

26th ANNUAL REPORT

2008-09



KANANI INDUSTRIES LIMITED

G-6, PRASAD CHAMBERS
OPERA HOUSE
MUMBAI-400 004.

Content

FACTORS OF SUCCESS, KEY HIGHLIGHTS & ACHIEVEMENTS	1
TECHNOLOGY & EFFICIENCY, MARKETING & DISTRIBUTION	2
KEY INITIATIVES & COMPARATIVE ANALYSIS OF LAST 3 YEARS RESULTS	3
INDIA ECONOMIC OVERVIEW	4
OPPORTUNITIES AND CHALLENGES	6
HUMAN RESOURCES	7
GENERAL INFORMATION	8
NOTICE	9
NOTES	11
EXPLANATORY STATEMENT	12
DIRECTORS' REPORT	13
COMPLIANCE CERTIFICATE	16
ANNEXURE TO THE COMPLIANCE CERTIFICATE	19
GENERAL SHAREHOLDERS INFORMATION	20
AUDITORS' REPORT	24
ANNEXURE TO THE AUDITOR'S REPORT	25
BALANCE SHEET	27
PROFIT & LOSS	28
SCHEDULES	29
NOTES TO ACCOUNTS	33
CASH FLOW STATEMENT	38
AUDITORS' CERTIFICATE	39

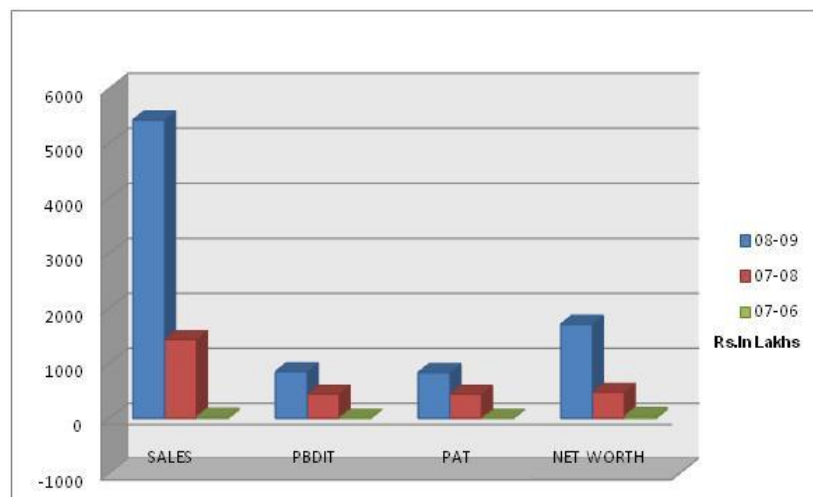
❖ Factors of Success

“Relationships are our most valuable investment and no effort is spared to keep the sparkle in them alive. We work at them, Chisel them and polished them, so that, like our diamonds they endure the test of time”

❖ Key Highlights

- Sales increased to Rs. 5426.58 Lakhs during the Financial Year 2008-2009 as compared to Rs. 1432.44 Lakhs during the previous year 07-08.
- PBDIT increased by 92.55% to Rs. 848.92 Lakhs
- PAT increased by 89.37% to Rs. 832.45 Lakhs
- Dividend: Total (10%)
Interim Dividend paid Re.0.50 (5%)
Proposed Dividend Re.0.50 (5%)
- Net worth Rs. 1711.00 Lakhs
- Book Value Rs. 57.07 per share
- EPS at Rs. 27.77*

* Annualised



❖ Achievements

KANANI INDUSTRIES LIMITED (KIL), the Company incorporated on March 22nd 1983 under the name of “Shivlaxmi Mercantile Company Limited” subsequently it was changed into “IMP Finance Limited” on June 09th 1995

KIL is engaged in Diamonds Studded Jewellery Business. It started manufacturing activity from 1st January 2008 in Surat SEZ. Further the company acquired land at Surat SEZ, constructed Manufacturing unit, equipped With Hi-Tech Plant & Machinery , started production of Diamonds Studded Jewellery August – 2008 onwards.

❖ Technology & Efficiency

KIL has employed cutting edge technology throughout its diamond and jewellery manufacturing processes.

The Company has introduced revolutionary Customer Insight Based Manufacturing techniques resulting into increased sales with lower inventory holding. Further the Company has implemented 3 Tier Quality Control. Interdepartmental quality checks, final quality control and pre-shipment checks.

The Company has a unique business model that places it in a distinct position in the gem & jewellery and the Company is extending its model to the international arena and over a period of time the Company is confident that it will operate at a global scale.

The company has 4 storied building at Plot No. 42, Surat S.E.Z., Sachin, Surat as a manufacturing unit. Company has also set-up imported and high tech machinery so as to manufacture world class quality of diamond studded silver jewellery at most competitive costing and giving optimum yield from its unit.

❖ Marketing & Distribution

The Company has set up multi level Marketing Strategy such as:

- Emerging markets & new markets:-
 - Horizontal expansion - Focus on, driving better value through development of Proprietary business.
- Develop business in existing matured markets:-
 - Vertical penetration - harness and grow business with existing customers, driving Higher volume and increased efficiencies through Cost management.

The element of trust reposed by our customers on our service has been critical for our growth thus far. We put a very high premium on prompt and timely service, which has earned us trust and loyalty of our customers for decades.

- A consistent supply allows for a steady fulfillment of customer programs.
- Dedication to supply chain management allows for on-time deliveries.

Our clients form core of all our strategies. Their concerns become our concerns, and we work hard to exceed their expectations.

❖ Key Initiatives

- Jewellery Manufacturing Unit at SEZ (SSEZ, Surat)

❖ Advantages in SEZ*

The Company is expanding its jewellery manufacturing facility by setting up new State-of-the-Art jewellery manufacturing facility in SEZ (SSEZ, Surat).

KIL will be able to cater to the requirement of highly quality conscious customers in Far-East. The units is

- 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter & 50% of the ploughed back export profit for next 5 years.
- Exemption from Customs duty on import of capital goods, raw materials, consumable Spares, etc.
- Exemption from Central Excise duty on procurement of capital goods, raw materials, Consumables spares, etc. From domestic market.
- Exemption of Central Sales Tax on domestic purchases.

* Subject to fulfillment of specific conditions.

