one of the fastest growing industries in the country.

The two major segments of the sector in India are gold jewellery and diamonds. Gold jewellery forms around 80 percent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery. A predominant portion of the gold jewellery manufactured in India is consumed in the domestic market. However, major portions of the rough, uncut diamonds processed in India are exported, either in the form of polished diamonds or finished diamond jewellery. The largest consumer of gold worldwide, India is also the leading diamond cutting nation.

The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and the availability of skilled labour. In addition, the industry has set up a worldwide distribution network, of more than 3,000 offices for the promotion and marketing of Indian diamonds. The Indian diamond industry has the world's largest cutting and polishing industry, employing around 800,000 people (constituting 94 per cent of global workers) with more than 500 hi-tech laser machines. The industry is well supported by government policies and the banking sector with around 50 banks providing nearly \$3 billion of credit to the Indian diamond industry. India is expected to have its diamond bourse functioning at Mumbai in end of 2011.

India is therefore a significant player in the world gems and jewellery market both as a source of processed diamonds as well as a large consuming market.

The sector is largely unorganized at present with a small but growing organised sector

The Indian gems and jewellery sector is largely unorganised at present. There are over 15,000 players across the country in the gold processing industry, of which only about 80 players have a turnover of over \$4.15 million (₹ 200 million). There are about 450,000 goldsmiths spread throughout the country.

India was one of the first countries to start making fine jewellery from minerals and metals and even today, most of the jewellery made in India is handmade. The industry is dominated by family jewellers, who constitute nearly 96 per cent of the market. India has well-established capabilities in making hand-made jewellery in traditional as well as modern designs.

Indian hand-made jewellery has always had a large ethnic demand in various countries with sizeable Indian immigrant populations such as the Middle East, South-East Asian countries, the USA and Canada. In recent times, India has also developed capabilities in machine-made jewellery. With imported or domestic processed studding, Indian machine made jewellery is expected to generate demand from non-ethnic jewellery markets as well. The share of gold jewellery in India's exports of gems and jewellery increased from 9 per cent to 22 per cent, an indication of growing acceptance in the world market. In the area of diamonds, Indian jewellers have been focusing on moving up the value chain, from being polishers of rough diamonds to the manufacturing of jewellery. Exports of diamond jewellery are expected to increase in the future. The central and various state governments in India have come out with policy incentives to promote jewellery manufacturing. The Indian jewellery market is one of the largest in the world, with a market size of \$13 billion. It is second only to the US market of \$ 40 billion and is followed by China at \$11 billion. The gold jewellery market is growing at 15 per cent per annum and the diamond jewellery market at 27 per cent per annum. The emergence of branded jewellery is a new trend that is shaping the Indian jewellery market. Branded jewellery is a relatively new concept in the sector, and has positioned itself on the quality, reliability and variability factors. The branded jewellery market in India is estimated at \$111.6 million per annum. Trends also show that traditional handcrafted jewellery is slowly giving way to machine made jewellery.

○ Comparative Analysis of last 3 years Results

(Amt. in ₹ Lacs)

Particular	2011	2010	2009
Net Sales	15166.70	8683.86	5426.58
Other Income	26.13	(44.08)	24.88
Total Income	15192.83	8639.79	5451.46
Expenditure	13513.49	7817.02	4602.54
PBIT	1679.34	822.76	848.92
Interest	47.38	53.18	7.30
Depreciation	13.56	14.84	9.13
PBT	1618.40	754.74	832.49
Tax	–	–	0.04
PAT	1618.40	754.74	832.45
Net Profit	1618.40	754.74	832.45
Basic & Diluted EPS (₹)	9.00	4.20	4.63
Dividend Paid / Proposed (In %)	–	10.00%	10.00%
Equity Capital	899.40	899.40	299.80
Reserves & Surplus	3079.53	1461.12	1411.20
Net worth	3978.93	2360.52	1711.00
Book Value per share (₹)	22.12	13.12	57.07
Operating Profit Margin (%)	11.07%	9.47%	15.64%
Net Profit Margin (%)	10.67%	8.69%	15.34%
Basic & Diluted Cash EPS (₹)	9.07	4.28	4.68

○ General Information

BOARD OF DIRECTORS:	PREMJIBHAI D. KANANI HARSHIL P. KANANI SHAILESH R. PATEL DEVENDRA K. KIKANI GAUTAM B. PAREKH NAGJIBHAI K. VITHANI	CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR DIRECTOR DIRECTOR
COMPANY SECRETARY:	RADHA JAIN	
COMPLIANCE OFFICER:	DARSHAK A. PANDYA	
STATUTORY AUDITORS:	RAVI & DEV CHARTERED ACCOUNTANTS 601 AURUS CHAMBERS, "A" WING, BEHIND MAHINDRA TOWER S S AMRUTWAR MARG, WORLI MUMBAI - 400013	
BANKERS:	STATE BANK OF INDIA BANK OF BARODA DENA BANK CANARA BANK STANDARD CHARTERED BANK	
REGISTERED OFFICE:	G-6, PRASAD CHAMBERS, TATA ROAD NO. 2, OPERA HOUSE, MUMBAI - 400004	
FACTORY:	PLOT NO.42, SURAT SPECIAL ECONOMIC ZONE, NEAR SACHIN RLY. STN., SACHIN, DIST: SURAT, GUJARAT	
REGISTRAR AND SHARE TRANSFER AGENT:	M/S. SHAREX DYNAMIC (INDIA) PRIVATE LIMITED UNIT-1, LUTHRA IND. PREMISES, SAFED POOL, ANDHERI KURLA ROAD, ANDHERI (E), MUMBAI - 400072 PH: 022 28515606 FAX: 022 28512885	

○ Notice

Notice is hereby given that the 28th Annual General Meeting of the Members of **KANANI INDUSTRIES LIMITED** will be held at Krishna Palace Residency Hotel, 96/98, Grant Road, MUMBAI - 400007 on **Monday, September 26, 2011 at 9.30 A.M.** to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider, adopt and approve the Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended as on that date along with Reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr. Devendra K Kikani, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Nagjibhai K Vithani, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. Ravi & Dev, Chartered Accountants as Auditors of the Company and to fix their remuneration.

**For and On behalf of the
Board of Directors**

**Place: Mumbai
Date: August 12, 2011**

**PREMJIBHAI KANANI
Chairman**

Registered Office:

G/6, Prasad Chambers,
Tata Road No. 2, Opera House,
Mumbai - 400004

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The proxy form should be lodged with the Company at its Registered Office at least 48 hours before the commencement of the Meeting.

2. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, September 21, 2011 to Monday, September 26, 2011 (both days inclusive.)
3. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
4. Corporate members intending to send their authorized 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 at the Meeting.
5. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday & public holidays between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
6. For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
7. IF THE MEMBERS HAVE ANY QUERIES ON THE AUDITED ACCOUNTS, DIRECTORS' REPORT & AUDITOR'S REPORT, THE SAME SHOULD BE FORWARDED TO THE COMPANY IN WRITING AT ITS REGISTERED OFFICE AT LEAST 10 DAYS BEFORE THE MEETING SO THAT THE SAME CAN BE REPLIED AT THE TIME OF ANNUAL GENERAL MEETING TO THE MEMBERS' SATISFACTION.
8. Members are requested to bring their copies of the reports to Annual General Meeting.
9. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios alongwith share certificates to the Company.
10. In order to exercise strict control over the transfer documents, members are requested to send the transfer documents/ correspondence, if any, directly to:

SHAREX DYNAMIC (INDIA) PRIVATE LIMITED
Unit-1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road,
Andheri (E), Mumbai – 400072
Ph. 022 28515606 • Fax: 022 28512885

Details of Directors seeking appointment / re-appointment at the Annual General Meeting

(In pursuance of clause 49 of the Listing Agreement)

Name of Director	Age	Nature of expertise	Qualifications	Other Director-ship	Membership in the committees of other Public Companies	Share-holding
Mr. Devendra K. Kikani	44	Having a 25 year experience in gems and Jewellery business. It will be advantageous for the Company to continue to avail his services and take the benefit of his vast experience and expert knowledge	B.Com.	NIL	NIL	NIL
Mr. Nagjibhai K Vithani	71	Having vast experience in the industries department of govt. of Gujarat for 32 years as a officer. Expertise in setting up of new project would prove to be immense help of the company.	B.S.C.	NIL	NIL	NIL

○ Directors' Report

To,
The Members of
KANANI INDUSTRIES LIMITED

Your Directors present the **Twenty-Eighth Annual Report** together with the Audited Statement of Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

The Financial Results for the year ended March 31, 2011 are summarized below:

(Amt. in ₹ Lacs)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Sales	15166.70	8683.86
Other Income	26.13	(44.08)
Increase in Stock of finished Goods	318.70	59.51
Total Income	15511.53	8699.29
Expenditure [before depreciation]	13879.56	7929.71
Profit before Dep. & Tax	1631.97	769.57
Less: Depreciation	13.56	14.83
Profit (Loss) before Tax	1618.41	754.74
Less: Provision for Tax	-	-
Fringe Benefit Tax	-	-
Profit (Loss) after Tax	1618.41	754.74
Profit/(Loss) brought forward	1881.51	1232.00
Profit available for appropriation	3499.92	1986.74
APPROPRIATIONS:		
Interim Dividend paid	-	44.97
Corporate Dividend Tax on Interim Dividend	-	7.64
Proposed Dividend	-	44.97
Corporate Dividend Tax on Proposed Dividend	-	7.64
Surplus Carried to Balance Sheet	3499.92	1881.51

DIVIDEND

In order to conserve the resources for the further growth of the Company your directors think fit not to recommend any dividend for the year under review.

PERFORMANCE

Your company is engaged in the manufacturing activities and during the year under review, your Directors are pleased to inform the Members that the Company has posted Total Income of ₹ 15,511.53 Lacs as against Total Income of ₹ 8,699.29 lacs in the corresponding previous year. Net Profit after Tax for the year under review was ₹1,618.41 Lacs as against Net Profit after Tax of ₹ 754.74 Lacs in the corresponding previous year.

AUDITORS

M/s Ravi & Dev, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting. The members are requested to appoint auditors and to fix their remuneration.

AUDITORS' REPORT

The Report of the Auditors of the Company is self explanatory and do not call for any further explanation by the Board of Directors.

DIRECTORS

During the year under review, Mr. Devendra K Kikani and Mr. Nagjibhai K Vithani, Directors of the Company retire by rotation and being eligible offer themselves for reappointment at the forthcoming Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibilities Statement, it is hereby confirmed:

- i) That in the preparation of the annual accounts for the year 2010-11, the applicable accounting standards have been followed and there are no material departures;
- ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the statement at the end of the financial year and of the profit of the company for that period.
- iii) that the directors 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 the company and for preventing and detecting fraud and other irregularities;
- iv) That the directors have prepared the Annual Accounts of the company on a going concern basis.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year ended March 31, 2011.

DETAILS OF EMPLOYEES UNDER THE COMPANIES (PARTICULARS OF EMPLOYEES) RULE 1975 (AS AMENDED UPTO DATE):

The Company has no employees of the specified categories under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended upto date.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNING AND OUTGO:

The manufacturing activities carried out by the Company do not fall under the list of industries specified for which Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is applicable and hence disclosures required therein are not applicable to the Company. Further, the details regarding foreign exchange earnings and outgo are given in Note Nos. 3 to 6 under Schedule 'K' i.e. Significant Accounting Policies of the Notes to Accounts.

POSTAL BALLOT CONDUCTED DURING THE YEAR

The Company had conducted Postal Ballot for the following mentioned businesses which were approved by the Members of the Company:

1	Further issue of shares under Section 81(1A) of the Companies Act, 1956
2	Amendment in the Articles of Association of the Company under Section 31 of the Companies Act, 1956

CORPORATE GOVERNANCE

The Company continues to remain committed for high standards of corporate governance. The report of corporate governance as per the requirement of the listing agreement with the stock exchanges form part of this report as Annexure. The company has complied with all the requirements of the corporate governance and the same is certified by the Statutory Auditors.

ACKNOWLEDGEMENT

The Directors take this opportunity to express their gratitude and thanks to the esteemed clients, Members, Banks, SEBI (Securities and Exchange Board of India), Bombay Stock Exchange Limited, Central, State and Local Government for their continued support cooperation and guidance from time to time.

**For and On behalf of the
Board of Directors**

**Place: Mumbai
Date: August 12, 2011**

**PREMJIBHAI KANANI
Chairman**

○ Corporate Governance Report

The Corporate Governance Code as per Clause No.49 in the Listing Agreement of the Stock Exchanges and also by applicable provisions of the Companies (Amendment) Act, 2000, has been implemented by the Company.

A report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Good governance practices stem from the culture and mindset of the organisation. The governance is about out-performing sustainable organisation. These are the organisations that succeed consistently in the market place, gain a greater share of market opportunities and sustainably drive their top and bottom lines.

Corporate Governance contains a set of principles, process and systems to be followed by directors, Management and all Employees of the Company for increasing the shareholders' value, keeping in view interest of other stakeholders. While adhering to the above, the Company is committed integrity, transparency, accountability and compliance with laws in all dealings with shareholders, employees, the Government, customers, suppliers and other stakeholders.

Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. We have undertaken several initiatives towards maintaining the highest standards.

2. BOARD OF DIRECTORS

As on 31st March, 2011 the strength of Board of Directors was 06, comprising of 2 Executive Directors and 4 Non-Executive Independent Directors. The Chairman of the Company is Executive Promoter Director.

The Board of Directors of the Company consists of eminent persons with considerable professional expertise and experience in business and industry, finance, management and marketing. The composition of the Board of Directors with reference to number of Executive and Non-Executive Directors meets with the requirements of Clause 49 (1)(A) of the Listing Agreement. None of the Directors on the Board is a member on more than ten Committees and Chairman of more than five Committees as per Clause 49 (IV)(B) across all Companies in which they are Directors.

