

30<sup>th</sup> Annual Report



**KANANI INDUSTRIES LIMITED**







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## ○ Management Discussion and Analysis:

### Earnings

The Gems & Jewellery Industry end on a Positive Note for FY 2012-13 and which contribute upto US \$ 2,132.82 Million towards India's Foreign Exchange Earnings.

The Indian Gems & Jewellery sector's, contribution to India's export earnings was upto US \$ 2,132.82 million, up 154 percent as compared to the same period last year.

The financial year 2012-13 ended on a positive note with imports of rough diamonds going up by 12.65 percent indicating an increase in cutting, polishing and other manufacturing activities in India. The industry also saw an increase in manufacturing activities indicated by the 33 percent growth in the export of gold jewellery contributing significantly to India's foreign exchange earnings and supported balance of payments. The year also witnessed a significant drop of 61.45 percent in the import of cut and polished diamonds indicating a huge cut in India's foreign Exchange spending, thereby reducing the country's current account deficit (CAD). Total gem and jewellery exports for the year 2012-13 was US \$ 39.033 billion.

Commenting on the outlook for 2013-14, "The outlook for 2013-14 looks positive with an estimated growth of 12 to 15 percent in the overall gems & jewellery exports in the current fiscal. The US and Japanese jewellery markets will bounce back with an estimated 5 % growth while China will remain stable at 10 % growth." Other proposals in the offing for the year 2013-14 include regulatory measures such as introduction of consignment imports of diamonds, start of rough diamonds tenders and auctions in India, formation of committee for looking into lending norms for banks to the diamond and jewellery sector as well as commissioning of a study on ECIB covers by ECGC to banks.

"At a time when the industry was going through a challenging period, governmental regulations related to the reintroduction of bonded warehouse facility for diamond exporters and revision in duty drawback rate facility for Gold jewellery exporters has helped strengthen the industry further. The Council also applauds the government's efforts for accepting recommendations of Task Group report to make India an International trading hub for rough diamonds."

Diamonds were as resilient as the overall luxury category. Last year it was projected that sales of diamond jewelry would return to pre-crisis levels by 2013, a projection that can be called over-optimistic. In fact, sales surpassed their pre-crisis peak in 2011, two years earlier than anticipated. Overall, 2011 saw retail sales of diamond jewelry reach a new high, growing 18% from 2010. The year 2012 saw retail sales of diamond jewelry reach a new high, growing 18% from fy 2010.

U.S. currently accounts for the largest jewellery market in the world with more than half of its market being dominated by the diamond jewellery segment. Regionally, Asia Pacific holds the world's largest jewellery market and is being driven largely by China and India which are the two largest consumers of gold in the world and also hold majority of the processing and manufacturing industry for jewellery. The global market is now witnessing an improvement in the jewellery sales overall and with the rising disposable incomes and changing lifestyles; the global jewellery market is set to experience a strong growth over the coming years. However, the market is still challenged by the large unorganized markets, particularly in the developing economies. According to the jewellery market worldwide has grown steadily over the last few years while it slowed down during the global economic recession but is likely to grow at a faster rate compared to the growth rate of past three years. The value of world's jewellery market is expected to grow at the CAGR of over 5% over the next



# KANANI INDUSTRIES LIMITED

five years. The global market for jewellery is expected to surpass USD 257 Billion revenues by 2017. The market is predominantly driven by the Asia Pacific and the Middle Eastern markets, but U.S. continues to remain the dominant player in the industry.

## International Presence

Kanani is now a majestic figure in the global gems and jewellery industry and is active in Asia Pacific region, mainly in Hongkong. Its appetite for innovation and for the enhancement of customer delight has swelled further.

The strategic presence of the group across these markets not only allows for the attainment of extensive reach but also mass. The company seeks to expand its presence to the fastest growing jewellery markets.

## The diamond industry value chain

A diamond value chain overview: a journey “from mine to finger.”

Eight stages define the value chain in the diamond industry, beginning with the exploration of a potential.

Rough Diamonds			Polished Diamonds				
Exploration	Production	Rough Diamond Sales	Cutting and Polishing	Polished Diamond Sales	Jewelry Manufacturing	Retail Sales	Consumer Demand
<ul style="list-style-type: none"> <li>• Exporation for diamond resources (kimberlites and lamproites) and evalution of economic feasibility</li> <li>• Development and construction of new mines</li> </ul>	<ul style="list-style-type: none"> <li>• Diamond production and processing               <ul style="list-style-type: none"> <li>- Open-pit minig</li> <li>- Underground mines</li> <li>- Alluvial</li> <li>- Offshore</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Rough diamond sorting into categories</li> <li>• Sale of rough diamonds by producers</li> <li>• Diamond trading</li> </ul>	FINANCING <ul style="list-style-type: none"> <li>• Cutting and polishing of rough diamonds to to produce polished</li> </ul>	<ul style="list-style-type: none"> <li>• Wholesale sale of polished diamonds to jewelry manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Jewelry design and manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Jewelry sales to consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Consumption of jewelry and watches</li> <li>• Industrial demand</li> </ul>

## ○ Comparative Analysis of last 3 years Results

(Amt. in ₹ Lacs)

Particular	2013	2012	2011
Net Sales	7763.04	14026.89	15166.70
Other Income	119.18	(50.77)	26.13
Total Income	7882.23	13976.12	15192.83
Expenditure	7704.44	13707.57	13513.49
PBIT	177.77	268.55	1679.34
Interest	148.69	231.88	47.38
Depreciation	11.03	12.19	13.56
PBT	18.05	24.48	1618.40
Tax	3.60	4.75	–
PAT	14.45	19.73	1618.40
Net Profit	14.45	19.73	1618.40
Basic & Diluted EPS (₹)	0.01	0.11	9.00
Dividend Paid / Proposed (In %)	–	–	–
Equity Capital	989.34	899.40	899.40
Reserves & Surplus	3023.77	3099.26	3079.53
Net worth	4013.11	3998.66	3978.93
Book Value per share (₹)	4.06	22.23	22.12
Operating Profit Margin (%)	2.29%	1.91%	11.07%
Net Profit Margin (%)	0.19%	0.14%	10.67%
Basic & Diluted Cash EPS (₹)	0.03	0.18	9.07

**○ General Information**

<b>BOARD OF DIRECTORS:</b>	PREMJIBHAI D. KANANI HARSHIL P. KANANI SHAILESH R. PATEL DEVENDRA K. KIKANI GAUTAM B. PAREKH NAGJIBHAI K. VITHANI	<i>CHAIRMAN</i> <i>MANAGING DIRECTOR</i> <i>DIRECTOR</i> <i>DIRECTOR</i> <i>DIRECTOR</i> <i>DIRECTOR</i>
<b>COMPLIANCE OFFICER:</b>	DARSHAK A. PANDYA	
<b>STATUTORY AUDITORS:</b>	RAVI & DEV CHARTERED ACCOUNTANTS 6TH FLOOR, 601 AURUS CHAMBERS, "A" WING, BEHIND MAHINDRA TOWER, S S AMRUTWAR MARG, WORLI, MUMBAI - 400013	
<b>BANKERS:</b>	DENA BANK CANARA BANK STATE BANK OF INDIA STANDARD CHARTERED BANK	
<b>REGISTERED OFFICE:</b>	G-6, PRASAD CHAMBERS, TATA ROAD NO. 2, OPERA HOUSE, MUMBAI - 400004	
<b>FACTORY:</b>	PLOT NO. 42, SURAT SPECIAL ECONOMIC ZONE, NEAR SACHIN RLY. STN., SACHIN, DIST: SURAT, GUJARAT	
<b>REGISTRAR AND SHARE TRANSFER AGENT:</b>	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 30<sup>th</sup> 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 **Wednesday, September 25, 2013** at **10.00 A.M.** to transact the following Business:

### *ORDINARY BUSINESS*

1. To receive, consider, adopt and approve the Audited Balance Sheet as at March 31, 2013 and the Statement of Profit and Loss 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. Shailesh. R. Patel, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. Ravi & Dev, Chartered Accountants as Statutory Auditors of the Company and to fix their remuneration.

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

**Place: Mumbai  
Date: August 14th, 2013**

**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 **Friday, September 20, 2013, to Wednesday, September 25, 2013** (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 authorizing 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 attendance slip along with 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 along with 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

***Important Communication to Members***

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.



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

(In pursuance clause 49 of the Listing Agreement)

Name of Director	Age	Nature of expertise	Qualifications	Other Directorship	Membership in the committees of other Public Companies	Share holding
Mr. Devendra K. Kikani	46	Having a 27 years 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. Shailesh R. Patel	45	Wide experience in the diamond industry and he has been associated with Company from more than 5 years.	B.Com.	NIL	NIL	NIL



## ○ Directors' Report

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

Your Directors present the **30<sup>th</sup> Annual Report** together with the Audited Statement of Accounts for the financial year ended March 31, 2013.