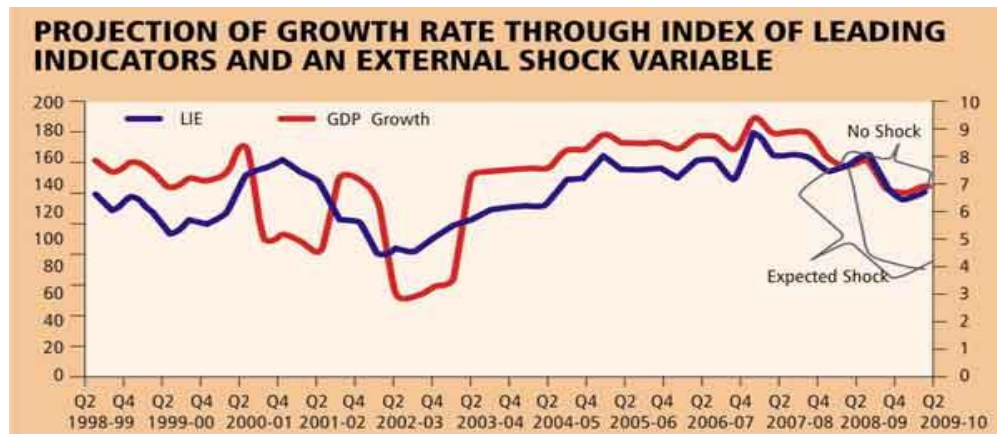
❖ Comparative Analysis of last 3 years Results

Particular	2009	2008	2007
Net Sales	5426.58	1432.44	25.29
Other Income	24.88	-	0.12
Total Income	5451.46	1432.44	25.41
Expenditure	4602.54	991.56	28.13
PBIT	848.92	440.88	(0.47)
Interest	7.30	1.23	2.26
Depreciation	9.13	0.06	-
PBT	832.49	439.59	(2.72)
Tax	0.04	0.01	-
PAT	832.45	439.58	(2.72)
Net Profit	832.45	439.58	(2.72)
EPS (Rs.)	27.77	176.54	(1.09)
Dividend Paid / Proposed (In %)	10.00%	5.00%	0.00%
Equity Capital	299.80	24.90	24.90
Reserves & Surplus	1411.20	449.77	11.64
Net worth	1711.00	474.67	36.54
Book Value per share (Rs.)	57.07	190.63	1.47
Operating Profit Margin (%)	15.64%	30.77%	(1.85)%
Net Profit Margin (%)	15.34%	30.68%	(10.75)%
Cash EPS (Rs.)	28.07	176.56	(1.09)

❖ India Economic Overview

- *Industry Structure and Developments*

The Gems and Jewellery Industry has a very important role in the Indian Economy. The industry witnessed a growth of 22% amounting to a total Export of \$20.9 billion (Rs.84, 058 crores) for financial year 2007-2008 as against \$17.1 billion in previous year. The cut and polished diamonds amounted to about 68% of the total export which grew to \$14.2 billion in financial year 2007-2008 (from \$10.9 billion in previous year).



The industry has maintained a steady growth rate. However, Due to price volatility of gold and economic scenario worldwide, the demand for gold jewellery has witnessed low-down. The strengthened Rupee against the US dollar was another area of concern. India's export of gold jewellery has increased in recent years because of its intensive efforts towards improved quality and new designs.

The Indian economy has been growing at an average growth rate of 8.8% in the last four fiscal years (2003-04 to 2006-07), with the 2006-07 growth rate of 9.6% being the highest in the last 18 years. Significantly, the industrial and service sectors have been contributing a major part of this growth, suggesting the structural transformation underway in the Indian economy.

Due to high inflation and rising fuel prices there is a concern of slowdown in the economy and GDP growth for the current financial year is projected at around 8%.

Although increase in inflation is impacting the economic growth, the rupee depreciation will have favorable impact on export based industries especially Gems and Jewellery. In spite of the above challenges, India remains one of the most exciting countries from the economic perspective globally. Gems and jewellery industry plays a significant role in Indian economy.

Worldwide, the diamond jewellery industry has been growing at a good pace and is currently estimated at around US\$ 75 billion. In India, it accounts for nearly 13.41% of total Indian exports. It provides employment to around 2.0 million people directly and indirectly. Apart from being the world's largest diamond processing (cutting and polishing) country with an 80% share in world market, India's favorable trade policies have made India the hub for gems and jewellery.

The Indian gems and jewellery industry is one of the fastest growing segments in the Indian economy with an annual growth rate of approximately 15 per cent.

The domestic market is estimated to be around US\$ 16.1 billion and the All India Gems and Jewellery Trade Federation, a nodal agency representing 300,000 jewelers across the country, expects it to grow to US\$ 25.2 billion in two to three years.

The country is also the largest consumer of gold in the world. It consumes nearly 800 tonnes of gold that accounts for 20 per cent of world gold consumption, of which nearly 600 tonnes go into making jewellery.

India is also emerging as the world's largest trading centre for gold targeting US\$ 16 billion by 2010. The industry has the best skilled manpower for designing and producing high volumes of exquisite jewellery at low labour costs.

- Diamonds

India is the largest diamond cutting and polishing centre in the world—the industry enjoys 60 per cent value share, 82 per cent carat share and 95 per cent share of the world market in terms of number of pieces. In other words, nearly 9 out of 10 diamonds sold worldwide are cut and polished in India. India exported cut and polished diamonds worth US\$ 14.18 billion in 2007-08.

The Indian gems and jewellery market continues to be dominated by the unorganised sector. However, with the Indian consumer becoming more aware and quality conscious, branded jewellery is becoming very popular and the market for branded jewellery is likely to be worth US\$ 2.2 billion by 2010, according to a McKinsey report.

Moreover, the government allows 51 per cent FDI in single brand retail outlets, attracting both global and domestic players to this sector.

According to a report released by Technopak Advisors on the Changing Retail Landscape in India, the jewellery and watches market is pegged at about US\$ 13.70 billion. It is expected to register a 12 per cent growth by 2012, touching US\$ 23.60 billion.

The World Gold Council recently estimated the size of India's gold coin market at about US\$ 2.11 billion.

In order to increase the demand during recession, jewelers are concentrating on newer designs in light weight jewellery.

- Exports

According to the figures released by the Gem & Jewellery Export Promotion Council (GJEPC), India's gem and jewellery exports posted a modest growth of 1.45 per cent during 2008-09 at US\$ 21.1 billion, primarily driven by gold jewellery exports, including medallions and ornaments. The country exported US\$ 20.8 billion of gem and jewellery in 2007-08.

Gems and jewellery worth US\$ 17.79 billion was exported during April 2008 to February 2009. Significantly, rough diamond exports stood at US\$ 712.09 million, an increase of 43 per cent over the corresponding period last year.

The United Arab Emirates (UAE) was the largest importer of gems and jewellery from India in 2008-09, with a share of 31 per cent. This was followed by Hong Kong with 25 per cent and the US with 20 per cent. The gem and jewellery sector accounted for 13 per cent of India's total merchandise exports.

The export industry mainly comprises of small-to-large units based in various special economic zones (SEZs) supplying primarily diamond-studded jewellery.

- **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 gems 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 (including via speed post) 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.

❖ Opportunities And Challenges

The Company sees an exciting opportunity in India, China, Hong Kong and UAE on the back of continuing strong growth in demand supported by increase in purchasing power and brand awareness of the younger generation.

While this would support revenue growth, the initiative of the company in setting-up new Diamond Cutting & Polishing facility at Botswana and a state-of-the-art Jewellery Manufacturing Unit in SEZ would be a margin booster.

- **The Company foresees opportunities in:**

- Good economic growth in emerging markets like India, China, Hong Kong and Middle-East will lead to increased demand of diamond studded jewellery.
- Consolidation in manufacturing side of the Indian industry provides opportunities for Inorganic growth.

- **Impending Obstacles:**

- Slow down in US economy which is major market for Gems and Jewellery industry During financial year 2008-2009.
- Increase in discretionary spending by people on luxury goods.
- High operating cost of jewellery retailing in India

- Risks And Concerns

The primary business activity of the Company being sale of Diamond studded Jewellery to the international market; the Company is exposed to various international economic and political factors.