The composition of the Board of Directors and also the number of other Companies of which he is a Director and Member/Chairman as on March 31, 2011 are as under:

Sr. No.	Name of the Directors	Category of Directorship	Directorship in other Companies	Committee Membership(s) of other Companies	Chairman in other Companies
1.	Mr. Premjibhai Kanani	Chairman & Executive	–	–	–
2.	Mr. Harshil Kanani	Managing Director	–	–	–
3.	Mr. Gautam Parekh	Non Executive Independent	–	–	–
4.	Mr. Devendrakumar Kikani	Non Executive Independent	–	–	–
5.	Mr. Shailesh Patel	Non Executive Independent	–	–	–
6.	Mr. Nagjibhai Vithani	Non Executive Independent	–	–	–

None of the Directors holds directorships in more than 15 Companies, membership in committee of Board in more than 10 Companies and Chairmanship of more than 5 Committees.

(i) Number of Board Meetings held and the dates on which held

During the financial year 2010-2011, Eight [8] meetings of the Board of Directors were held on 30th April, 2010, 29th June, 2010; 30th July, 2010; 13th September, 2010; 26th October, 2010; 16th December, 2010 and 28th January, 2011.

(ii) Directors' Attendance Record at the Board Meetings and the Last Annual General Meeting.

Name of Directors	Category	No. of Board Meetings Attended during the F.Y. 2010-2011	Attendance at Previous AGM on, 2 nd August, 2010
Mr. Premjibhai Kanani	Chairman & Executive	8	Attended
Mr. Harshil Kanani	Managing Director	8	Attended
Mr. Gautam Parekh	Non Executive Independent	1	Attended
Mr. Devendrakumar Kikani	Non Executive Independent	2	Absent
Mr. Shailesh Patel	Non Executive Independent	7	Absent
Mr. Nagjibhai Vithani	Non Executive Independent	NIL	Absent

(b) Board Committees:

The Board has constituted three committees of namely Audit committee, Shareholders'/Investors' Grievance Committee and Remuneration committee. The committee of Board provides and evaluates the strategies direction of the company, Management policies and their effectiveness and ensures that the long-term interests as the shareholders are being served.

(c) Board Procedure:

The Board meets at least once every quarter to review the quarterly performance and the financial results. The Board's role, functions, responsibility and accountability are clearly defined. All major decisions involving policy formulations, business plans, annual operating budgets, compliance with statutory requirements, major accounting provisions and write-offs are considered by the Board.

3. AUDIT COMMITTEE:

BROAD TERMS OF REFERENCE

The Audit Committee of the Company, inter-alia, acts as a control mechanism in the financial and other important departments of the Company. The terms of reference of the Audit Committee are in accordance with

paragraphs C and D of Clause 49 (II) of the Listing Agreement and as specified by the Board of Directors of the Company.

The Audit Committee while reviewing the Annual Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India during the year. The role of the Audit Committee includes the following:

- a) Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- b) Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other service.
- c) Reviewing with management the financial statements before submission to the Board.
- d) Reviewing with the management and the external and internal auditors, the adequacy of internal control systems.
- e) Reviewing the adequacy of internal audit function and procedures.
- f) Discussion with internal auditors on any significant findings and follow up there on.
- g) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board.
- h) Discussions with External Auditors before the audit commence the nature and the scope of Audit as well as have post audit discussion.
- i) Reviewing the Company's financial and risk management policies.

COMPOSITION

The Audit Committee comprises of Three Directors, all are non executive and independent Directors. All these Directors possess knowledge by corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

S.N	Name of Director	Executive/Non-Executive Independent
1.	Mr. Gautam Parekh	Chairman, Non Executive & Independent
2.	Mr. Devendrakumar Kikani	Non Executive Independent
3.	Mr. Shailesh Patel	Non-Executive Independent

MEETINGS AND ATTENDANCE:

During the financial year ended March 31, 2011, Four Audit Committee Meetings were held on 30/04/2010, 30/07/2010, 26/10/2010 and 28/01/2011.

The attendance at the Audit Committee Meetings is as under:

Name of Director	No. of meetings attended
Mr. Gautam Parekh	04
Mr. Devendrakumar Kikani	04
Mr. Shailesh Patel	04

4. SHARE TRANSFER/INVESTOR GRIEVANCE COMMITTEE:

FUNCTIONS

The Board of Directors of the Company has constituted a Committee of Directors which also functions as 'Shareholders'/Investors Grievances Committee', consisting of three members, chaired by non executive Director. The Committee interalia deals with various matters relating to:

- transfer/transmission of shares;
- issue of duplicate share certificates;
- Investors' grievances and redressal mechanism and recommend measures to improve the level of investor services.

Details of shares transfer/transmission approved by the Committee and Shareholders'/Investors' grievances are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the Committee of Directors is as under:

S.N	Name of Director	Executive/Non-Executive Independent
1.	Mr. Gautam Parekh	Chairman & Non Executive & Independent
2.	Mr. Nagjibhai Vithani	Non-Executive Independent
3.	Mr. Devendrakumar Kikani	Non-Executive Independent

Details of shareholders' complaints received, not solved and pending share transfers:

The Company had not received any investor complaint and no any complaint pending for the financial year ended 31st March, 2011.

5. REMUNERATION POLICY:

The Board of Directors is authorized to decide Remuneration to Executive Directors. The Remuneration structure comprises of Salary and Perquisites. Salary is paid to Executive Directors within the Salary grade approved by the Members.

The details of Remuneration paid to Executive Directors for the Financial Year 2010-11.

Sr.No.	Name of Directors	Executive/Non-Executive Independent	Remuneration Paid (in ₹)
1.	Mr. Premjibhai Kanani	Executive Chairman	–
2.	Mr. Harshil Kanani	Managing Director	5,01,000/-

6. GENERAL BODY MEETINGS:

Location and time, where last three Annual General Meetings were held is given below:

Financial Year	Date	Location of the Meeting	Time
2007-2008	07/07/2008	G/6, PRASAD CHAMBERS, TATA ROAD NO.2, OPERA HOUSE, MUMBAI - 400004	11.30 A.M
2008-2009	24/07/2009	G/6, PRASAD CHAMBERS, TATA ROAD NO.2, OPERA HOUSE, MUMBAI - 400004	11.00 A.M
2009-2010	02/08/2010	KRISHNA PALACE RESIDENCY HOTEL, GRANT ROAD, MUMBAI - 400007	9.30 A.M

7. DISCLOSURES:

There were no transactions of material nature between the Company and its Directors or Senior Management and their relatives or Promoters that may have potential conflict with interest of the Company. The Register of Contracts containing transactions, in which Directors are interested, have been placed before the Board regularly.

Transactions with related parties, as per requirements of Accounting Standard 18 are disclosed elsewhere in this Annual Report.

