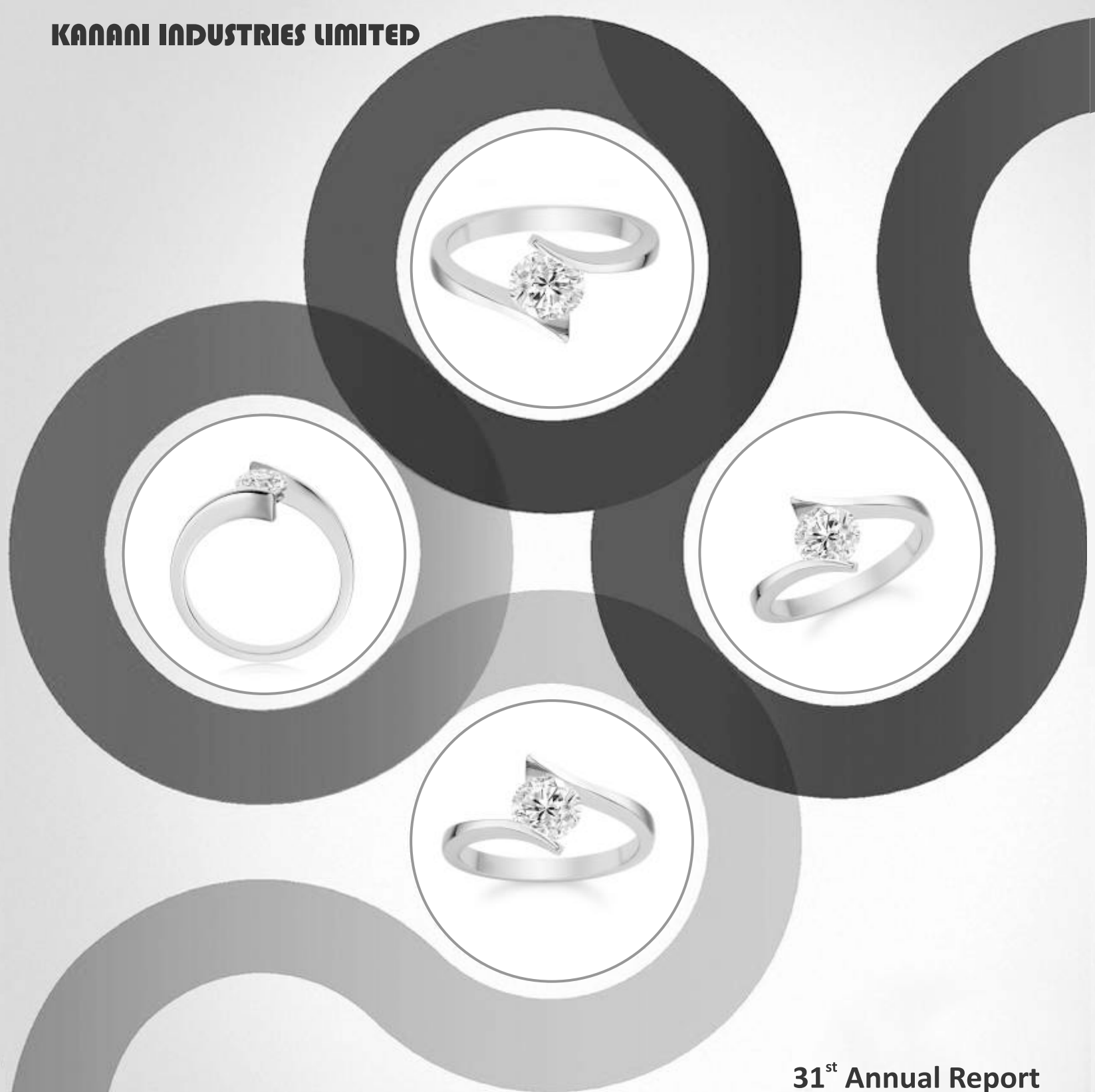




KANANI INDUSTRIES LIMITED



31st Annual Report

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○ Management Discussion and Analysis

Indian Jewellery Industry and Market Trends :

Indian jewellery market is one of the largest in the world. The domestic market is estimated to be at US\$ 30 billion. It is one of the fastest growing segments in the Indian economy with the consumption of gold and jewellery products in India increasing rapidly over the years at the rate of 10-15 per cent per annum.