### FINANCIAL RESULTS:

The Financial Results for the year ended March 31, 2013 are summarized below:

(Amt. in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Revenue from operation	77,63,04,269	140,26,88,573
Other Income	1,19,18,236	(5,076,578)
Total Income	78,82,22,505	139,76,11,995
Expenditure (before depreciation)	78,53,14,532	139,39,44,576
Profit/(Loss) before Depreciation and Taxes	29,07,973	36,67,419
Less: Depreciation	11,03,212	12,19,078
Profit/(Loss) before Taxation	18,04,761	24,48,341
Less: Provision for Tax		
- Current Taxes	3,60,000	4,75,000
- Previous year taxes	—	150
Profit/(Loss) after Taxation	14,44,761	19,73,191
Balance brought forward	30,82,65,297	30,62,91,806
Less: Capitalised by way of issue of fully paid up Bonus Shares	(89,94,000)	—
Add: Net Profit/(Net Loss) for the year	14,44,761	19,73,491
Less: Transferred to Special Economic Zone re-investment reserve	(11,50,526)	—
Balance Carried to Balance Sheet	29,95,65,532	30,82,65,297
Earnings per equity share (₹ per share)		
- Basic	0.01	0.02
- Diluted	0.01	0.02

### 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 of diamond studded jewellery during the year under review, the Company has posted Total Income of ₹ 78,82,22,505/- as against Total Income of ₹ 139,76,11,995/- in the corresponding previous year. Net Profit after Tax for the year under review was ₹ 14,44,761/- as against Net Profit after Tax of ₹ 19,73,191/- 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. Devendrakumar Kikani Director of the Company retires by rotation and being eligible offers himself for reappointment at the forthcoming Annual General Meeting.

During the year under review, Mr. Nagjibhai Vithani, Director of the Company is liable to retire by rotation at the conclusion of the ensuing Annual General Meeting, but has shown his unwillingness to get re-appointed at the said Annual General Meeting due to unfavorable health factor,. Consequently, in order to comply with the applicable provisions of the Companies Act, 1956, Mr. Shailesh. R. Patel is considered for re-appointment as his tenure will end due to retirement by rotation, being next longest in office and being eligible offers himself for reappointment at the ensuing 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 2012-13, 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, 2013.

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

The information required under sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 duly amended by the Companies (Particulars of Employees) Rule, 2011 for the year ended 31st March, 2013 is not applicable to the Company as none of the employee is drawing remuneration more than the limits presently specified under the said rules.



## **KANANI INDUSTRIES LIMITED**

### **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 Point Nos. 3 to 5 of Significant Accounting Policies under Note No. 20 of the Notes to Financial Statements.

### **CONSOLIDATED FINANCIAL STATEMENTS**

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchange and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

The Report on Management Discussion and Analysis as required under the Listing Agreement with The Stock Exchanges is enclosed to this Report. Certain statements in this section may be forward looking. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of the future performance and outlook

### **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.

### **STATEMENT U/S. 212 REGARDING SUBSIDIARY COMPANY**

The Statement pursuant to the provisions of Section 212 of the Companies Act, 1956 regarding Subsidiary Company is annexed to this Report.

### **ISSUE OF BONUS SHARES BY THE COMPANY**

As the Members are aware, the Company came out with bonus issue in the ratio 10:1 [One share for every Ten shares held] which got listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited on February 08, 2013.

### **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), National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Central, State and Local Government for their continued support and cooperation.

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

**Place: Mumbai  
Date: August 14th, 2013**

**PREMJIBHAI KANANI  
Chairman**



Statement pursuant to Section 212 of the Companies Act, 1956.

<b>Sr. No.</b>	<b>Name of the Subsidiary</b>	<b>KIL International Limited Hong Kong</b>
1	Financial Year Ended	<b>31/03/2013</b>
2	Date from which it became subsidiary company	04/07/2011
3	Shares of Subsidiary held as on 31st March, 2013	30225000
	a. Total Number of Shares and face value	30225000
	b. Extent of holding	100%
4	Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kanani Industries Ltd. for current financial year	
	a. Dealt with in the accounts of Kanani Industries Ltd.	NIL
	b. Not dealt with in the accounts of Kanani Industries Ltd.	8146802 INR
5	Net aggregate amount of profit/(loss) of the subsidiary so far as it concerns the members of Kanani Industries Ltd. for the previous financial year	
	a. Dealt with in the accounts of Kanani Industries Ltd.	NIL
	b. Not dealt with in the accounts of Kanani Industries Ltd.	4834905 INR

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

**Place: Mumbai  
Date: August 14th, 2013**

**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 31<sup>st</sup> March, 2013 the total 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 that 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, 2013 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	1	–	–
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.

During the financial year 2012-2013, Five [5] meetings of the Board of Directors were held on 30<sup>th</sup> May, 2012; 9<sup>th</sup> August, 2012, 26<sup>th</sup> October, 2012; 24<sup>th</sup> January, 2013 and 05<sup>th</sup> February, 2013.

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. 2012-2013	Attendance at Previous AGM on, 28 <sup>th</sup> September, 2012
Mr. Premjibhai Kanani	Chairman & Executive	5	Absent
Mr. Harshil Kanani	Managing Director	5	Attended
Mr. Gautam Parekh	Non Executive Independent	5	Attended
Mr. Devendrakumar Kikani	Non Executive Independent	5	Absent
Mr. Shailesh Patel	Non Executive Independent	5	Absent
Mr. Nagjibhai Vithani	Non Executive Independent	NIL	Absent

### Board Committees:

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

### 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. The Chairman possess knowledge of corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

<b>S.No.</b>	<b>Name of Director</b>	<b>Executive/Non-Executive Independent</b>
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, 2013, Four Audit Committee Meetings were held on 14th May, 2012, 12th August, 2012, 11th November, 2012 and 31st January, 2013.

The attendance at the Audit Committee Meetings is as under:

<b>Name of Director</b>	<b>No. of meetings attended</b>
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.No.	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 complaint is pending for the financial year ended 31<sup>st</sup> March, 2013.

## 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 2012-13.

S. 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
2009-2010	02/08/2010	KRISHNA PALACE RESIDENCY HOTEL, GRANT ROAD, MUMBAI - 400007	9.30 A.M
2010-2011	26/09/2011	KRISHNA PALACE RESIDENCY HOTEL, GRANT ROAD, MUMBAI - 400007	9.30 A.M
2011-2012	28/09/2012	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 2009-2010, 2010-2011 and 2011-2012 on website of the company.

The Quarterly Reports of the Company are published in accordance with the Requirements of the Listing Agreement.

News Papers in which results are normally published:

1. Business Standard (English)
2. Mumbai Lakshadweep (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	Wednesday, 25 <sup>th</sup> September, 2013 at 10.00 A.M.	
Venue	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai - 400007	
Financial Year	1 <sup>st</sup> April, 2013 to 31 <sup>st</sup> March, 2014	
	Financial Reporting for the quarter ending 30 <sup>th</sup> June, 2013	Up to 15 <sup>th</sup> August, 2013
	Financial Reporting for the quarter ending 30 <sup>th</sup> September, 2013	Up to 15 <sup>th</sup> November 2013
	Financial Reporting for the quarter ending 31 <sup>st</sup> December, 2013	Up to 15 <sup>th</sup> February 2014
	Financial Reporting for the quarter ending 31 <sup>st</sup> March, 2014	Up to 30 <sup>th</sup> May 2014
Date of Book Closure	Friday, September 20, 2013 to Wednesday, September 25, 2013 (both days inclusive)	
Listing on Stock Exchange	<b>Bombay Stock Exchange Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 Web: www.bseindia.com	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400051 Web : www.nseindia.com
Scrip Code [BSE/NSE]	506184	KANANIIND
ISIN	INE879E01037	

## 12. Stock Price Data

The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited for the financial year 2012-2013 are as follows:

MONTH	BOMBAY STOCK EXCHANGE (BSE)			NATIONAL STOCK EXCHANGE (NSE)		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
April, 2012	154.00	135.20	2,047	151.60	133.70	223
May, 2012	146.00	130.00	828	140.00	134.90	294
June, 2012	137.00	120.00	16,276	140.00	135.00	35
July, 2012	145.85	124.00	17,377	155.00	127.10	9,073
August, 2012	139.25	93.10	47,525	147.40	96.00	42,254
Sept, 2012	184.90	98.00	2,95,953	185.45	99.10	2,58,158
Oct, 2012	203.80	171.00	1,88,536	206.40	171.65	1,81,842
Nov, 2012	39.90	33.35	3,82,181	40.80	33.35	4,22,003
Dec, 2012	45.95	37.30	10,94,248	46.40	37.75	12,58,283
Jan, 2013	47.70	28.45	17,60,281	47.70	28.50	22,68,418
Feb, 2013	28.40	21.45	10,93,278	28.70	21.90	7,44,989
March, 2013	23.95	17.05	7,20,429	23.50	17.15	7,67,041

**13. Address for Correspondence**

- **Register 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,  
1<sup>st</sup> Floor, Safed Pool, Andheri-Kurla Road,  
Andheri (East), Mumbai - 400072  
**Tel:** 022-28515606, 28515644  
**Fax:** 022-228512885  
**Web Site:** www.sharexindia.com
  
- **Compliance Officer** Mr. Darshak Pandya

**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 31<sup>st</sup> March, 2013, out of total Equity Shares of 98934000; 98887800 shares are held in dematerialized form with NSDL and CDSL which aggregates to 99.96%.