During the last Three years there has been no instance of non compliance by the Company on any matter related to capital market. Hence there were no strictures or penalties imposed either by SEBI or Stock Exchanges or any Statutory Authority for non compliance of any matter related to capital market.

8. MEANS OF COMMUNICATION:

As the Financial Results of the Company are published in the newspaper and press release is issued in leading newspapers, a separate half yearly report is not sent to each Shareholder. The Company has displayed the Annual reports for last 3 years on 2007-2008, 2008-2009 and 2009-2010 on website of the company.

The Quarterly Reports of the Company are published in accordance with the Requirements of the Listing Agreement of the Bombay Stock Exchange, Mumbai.

News Papers in which results are normally published:

1. Business Standard (English)
2. Mumbai Lakshyadeep (Marathi)

9. IMPLEMENTATION OF CODE OF CONDUCT FOR INSIDER TRADING:

Kanani Industries Limited has adopted Code of Conduct for Insider Trading and is based on the SEBI framework and is stringent than the statutory code being enforced by the SEBI. Kanani Industries Limited follows strict guidelines in respect of insiders' stock trading and related disclosures Mr. Darshak Pandya is designated as the Compliance Officer to oversee its implementation. Periodic disclosures have been obtained from all the Directors and 'designated employees' Under the aforesaid code all Directors and Designated Employees are required to conduct all their dealing in securities of the Company only in valid trading window after obtaining pre clearance form the Company as per the pre dealing procedure described in the Code.

10. SECRETARIAL AUDIT FOR RECONCILIATION OF CAPITAL:

As stipulated by SEBI, a Company Secretary in Whole Time Practice carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges as well as placed before the Board of Directors. The audit confirms that the total Listed and paid up capital is in agreement with the aggregate of the total number of Shares in dematerialised form (held by NSDL and CDSL) and total number of Shares in physical form.

11. GENERAL SHAREHOLDERS' INFORMATION:

Annual General Meeting		
Day, Date and Time	Monday, 26 th September, 2011 at 9.30 A.M.	
Venue	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai: 400 007	
Financial Year	1 st April, 2011 to 31 st March, 2012	
	Financial Reporting for the quarter ending 30 th June, 2011	Up to 15 th August, 2011
	Financial Reporting for the quarter ending 30 th September, 2011	Up to 15 th November 2011
	Financial Reporting for the quarter ending 31 st December, 2011	Up to 15 th February 2012
	Financial Reporting for the quarter ending 31 st March, 2012	Up to 15 th May 2012
Date of Book Closure	Wednesday, September 21, 2011 to Monday, September 26, 2011 (both days inclusive)	
Listing on Stock Exchange	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001, Web: www.bseindia.com	
Scrip Code [BSE]	506184	
ISIN	INE879E01029	

12. Stock Price Data:

The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited are as follows:

MONTH	BSE, MUMBAI		
	High (₹)	Low (₹)	No. of shares traded
April, 2010	403.10	196.10	2,16,269
May, 2010	537.00	350.15	4,89,051
June, 2010	332.65	180.00	1,73,628
July, 2010	392.85	269.00	2,45,054
August, 2010	362.70	283.55	1,72,697
September, 2010	407.50	279.10	4,92,577
October, 2010	449.80	315.00	3,55,733
November, 2010	434.50	325.15	2,05,780
December, 2010	374.95	280.00	3,53,674
January, 2011	382.00	285.00	2,93,806
February, 2011	313.00	245.05	1,75,202
March, 2011	274.15	225.00	1,19,317

13. Stock Price Chart:



14. Address for Correspondence

- **Reg. Office:**

G/6, Prasad Chambers,
Tata Road No. 2, Opera House,
Mumbai - 400004
Tel: +91-22-65263333
Fax: +91-22-30084000
Web Site: www.kananiindustries.com

- Registrar & Share Transfer Agent** Sharex Dynamic (India) Private Limited
 Corporate Office: Luthra Indus. Estate, 1st Floor,
 Safed Pool, Andheri-Kurla Road,
 Mumbai - 400072
Tel: 022-28515606, 28515644
Fax: 022-228512885
Web Site: www.sharexindia.com

15. Company Secretary & Compliance Officer

Ms. Radha Jain [w.e.f. 01/07/2011]

Share Transfer System:

Shares sent for transfer in physical to Sharex Dynamic (India) Private Limited (R&T Agents), are registered and returned with a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposal. All requests for dematerialisation of shares are processed by the Company and Sharex Dynamic (India) Private Limited within 21 days.

Dematerialisation of shares:

As on 31st March, 2011, out of total Equity Shares of 1,79,88,000; 17,979,480 shares are held in dematerialized form with NSDL and CDSL which aggregates to 99.95%.

Distribution of shareholding as on March 31, 2011:

No. of shares held	No. of shareholders	No. of shares held	% of Shareholding
1 to 100	714	23335	0.13
101 to 200	138	20831	0.12
201 to 500	68	24794	0.14
501 to 1000	36	26060	0.14
1001 to 5000	63	175075	0.97
5001 to 10,000	2	14400	0.08
10,001 to 1,00,000	19	764272	4.25
1,00,001 and above	17	16939233	94.17
TOTAL	1057	17988000	100.00

Shareholding Pattern As on 31st March, 2011 :

Category code	Category of Shareholder	Number of Share holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group²					
1	Indian					
(a)	Individuals/ Hindu Undivided Family	4	13460880	13460880	74.833	74.833
(b)	Central Government/State Government(s)	0	0	0	0.000	0.000
(c)	Bodies Corporate	0	0	0	0.000	0.000
(d)	Financial Institutions/ Banks	0	0	0	0.000	0.000
(e)	Any Others(Specify)	0	0	0	0.000	0.000
	Sub Total(A)(1)	4	13460880	13460880	74.833	74.833
2	Foreign					
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.000	0.000
b	Bodies Corporate	0	0	0	0.000	0.000
c	Institutions	0	0	0	0.000	0.000
d	Any Others(Specify)	0	0	0	0.000	0.000
	Sub Total(A)(2)	0	0	0	0.000	0.000
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	4	13460880	13460880	74.833	74.833
(B)	Public shareholding					
1	Institutions					
(a)	Mutual Funds/ UTI	0	0	0	0.000	0.000
(b)	Financial Institutions / Banks	0	0	0	0.000	0.000
(c)	Central Government/ State Government(s)	0	0	0	0.000	0.000
(d)	Venture Capital Funds	0	0	0	0.000	0.000
(e)	Insurance Companies	0	0	0	0.000	0.000
(f)	Foreign Institutional Investors	0	0	0	0.000	0.000
(g)	Foreign Venture Capital Investors	0	0	0	0.000	0.000
(h)	Any Other (specify)	0	0	0	0.000	0.000
	Sub-Total (B)(1)	0	0	0	0.000	0.000
B 2	Non-institutions					
(a)	Bodies Corporate	100	220618	220618	1.226	1.226
(b)	Individuals					
I	Individuals -					
	i. Individual shareholders holding nominal share capital up to ₹ 1 lakh	909	285745	277225	1.589	1.589
II	ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	23	4017271	4017271	22.333	22.333
(c)	Any Other (specify)					
(c-i)	Clearing Member	11	1004	1004	0.006	0.006
(c-ii)	OBC	0	0	0	0.000	0.000
(c-iii)	NRI	10	2482	2482	0.014	0.014
	Sub-Total (B)(2)	1053	4527120	4518600	25.167	25.167
(B)	Total Public Shareholding (B) = (B)(1)+(B)(2)	1053	4527120	4518600	25.167	25.167
	TOTAL (A)+(B)	1057	17988000	17979480	100.000	100.000
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.000	0.000
	GRAND TOTAL (A)+(B)+(C)	1057	17988000	17979480	100.000	100.000

Note:

Shareholding pattern in case of demated shares has been prepared based on download of data received from NSDL / CDSL as on 31st March 2011.