According to a recent study, India and China are now emerging as the leading consumer of gold and jewellery. According to estimates, these two combined will account for more than 30% of global diamond market in 2015. Indian industry has the advantage of the best skilled manpower for designing and producing high volumes of exquisite jewellery at low labor costs.

The Indian Gems and Jewellery market is still heavily dominated by the unorganized sector. However, branded jewellery is becoming very popular with the market for branded jewellery growing at 30% with a total market share of 12-15%.

Gold jewellery still enjoys the leading position in most markets across the world and as expected dominates the Indian jewellery market with around 80 per cent share. It is still expected to go strong despite the growth of Indian diamond and gemstone market.

Diamonds manufactured in India constitute 65 per cent by value, 85 per cent by volume and 92 per cent by pieces of the world diamond production, making the country not only the leading global manufacturer but also one of the highest consumers of rough diamonds in the world. Discovery of the Bunder diamond project in 2004 by Rio Tinto, presents a unique opportunity for India to mine, manufacture and market its own diamonds. Once developed the Bunder project is expected to place Madhya Pradesh in the top ten diamond producing regions of the world. It is expected to come under commercial production by 2017.

The colored gemstone sector is a fast growing segment of the Indian gems and jewellery industry. India is a leading source for a spectrum of gemstones. It has now progressed from manufacturing emeralds and tanzanite manufacturing a wide variety of other colored gemstones.

One of the biggest trends in the Indian jewellery industry has been due to the e-commerce and affordable jewellery. Websites like Bluestone, CaratLane, Diamondere and Jewelskart have over 80% of their collection dedicated to the 'affordable jewellery' segment. The online medium has also made it possible to set up stores without investing in the physical infrastructure required for retail. Industry experts estimate the growth rate of online jewellery market to close to 30%. The challenge in this segment still is to convince buyers to spend large amounts of money online and overcome trust issues. Although there is still a long way to go before Indian consumer starts embracing the concept of buying jewellery online, the growth opportunity is huge and it's a new segment for jewellery retailer to explore and take advantage of.

○ Market Overview

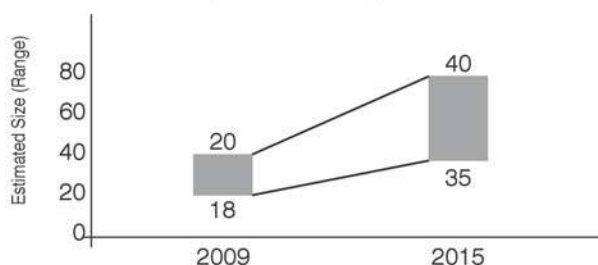
Study Thinks Indian Industry Could Reach \$100 Bn by 2015 :

Steady consumption growth is forecast for the Indian gem and jewellery domestic market, while exports are seen as growing substantially as well in a report that was discussed by industry leading lights recently.

The Indian gem and jewellery industry has the potential to grow from the present estimate of \$45 billion to \$100 billion by 2015.

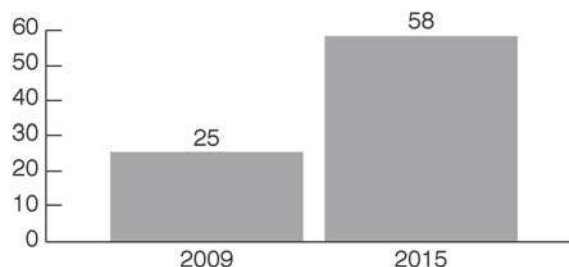
‘Gem and jewellery exports are expected to grow at a compounded annual growth rate of 15 per cent to reach \$58 billion by 2015 from the current level of \$25 billion’