Distribution of shareholding as on March 31, 2013.

No. of shares held	No. of shareholders	No. of shares held	% of Shareholding
1 to 100	394	12073	0.01
101 to 200	164	21477	0.02
201 to 500	155	47763	0.05
501 to 1000	191	122259	0.12
1001 to 5000	165	354067	0.36
5001 to 10,000	18	116837	0.12
10,001 to 1,00,000	59	1726603	1.75
1,00,001 and above	28	96532921	97.57
<b>TOTAL</b>	<b>1174</b>	<b>98934000</b>	<b>100.00</b>



## Shareholding Pattern As on 31st March, 2013

<b>Category</b>	<b>No. of Shares Held</b>	<b>% of Share holding</b>
<b>Promoter's holding</b>		
1. Indian		
- Individuals/Hindu Undivided	7,40,34,840	74.83
- Bodies Corporate	NIL	NIL
2. Foreign	NIL	NIL
<b>Sub-Total.....</b>	<b>7,40,34,840</b>	<b>74.83</b>
<b>Non-Promoters holding</b>		
3. Institutional Investors		
a. Mutual Funds and UTI	NIL	NIL
b. Banks, Financial Institutions, Insurance Companies (Central/State Government Institutions/Non-Government Institutions	NIL	NIL
c. FIIS	NIL	NIL
<b>Sub-Total.....</b>	<b>7,40,34,840</b>	<b>74.83</b>
4. Others		
a. Bodies Corporate	9,50,556	0.96
b. Indian Public	2,35,91,373	23.85
c. NRI/OCBs	22,352	0.02
d. Clearing Members	3,34,879	0.34
<b>Sub-Total.....</b>	<b>2,48,99,169</b>	<b>25.17</b>
<b>Grand Total.....</b>	<b>9,89,34,000</b>	<b>100.00</b>

**Note :**

Shareholding pattern in case of demated shares has been prepared based on download of data received from NSDL / CDSL as on 31<sup>st</sup> March 2013.

**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 21<sup>st</sup> April, 2011 and Circular No. 18/2011 dated 29<sup>th</sup> 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](mailto: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 31<sup>st</sup> March 2013.

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

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

**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 31<sup>st</sup> March, 2013 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)

**Place: Mumbai**  
**Date: August 14th, 2013**

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



## ○ Auditors Report

To the Members  
**Kanani Industries Limited**  
Mumbai

### **Report on the Financial statements**

We have audited the accompanying financial statements of Kanani Industries Limited, which comprise the Balance Sheet as at March 31, 2013 and the Statement of Profit & Loss Account and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institutes of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Act in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of the balance sheet, of the state of affairs of the company as at March 31, 2013;
- b) In the case of the Profit and Loss Account, of the profit of the company for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

1. As required by section 227(3) of the Act, we report that:
  - (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 kept by the company so far as appears from our examination of those books.
- (c) The balance sheet, Statement of profit & loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, the profit & loss Account and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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

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

**Place: Mumbai**  
**Date: May 30th, 2013**



**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 company has not entered into any transactions that are needed to be entered into the register in pursuance of section 301 of the Companies Act, 1956.
- 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. We have broadly reviewed the books of account maintained by the Company pursuant to the Rule made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we are not required to carry out and have not carried out a detailed examination of the records with a view to determine whether they are accurate or complete.
- 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, 2013, 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. In our opinion and in accordance with the information and explanation given to us, there are no dues of sales tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute. However, with reference to Note No.12(i) of 'Note 20 in Notes to Accounts' the company has not deposited income tax demand amounting to Rs.1,64,47,430/- in view of pending disposal with appellate authorities.
- 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-

## **KANAANI INDUSTRIES LIMITED**



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: May 30th, 2013**



## ○ Balance Sheet As On 31st March, 2013

	<u>Notes</u>	<u>2013</u> ₹	<u>2012</u> ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
a. Share Capital	<b>1</b>	9,89,34,000	8,99,40,000
b. Reserves & Surplus	<b>2</b>	30,23,77,085	30,99,26,324
		<u>40,13,11,085</u>	<u>39,98,66,324</u>
<b>3 Current liabilities</b>			
a. Short-term borrowings	<b>3</b>	14,88,21,434	48,07,10,681
b. Trade payables		21,40,97,716	25,85,56,410
c. Other current liabilities	<b>4</b>	7,85,049	8,03,352
d. Short-term provisions	<b>5</b>	75,936	1,12,537
		<u>36,37,80,135</u>	<u>74,01,82,980</u>
<b>TOTAL</b>		<b><u>76,50,91,220</u></b>	<b><u>1,14,00,49,304</u></b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
a. <u>Fixed Assets</u>	<b>6</b>		
(i) Tangible assets		91,04,749	1,02,07,961
b. Non-current investments	<b>7</b>	20,06,33,280	20,06,33,280
c. Long-term loans and advances	<b>8</b>	33,229	33,229
<b>2 Current assets</b>			
a. Inventories	<b>9</b>	11,04,26,071	5,36,39,231
b. Trade receivables	<b>10</b>	41,78,89,803	79,89,22,703
c. Cash and bank balances	<b>11</b>	2,55,96,882	6,79,61,475
d. Short-term loans and advances	<b>12</b>	10,26,878	81,99,610
e. Other current assets	<b>13</b>	3,80,327	4,51,815
		<u>55,53,19,962</u>	<u>92,91,74,834</u>
<b>TOTAL</b>		<b><u>76,50,91,220</u></b>	<b><u>1,14,00,49,304</u></b>

**Significant Account Policies**

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Notes are an integral part of the financial statements

In terms of our report of even date

For &amp; on behalf of Board of Directors

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

Chairman

**DEVENDRA MEHTA****HARSHIL KANANI**Partner  
M. No.82325

Managing Director

Mumbai  
May 30th, 2013Mumbai  
May 30th, 2013



**○ Profit & Loss Statement for the year ended 31st March, 2013**

	<u>Notes</u>	<u>2013</u> ₹	<u>2012</u> ₹
<b>I. INCOME</b>			
Revenue from operation	<b>14</b>	77,63,04,269	1,40,26,88,573
Other Income	<b>15</b>	1,19,18,237	(50,76,578)
<b>TOTAL</b>		<b>78,82,22,505</b>	<b>1,39,76,11,995</b>
<b>II. EXPENDITURE</b>			
Cost of raw materials consumed		78,82,36,644	1,32,43,29,197
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	<b>16</b>	(2,41,66,699)	3,78,20,634
Employee benefit expenses	<b>17</b>	36,05,996	49,94,837
Finance costs	<b>18</b>	1,52,69,474	2,37,42,391
Depreciation and amortization expense	<b>6</b>	11,03,212	12,19,078
Other expenses	<b>19</b>	23,69,117	30,57,517
<b>TOTAL</b>		<b>78,64,17,744</b>	<b>1,39,51,63,654</b>
<b>Profit for the year before taxes</b>		<b>18,04,761</b>	<b>24,48,341</b>
<u>Less : Provision for taxes</u>			
Current Taxes		(3,60,000)	(4,75,000)
Previous year taxes		—	150
<b>Profit for the year after taxes</b>		<b>14,44,761</b>	<b>19,73,491</b>
Earnings per equity share:			
(1) Basic		<b>0.01</b>	<b>0.02</b>
(2) Diluted		<b>0.01</b>	<b>0.02</b>

**Significant Account Policies**
**20**

Notes are an integral part of the financial statements

In terms of our report of even date

For &amp; on behalf of Board of Directors

 For **RAVI & DEV**
**PREMJIBHAI KANANI**

 Chartered Accountants  
(FRN : 108752W)

Chairman

**DEVENDRA MEHTA**
**HARSHIL KANANI**

Partner

Managing Director

M. No.82325

Mumbai

Mumbai

May 30th, 2013

May 30th, 2013

## ○ Cash Flow Statement For The Year Ended 31st March, 2013

	2013 ₹	2012 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before tax	18,04,761	24,48,341
<b>Adjustments for</b>		
Depreciation	11,03,212	12,19,078
<b>Adjustments for Working Capital Changes</b>		
Inventories	(5,67,86,840)	3,66,64,216
Trade receivables	38,10,32,900	(3,76,71,317)
Short term Loans and Advances	71,72,732	(55,22,000)
Other current assets	71,488	1,56,799
Trade Payables	(4,44,76,997)	20,61,80,087
<i>Cash Generated from Operations</i>	28,99,21,256	20,34,75,204
Direct taxes paid	(3,96,601)	(2,84,032)
<i>Net cash from Operating activities</i>	(a) 28,95,24,655	20,31,91,172
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	-	-
Investment in Equity Instruments	-	(20,06,33,280)
Change in long term Fixed Deposit	-	30,26,448
<i>Net Cash Utilised in Investing Activities</i>	(b) -	(19,76,06,832)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Borrowings	(33,18,89,247)	(1,50,81,297)
Share Capital	-	-
Interim Dividend	-	-
Corporate tax	-	-
<i>Net Cash utilised in Financing Activities</i>	(c) (33,18,89,247)	(1,50,81,297)
Net increase in cash and cash equivalents	( a+b+c ) (4,23,64,592)	(94,96,957)
CASH & CASH EQUIVALENTS AS AT 1ST APRIL (OPENING BALANCE)	6,79,61,475	7,74,58,432
CASH & CASH EQUIVALENTS AS AT 31ST MARCH (CLOSING BALANCE)	2,55,96,883	6,79,61,475