Permanent Account Number

The Securities and Exchange Board of India 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 the PAN to the Depository Participants with whom they are maintaining demat accounts. Members holding shares in physical form are required to submit their PAN details to the Company/ Registrar and Share Transfer Agent.

Insider Trading

In order to prohibit insider trading and protect the rights of innocent investors, SEBI has enacted the SEBI (Prohibition of Insider Trading) Regulations, 1992. As per Regulation 13 of the said Regulations, initial and continual disclosures are required to be made by investors as under:-

Initial Disclosure

As per sub-regulation 1, any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 2 working days of: (a) the receipt of intimation of allotment of shares; or (b) the acquisition of shares or voting rights, as the case may be.

Continual Disclosure

As per sub-regulation 3, any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

GREEN INITIATIVE

The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011, has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report and Explanatory Statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (name, folio no, e-mail id) on the Company's e-mail address viz. investorgrievances@kananiindustries.com Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.

DECLARATION

I, Harshil Kanani, Managing Director of **Kanani Industries Limited**, based on confirmations received from all the Directors and Senior Management of the Company, do hereby state that all Board Members and senior management personnel have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March 2011.

**For and On behalf of the
Board of Directors**

**Place: Mumbai
Date: August 12, 2011**

**HARSHIL KANANI
Managing Director**

CERTIFICATION BY MANAGING DIRECTOR

I, Harshil Kanani, Managing Director of **KANANI INDUSTRIES LIMITED**, to the best of our knowledge and belief, certify that:

- a. We have reviewed the balance sheet and profit and loss account and all the schedules and notes on accounts, as well as the cash flow statements, and the directors' report;
- b. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
- c. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
- d. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
- e. We accept the responsibility for establishing and maintaining internal controls for financial reporting evaluate the effectiveness, disclosing the deficiencies in the design or operation of internal controls, if any, to the Auditors and Audit Committee and take steps or purpose to take steps to rectify these deficiencies.
- f. We have indicated, wherever applicable, to the Auditors and the Audit Committee:
 - i. Significant changes in Internal Control over financial reporting during the period; and
 - ii. Significant changes in Accounting Policies, the same have been disclosed in the notes to the financial statement;

For Kanani Industries Limited

Place: Mumbai
Date: August 12, 2011

HARSHIL KANANI
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kanani Industries Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by **KANANI INDUSTRIES LIMITED** for the year ended on 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We have to state that in respect of investors' grievances, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the shareholders/investor's Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For RAVI & DEV
Chartered Accountants
(FRN: 108752W)

(DEVENDRA A. MEHTA)
Partner
M. No.82325

Place: Mumbai
Date: August 12, 2011

○ Auditors' Report

To the Members

Kanani Industries Limited

Mumbai

We have audited the attached Balance Sheet of Kanani Industries Limited as at 31st March, 2011 and both the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this Report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion and report thereto:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of sub-section 4A of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the annexure referred to in the paragraph (1) above :
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by the law have been maintained by the company so far as appears from our examination of such books.
 - (c) The balance sheet and the profit & loss account are in agreement with the books of account;
 - (d) in our opinion, the profit & loss Account and the balance sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors of the company and taken on record by the Board of Directors, we report that none of the directors of the company is disqualified from being appointed as a director under clause (g) of sub-section(1) of section 274 of the companies Act,1956;
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes thereon, give the information required under the Companies Act, 1956 in the manner so required give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of balance sheet, of the state of affairs as at 31st March 2011; and
 - (ii) in the case of profit and loss account, of the profit for the year ended on that date.

For RAVI & DEV

Chartered Accountants
(FRN: 108752W)

(DEVENDRA A. MEHTA)

Partner
M. No.82325

Place: Mumbai
Date: August 12, 2011

ANNEXURE TO THE AUDITOR'S REPORT
(Referred to in Paragraph 1 of our report of even date)

To The Members of
KANANI INDUSTRIES LIMITED
Mumbai

- i. a) As informed by the management, the proper records of fixed assets showing full particulars including quantitative details and location of fixed assets are under updation and compilation.
- b) As explained to us, the fixed assets have been physically verified by the management during the year at regular intervals, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) The company has not disposed of any part of its fixed assets during the year.
- ii. a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) in our opinion and according to information and explanation given to us, the procedures of physical verification of the company are reasonable and adequate having regard to the size of the company and nature of its business.
- c) in our opinion and according to the information and explanation given to us, the company is maintaining proper records of inventory. The discrepancies noticed on such verification between physical stocks and book records were not material and have been properly dealt with in the books of accounts.
- iii. a) The company has not granted any loans, secured or unsecured to Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) The company has not taken any secured or unsecured loans from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanation give to us, there is adequate internal control system commensurate with the size of the company and nature of its business with regard to purchase of inventory, fixed assets and also for the sale of goods & services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. a) According to the information and explanations given to us, we are of the opinion that the transactions that are needed to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions exceeding ₹ 5,00,000/- in value made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit in contravention of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and other relevant provisions of the Act. As informed to us, no order has been passed by the Company Law Board, National Company Law Tribunal or any Court or Tribunal.
- vii. The Company does not have an internal audit system. The management has informed us that steps are being taken to introduce internal audit system.
- viii. The Central Government has not prescribed maintenance of cost records u/s. 209(1)(d) of the Companies Act, 1956 for any of the product of the company.