There is a risk of slowdown in US economy thereby affecting demand for Diamond studded Jewellery. Due to increased inflationary pressures across the globe, the disposable surplus with consumers is shrinking which could potentially impact the demand for the Company's products.

The different risks are being effectively monitored and mitigated. The Company constantly strives to overcome the risk by adopting pragmatic and prudent business decision.

❖ Human Resources

We also have in place a robust Performance Management System. Employees remained motivated and relations remained cordial and harmonious. Several steps have been taken to create a sense of belongingness in the minds of the employees, which in turn gives maximum contribution per employee while gearing them to face the challenges in the competitive business environment and achieve the desired goals.

The Company would like to thank all the team members of the KIL family for their dedication and support, also to the banks for their unwavering confidence.

 General InformationBOARD 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

COMPLIANCE OFFICER:

DARSHAK A. PANDYA

STATUTORY
AUDITORS:

RAVI & DEV
CHARTERED ACCOUNTANTS
377-B, J.S.S.ROAD,
CHIRA BAZAR,
MUMBAI: 400002

BANKERS:

STATE BANK OF INDIA
BANK OF BARODA
DEANA 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
17/B, Dena Bank Bldg., 2nd Floor,
Horniman Circle, Fort,
Mumbai: 400 001.
Ph. 022 22702485 Fax: 022 22641349

NOTICE

Notice is hereby given that the 26th Annual General Meeting of the Members of **KANANI INDUSTRIES LIMITED** will be held at the Registered Office of the Company at G/6, PRASAD CHAMBERS, TATA ROAD NO.2, OPERA HOUSE, MUMBAI: 400004, on **Friday, 24th July 2009** at 11.00 A.M. to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider, adopt and approve the Balance Sheet as at March 31, 2009 and the Profit & Loss Account for the year ended as on that date along with Reports of the Directors' and Auditor's thereon.
2. To consider declaration of dividend.
3. To appoint a Director in place of Mr. Devendrakumar Kikani, who retires by rotation, and being eligible, offers him self for re-appointment.
4. To appoint a Director in place of Mr. Nagjibhai Vithani, who retires by rotation, and being eligible, offers him self for re-appointment.
5. To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS:

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

RESOLVED that pursuant to the applicable provisions of the Companies Act 1956 and Articles 116 & 117 of the Articles of Association of the Company and subject to the guidelines issued by the Securities and Exchange Board of India (SEBI) and such other approvals, permissions and sanctions as may be necessary and subject further to such terms, conditions, alterations, modifications, changes and variations as may be specified while according such approvals which the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) be and is hereby authorised to accept, if it thinks fit, the Company be and is hereby authorised to capitalise upto Rs.5,99,60,000/- out of 'Reserves and Surplus' and transferred to share capital account towards issue and allotment of equity shares not exceeding 59,96,000 equity shares of Rs. 10/- each, as bonus shares credited as fully paid-up, to the members of company holding equity shares of Rs.10/- each whose names stand in the register of members of the company on such date as the directors may determine, in that behalf in the proportion of **(2:1) Two new fully paid-up equity shares of Rs. 10/- each for every One Equity Share of Rs.10/- each**, held as on the Record Date and that the bonus shares so issued and allotted be treated for all purposes as an increase of the nominal amount of the Equity Capital of the Company held by each such member/person and not as income and that the said Equity Shares be issued and allotted, inter-alia, on the following terms and conditions:

(a) The new Equity Shares of Rs.10/- each to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects and carry the same rights as the then existing Equity Shares of the Company, notwithstanding the date or dates of allotment thereof, including entitlement to payment of dividend, if declared, for the financial year in which the same are allotted.

(b) No letters of Allotment shall be issued for the Bonus Shares and the Share Certificates in respect thereof shall be delivered within 3 months from the date of their allotment.

(c) The issue and allotment of fully paid-up new Equity Shares as Bonus Shares to the extent that they relate to non-residents shall be subject to approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force).

“RESOLVED FURTHER that the Board be and is hereby authorised to do all such acts, deeds, matters and things as may in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to the issue and allotment of Bonus Shares as aforesaid or any other matter incidental or consequential thereto.”

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

**Place: Mumbai
Date: June 10, 2009**

**PREMJIBHAI D. 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 **Tuesday, July 21 2009 to Friday, July 24, 2009** (both days inclusive.)

3. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.

4. 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.

5. 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'.

6. 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.

7. Members are requested to bring their copies of the reports to Annual General Meeting.

8. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with share certificates to the Company.

9. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for Item No.6 is annexed to the Notice.

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
17/B, Dena Bank Bldg., 2nd Floor, Horniman Circle, Fort,
Mumbai: 400 001.
Ph. 022 22702485 Fax: 022 22641349

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**Item No.6:**

Due to the availability of large reserve base with the Company and with a view to expand the capital base of the company as also to reward its members, your Directors have proposed that sum not exceeding Rs. 5,99,96,000/- be drawn from the 'Reserves and Surplus' of the Company and capitalised and transferred to Share Capital Account towards issue and allotment of Equity Shares not exceeding 59,96,000 Equity Shares of Rs. 10/- each as Bonus Shares, credited as fully paid-up, to the members holding Equity Shares as on the Record Date to be specified in this behalf by the Board of Directors. The Bonus Shares will be issued in the proportion of **[2:1] Two new Equity Shares for every One Equity Share held** on the date on which transfer books are closed. The said Bonus Shares shall rank pari-passu with the then existing Equity Shares of the Company.

The issue of Bonus Shares to those members who are non-residents will require the permission of the Reserve Bank of India under the Foreign Exchange Management Act, 1999. Necessary application will be submitted by the Company to the Reserve Bank of India in due course.

The Board therefore recommends the said Resolution for your approval and consent.

None of the directors (except those who may be interested on the basis of their respective shareholding in the Company) may be deemed to be concerned or interested in passing of the said Ordinary Resolution.

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

**Place: Mumbai
Date: June 10, 2009**

**PREMJIBHAI D. KANANI
CHAIRMAN.**

REGISTERED OFFICE:

**G/6, PRASAD CHAMBERS,
TATA ROAD NO.2, OPERA HOUSE,
MUMBAI: 400004.**

DIRECTORS' REPORT

**To,
The Members of
KANANI INDUSTRIES LIMITED**

Your Directors present the **Twenty-Sixth Annual Report** together with the Audited Statement of Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS:

The Financial Results for the year ended March 31, 2009 are summarized below:

(Amt. in Rs. Lacs)

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
Sales	5426.58	1432.44
Other Income	24.88	-
Total Income	5451.46	1432.44
Expenditure [before depreciation]	4609.85	992.78
Profit before Dep. & Tax	841.62	439.66
Less: Depreciation	09.13	0.06
Profit(Loss) before Tax	832.49	439.60
Less: Provision for Tax	-	-
Fringe Benefit Tax	0.035	0.007
Profit(Loss) after Tax	832.46	439.59
Profit/(Loss) brought forward	4333.16	(4.97)
Profit available for appropriation	1265.62	434.62
Proposed Dividend of previous year reversed	1.24	-
Prov. For Corporate Dividend Tax reversed	0.21	-
Profit available for appropriation	1267.07	434.62
APPROPRIATIONS:		
Interim Dividend paid	14.99	-
Corporate Dividend Tax on Interim Dividend	02.55	-
Proposed Dividend	14.99	1.24
Corporate Dividend Tax on Proposed Dividend	02.55	0.21
Surplus Carried to Balance Sheet	1231.99	433.17

DIVIDEND:

The Directors are pleased to recommend a dividend @ 5% i.e. Re.0.50 per equity share of Rs.10/- each for the financial year 2008-2009.