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

**DEVENDRA MEHTA**  
Partner  
M. No.82325

Mumbai  
May 30th, 2013

For Kanani Industries Limited  
**PREMJIBHAI KANANI**  
Chairman

**HARSHIL KANANI**  
Managing Director

Mumbai  
May 30th, 2013

**○ Schedule for the year ended 31st March, 2013**
**NOTE 1 : SHARE CAPITAL**
**Authorised**

150000000 (Previous Year : 30000000 Equity Shares of ₹ 5/- Each)  
Equity Shares of ₹ 1/- Each

**Issued, subscribed & paid-up**

9,89,34,000 (Previous Year : 17988000 Equity Shares of ₹ 5/- Each)  
Equity shares of ₹ 1/- each.

	2013 ₹	2012 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	8,99,40,000
	<b>9,89,34,000</b>	<b>8,99,40,000</b>

**Notes :**
**(a) Reconciliation of the Equity Shares outstanding at the beginning and at the end of the year :**

Particulars	31st March, 2013		31st March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	1,79,88,000	8,99,40,000	1,79,88,000	8,99,40,000
Split during the period from ₹ 5/- to ₹ 1	7,19,52,000	-	-	-
Issued during the period - Bonus Issue	89,94,000	89,94,000	-	-
Issued during the period - Prefential Allotment	-	-	-	-
Outstanding at the end of the year	9,89,34,000	9,89,34,000	1,79,88,000	8,99,40,000

**(b) Equity Shareholder holding more than 5% equity shares along with number of equity shares is given below :**

Name of Share holders	31st March, 2013		31st March, 2012	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	80,06,130	8.09	14,55,660	8.09
Harshil Premjibhai Kanani	6,29,47,500	63.63	1,14,45,000	63.63

**(c) Issue of Bonus Shares :**

During the year ended March 31, 2009, the company had issued 14,99,000 fully paid bonus shares of ₹ 10/- each to the equity shareholders by capitalisation of Securities Premium Account and during the year ending March 31, 2010, the company issued 59,96,000 fully paid up bonus shares of ₹ 10/- each by capitalisation of Securities premium account ₹ 1,62,60,000/- and Profit and Loss Account ₹ 4,37,00,000/- and issued 89,94,000 fully paid up bonus share of ₹ 1/- each by capitalisation of Profit and Loss Account ₹ 89,94,000/- in the year ended 31st March, 2013.

**(d) Terms/rights attached to equity shares :**

The company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTE 2 : RESERVES & SURPLUS****General Reserve**

Balance as per last balance sheet

*Add:* Current year transfer*Less:* Written back in current year

Balance at the end of the year

**Special Economic Zone re–investment reserve**

Balance as per last balance sheet

*Add:* Transferred from Profit & Loss Account*Less:* Written back in current year

Balance at the end of the year

**Surplus in the Statement of Profit and Loss**

Balance as per last balance sheet

*Add:* Net Profit/(Net Loss) for the year

Amount available for the appropriation

Appropriations :

*Less:* Capitalised by way of issue of fully paid up Bonus Shares*Less:* Transferred to Special Economic Zone re–investment reserve

Balance at the end of the year

	<b>2013</b> ₹	<b>2012</b> ₹
<b>General Reserve</b>		
Balance as per last balance sheet	16,61,027	16,61,027
<i>Add:</i> Current year transfer	–	–
<i>Less:</i> Written back in current year	–	–
Balance at the end of the year	<u>16,61,027</u>	<u>16,61,027</u>
<b>Special Economic Zone re–investment reserve</b>		
Balance as per last balance sheet	–	–
<i>Add:</i> Transferred from Profit & Loss Account	11,50,526	–
<i>Less:</i> Written back in current year	–	–
Balance at the end of the year	<u>11,50,526</u>	<u>–</u>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last balance sheet	30,82,65,297	30,62,91,806
<i>Add:</i> Net Profit/(Net Loss) for the year	14,44,761	19,73,491
Amount available for the appropriation	<u>30,97,10,058</u>	<u>30,82,65,297</u>
Appropriations :		
<i>Less:</i> Capitalised by way of issue of fully paid up Bonus Shares	(89,94,000)	–
<i>Less:</i> Transferred to Special Economic Zone re–investment reserve	(11,50,526)	–
Balance at the end of the year	<u>29,95,65,533</u>	<u>30,82,65,297</u>
	<b><u>30,23,77,085</u></b>	<b><u>30,99,26,324</u></b>


**NOTE 3 : SHORT-TERM BORROWINGS**
**1 Secured**

 i) From Banks
Post Shipment Credit Facility

Dena Bank

Canara Bank

(Prime Security: Hypothecation of Export Bills/Receivables

(The above facility are further secured by collateral security by way of equitable mortgage of factory at surat SEZ owned by the company, Factory at surat SEZ owned by

M/s. Star Diam, immovable properties belonging to Premjibhai Kanani director of the company and

Smt. Nanduben Kanani. personal guarantee of Shri Premjibhai Kanani, Harshil Kanani Directors of the

company and Nanduben Kanani and corporate guarantee of M/s. Star Diam.)

**2013**  
₹

**2012**  
₹

14,88,21,434

36,15,12,000

–

11,91,98,681

**14,88,21,434**
**48,07,10,681**
**NOTE 4 : OTHER CURRENT LIABILITIES**

Unclaimed Dividend

Statutory dues payable

Employee related liabilities

Expenses payable

5,604

5,604

36,512

22,594

2,40,184

2,88,600

5,02,749

4,86,554

**7,85,049**
**8,03,352**
**NOTE 5 : SHORT-TERM PROVISIONS**

Provision for Taxation

75, 936

1,12,537

**75, 936**
**1,12,537**
**NOTE 7 : NON-CURRENT INVESTMENTS**
**1 Non Trade Investments**
Unquoted Investment
Investment in Subsidiary

Investment in Equity Instruments

[30225000 Equity Shares of KIL International Ltd. fully paid up]

20,06,33,280

20,06,33,280

–

–

**20,06,33,280**
**20,06,33,280**
**2 Others**

**NOTE 6 : FIXED ASSETS**

Name of the Assets	←----- GROSS BLOCK -----→		←----- DEPRECIATION -----→				NET BLOCK	
	As on 01/04/12	As on 01/04/12	Rate %	As on 01/04/12	Written Off	Back During the year	As on 31/03/13	As on 31/03/12
<b>a) Tangible Assets</b>								
Leasehold Land	47,00,000	-	-	12,53,332	3,13,333	-	31,33,335	34,46,668
Factory Building	59,69,514	-	10.00	18,13,105	4,15,641	-	37,40,768	41,56,409
Plant & Machinery	37,63,087	-	13.91	15,31,044	3,10,477	-	19,21,566	22,32,043
Generator	1,40,000	-	13.91	41,854	13,652	-	84,494	98,146
Office Equipment	90,550	-	13.91	41,949	6,760	-	41,841	48,601
Air Conditioner	3,04,074	-	13.91	1,23,589	25,105	-	1,55,380	1,80,485
Computer	2,18,554	-	40.00	1,72,945	18,244	-	27,365	45,609
<b>Total</b>	<b>1,51,85,779</b>	<b>-</b>		<b>49,77,818</b>	<b>11,03,212</b>	<b>-</b>	<b>91,04,749</b>	<b>1,02,07,961</b>
<b>Previous Year Total</b>	<b>1,51,85,779</b>	<b>-</b>		<b>37,58,740</b>	<b>12,19,078</b>	<b>-</b>	<b>1,02,07,961</b>	<b>1,14,27,039</b>


**NOTE 8 : LONG TERM LOANS AND ADVANCES**

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

**2013**

₹

**2012**

₹

33,229

33,229

**33,229**
**33,229**
**NOTE 9 : INVENTORIES**

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

Raw material

Polished Diamonds

8,61,54,590

5,35,70,598

Bullion

1,04,782

68,633

Work in Progress

77,06,568

–

Finished Goods

Diamond Studded Jewellery

1,64,60,131

–

**11,04,26,071**
**5,36,39,231**
**NOTE 10 : TRADE RECEIVABLES**

(Unsecured & considered good, subject to confirmation)