- ix. a) The company is generally regular in depositing undisputed statutory dues including investor education protection fund, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and other material statutory dues with appropriate authorities, wherever applicable to it. The Company has yet to apply for registration with employees' state Insurance authorities.
- b) According to the information and explanations given to us, as at 31st March, 2011 no undisputed amounts payable in respect of income-tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess were in arrears for a period exceeding six months from the date they became payable.
- c) As per the records of the company and in accordance with the information and explanation given to us, there are no dues of sales-tax, income-tax, custom duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
- x. The Company does not have any accumulated losses. The company has not incurred cash losses during the current financial year or in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the bank. It has not borrowed any funds from financial institution or debenture holders.
- xii. The company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv. In our opinion and according to Information and explanation given to us, the Company does not deal in shares, securities, debentures etc.
- xv. According to the information and explanation given to us, the company has not given guarantees for loans taken by others from banks or financial institutions.
- xvi. In our opinion, the company has not taken any term loan.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investments. No long term funds have been used to finance short term assets except permanent working capital.
- xviii. During the year under consideration, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. During the year, the company has not issued any debentures.
- xx. During the year, the company has not raised any money by way of public issue.
- xxi. In our opinion, on the basis of audit conducted by us and in accordance with the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For RAVI & DEV
Chartered Accountants
(FRN: 108752W)

(DEVENDRA A. MEHTA)
Partner
M. No.82325

Place: Mumbai
Date: August 12, 2011

○ Balance Sheet As On 31st March, 2011

	<i>Sch.</i>	2011 ₹	2010 ₹
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	A	89,940,000	89,940,000
b. Reserves & Surplus	B	307,952,834	146,112,048
		<u>397,892,834</u>	<u>236,052,048</u>
2. Loan Funds			
a. Secured Loans	C	495,791,978	243,956,140
b. Unsecured Loans		—	—
		<u>495,791,978</u>	<u>243,956,140</u>
TOTAL		<u>893,684,812</u>	<u>480,008,188</u>
II. APPLICATION OF FUNDS			
1. Fixed Capital Expenditure			
a. Fixed Assets			
Gross Block	D	15,185,779	15,144,529
Less: Depreciation		(3,758,740)	(2,402,620)
Net Block		<u>11,427,039</u>	<u>12,741,909</u>
2. Current Assets, Loans & Advances			
a. Inventory	E	90,303,447	128,916,519
b. Sundry Debtors		761,251,386	332,833,625
c. Cash & Bank balances		81,093,495	90,919,271
d. Loans & Advances		2,793,320	2,700,140
Less : Current Liabilities & Provisions	F	(53,183,875)	(88,103,276)
		<u>882,257,773</u>	<u>467,266,279</u>
TOTAL		<u>893,684,812</u>	<u>480,008,188</u>

In terms of our report of even date attached.

For **RAVI & DEV**

Chartered Accountants
(FRN : 108752W)

DEVENDRA MEHTA

Partner

M. No.82325

Mumbai

August 12, 2011

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman

HARSHIL KANANI

Managing Director

RADHA JAIN

Company Secretary

○ Profit & Loss Statement for the year ended 31st March, 2011

	<i>Sch.</i>	2011 ₹	2010 ₹
I. INCOME			
Sales		1,516,669,979	868,385,528
Other Income		2,613,413	(4,407,616)
Increase in Stock of finished Goods		31,869,589	5,951,045
TOTAL		1,551,152,981	869,928,957
II. EXPENDITURE			
Material Consumed		1,369,517,033	777,442,368
Manufacturing Expenses	G	5,837,812	3,748,231
Payment to Employees		916,000	819,000
Administrative Expenses	H	1,771,666	1,546,193
Selling & Distribution Expenses	I	115,799	401,477
Financial Expenses	J	9,797,765	9,014,179
Depreciation		1,356,120	1,483,660
TOTAL		1,389,312,195	794,455,108
Profit for the year before taxes		161,840,786	75,473,849
Less : Provision for taxes			
Current Taxes		—	—
Profit for the year		161,840,786	75,473,849
Add : Profit/(Loss) brought forward		188,151,021	123,199,768
Profit available for appropriation		349,991,807	198,673,617
APPROPRIATIONS			
Interim Dividend Paid		—	4,497,056
Corporate Dividend Tax on Interim Dividend		—	764,275
Proposed Dividend		—	4,497,000
Corporate Dividend Tax on Proposed Dividend		—	764,265
Surplus carried to Balance sheet		349,991,807	188,151,021
		349,991,807	198,673,617
Basic & Diluted Earning per Share		9.00	4.20
Notes to Accounts	K		

In terms of our report of even date attached.

For **RAVI & DEV**

Chartered Accountants
(FRN : 108752W)

DEVENDRA MEHTA

Partner
M. No.82325

Mumbai
August 12, 2011

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman

HARSHIL KANANI

Managing Director

RADHA JAIN

Company Secretary

○ Cash Flow Statement For The Year Ended 31st March, 2011

	2011 ₹	2010 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	161,840,786	75,473,849
Adjustments for		
Depreciation	1,356,120	1,483,660
Adjustments for Working Capital Changes		
Inventories	38,613,072	(39,415,008)
Trade & Other receivables	(428,510,941)	(3,799,527)
Trade Payables	(29,658,136)	(118,967,897)
<i>Cash Generated from Operations</i> (a)	<u>(256,359,099)</u>	<u>(85,224,923)</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(41,250)	(140,000)
<i>Cash Utilised in Investing Activities</i> (b)	<u>(41,250)</u>	<u>(140,000)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	251,835,838	144,882,700
Interim Dividend	–	(4,497,056)
Corporate tax	(4,497,000)	(764,275)
Final Dividend & Corporate Tax	(764,265)	(1,753,755)
<i>Cash Generated from Financing Activities</i> (c)	<u>246,574,573</u>	<u>137,867,614</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (a+b+c)	(9,825,776)	52,502,691
CASH & CASH EQUIVALENTS AS AT 1st APRIL (OPENING BALANCE)	90,919,271	38,416,580
CASH & CASH EQUIVALENTS AS AT 31st MARCH (CLOSING BALANCE)	<u>81,093,495</u>	<u>90,919,271</u>

In terms of our report of even date attached.

For **RAVI & DEV**
Chartered Accountants
(FRN : 108752W)