Further, the Directors are pleased to inform the Members that the Company has recommended and paid Interim dividend @ 5% i.e. Re.0.50 per equity share of Rs.10/- each for the financial year 2008-2009.

PERFORMANCE:

Your Directors are pleased to inform the Members that the Company has posted Total Income of Rs.5451.47 Lacs as against Total Income of Rs.1432.44 lacs in the corresponding previous year. Net Profit after Tax for the year under review was Rs.832.46 Lacs as against Net Profit after Tax of Rs. 439.58 Lacs in the corresponding previous year.

During the current year 2008-2009, the Company has successfully come out with bonus issue in the ratio 1:1 aggregating to 14,99,000 equity shares of Rs. 10/- each, which were listed on Bombay Stock Exchange Limited on 29/08/2008.

CORPORATE GOVERNANCE:

In terms of Clause 49 of Listing Agreement with Stock Exchanges, a compliance report on Corporate Governance is not applicable to your Company.

AUDITORS:

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

DIRECTORS:

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

During the year under review, Mr. Vinubhai L Kanani has resigned from the Directorship of the Company, w.e.f. 05/12/2008. The board place records its appreciation with valuable services rendered by him.

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 2008-09, 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 loss of the;
- 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 loans or deposits from public in contravention of Section 58A of the Companies Act, 1956, and rules framed under the Companies (Acceptance of Deposits) Rules, 1975.

THE COMPANIES (PARTICULARS OF EMPLOYEES) RULE 1975 AS AMENDED:

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:

Information in accordance with Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is as under:

(a) Conservation of Energy:

- The operation of the company is not energy-intensive. However, the Company has taken all the efforts for reduction of energy consumption.

(b) Absorption of Technology:

- There was no import of technology during the year.

(c) Foreign Exchange Earnings and Outgo:

- Given in Note Nos. 3 to 6 under Schedule 'K' i.e. Notes to Accounts.

Considering the nature of the activities carried out by the Company, the other particulars specified in Section 217 (1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable.

SECRETARIAL COMPLIANCE CERTIFICATE:

The Secretarial Compliance Certificate as per provisions of Section 383A of the Companies Act, 1956 as issued by Practicing Company Secretary is annexed to this Report.

ACKNOWLEDGEMENT:

Your Directors records their appreciation for the full co-operation received from the Financial Institutions, Banks, other agencies and departments.

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

**Place: Mumbai
Date: June 10, 2009**

**PREMJIBHAI D. KANANI
CHAIRMAN.**

Compliance Certificate

Registration No.: 11- 029598

Nominal Capital: Rs.15, 00, 00,000/-

To,
The Members,
KANANI INDUSTRIES LIMITED
G/6, PRASAD CHAMBERS, TATA ROAD NO.2,
OPERA HOUSE, MUMBAI: 400004.

I have examined the registers, records, books and papers of **KANANI INDUSTRIES LIMITED** (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2009. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this Certificate, as per the provisions of the Companies Act, 1956 (herein after referred to as the Act) and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this Certificate, with the Registrar of Companies, Maharashtra, within the time prescribed under the Act (except specifically mentioned) and the rules made there under for the financial year under review.
3. The Company being public limited company, comments in this regard are not required.
4. The Board of Directors duly met **08 times** on 21/04/2008, 11/06/2008, 07/07/2008, 08/08/2008, 17/09/2008, 14/10/2008, 05/12/2008 & 19/01/2009 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company closed its Register of Members pursuant to Section 154 of the Act from 04th July, 2008 to 07th July, 2008 during the financial year under review.
6. The Annual General Meeting for the financial year ended on March 31, 2008 was held on **July 07, 2008** after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. One Extra-ordinary Meeting of the Company was held during the year under review after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. Since the Company has not advanced Loans to Directors of the Company or Firms or Companies referred in Section 295 of the Act, hence provisions of the said section regarding loans advanced do not apply and hence there is nothing to report in this matter.
9. The Company has entered into contracts falling within the purview of Section 297 of the Act.
10. The Company has entered into contract(s) in which Director(s) of the Company is/are interested pursuant to Section 301 of the Act for the year under review and the necessary entries in this regard were made in the Register as maintained by the Company for this purpose.
11. None of the Directors of the Company holds office or place of profit pursuant to the provisions of Section 314 of the Companies Act, 1956.
12. The Company did not issue any Duplicate Share Certificates for the financial year under review; hence there is nothing to report in this matter.

13. i. The Company has allotted 27,49,000 Equity Shares of Rs.10/- each and has also duly transferred Equity shares during the financial year under review.
 - ii. The Company has deposited the amount of dividend in a separate Bank Account that was declared during the financial year under review.
 - iii. The Company paid and posted warrants for dividends to all its members within the period of 30 (Thirty) days for the dividend that was declared during the financial year under review; but however the Company was not required to transfer any Unclaimed/Unpaid dividend to any Unpaid Dividend Account of the Company during the financial year under review.
 - iv. The Company was not required to transfer the amounts in unpaid dividend account, application money due for refund, matured deposits and the interest accrued thereon which have remained unclaimed or unpaid or a period of seven years to Investor Education and Protection Fund during the financial year under review.
 - v. The Company has duly complied with the requirements of Section 217 of the Act for the financial year under review.
14. The Board of Directors of the Company is duly constituted.
15. The Company has not appointed any Managing Director and / or Whole-time Director of the Company pursuant to Section 269 read with Schedule XIII of the Act during the year under review.
16. The Company has not appointed any sole-selling agents during the financial year under review in compliance of the provisions of the Act.
17. The Company was required to obtain approval of the Registrar of Companies and Company Law Board, Western Region Bench under Section 141 of the Act but no other approval was required of the Central Government and Regional Director, or such other authorities as may be prescribed under the various provisions of the Act during the financial year under review.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under for the financial year under review.
19. The Company has issued 27,49,000 Equity Shares of Rs.10/- each during the financial year under review.
20. The Company has not bought back any shares during the financial year under review.
21. The Company has not redeemed any preference shares/debentures during the financial year under review.
22. There were no transactions requiring the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act during the financial year under review.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A of the Act read with The Companies (Acceptance of Deposits) Rules, 1975 during the financial year under review and hence there is nothing to report in this matter.
24. The Company has not exceeded the limits pursuant to the provisions of Section 293 (1) (d) of the Act and hence there is nothing to report in this matter.
25. The Company has not made any loans or Investments, or given guarantees or provided securities, in other bodies corporate in accordance to the provisions of Sec.372A of the Act, during the financial year under review.

26. The Company has not altered the provisions of the Memorandum with respect to situation of the company's registered office from one state to another during the year under scrutiny.

27. The Company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.

28. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under scrutiny.

29. The Company has not altered the Memorandum with respect to share capital of the Company during the year under scrutiny.

30. The Company has not altered its Articles of Association during the financial year under scrutiny.

31. There was no prosecution initiated against or show cause notices received by the Company for alleged offences under the Act and also no fines and penalties or any other punishment was imposed on the Company during the financial year under review.