- 1 Trade receivables outstanding for a period less than six months from the date they are due for payment
- 2 Trade receivables outstanding for a period exceeding six months from the date they are due for payment

41,78,89,803

79,89,22,703

–

–

**41,78,89,803**
**79,89,22,703**

Trade Receivable stated above include debts due by:

Directors

–

–

Other officers of the Company

–

–

Firm in which director is a partner

–

–

Private Company in which director is a member

–

–

**NOTE 11 : CASH AND BANK BALANCE**
Cash and cash equivalents

a) Balances with banks

Current account

2,10,542

3,69,29,087

Deposits with original maturity of less than 12 months

2,48,58,000

2,48,58,000

b) Cheques, drafts on hand

–

–

c) Cash on hand

5,28,340

41,101

Other Bank Balances

Deposits with original maturity for more than 12 months  
maturing within 12 months

–

61,33,287

**2,55,96,882**
**6,79,61,475**



**NOTE 12 : SHORT TERM LOANS AND ADVANCES**

(Unsecured & considered good)

(Advances recoverable in cash or in kind or for value to be received)

Prepaid Expenses

Loan to Subsidiary

2013

₹

9,58,808

68,707

**10,26,878**

2012

₹

81,31,540

68,070

**81,99,610**

**NOTE 13 : OTHER CURRENT ASSETS**

Accrued Interest on Fixed Deposit with Bank

3,80,327

**3,80,327**

4,51,815

**4,51,815**

**NOTE 14 : REVENUE FROM OPERATIONS**

Sale of products

Diamond Studded Jewellery

77,63,04,269

**77,63,04,269**

1,40,26,88,573

**1,40,26,88,573**

**NOTE 15 : OTHER INCOME**

Exchange rate difference

Loss from trading in currency futures

1,19,18,237

–

**1,19,18,237**

3,74,03,970

(4,24,80,548)

**(50,76,578)**

**NOTE 16 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE**

Finished Goods–Jewellery

Opening Stock

Less: Closing Stock

–

(1,64,60,131)

**(1,64,60,131)**

3,78,20,634

–

**3,78,20,634**

Work in Progress

Opening Stock

Less: Closing Stock

–

(77,06,568)

**(77,06,568)**

**(2,41,66,699)**

–

–

–

**3,78,20,634**

**NOTE 17 : EMPLOYEE BENEFIT EXPENSES**

Salary, Wages and allowances

Staff Welfare

35,03,098

1,02,898

**36,05,996**

48,69,770

1,25,067

**49,94,837**



**NOTE 18 : FINANCE COSTS**

	<b>2013</b> ₹	<b>2012</b> ₹
Interest	1,48,69,361	2,31,89,266
Other borrowing cost	4,00,113	5,53,125
	<b>1,52,69,474</b>	<b>2,37,42,391</b>

**NOTE 19 : OTHER EXPENSES**

Consumption of Stores & Consumables	2,44,234	3,98,428
Power & Fuel	95,890	3,05,804
Repairs & Maintenance	–	4,843
Audit fees	1,50,000	1,50,000
Insurance	14,181	52,703
Rates and Taxes	3,58,257	3,40,517
Travelling Expenses	2,59,967	1,88,762
Legal & Professional Fee	3,09,390	2,91,711
Bank Charges	6,56,319	11,42,082
Miscellaneous Expenses	2,80,879	1,82,667
	<b>23,69,117</b>	<b>30,57,517</b>



**NOTE 20 : NOTES TO ACCOUNTS**

1. **SIGNIFICANT ACCOUNTING POLICIES**

I. **Basis of accounting**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements are prepared under the historical cost convention on a going concern basis. The accounting policies not specifically mentioned are consistent with generally accepted accounting principles.

The preparation of financial statement in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and reported amounts of income and expenses during the period.

II. **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.

III. **Depreciation**

The depreciation on fixed assets has been provided on Written Down Value Method on Pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956. Leasehold land is being amortised over the period of lease.

IV. **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.

V. Sales-tax collected by the company is not treated as part of its income.

VI. **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.

VII. **Investments**

Investments are either classified as current or long term based on the management intention at the time of purchase.

Current Investment are carried at the lower of cost or market value. The comparison of cost and market value is done separately in respect of each category of investments.

Long term investments are carried at cost less any permanent diminution in value, determined separately for each individual investments. The reduction in the carrying amount is reversed when there is rise in the value of investments or if the reason for the reduction no longer exist.


**VIII. Taxation**

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. Earning Per Share**

The basic earning per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the current year. For the purpose of calculating diluted earning per share, net profit after tax and the weighted number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**X. Financial Derivatives & Commodity Hedging Transactions**

- a. Financial derivatives and commodity hedging contracts are accounted on the date of their settlement and realised gain/loss in respect of settled contracts are recognised in the profit & loss account.
- b. The unrealised loss on contracts outstanding at the year end are provided for in the books of account of the Company in accordance with the guidance note on Accounting for Equity Index & Equity Stock Futures and Options issued by the Chartered Accountants of India.

**XI. 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 liabilities is, in the opinion of the management, adequate and not in excess of amount reasonably necessary.

	<b>2013</b>	<b>2012</b>
	₹	₹
3. <b>Expenditure in Foreign Currency</b>		
Interest on Loan	57,95,217	99,24,709
4. <b>C. I. F. Value of Imports</b>		
Raw Material	82,03,26,441	1,32,45,35,983
5. F.O.B. Value of Exports	77,63,04,269	1,40,26,88,573
6. <b><u>Auditors' Remuneration</u></b>		
Audit Fee	1,25,000	1,25,000
Tax Audit Fee	25,000	25,000
	1,50,000	1,50,000



7. Value of imported & indigenous material consumed :

	%	<b>2013</b> <b>Amount</b> ₹	%	<b>2012</b> <b>Amount</b> ₹
<b>Raw Material</b>				
Indigenous	0.05	4,22,394	0.06	8,26,142
Imported	99.95	78,78,14,250	99.94	1,32,35,03,055
<b>Stores &amp; Spares</b>				
Indigenous	100.00	2,44,234	100.00	3,98,428
Imported	-	-	-	-

8. Stock and turnover

	Sales Value	Closing Inventory	Opening Inventory
<u>Manufactured goods</u>			
Diamond studded Jewellery	77,63,04,269	1,64,60,131	-
	(1,40,26,88,573)	-	(3,78,20,634)

\* Figures in bracket refers to previous year

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 :

Subsidiary Company

KIL International Limited

Key Management Personnel

Harshil P. Kanani

Premji D. Kanani

Enterprises where key management personnel have control

Kanani Polyfab Pvt. Ltd.

M/s. Star Diam

b) Transactions with related parties

Remuneration to Director

Loan given to subsidiary

Investment in Subsidiary

c) Balances at the year end

Remuneration to Director Payable

Loan given to subsidiary

	<b>2013</b> ₹	<b>2012</b> ₹
Remuneration to Director	501,000	501,000
Loan given to subsidiary	68,070	68,070
Investment in Subsidiary	200,633,280	200,633,280
Remuneration to Director Payable	2,44,968	161,940
Loan given to subsidiary	68,070	68,070

10. Disclosure under Clause 32 of the Listing Agreement

Loans and advances in the nature of loans given to subsidiaries:

**KIL International Limited**

Maximum Balance outstanding during the year

Closing Balance

68,070

68,070

68,070

68,070

11. 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".

	2013 ₹	2012 ₹
<b>12. Basic &amp; Diluted Earning per Share (Face Value : ₹ 1/- each)</b>		
Profit after tax as per Profit & Loss Account	14,44,761	1,973,491
Weighted average number of shares outstanding	9,89,34,000	9,89,34,000
Basic & Diluted earning per share in Rupees	0.01	0.02

**13. Contingent Liability**

(i) The assessee has preferred an appeal before the Commissioner of Income Tax against an order passed by Income Tax Officer, raising demand of Rs.1,64,47,430/- on the company for the Assessment Year 2010-2011.