DEVENDRA MEHTA
Partner
M. No.82325

Mumbai
August 12, 2011

For & on behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director

RADHA JAIN
Company Secretary

○ Schedule For The Year Ended 31st March, 2011

	2011 ₹	2010 ₹
SCHEDULE 'A' : SHARE CAPITAL		
Authorised		
30000000 Equity Shares of ₹ 5 Each	150,000,000	150,000,000
Issued, subscribed & paid-up	89,940,000	89,940,000
17988000 Equity shares (Previous year: 17988000 shares of ₹ 5/-) of ₹ 5/- each. (Out of above 1,49,90,000 shares were issued as fully paid up bonus shares by capitalising the Securities Premium Account and the Profit and Loss Account.)	89,940,000	89,940,000
SCHEDULE 'B' : RESERVE & SURPLUS		
General Reserve	1,661,027	1,661,027
Securities Premium	—	16,260,000
Less: Capitalised by way of issue of fully paid up Bonus Shares	—	(16,260,000)
Profit & Loss Account		
Balance as per Last Balance Sheet	144,451,021	123,199,768
Less: Capitalised by way of issue of fully paid up Bonus Shares	—	(43,700,000)
Add: Profit for the year	161,840,786	75,473,849
Less: Appropriations	—	(10,522,596)
	306,291,807	(10,522,596)
	307,952,834	146,112,048
SCHEDULE 'C' : SECURED LOANS		
Post Shipment Credit Facility		
Dena Bank Limited	366,281,806	177,712,100
Canara Bank	129,510,172	66,244,040
(Prime Security: Hypothecation of Export Bills/Receivables Collateral Security:		
1. Plot No 42, Surat SEZ at Sachin, Surat owned by Kanani Ind. Ltd.		
2. Plot No. 586/587/588/D, Adarsh CHS Ltd, Vijayrajnagar, Bhavnagar owned by Nanduben P. Kanani		
3. Flat No. 104 and Garage No. 25 of Navyug Nagar CHS Ltd., 662, Forjet Hill Road, Off Tardev Road, Mumbai-36 owned by Premjibhai D. Kanani & Nanduben P. Kanani and Premjibhai D. Kanani respectively.		
4. Land & Building on plot no. 9 Surat SEZ, Sachin, Surat belonging to M/s. Star Diam		
5. Land & Bldg. on plot no. 28 and on plot no. 43, Pyramid Town Ship, Madhav Baug, Bhesan Rd, Jahangirbad, Surat both owned by Premjibhai D. Kanani		
6. F.D. No. 1006754 with Dena Bank of ₹ 2,48,58,000/-		
7. Personal Guarantee of Premjibhai D. Kanani, Harshil P. Kanani, Nanduben P. Kanani & Corporate guarantee of M/s Star Diam)		
	495,791,978	243,956,140

SCHEDULE 'D' : FIXED ASSETS

Name of the Assets	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As on	Additions	Total	Rate	As on	Written	Total	As on	As on	
	01/04/10	During the year	31/03/11	%	01/04/10	Off	Back	31/03/11	31/03/10	
Land	4,700,000	-	4,700,000	-	626,666	313,333	-	939,999	3,760,001	4,073,334
Factory Building	5,969,514	-	5,969,514	10.00	838,145	513,137	-	1,351,282	4,618,232	5,131,369
Plant and Machinery	3,763,087	-	3,763,087	13.91	751,487	418,914	-	1,170,401	2,592,686	3,011,600
Generator	1,40,000	-	140,000	13.91	7,576	18,420	-	25,996	114,004	132,424
Office Equipment	90,550	-	90,550	13.91	24,974	9,122	-	34,096	56,454	65,576
Air Conditioner	304,074	-	304,074	13.91	60,553	33,874	-	94,427	209,647	243,521
Computer	177,304	41,250	2,18,554	40.00	93,219	49,320	-	142,539	76,015	84,085
Total	15,144,529	41,250	15,185,779		2,402,620	1,356,120	-	3,758,740	11,427,039	12,741,909
Previous Year Total	15,004,529	1,40,000	15,144,529		918,960	1,483,660	-	2,402,620	12,741,909	14,085,569

SCHEDULE 'E' CURRENT ASSETS, LOANS & ADVANCES**1. Current Assets****a. Inventory**

(As taken, valued and certified by the management)
(Valued at lower of cost or net realisable value)

Diamonds

52,421,468

122,906,528

Bullion

61,345

58,946

Finished Goods

37,820,634

5,951,045

90,303,447128,916,519**b. Sundry Debtors**

(Unsecured & considered good)

i. Over six months

107,613,420

—

ii. Others

653,637,967

332,833,625

761,251,386332,833,625**c. Cash & Bank balances**Bank balances with Scheduled banks
in Current accounts

52,361,341

90,171,793

F.D. With Bank

28,493,062

665,901

Cash

239,092

81,577

81,093,49590,919,271**932,648,328****552,669,415****2. Loans & Advances**

(Unsecured & considered good)
Advances recoverable in cash or in kind
or for value to be received

2,793,320

2,700,140

2,793,3202,700,140**935,441,648****555,369,555****SCHEDULE 'F' : CURRENT LIABILITIES & PROVISIONS****1. Current Liabilities**

a. Sundry Creditors

52,364,121

82,253,180

b. Outstanding Liabilities

815,554

584,631

53,179,67582,837,811**2. Provisions**

Provision for Fringe Benefit tax

4,200

4,200

Proposed Dividend

—

4,497,000

Provision for Corporate Dividend Tax

—

764,265

4,2005,265,465**53,183,875****88,103,276**

SCHEDULE 'G' MANUFACTURING EXPENSES

	2011 ₹	2010 ₹
Power & Fuel	327,193	105,254
Stores & Consumables	1,075,882	582,203
Wages	4,367,000	2,882,843
Repair & Maintenance	53,268	173,201
Water Charges	14,469	4,730
	5,837,812	3,748,231

SCHEDULE 'H' : ADMINISTRATIVE EXPENSES

Audit fee	150,000	150,000
Service Tax	472,314	329,022
Telephone & Internet Expenses	14,469	17,861
Advertisement Expenses	174,921	65,088
ROC & Filling Fees	6,000	5,000
Legal & professional fees	629,196	646,037
Miscellaneous Expenses	324,766	333,185
	1,771,666	1,546,193

SCHEDULE 'I' : SELLING & DISTRIBUTION EXPENSES

Travelling Expenses	84,055	301,477
Service Charges on Export	31,744	100,000
	115,799	401,477

SCHEDULE 'J' : FINANCIAL EXPENSES

Interest on Loan	4,737,594	5,318,422
Bank Charges	1,437,121	1,053,107
Loan Processing and stamp duty charges	3,623,050	2,642,650
	9,797,765	9,014,179

SCHEDULE 'K' : NOTES TO ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES**

- I. The financial statements are prepared under the historical cost convention on accrual basis of accounting, in accordance with the requirements of the Companies Act, 1956 and accounting standards applicable in India.
- II. All items of income and expenditure are accounted for on accrual basis. However, gratuity is being accounted for on cash basis as the Company has not got actuarial valuation done of its total future liabilities for its employees on account of gratuity.

III. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition is inclusive of freight, duties and other incidental expenses incurred during construction period and exclusive of CENVAT credited.

The assets acquired on hire purchase basis are stated at their cash value. The interest paid with the installments is being charged to the revenue.

IV. Depreciation

Depreciation of Fixed Assets has been provided on written down value method at the rates provided under the Companies Act. 1956 on pro-rata basis.

V. Closing Stock

- i. Raw materials are valued at cost.
- ii. Finished Goods are stated at lower of the cost or net realisable value.
- iii. Stores items purchased are treated as consumed in the year of purchase.

VI. Sales-tax collected by the company is not treated as part of its income.**VII. Foreign Currency Transactions**

- a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- b) Foreign currency transactions remaining unsettled till the finalisation of accounts of the year are translated at contracted rates, when covered by forward exchange contracts and at year end rates, in all other cases.

VIII. Taxes on income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognised on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation and carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

IX. Contingent Liability

Contingent Liability, if any, are generally not provided for in the accounts and are shown separately as a note to the accounts.