32. The Company has not received any money as security from its employees during the year under certification to be deposited as per provisions of Section 417(1) of the Act during the financial year under review.

33. There is nothing to report regarding employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to the provisions of Section 418 of the Act for the financial year under review.

**M/s. DEEP SHUKLA & ASSOCIATES
COMPANY SECRETARIES**

**Place: Mumbai
Date: June 10, 2009**

**{PROPRIETOR}
FCS: 5652
C.P.NO.5364**

Annexure A

The Company has maintained the following Registers:

- i. Register of Members and Shareholders u/s 150 of the Companies Act, 1956.
- ii. Register of Contracts u/s 301 of the Companies Act, 1956.
- iii. Register of Charges u/s. 143 of the Companies Act, 1956.
- iv. Register of Directors, Managing Directors, etc. u/s 303 of the Companies Act, 1956.
- v. Register of Directors' Shareholdings u/s 307 of the Companies Act, 1956.
- vi. Returns u/s.163 of the Companies Act, 1956.
- vii. Minutes Book of the Meetings of:
 - Board Meetings.
 - General Meetings.

Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Maharashtra, during the financial year ending on 31st March, 2009.

Sr. Nos.	Form Nos./ Returns/ Particulars	Filed under Section	For	Whether filed Within prescribed time	If Delay in filing whether requisite additional fees paid.
1	Annual Return made up to 07.07.2008	159	AGM held on 07.07.08	Yes	No
2	Balance Sheet as at 31.03.2008	220	For Financial year 31/03/08	Yes	No
3	Compliance Certificate for F.Y. 07-08	383A	For Financial year 31/03/08	Yes	No
4.	Form No. 23	192	Preferential issue	Yes	No
5.	Form No.2	75	Allotment of shares of preferential issue	Yes	No
6	Form No. 23	192	Bonus issue	Yes	No
7.	Form No.2	75	Allotment of shares of Bonus issue	Yes	No
8.	Form No.17	135	Satisfaction of charge	Yes	No
9.	Form 61	621A	Application to ROC	NA	NA
10.	Form No.21	141	Notice of CLB Order	Yes	No
11.	Challan	141	Penalty for delay in filing of Form 17	NA	NA

GENERAL SHAREHOLDERS INFORMATION.

a) 26th Annual General Meeting

Date : Friday, the 24th day of July, 2009
 Time : 11.00 A.M.
 Venue : G-6, Prasad Chambers,
 Tata Road No.2, Opera House,
 Mumbai-400 004.

b) Financial Calendar

April, 2009 to March, 2010

Results for quarter ending June 30, 2009	By end of July, 2009.
Results for quarter ending September 30, 2009	By end of October, 2009.
Results for quarter ending December 31, 2009	By end of January, 2010.
Results for quarter ending March 31, 2010	By end of April, 2010.

c) Date of Book Closure

Tuesday, 21st July, 2009 to
 Friday, 24th July, 2009 (both days inclusive)

d) Date of Payment of Dividend on

28th July, 2009.

e) Registered Office

G-6, Prasad Chambers,
 Tata Road No.2, Opera House,
 Mumbai-400 004.

f) Listing of Equity Shares
on Stock Exchange

The Bombay Stock Exchange Limited

g) (i) ISIN allotted to Equity
Shares

INE 879 E 01011

(ii) Bombay Stock Exchange Ltd.
Mumbai,

Scrip Code 506184

h) Registrar and Share
Transfer Agent

M/s.SHAREX DYNAMIC (INDIA) PRIVATE LIMITED
 17/B, Dena Bank Bldg., 2nd Floor,
 Horniman Circle, Fort,
 Mumbai: 400 001.
 Ph: 022 22702485 Fax: 022 22641349

i) Share Transfer System Shares lodged in physical form with the Company/its Registrar and Share Transfer Agent are processed and returned duly transferred within 30 days. In respect of Shares held in dematerialized mode, the transfer takes place Instantaneously between the transferor, Transferee and the depository Participant through electronic debit/credit of the accounts involved.

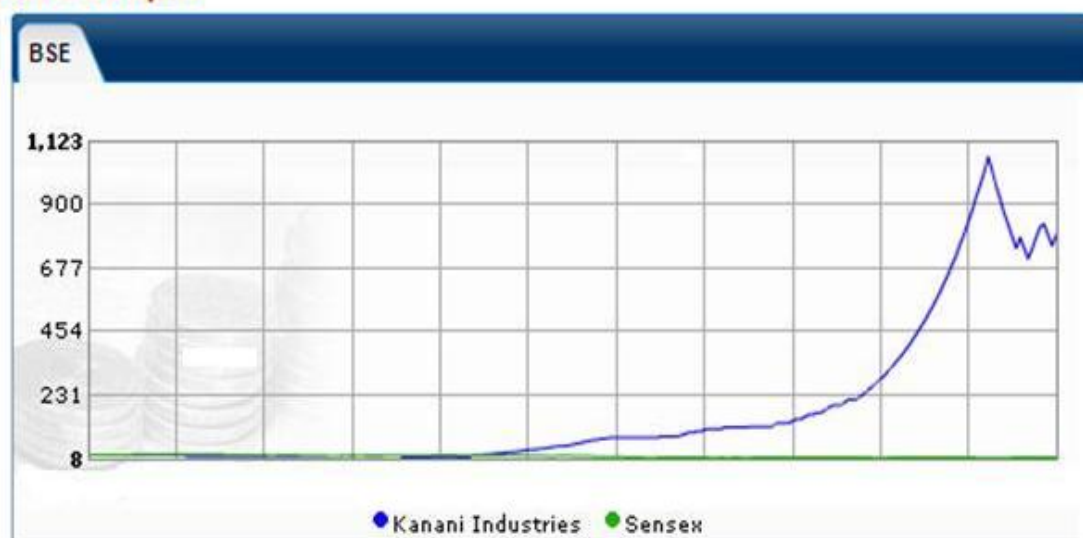
j) Dematerialisation of shares as on 31st March, 2009, 29,94,980 Shares (99.89% of the total no. of Shares) is in dematerialized form. The Company's Shares are compulsorily traded in dematerialized Form.

k) Market price data (BSE)

Date	Open Price	High Price	Low Price	Close Price	Net Turnover In thousand	Market Cap	Avg. Price	BSE SENSEX
March-09	968.00	1120.50	690.00	791.70	9,373.52	237.51	846.10	9708.50
February-09	383.30	921.95	383.30	921.95	604.33	276.59	615.85	8891.61
January-09	177.10	365.05	177.10	365.05	228.86	109.52	260.83	9424.24
December-08	120.00	168.70	120.00	168.70	28.37	50.61	143.18	9716.16
November-08	89.75	120.00	89.75	116.55	87.01	34.97	105.39	8903.12
October-08	70.45	85.50	70.45	85.50	23.33	25.65	77.79	9044.51
September-08	28.15	67.10	28.15	67.10	68.95	20.13	44.99	12860.43
August-08	21.10	26.85	21.10	26.85	8.51	8.06	23.89	14564.53
July-08	36.50	38.30	20.10	20.10	4.75	6.03	19.17	14274.94
June-08	34.80	34.80	34.80	34.80	1.74	5.22	17.40	16525.37