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. Derivative contracts entered into by the company and outstanding as on 31st March, 2013 : NIL  
Derivative contracts entered into by the company and outstanding as on 31st March, 2012 :

Particulars	Nominal Value \$	Quantity	
		Long	Short
USD Forward Contract 15.04.2012 - 30.04.2012	1,012,000.00		1.00
USD Forward Contract 15.04.2012 - 30.04.2012	249,524.76		1.00
USD Forward Contract 01.05.2012 - 15.05.2012	1,005,000.00		1.00
USD Forward Contract 16.05.2012 - 31.05.2012	646,500.00		1.00
USD Forward Contract 01.06.2012 - 30.06.2012	566,000.00		1.00
USD Forward Contract 01.07.2012 - 31.07.2012	522,000.00		1.00
USD Forward Contract 16.07.2012 - 31.07.2012	965,000.00		1.00
USD Forward Contract 16.08.2012 - 31.08.2012	602,000.00		1.00
USD Forward Contract 01.07.2012 - 31.07.2012	100,000.00		1.00

16. The company has also reclassified the previous year figures in accordance with requirement for the current period.

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

**Signature to Notes 1 to 20 :**

In terms of our report of even date

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

**DEVENDRA MEHTA**  
Partner  
M. No.82325

Mumbai  
May 30th, 2013

For & on behalf of Board of Directors

**PREMJIBHAI KANANI**  
Chairman

**HARSHIL KANANI**  
Managing Director

Mumbai  
May 30th, 2013



# **CONSOLIDATED FINANCIAL STATEMENT**



## ○ Independent Auditors Report

To the member  
**Kanani Industries Limited**  
Mumbai

**Report on the Consolidated Financial Statements :** We have audited the accompanying consolidated financial statements of Kanani Industries Limited and its subsidiaries, which comprise the Consolidated Balance Sheet as at March 31, 2013 and the Statement of Profit & Loss Account and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements :** Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility :** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the standards on Auditing issued by the Institutes of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion :** In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of other auditor on the financial statement of the subsidiary referred to below in the Other Matter paragraph, the aforesaid consolidated financial statement give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of the Consolidated Balance sheet, of the state of affairs of the Group as at March 31, 2013;
- b) In the case of the Consolidated Statement of Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**Other Matter :** We did not audit the financial statements of one subsidiary included in the consolidated year to date results, whose interim financial statements reflect total assets of ₹ 8658.70 lacs as at 31st March 2013 as well as the total revenue of ₹ 21442.58 lacs as at 31st March 2013. These interim financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion on the year to date results, to the extent they have been derived from such interim financial statements is based solely on the report of such other auditors.

**For RAVI & DEV**

Chartered Accountants  
(FRN: 108752W)

**(DEVENDRA A. MEHTA)**

Partner  
M. No.82325

**Place: Mumbai**  
**Date: May 30th, 2013**

## ○ Consolidated Balance Sheet As On 31st March, 2013

	<u>Notes</u>	<u>2013</u> ₹	<u>2012</u> ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Funds</b>			
a. Share Capital	<b>1</b>	9,89,34,000	8,99,40,000
b. Reserves & Surplus	<b>2</b>	31,67,90,474	30,81,50,579
		<u>41,57,24,474</u>	<u>39,80,90,579</u>
<b>2 Current liabilities</b>			
a. Short-term borrowings	<b>3</b>	14,88,21,434	48,07,86,845
b. Trade payables		86,40,89,680	28,50,38,998
c. Other current liabilities	<b>4</b>	8,89,943	10,06,455
d. Short-term provisions	<b>5</b>	7,34,161	2,92,283
		<u>1,01,45,35,218</u>	<u>76,71,24,581</u>
<b>TOTAL</b>		<b><u>1,43,02,59,692</u></b>	<b><u>1,16,52,15,160</u></b>
<b>II. ASSETS</b>			
<b>1 Non-current assets</b>			
a. <u>Fixed Assets</u>	<b>6</b>		
(i) Tangible assets		91,04,749	1,02,07,961
b. Long-term loans and advances	<b>7</b>	33,229	33,229
c. Investments		—	—
d. Other non-current assets		—	—
		<u>91,37,978</u>	<u>1,02,41,190</u>
<b>2 Current assets</b>			
a. Inventories	<b>8</b>	21,69,07,706	11,61,80,296
b. Trade receivables	<b>9</b>	1,17,22,33,087	95,84,89,194
c. Cash and bank balances	<b>10</b>	3,06,41,786	7,16,53,055
d. Short-term loans and advances	<b>11</b>	9,58,808	81,99,610
e. Other current assets	<b>12</b>	3,80,327	4,51,815
		<u>1,42,11,21,714</u>	<u>1,15,49,73,970</u>
<b>TOTAL</b>		<b><u>1,43,02,59,692</u></b>	<b><u>1,16,52,15,160</u></b>
Significant Accounting Policies	<b>20</b>		

In terms of our report of even date attached.

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

**DEVENDRA MEHTA**  
Partner  
M. No.82325

Mumbai  
May 30th, 2013

For & on behalf of Board of Directors

**PREMJIBHAI KANANI**  
Chairman

**HARSHIL KANANI**  
Managing Director

Mumbai  
May 30th, 2013



**○ Consolidated Profit & Loss Statement for the year ended 31st March, 2013**

	<u>Notes</u>	<b>2013</b> ₹	<b>2012</b> ₹
<b>I. INCOME</b>			
Revenue from operation	<b>13</b>	2,92,05,62,236	1,65,55,09,213
Other Income	<b>14</b>	1,19,18,244	(50,76,578)
<b>TOTAL</b>		<b>2,93,24,80,480</b>	<b>1,65,04,32,635</b>
<b>II. EXPENDITURE</b>			
Cost of raw materials consumed		78,82,36,644	1,32,43,29,197
Purchases of traded goods	<b>15</b>	2,17,86,64,946	30,95,65,928
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	<b>16</b>	(6,81,07,269)	(2,47,20,431)
Employee benefit expenses	<b>17</b>	36,05,996	48,69,770
Finance costs	<b>18</b>	1,52,69,474	2,31,88,052
Depreciation and amortization expense	<b>6</b>	11,03,212	12,19,078
Other expenses	<b>19</b>	32,89,542	45,18,049
<b>TOTAL</b>		<b>2,92,20,62,545</b>	<b>1,64,29,69,643</b>
<b>Profit for the year before taxes</b>		1,04,17,935	74,62,992
<u>Less : Provision for taxes</u>			
Current Taxes		(8,26,373)	(6,54,746)
Previous year taxes		—	150
<b>Profit for the year after taxes</b>		<b>95,91,562</b>	<b>68,08,396</b>
Earnings per equity share:			
(1) Basic		<b>0.10</b>	<b>0.07</b>
(2) Diluted		<b>0.10</b>	<b>0.07</b>

**Notes to Accounts**
**20**

In terms of our report of even date attached.

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

**DEVENDRA MEHTA**  
 Partner  
 M. No.82325

 Mumbai  
 May 30th, 2013

For &amp; on behalf of Board of Directors

**PREMJIBHAI KANANI**  
 Chairman

**HARSHIL KANANI**  
 Managing Director

 Mumbai  
 May 30th, 2013

## ○ Consolidated Cash Flow Statement For The Year Ended 31st March, 2013

	2013 ₹	2012 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) Before tax	1,04,17,936	74,62,993
<b>Adjustments for</b>		
Depreciation	11,03,212	12,19,078
Opening Balance of Profit and Loss Account	–	30,62,91,806
Opening Balance of General Reserve	–	16,61,027
Provision for taxation net of paid	–	150
Foreign currency translation reserve	80,54,438	(66,10,651)
<b>Adjustments for Working Capital Changes</b>		
Inventories	(10,07,27,410)	(11,61,80,296)
Trade receivables	(21,37,43,893)	(95,84,89,194)
Short term loans and advances	72,40,802	(79,15,578)
Other current assets	71,488	(4,51,815)
Long-term loans and advances	–	(3,95,692)
Trade Payables	57,89,34,170	28,60,45,453
<i>Cash Generated from Operations</i>	29,13,50,743	(48,73,62,719)
Direct taxes paid	(3,96,601)	(2,84,032)
<i>Net cash from Operating activities</i>	(a) 29,09,54,142	(48,76,46,751)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase/Sale of fixed assets	–	(1,14,27,039)
<i>Net Cash Utilised in Investing Activities</i>	(b) –	(1,14,27,039)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Capital	–	8,99,40,000
Borrowings	(33,19,65,411)	48,07,86,845
Interim Dividend	–	–
Corporate tax	–	–
<i>Net Cash utilised in Financing Activities</i>	(c) (33,19,65,411)	57,07,26,845
Net increase in cash and cash equivalents	(a+b+c) (4,10,11,269)	7,16,53,055
CASH & CASH EQUIVALENTS AS AT 1ST APRIL (OPENING BALANCE)	7,16,53,055	–
CASH & CASH EQUIVALENTS AS AT 31ST MARCH (CLOSING BALANCE)	3,06,41,786	7,16,53,055

For **RAVI & DEV**Chartered Accountants  
(FRN : 108752W)**DEVENDRA MEHTA**  
Partner  
M. No.82325Mumbai  
May 30th, 2013

For Kanani Industries Limited

**PREMJIBHAI KANANI**  
Chairman**HARSHIL KANANI**  
Managing DirectorMumbai  
May 30th, 2013

**○ Consolidated Schedule for the year ended 31st March, 2013**
**NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE 1 : SHARE CAPITAL**
**Authorised**

150000000 (Previous Year : 30000000 Equity Shares of ₹ 5/- Each)  
Equity Shares of ₹ 1/- Each

**Issued, subscribed & paid-up**

9,89,34,000 (Previous Year : 17988000 Equity Shares of ₹ 5/- Each)  
Equity shares of ₹ 1/- each.