2. In the opinion of the management, Current Assets and Loans & Advances are approximately of the value stated if realised in the ordinary course of the business. The provision for all the liabilities is, in the opinion of the management, adequate and not in excess of the amount reasonably necessary.

	2011 ₹	2010 ₹
3. Expenditure in Foreign Currency Foreign Travelling Expenses	—	152,490
4. C. I. F. Value of Imports Raw Material	1,298,105,697	810,432,627
5. Earning in Foreign Currency	—	—
6. F.O.B. Value of Exports	1,516,669,979	868,385,528
7. Auditors' Remuneration Audit Fee	125,000	125,000
Tax Audit Fee	25,000	25,000
	<u>150,000</u>	<u>150,000</u>
8. Directors' Remuneration	501,000	501,000
9. Disclosures as required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India are as follows :		
a) Names of related parties and nature of relationship where control exists :		
Key Management Personnel		
Harshil P. Kanani		
Premji D. Kanani		
Enterprises where key management personnel have control		
M/s. Star Diam		
b) Transactions and balances with related parties		Nil
c) Balances at the year end		Nil

10. Quantitative information pursuant to Part II of Schedule VI of the Companies Act, 1956

	Unit	Quantity	2011 Amount ₹	Quality	2010 Amount ₹
a) Manufactured Goods					
OPENING STOCK					
Raw Material					
Bullion	Gms	2,280.114	58,946	1,938.90	48,174
Diamonds	Cts.	3,273.04	122,906,528	2,000.08	89,453,337
Studded Jewellery	Nos.	182.00	5,951,045	—	—
CLOSING STOCK					
Raw Material					
Bullion	Gms	1,747.555	61,345	2,280.114	58,946
Diamonds	Cts.	1,284.61	52,421,468	3,273.04	122,906,528
Finished Goods					
Studded Jewellery	Nos.	1,221.00	37,820,634	182.000	5,951,045
CONSUMPTION					
Bullion	Gms	23,399.559	805,231	15,794.787	406,374
Diamonds	Cts.	34,190.26	1,368,711,802	21,561.74	777,035,994
SALES					
Studded Jewellery	Nos.	11,431.00	1,516,669,979	7,561.00	868,385,528
MANUFACTURING/PRODUCTION					
Studded Jewellery	Nos.	12,470.00		7,743.00	

11. Value of imported & indigenous material consumed :

	%	Amount ₹	%	Amount ₹
Raw Material				
Indigenous	0.06	805,231	0.05	406,374
Imported	99.94	1,368,711,802	99.95	777,035,994
Stores & Spares				
Indigenous	100.00	1,075,882	100.00	582,203
Imported	—	—	—	—

12. The company has only one reportable segment i.e. Studded Jewellery, therefore no separate information is being given under Accounting Standard - AS 17 "Segment Reporting".

13. Basic & Diluted Earning per Share (Face Value : ₹ 5/- each)

Profit after tax as per Profit & Loss Account	161,840,786	75,473,849
Weighted average number of shares outstanding	17,988,000	17,988,000
Basic & Diluted earning per share in Rupees	9.00	4.20

14. The Company is trying to ascertain the enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Based on the details regarding the status of the suppliers, to the extent obtained, no supplier is covered under the Act.

15. Additional information pursuant to Part IV of Schedule VI to the Companies Act, 1956

Balance Sheet Abstract and Company's General Business Profiles

1. Registration Details

Registration No	29598	State Code	11
Balance Sheet Date	31.03.2011		

2. Capital raised during the year (Amount in Rupees thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

3. Position of Mobilisation and Deployment of Funds :

Total Liabilities	893685	Total Assets	893685
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Sources of Funds

Paid up Capital	89940	Reserves & Surplus	307953
Deferred Tax Liability	NIL	Secured Loans	495792
Unsecured Loans	NIL		

Application of Funds

Net Fixed Assets	11427	Investments	NIL
Net Current Assets	882258	Misc. Expenditure	NIL

4. Performance of Company :

Turnover & other income	1551153	Total Expenditure	1389312
Profit/(Loss) Before Taxes	161841	Profit/(Loss) After Taxes	161841
Earning per share	9.00	Dividend Rate	0

5. Generic names of principal products/services of the Company

Item code (ITC Code)	71131120
Production description	Jewellery

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)

16. The figures of the previous year have been regrouped/reclassified/recasted to conform to the current year's classification.
17. The Directors' Identification Number (DIN), which are required to be stated pursuant to section 266F of the Companies Act, 1956, in respect of directors who signed the audited annual accounts of the company, are as follows:

Names	DIN
HARSHIL P. KANANI	01568262
PREMJI KANANI	01567443

18. Figures have been rounded off to the nearest of a rupee.

Signature to Schedule 'A' to 'K'

In terms of our report of even date attached.

For **RAVI & DEV**

Chartered Accountants
(FRN : 108752W)

DEVENDRA MEHTA

Partner
M. No.82325

Mumbai
August 12, 2011

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman

HARSHIL KANANI

Managing Director

RADHA JAIN

Company Secretary

KANANI INDUSTRIES LIMITED

REGISTERED OFFICE: G-6, PRASAD CHAMBERS, OPERA HOUSE, MUMBAI - 400004

ATTENDANCE SLIP

D.P.Id.	
---------	--

Folio No.	
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Client Id.	
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I/We hereby record my/our presence at the Twenty Eighth Annual General Meeting of the Company at Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai, Maharashtra 400007, on Monday, 26th September, 2011 at 9.30 A.M.

Name of the Shareholder

(In Block Letters)

Signature of the Shareholder/Proxy

NOTE :

1. You are requested to sign and hand this over at the entrance.
2. If you are attending the meeting in person or by proxy, your copy of Notice may please be brought by you/your proxy for reference at the meeting.

KANANI INDUSTRIES LIMITED

REGISTERED OFFICE: G-6, PRASAD CHAMBERS, OPERA HOUSE, MUMBAI - 400004

PROXY FORM

D.P.Id.	
---------	--

Folio No.	
-----------	--

Client Id.	
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I/weof

In the district of Being a member /members of the

above named Company hereby appoint.....

ofin

The District ofor failing him

of.....in the District of as my/
our proxy to vote for me/us on my/our behalf at the Twenty Eighth Annual General Meeting to be held on
Monday, 26th September, 2011 at 9.30 A.M. or at any adjournment thereof

Signed this.....day of

Affix ₹ 1
Revenue
Stamp

NOTE:

1. This form should be signed across the stamp as per specimen signature registered with the Company.
2. The proxy must be deposited at the Registered Office of the Company at G-6, Prasad Chambers, Opera House, Mumbai-400004 a not less than 48 hours before the time of holding the meeting.
3. This form is to be used in favor of/against the resolution. Unless otherwise directed, the proxy will vote as he thinks Fit
4. A proxy need not be a member.

IN DEFERENCE TO THE GOVT. POLICY, NO GIFTS WILL BE DISTRIBUTED AT THE ANNUAL GENERAL MEETING



KANANI INDUSTRIES LIMITED