l) Stock Performance v/s. BSE Sensex

Historic Graphs



m) Capital Structure- As on: 31-Mar-2009

Type	Record - Count	Holding	(%)
CDSL	98	2732562	91.14
NSDL	45	262418	8.753
PHY	61	3020	0.101
Total	204	2998000	100.00

n) Distribution schedule on scrip value - As On: 31-Mar-2009

NOMINAL VALUE OF SHARE OR DEBENTURE	NUMBER OF HOLDERS	(%) OF HOLDERS	TOTAL AMOUNT	% OF AMT
UPTO TO 5000	130	63.73	93960	0.31
5001 TO 10000	28	13.73	172680	0.58
10001 TO 20000	3	1.47	40000	0.13
20001 TO 30000	0	0.00	00	0.00
30001 TO 40000	0	0.00	00	0.00
40001 TO 50000	0	0.00	00	0.00
50001 TO 100000	11	5.39	998060	3.33
100001 TO ABOVE	32	15.69	28675300	95.65
** T O T A L **	204	100.00	29980000	100.00

o) Distribution schedule on number of shares/debs - As On: 31-Mar-2009

SHARE OR DEBENTURE	NUMBER OF SHARE HOLDERS	(%) OF SHARE HOLDERS	TOTAL SHARES OR DEBENTURES	% OF SHARES OR DEBENTURES
UP TO 100	110	53.92	2515	0.08
101 TO 200	4	1.96	661	0.02
201 TO 500	16	7.84	6220	0.21
501 TO 1000	28	13.73	17268	0.58
1001 TO 5000	3	1.47	4000	0.13
5001 TO 10000	11	5.39	99806	3.33
10001 TO 100000	29	14.22	717420	23.93
100001 TO ABOVE	3	1.47	2150110	71.72
TOTAL	204	100.00	2998000	100.00

p) Shareholding Pattern as on 31st March, 2008.

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Share Pledge Or other Wise Encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Share	As A Percentage
(A)	Shareholding of Promoter and Promoter Group²							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	4	2243480	2243480	74.83	74.83	0.00	0.00
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0.00	0.00	0.00
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0.00	0.00
(e)	Any Others(Specify)	0	0	0	0.00	0.00	0.00	0.00
	Sub Total(A)(1)	4	2243480	2243480	74.83	74.83	0.00	0.00
2	Foreign							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0.00	0.00
b	Bodies Corporate	0	0	0	0.00	0.00	0.00	0.00
c	Institutions	0	0	0	0.00	0.00	0.00	0.00
d	Any Others(Specify)	0	0	0	0.00	0.00	0.00	0.00
	Sub Total(A)(2)	0	0	0	0.00	0.00	0.00	0.00
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	4	2243480	2243480	74.83	74.83	0.00	0.00
(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	0	0	0	0.00	0.00		
(b)	Financial Institutions / Banks	0	0	0	0.00	0.00		
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	0	0	0	0.00	0.00		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any Other (specify)	0	0	0	0.00	0.00		
	Sub-Total (B)(1)	0	0	0	0.00	0.00		
B 2	Non-institutions							
(a)	Bodies Corporate	16	15739	15739	0.52	0.52		
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	153	114178	111158	3.81	3.81		
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	28	624050	624050	20.82	20.82		
(c)	Any Other (specify)							
(c-i)	Clearing Member	3	553	553	0.02	0.02		
(c-ii)	OBC	0	0	0	0.00	0.00		
(c-iii)	NRI	0	0	0	0.00	0.00		
	Sub-Total (B)(2)	200	754520	751500	25.17	25.17		
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	200	754520	751500	25.17	25.17		
	TOTAL (A)+(B)	204	2998000	2994980	100	100		
(C)	Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00		
	GRAND TOTAL (A)+(B)+(C)	204	2998000	2994980	100	100		

AUDITORS' REPORT**TO THE MEMBERS
KANANI INDUSTRIES LIMITED
MUMBAI**

We have audited the attached Balance Sheet of Kanani Industries Limited as at 31st March, 2009 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, 2009; 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

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

Mumbai
Date: June 10,2009

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 loan 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 Rs.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 provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and other material statutory due appropriate authorities, wherever applicable to it.

- b. According to the information and explanations given to us, as at 31st March, 2009, 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 precedes 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 made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. in our opinion, each of the transactions has been made at price; which are not prejudicial to the interest of the Company.
- 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

(Devendra A. Mehta)

Partner

M. No : 82325

Mumbai
June 10, 2009

BALANCE SHEET AS ON 31st MARCH, 2009

	<u>Sch.</u>	2009 <u>Rs.</u>	2008 <u>Rs.</u>
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a. Share Capital	A	29,980,000	2,490,000
b. Reserves & Surplus	B	141,120,795	44,977,084
		<u>171,100,795</u>	<u>47,467,084</u>
2. Loan Funds			
a. Secured Loans	C	99,073,440	-
b. Unsecured Loans	D	-	4,021,735
		<u>99,073,440</u>	<u>4,021,735</u>
TOTAL		<u>270,174,235</u>	<u>51,488,819</u>
II. APPLICATION OF FUNDS			
1. Fixed Capital Expenditure			
a. <u>Fixed Assets</u>			
Gross Block	E	15,004,529	4,866,754
Less: Depreciation		(918,960)	(5,942)
Net Block		<u>14,085,569</u>	<u>4,860,812</u>
b. <u>Capital Work in Progress</u>			
Building under Construction		-	2,051,885
		<u>-</u>	<u>2,051,885</u>
		<u>14,085,569</u>	<u>6,912,697</u>
2. Current Assets, Loans & Advances	F		
a. Inventory		89,501,511	44,182,599
b. Sundry Debtors		329,302,219	141,251,977
c. Cash & Bank balances		38,416,580	935,795
d. Loans & Advances		2,432,019	186,726
Less: Current Liabilities & Provisions	K	(203,563,663)	(141,980,975)
		<u>256,088,666</u>	<u>44,576,122</u>
TOTAL		<u>270,174,235</u>	<u>51,488,819</u>

Notes to Accounts

In terms of our report of even date attached

For & on behalf of Board of Directors

for **RAVI & DEV****HARSHIL P. KANANI**

MANAGING DIRECTOR

Chartered Accountants

(Devendra Mehta)**PREMJJI KANANI**

CHAIRMAN

Partner

M. No.82325

Place : Mumbai

Place : Mumbai

Date : June 10, 2009

Date : June 10, 2009

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2009**

	<u>Sch.</u>	<u>2009</u> <u>Rs.</u>	<u>2008</u> <u>Rs.</u>
I. INCOME			
Sales		542,658,432	143,244,021
Other Income		2,488,238	-
TOTAL		545,146,670	143,244,021
II. EXPENDITURE			
Material Consumed		454,910,984	97,206,608
Manufacturing Expenses	G	2,260,320	435,611
Payment to Employees		1,135,000	273,000
Administrative Expenses	H	805,788	1,171,364
Selling & Distribution Expenses	I	191,934	56,150
Financial Expenses	J	1,680,564	136,003
Depreciation		913,018	5,942
TOTAL		461,897,608	99,284,678
Profit for the year before taxes		83,249,062	43,959,343
<u>Less :</u> <u>Provision for taxes</u>			
Current Taxes		-	-
Fringe Benefit Tax		(3,500)	(700)
Profit for the year		83,245,562	43,958,643
<u>Add :</u> Profit/(Loss) brought forward		43,316,057	(496,927)
		126,561,619	43,461,716
<u>Add :</u> Proposed Dividend of Previous Year reversed		124,500	-
Provision for Corporate Dividend tax reversed		21,159	-
Profit available for appropriation		126,707,278	43,461,716
APPROPRIATIONS			
Interim Dividend Paid		1,499,000	-
Corporate Dividend Tax on Interim Dividend		254,755	-
Proposed Dividend		1,499,000	124,500
Corporate Dividend Tax on Proposed Dividend		254,755	21,159
Surplus carried to Balance sheet		123,199,768	43,316,057
Basic & Diluted Earning per Share		27.77	176.54

Notes to Accounts**K**

In terms of our report of even date attached.