	2013 ₹	2012 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	8,99,40,000
	<b>9,89,34,000</b>	<b>8,99,40,000</b>

**Notes :**
**(a) Reconciliation of the Equity Shares outstanding at the beginning and at the end of the year :**

Particulars	31st March, 2013		31st March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	1,79,88,000	8,99,40,000	1,79,88,000	8,99,40,000
Split during the period from ₹ 5/- to ₹ 1	7,19,52,000	-	-	-
Issued during the period - Bonus Issue	89,94,000	89,94,000	-	-
Issued during the period - Preferential Allotment	-	-	-	-
Outstanding at the end of the year	9,89,34,000	9,89,34,000	1,79,88,000	8,99,40,000

**(b) Equity Shareholder holding more than 5% equity shares along with number of equity shares is given below :**

Name of Share holders	31st March, 2013		31st March, 2012	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	80,06,130	8.09	14,55,660	8.09
Harshil Premjibhai Kanani	6,29,47,500	63.63	1,14,45,000	63.63

**(c) Issue of Bonus Shares :**

During the year ended March 31, 2009, the company had issued 14,99,000 fully paid bonus shares of ₹ 10/- each to the equity shareholders by capitalisation of Securities Premium Account and during the year ending March 31, 2010, the company issued 59,96,000 fully paid up bonus shares of ₹ 10/- each by capitalisation of Securities premium account ₹ 1,62,60,000/- and Profit and Loss Account ₹ 4,37,00,000/- and issued 89,94,000 fully paid up bonus share of ₹ 1/- each by capitalisation of Profit and Loss Account ₹ 89,94,000/- in the year ended 31st March, 2013.

**(d) Terms/rights attached to equity shares :**

The company has only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**NOTE 2 : RESERVES & SURPLUS****General Reserve**

Balance as per last balance sheet

*Add:* Current year transfer*Less:* Written back in current year

Balance at the end of the year

**Foreign currency translation reserve**

Balance as per last balance sheet

*Add:* Additions in current year*Less:* Written back in current year

Balance at the end of the year

**Special Economic Zone re-investment reserve**

Balance as per last balance sheet

*Add:* Net Profit/(loss) for the year*Less:* Written back in current year

Balance at the end of the year

**Surplus in the Statement of Profit and Loss**

Balance as per last balance sheet

*Add:* Net Profit/(Net Loss) for the year

Amount available for the appropriation

Appropriations :

*Less:* Capitalised by way of issue of fully paid up Bonus Shares*Less:* Transferred to Special Economic Zone re-investment reserve

Balance at the end of the year

	<b>2013</b>	<b>2012</b>
	₹	₹
<b>General Reserve</b>		
Balance as per last balance sheet	16,61,027	16,61,027
<i>Add:</i> Current year transfer	—	—
<i>Less:</i> Written back in current year	—	—
Balance at the end of the year	<u>16,61,027</u>	<u>16,61,027</u>
<b>Foreign currency translation reserve</b>		
Balance as per last balance sheet	(60,57,197)	—
<i>Add:</i> Additions in current year	—	(60,57,197)
<i>Less:</i> Written back in current year	80,42,333	—
Balance at the end of the year	<u>19,85,136</u>	<u>(60,57,197)</u>
<b>Special Economic Zone re-investment reserve</b>		
Balance as per last balance sheet	—	—
<i>Add:</i> Net Profit/(loss) for the year	11,50,526	—
<i>Less:</i> Written back in current year	—	—
Balance at the end of the year	<u>11,50,526</u>	<u>—</u>
<b>Surplus in the Statement of Profit and Loss</b>		
Balance as per last balance sheet	31,25,46,749	30,62,91,806
<i>Add:</i> Net Profit/(Net Loss) for the year	95,91,562	62,54,943
Amount available for the appropriation	<u>32,21,38,311</u>	<u>31,25,46,749</u>
Appropriations :		
<i>Less:</i> Capitalised by way of issue of fully paid up Bonus Shares	(89,94,000)	—
<i>Less:</i> Transferred to Special Economic Zone re-investment reserve	(11,50,526)	—
Balance at the end of the year	<u>31,19,93,785</u>	<u>31,25,46,749</u>
	<b><u>31,67,90,474</u></b>	<b><u>30,81,50,579</u></b>


**NOTE 3 : SHORT-TERM BORROWINGS**
**1 Secured**

 i) From Banks
Post Shipment Credit Facility

Dena Bank

Canara Bank

(Prime Security: Hypothecation of Export Bills/Receivables)

(The above facility are further secured by collateral security by

way of equitable mortgage of factory at Surat SEZ owned by

the company, Factory at surat SEZ owned by M/s. Star Diam,

immovable properties belonging to Premjibhai Kanani director of

the company and Smt. Nanduben Kanani. personal guarantee of

Shri Premjibhai Kanani, Harshil Kanani Directors of the company

and Nanduben Kanani and corporate guarantee of M/s. Star Diam)

**2 Unsecured**

Loan Subsidiary

	2013 ₹	2012 ₹
	14,88,21,434	36,15,12,000
	–	11,91,98,681
	–	76,164
	<b>14,88,21,434</b>	<b>48,07,86,845</b>
<b>NOTE 4 : OTHER CURRENT LIABILITIES</b>		
Unclaimed Dividend	5,604	5,604
Statutory dues payable	36,512	22,594
Employee related liabilities	2,40,184	2,88,600
Expenses payable	6,07,643	6,89,657
	<b>8,89,943</b>	<b>10,06,455</b>
<b>NOTE 5 : SHORT-TERM PROVISIONS</b>		
Provision for Income Tax	7,34,161	2,92,283
	<b>7,34,161</b>	<b>2,92,283</b>
<b>NOTE 7 : LONG TERM LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received (Unsecured & considered good)		
Security Deposits	33,229	33,229
	<b>33,229</b>	<b>33,229</b>
<b>NOTE 8 : INVENTORIES</b>		
(As taken, valued and certified by the Management)		
(Valued at lower of cost or net realisable value)		
<u>Raw material</u>		
Polished Diamonds	8,61,54,590	5,35,70,598
Bullion	1,04,782	68,633
Work in Progress	77,06,568	–
<u>Finished Goods</u>		
Diamonds	10,64,81,635	1,34,29,866
Diamond Studded Jewellery	1,64,60,131	–
	<b>21,69,07,706</b>	<b>11,61,80,296</b>

<b>NOTE 6 : FIXED ASSETS</b>											
Name of the Assets	←----- GROSS BLOCK -----→			←----- DEPRECIATION -----→				NET BLOCK			
	As on 01/04/12	Additions During the year	Sale	Total	Rate %	As on 01/04/12	Written Off	Back During the year	Total	As on 31/03/13	As on 31/03/12
<b>a) Tangible Assets</b>											
Leasehold Land	47,00,000	-	-	47,00,000	-	12,53,332	3,13,333	-	15,66,665	31,33,335	34,46,668
Factory Building	59,69,514	-	-	59,69,514	10.00	18,13,105	4,15,641	-	22,28,746	37,40,768	41,56,409
Plant & Machinery	37,63,087	-	-	37,63,087	13.91	15,31,044	3,10,477	-	18,41,521	19,21,566	22,32,043
Generator	1,40,000	-	-	1,40,000	13.91	41,854	13,652	-	55,506	84,494	98,146
Office Equipment	90,550	-	-	90,550	13.91	41,949	6,760	-	48,709	41,841	48,601
Air Conditioner	3,04,074	-	-	3,04,074	13.91	1,23,589	25,105	-	1,48,694	1,55,380	1,80,485
Computer	2,18,554	-	-	2,18,554	40.00	1,72,945	18,244	-	1,91,189	27,365	45,609
	<b>1,51,85,779</b>	<b>-</b>	<b>-</b>	<b>1,51,85,779</b>		<b>49,77,818</b>	<b>11,03,212</b>	<b>-</b>	<b>60,81,030</b>	<b>91,04,749</b>	<b>1,02,07,961</b>
<b>b) Intangible Assets</b>											
c) Capital Work In Progress	-	-	-	-	-	-	-	-	-	-	-
d) Intangible Assets Under Development	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,51,85,779</b>	<b>-</b>	<b>-</b>	<b>1,51,85,779</b>		<b>49,77,818</b>	<b>11,03,212</b>	<b>-</b>	<b>60,81,030</b>	<b>91,04,749</b>	<b>1,02,07,961</b>
<b>Previous Year Total</b>	<b>1,51,85,779</b>	<b>-</b>	<b>-</b>	<b>1,51,85,779</b>		<b>37,58,740</b>	<b>12,19,078</b>	<b>-</b>	<b>49,77,818</b>	<b>1,02,07,961</b>	<b>1,14,27,039</b>