For & on behalf of Board of Directors

for **RAVI & DEV****HARSHIL P. KANANI**

Managing Director

Chartered Accountants

(Devendra Mehta)**PREMJI KANANI**

Chairman

Partner

M. No.82325

Place : Mumbai

Place : Mumbai

Date : June 10, 2009

Date : June 10, 2009

SCHEDULES
FOR THE YEAR ENDED 31ST MARCH, 2009

	2009	2008
	<u>Rs.</u>	<u>Rs.</u>
<u>SCHEDULE 'A' : SHARE CAPITAL</u>		
<u>Authorised</u>		
15000000 (Previous Year : 1500000) Equity Shares of Rs. 10 each.	150,000,000	15,000,000
<u>Issued, subscribed & paid-up</u>		
2998000 (Previous Year : 249000) Equity Shares of Rs. 10 each.	29,980,000	2,490,000
	<u>29,980,000</u>	<u>2,490,000</u>
<u>SCHEDULE 'B' : RESERVE & SURPLUS</u>		
General Reserve	1,661,027	1,661,027
Shares Premium	31,250,000	
<u>Less:</u> Capitalised by way of issue of fully paid up Bonus Shares	<u>(14,990,000)</u>	-
Profit & Loss Account		
Balance as per Last Balance Sheet	43,316,057	(496,927)
<u>Add:</u> Profit for the year	83,245,562	43,958,643
<u>Less:</u> Appropriations	<u>(3,361,851)</u>	(145,659)
	<u>141,120,795</u>	<u>44,977,084</u>
<u>SCHEDULE 'C' : SECURED LOANS</u>		
<u>Post Shipment Credit Facility</u>		
Dena Bank Limited	99,073,440	-
(Secured against export bills/receivable. Further secured by mortgage of land and factory building at Surat SEZ and building along with land at Bhavnagar belonging to Smt. Nanduben P. Kanani. The above loan is further secured by personal guarantee of Shri Premjibhai D. Kanani and Harshil P. Kanai Directors of the company and also Shri Vinubhai L Kanani.	<u>99,073,440</u>	<u>-</u>
<u>SCHEDULE 'C' : UNSECURED LOANS</u>		
Intercorporate Loans	-	4,021,735
	<u>-</u>	<u>4,021,735</u>

YEAR ENDED 31ST MARCH, 2009

SCHEDULE 'D' : FIXED ASSETS

Name of the assets	<-----GROSS BLOCK----->				<-----DEPRECIATION----->				<-----NET BLOCK----->		
	As on	Additions	Sale	Total	Rate	As on	Written	Total	As on	As on	
	01.04.08	during the year			%	01.04.08	Off	Back		31.03.09	31.03.08
during the year											
Land	4,700,000	-	-	4,700,000	-	-	313,333	-	313,333	4,386,667	4,700,000
Factory Building	-	5,969,514		5,969,514	10.00	-	267,993		267,993	5,701,521	-
Plant & Machinery	25,000	3,738,087	-	3,763,087	13.91	829	264,058	-	264,887	3,498,200	24,171
Office Equipment	90,550	-	-	90,550	13.91	2,070	12,308	-	14,378	76,172	88,480
Air Conditioner	-	304,074		304,074	13.91	-	21,206		21,206	282,868	-
Computer	51,204	126,100	-	177,304	40.00	3,043	34,120	-	37,163	140,141	48,161
	4,866,754	10,137,775	-	15,004,529		5,942	913,018	-	918,960	14,085,569	4,860,812
Previous Year Total	-	4,866,754	-	4,866,754		-	5,942	-	5,942	4,860,812	-

SCHEDULE 'E' : CURRENT ASSETS, LOANS & ADVANCES

	2009	2008
	<u>Rs.</u>	<u>Rs.</u>
1. <u>Current Assets</u>		
a. <u>Inventory</u>		
(As taken, valued and certified by the management)		
(Valued at lower of cost or net realisable value)		
Diamonds	89,453,337	44,127,184
Bullion	48,174	55,415
	<u>89,501,511</u>	<u>44,182,599</u>
b. <u>Sundry Debtors</u>		
(Unsecured & considered good)		
i. Over six months	140,570,356	-
ii. Others	188,731,863	141,251,977
	<u>329,302,219</u>	<u>141,251,977</u>
c. <u>Cash & Bank balances</u>		
Bank balances with Scheduled banks		
in Current accounts	3,281,935	930,586
F.D. With Dena Bank	35,003,356	
Cash	131,289	5,209
	<u>38,416,580</u>	<u>935,795</u>
	<u>457,220,310</u>	<u>186,370,371</u>
2. <u>Loans & Advances</u>		
(Unsecured & considered good)		
Advances recoverable in cash or in cash or in kind or for value to be received	2,432,019	-
	<u>2,432,019</u>	<u>-</u>
	<u>459,652,329</u>	<u>186,370,371</u>

SCHEDULE 'F' : CURRENT LIABILITIES & PROVISIONS

1. <u>Current Liabilities</u>		
a. Sundry Creditors	201,415,298	141,451,641
b. Outstanding Liabilities	390,410	382,975
	<u>201,805,708</u>	<u>141,834,616</u>
2. <u>Provisions</u>		
Provision for Fringe Benefit tax	4,200	700
Proposed Dividend	1,499,000	124,500
Provision for Corporate Dividend Tax	254,755	21,159
	<u>1,757,955</u>	<u>146,359</u>
	<u>203,563,663</u>	<u>141,980,975</u>

	2009 Rs.	2008 Rs.
<u>SCHEDULE 'G' : MANUFACTURING EXPENSES</u>		
Power & Fuel	114,201	8,189
Stores & Consumables	331,857	42,469
Wages	1,630,411	270,000
Factory Rent	70,000	42,000
Machinery Rent	99,250	59,550
Water Charges	14,601	13,403
	<u>2,260,320</u>	<u>435,611</u>
<u>SCHEDULE 'H' : ADMINISTRATIVE EXPENSES</u>		
Audit fee	50,000	50,000
Service Tax	5,150	6,180
Telephone Expenses	24,694	2,626
Advertisement Expenses	21,511	19,477
ROC & Filing Fees	15,000	952,000
Miscellaneous Expenses	689,433	141,081
	<u>805,788</u>	<u>1,171,364</u>
<u>SCHEDULE 'I' : SELLING & DISTRIBUTION EXPENSES</u>		
Travelling Expenses	78,905	9,273
Clearing & Forwarding Charges	23,029	29,852
Service Charges on Export	90,000	17,025
	<u>191,934</u>	<u>56,150</u>
<u>SCHEDULE 'J' : FINANCIAL EXPENSES</u>		
Interest on Loan	730,755	123,624
Bank Charges	949,809	12,379
	<u>1,680,564</u>	<u>136,003</u>

FOR THE YEAR ENDED 31ST MARCH, 2009

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. 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.

VIII. Preliminary/Public issue expenses are written off over a period of 10 years.

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.

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

	2009 Rs.	2008 Rs.
3. Expenditure in Foreign Currency		
Foreign Travelling Expenses	40,150	-
4. <u>C. I. F. Value of Imports</u>		
Raw Material	500,116,111	141,303,180
Components and Spare parts	177,856	-
Capital Goods	4,900,650	-
5. Earning in Foreign Currency	-	-
6. F.O.B. Value of Exports	542,658,432	143,244,021
7. <u>Auditors' Remuneration</u>		
Audit Fee	35,000	35,000
Tax Audit Fee	15,000	15,000
	<u>50,000</u>	<u>50,000</u>
8. Directors' Remuneration	769,000	225,000
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 :		
<u>Key Management Personnel</u>		
Harshil P. Kanani		
Vinu L. Kanani		
Premji D. Kanani		
<u>Enterprises where key management personnel have control and where transactions have taken place</u>		
Star Diam		
b) <u>Transactions and balances with related parties</u>		
Rent	169,250	101,550
c) <u>Balances at the year end</u>		
Payables	-	258,850
10. <u>LEASE ACCOUNTING (AS PER ACCOUNTING STANDARD - 19)</u>		
As Lessee :-		
The total future minimum lease Premises rent payable at the balance sheet date		
Not later than 1 year	:	-
Later than 1 year but not later than 5 years	:	-
Later than 5 years	:	-
		126,000

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

The total future minimum lease Machinery rent payable at the balance sheet date

Not later than 1 year	:		178,650
Later than 1 year but not later than 5 years	:	-	-
Later than 5 years	:	-	-

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

	<u>Unit</u>	<u>2009</u> <u>Quantity</u>	<u>Amount</u> <u>Rs.</u>	<u>2008</u> <u>Quantity</u>	<u>Amount</u> <u>Rs.</u>
a) <u>Manufactured Goods</u>					
OPENING STOCK					
<u>Raw Material</u>					
Bullion	Gms	2,310.956	55,415	-	-
Diamonds	Cts.	1,926.98	44,127,184	-	-
CLOSING STOCK					
<u>Raw Material</u>					
Bullion	Gms	1,938.901	48,174		55,415
Diamonds	Cts.	2,000.08	89,453,337	2,310.956 1,926.98	44,127,184
CONSUMPTION					
Bullion	Gms	3,430.055	83,221	892.032	17,212
Diamonds	Cts.	13,752.28	454,827,763	3,884.31	97,189,396
SALES					
Studded Jewellery	Nos.	413.00	542,658,432	52.00	143,244,021
MANUFACTURING/PRODUCTION					
Studded Jewellery	Nos.	413.00		52.00	

12. Value of imported & indigenous material consumed :

	<u>%</u>	<u>Amount</u> <u>Rs.</u>	<u>%</u>	<u>Amount</u> <u>Rs.</u>
Raw Material				
Indigenous	0.02	83,221	0.02	17,212
Imported	99.98	454,827,763	99.98	97,189,396
Stores & Spares				
Indigenous	46.41	154,001	100	42,469
Imported	53.59	177,856	-	-

13. 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".

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)**14. Basic & Diluted Earning per Share (Face Value : Rs.10/- each)**

Profit after tax as per Profit & Loss Account	83,245,562	43,958,643
Weighted average number of shares outstanding	2,998,000	249,000
Basic & Diluted earning per share in Rupees	27.77	176.54

15. 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.

16. 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	31.03.2009		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	14990	Private Placement	12500

3. Position of Mobilisation and Deployment of Funds :

Total Liabilities	270174	Total Assets	270174
-------------------	--------	--------------	--------

Sources of Funds

Paid up Capital	29980	Reserves & Surplus	141121
Share Application Money	NIL	Deferred Tax Liability	NIL
Secured Loans	99073	Unsecured Loans	0

Application of Funds

Net Fixed Assets	14086	Investments	NIL
Capital Work-in-progress	0		
Net Current Assets	256089	Misc. Expenditure	NIL

4. Performance of Company :

Turnover & other income	545147	Total Expenditure	461898
Profit/(Loss) Before Taxes	83249	Profit/(Loss) After Taxes	83246
Earning per share	27.77	Dividend Rate	10

SCHEDULE 'K' : NOTES TO ACCOUNTS (Contd.)5. Generic names of principal products/services of the Company

Item code (ITC Code)	71131120
Production Description	Jewellery

17. The figures of the previous year have been regrouped/reclassified/recasted to conform to the current year's classification.
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 & on behalf of Board of Directors

for **RAVI & DEV**
Chartered Accountants

HARSHIL P. KANANI

Managing Director

(Devendra Mehta)**PREMJI KANANI**

Chairman

Partner

M. No.82325

Place : Mumbai
Date : June 10, 2009

Place : Mumbai
Date : June 10, 2009

FOR THE YEAR ENDED 31ST MARCH, 2009

CASH FLOW STATEMENT

	2009	2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	83,249,062	43,959,343
Adjustments for		
Depreciation	913,018	5,942
Income-tax	-	-
Adjustments for Working Capital Changes		
Inventories	(45,318,912)	(44,182,599)
Trade & Other receivables	(190,295,535)	(137,691,465)
Trade Payables	59,971,092	141,762,118
<i>Cash Generated from Operations</i> (a)	<u>(91,481,275)</u>	<u>3,853,339</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8,085,890)	(4,866,754)
Capital Work in Progress	-	(2,051,885)
<i>Cash Utilised in Investing Activities</i> (b)	<u>(8,085,890)</u>	<u>(6,918,639)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings	99,073,440	4,000,000
Equity Shares Issued	12,500,000	
Share Premium	31,250,000	-
Interim Dividend	(1,499,000)	
Corporate tax	(254,755)	
Loan Repaid	(4,021,735)	
<i>Cash Generated from Financing Activities</i> (c)	<u>137,047,950</u>	<u>4,000,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS (a+b+c)	37,480,785	934,700
CASH & CASH EQUIVALENTS AS AT 1st APRIL (OPENING BALANCE)	935,795	1,095
CASH & CASH EQUIVALENTS AS AT 31st MARCH (CLOSING BALANCE)	<u>38,416,580</u>	<u>935,795</u>

For RAVI & DEV
Chartered Accountants

For KANANI INDUSTRIES LIMITED

(DEVENDRA MEHTA)
Partner
M. No.82325

HARSHIL P. KANANI

MANAGING DIRECTOR

PREMJI KANANI

CHAIRMAN

Place : Mumbai
Date : June 10, 2009

Place : Mumbai
Date : June 10, 2009

AUDITORS' CERTIFICATE

We have verified the attached Cash Flow Statement of Kanani Industries Limited, derived from audited financial Statements and the books and records maintained by the company for the year ended 31st March, 2009 and 31st March, 2008 and found the same in agreement therewith.

For RAVI & DEV
Chartered Accountants

Mumbai
June 10, 2009

(DEVENDRA MEHTA)
Partner