	<b>2013</b>	<b>2012</b>
	₹	₹
<b>NOTE 9 : TRADE RECEIVABLES</b>		
(Unsecured & considered good, subject to confirmation)		
1 Trade receivables outstanding for a period less than six months from the date they are due for payment	1,17,22,33,087	95,84,89,194
2 Trade receivables outstanding for a period exceeding six months from the date they are due for payment	–	–
	<b>1,17,22,33,087</b>	<b>95,84,89,194</b>
<u>Trade Receivable stated above include debts due by:</u>		
Directors	–	–
Other officers of the Company	–	–
Firm in which director is a partner	–	–
Private Company in which director is a member	–	–
<b>NOTE 10 : CASH AND BANK BALANCE</b>		
<b>Cash and cash equivalents</b>		
a) Balances with banks		
Current account	51,05,601	3,69,29,087
Deposits with original maturity of less than 3 months	2,48,58,000	2,48,58,000
b) Cheques, drafts on hand	–	–
c) Cash on hand	6,78,185	41,101
<b>Other Bank Balances</b>		
Deposits with original maturity for more than 12 months maturing within 12 months	–	98,24,867
	<b>3,06,41,786</b>	<b>7,16,53,055</b>
<b>NOTE 11 : SHORT TERM LOANS AND ADVANCES</b>		
(Unsecured & considered good)		
(Advances recoverable in cash or in kind or for value to be received)		
Prepaid Expenses	9,58,808	81,31,540
Loan to Subsidiary	–	68,070
	<b>9,58,808</b>	<b>81,99,610</b>
<b>NOTE 12 : OTHER CURRENT ASSETS</b>		
Accrued Interest on F. D.	3,80,327	4,51,815
	<b>3,80,327</b>	<b>4,51,815</b>
<b>NOTE 13 : REVENUE FROM OPERATIONS</b>		
Sale of products		
Diamonds and Diamonds Jewellery	2,92,05,62,236	1,65,55,09,213
	<b>2,92,05,62,236</b>	<b>1,65,55,09,213</b>
<b>NOTE 14 : OTHER INCOME</b>		
Exchange rate difference	1,19,18,237	3,74,03,970
Loss from trading in currency futures	–	(4,24,80,548)
Bank Interest income	7	–
	<b>1,19,18,244</b>	<b>(50,76,578)</b>



**NOTE 15 : PURCHASES OF TRADED GOODS**

	2013 ₹	2012 ₹
Diamond	2,17,86,64,946	24,38,47,402
Diamond studded Jewellery	—	6,57,18,526
	<u>2,17,86,64,946</u>	<u>30,95,65,928</u>

**NOTE 16 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE**

	2013 ₹	2012 ₹
Opening Stock		
Finished Goods	—	3,78,20,634
Stock in trade	6,25,41,065	—
Work In Progress	—	—
	<u>6,25,41,065</u>	<u>3,78,20,634</u>
Closing Stock		
Finished Goods	—	—
Stock in trade	(12,29,41,766)	6,25,41,065
Work In Progress	(77,06,568)	—
	<u>(13,06,48,334)</u>	<u>6,25,41,065</u>
	<u><b>(6,81,07,269)</b></u>	<u><b>(2,47,20,431)</b></u>

**NOTE 17 : EMPLOYEE BENEFIT EXPENSES**

Salary, Wages and allowances	35,03,098	47,19,170
Staff Welfare	1,02,898	1,50,600
	<u><b>36,05,996</b></u>	<u><b>48,69,770</b></u>

**NOTE 18 : FINANCE COSTS**

Interest on Loan (Net)	1,48,69,361	2,31,88,052
Other borrowing cost	4,00,113	—
	<u><b>1,52,69,474</b></u>	<u><b>2,31,88,052</b></u>

**NOTE 19 : OTHER EXPENSES**

Consumption of Stores & Consumables	2,44,234	3,98,428
Power & Fuel	95,890	3,05,804
Repairs & Maintenance	—	4,843
Audit fees	1,90,634	3,39,889
Insurance Charges	14,181	52,705
Rates and Taxes	3,58,257	3,40,517
Travelling Expenses	6,58,130	4,10,467
Legal & Professional Fee	3,09,390	2,91,711
Bank Charges	6,71,063	12,20,108
Miscellaneous Expenses	7,47,763	11,53,577
	<u><b>32,89,542</b></u>	<u><b>45,18,049</b></u>



**NOTE 20 : NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. SIGNIFICANT ACCOUNTING POLICIES****I. Basis of accounting**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements are prepared under the historical cost convention on a going concern basis. The accounting policies not specifically mentioned are consistent with generally accepted accounting principles.

The preparation of financial statement in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of financial statements and reported amounts of income and expenses during the period.

**II. Basis of Consolidation**

These financial statements are prepared in accordance with the principles and procedures prescribed under AS 21 - 'Consolidated Financial Statements' for the purpose of preparation and presentation of consolidated financial statements.

The financial Statements of the Parent company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like item of assets, liabilities, income and expenses after fully eliminating intra group balances and inter group transactions resulting in unrealized profits and losses.

**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**

The depreciation on fixed assets has been provided on Written Down Value Method on Pro rata basis at the rates specified in Schedule XIV of the Companies Act, 1956. Leasehold land is being amortized over the period of lease.

**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 finalization 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. **Investments**

Investments are either classified as current or long term based on the management intention at the time of purchase.

Current Investment are carried at the lower of cost or market value. The comparison of cost and market value is done separately in respect of each category of investments.

Long term investments are carried at cost less any permanent diminution in value, determined separately for each individual investments. The reduction in the carrying amount is reversed when there is rise in the value of investments or if the reason for the reduction no longer exist.

IX. **Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized 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 recognized 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.

X. **Earning Per Share**

The basic earning per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the current year. For the purpose of calculating diluted earning per share, net profit after tax and the weighted number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

XI. **Financial Derivatives & Commodity Hedging Transactions**

- a. Financial derivatives and commodity hedging contracts are accounted on the date of their settlement and realised gain/loss in respect of settled contracts are recognized in the profit & loss account.
- b. The unrealised loss on contracts outstanding at the year end are provided for in the books of account of the Company in accordance with the guidance note on Accounting for Equity Index & Equity Stock Futures and Options issued by the Chartered Accounts of India.

XII. **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 liabilities is, in the opinion of the management, adequate and not in excess of amount reasonably necessary.
3. 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 :

Subsidiary Company

KIL International Limited

Key Management Personnel

Harshil P. Kanani

Premji D. Kanani

Enterprises where key management personnel have control

Kanani Polyfab Pvt. Ltd.

M/s. Star Diam



	<b>2013</b>	<b>2012</b>
	₹	₹
b) Transactions with related parties Remuneration to Director	501,000	501,000
c) Balances at the year end Remuneration to Director Payable	2,44,968	161,940
Loan given to subsidiary	68,070	68,070
<b>4. Basic &amp; Diluted Earning per Share (Face Value : ₹ 1/- each)</b>		
Profit after tax as per Profit & Loss Account	95,91,562	71,68,396
Weighted average number of shares outstanding	9,89,34,000	9,89,34,000
Basic & Diluted earning per share in Rupees	0.10	0.07

**5. Contingent Liability**

- (i) The assessee has preferred an appeal before the Commissioner of Income Tax against an order passed by Income Tax Officer , raising demand of Rs.1,64,47,430/- on the company for the Assessment Year 2010-2011.
- 6. 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.
- 7. The company has also reclassified the previous year figures in accordance with requirement for the current period.
- 8. Figures have been rounded off to the nearest of a rupee.

**Signature to Notes 1 to 20 :**

In terms of our report of even date

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

**DEVENDRA MEHTA**  
Partner  
M. No.82325

Mumbai  
May 30, 2013

For & on behalf of Board of Directors

**PREMJIBHAI KANANI**  
Chairman

**HARSHIL KANANI**  
Managing Director

Mumbai  
May 30, 2013



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH, 2013**

Information regarding subsidiary Companies

Name of the Company	KIL INTERNATIONAL LTD.
Financial year ending on	31.03.2013
Currency	USD
Exchange rate on the last day of financial year	54.2855
a. Share capital	21,13,61,635
b. Reserves	36,71,811
c. Liabilities	65,08,36,376
d. Total liabilities	86,58,69,823
e. Total assets	86,58,69,823
f. Turnover	2,14,42,57,967
g. Profit before taxation	86,13,175
h. Provision for Taxation	(4,66,373)
i. Profit after taxation	81,46,802





# KANAANI INDUSTRIES LIMITED

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

## ATTENDANCE SLIP

D.P.Id.	
Client Id.	

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

I/We hereby record my/our presence at the Thirtieth Annual General Meeting of the Company at Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai, Maharashtra 400007, on 25th September, 2013 at 10.00 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.

# KANAANI INDUSTRIES LIMITED

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

## PROXY FORM

D.P.Id.	
Client Id.	

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

I/we .....of .....

In the district of ..... Being a member /members of the

above named Company hereby appoint.....

of .....in

The District of .....or failing him .....

of.....in the District of ..... as my/  
our proxy to vote for me/us on my/our behalf at the Thirtieth Annual General Meeting to be held on  
25th September, 2013 at 10.00 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

**BOOK POST**

*If undelivered, please return to :*

**KANANI INDUSTRIES LIMITED**

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