Exhibit 2 Domestic Market Size (US \$ Billion)



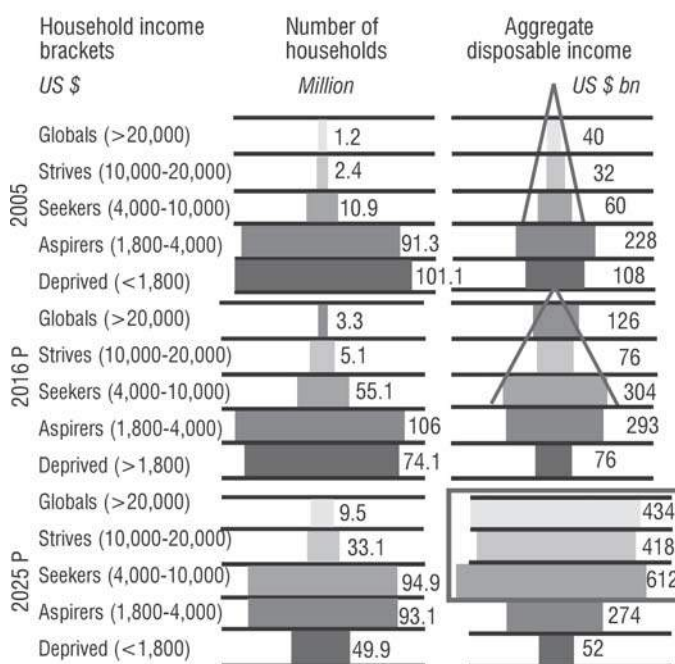
Source: Technopak Analysis

Exhibit 20 Gems & Jewellery Exports (US \$ Billion)



Source: GJEPC, Technopak Analysis

Exhibit 5 The Indian Consumer Spectrum



Source – Industry Reports

Titled “Unlocking the Potential of India's Gems & Jewellery Sector”, the jewellery industry featured two major sub-segments – gold and diamonds, with the former constituting 80 per cent of the jewellery market. A major chunk of gold jewellery manufactured in India is for domestic consumption, whereas a major portion of polished diamonds or finished diamond jewellery is exported, it noted.

The domestic gem and jewellery market is estimated to be in the \$18 to \$20 billion range. “Given the fragmented nature of the industry it is difficult to put a finger on the exact size. The industry is expected to grow at around 13 per cent annually and could reach \$35 to \$40 billion by 2015,” it added. Gem and jewellery exports are expected to grow at a compounded annual growth rate of 15 per cent to reach \$58 billion by 2015 from the current level of \$25 billion. predicted that the domestic market and exports together had the potential to grow to \$100 billion by 2015, from its current size of about \$45 billion.

○ Future And Domestic Outlook

Opportunities for growth

By 2025, the Indian middle class will constitute 41 per cent of the population from 5 per cent in 2005. This number will include a sizeable urban middle class. This will create exciting opportunities for firms in the consumer and retail space, the report said.

India's current per capita annual disposable income of ₹ 32,299 (\$700) is expected to grow by 8 to 13 per cent in the next five years. Rising population and income levels will lead to an overall increase in consumer spending on aspirational products, it added concerted action to increase discretionary spending on gems and jewellery by Indian consumers, noted that promotional efforts like the would go a long way toward increasing diamond jewellery sales in India.

"India is rapidly transforming— politically; culturally (inter caste/ religion marriages are common); socially (the poor are getting richer, people moving from villages to towns; and economically we are a lot richer today than we were 10 years ago). We are witnessing an attitudinal change in the way we spend money especially among youngsters, who are willing to take up loans to maintain a certain lifestyle. All this leads to both market and retail transformation."

However, the Indian jewellery market is unregulated and pricing is mostly based on the value of gold plus labour charges; thus margins earned do not justify the size of the store or the investment, Company said. Most purchases in jewellery are investment-oriented so, they get commoditised and there is no differentiation in price or product. Company asked, "Will the younger generation continue to wear jewellery? Is jewellery going to remain as relevant to the youth of today? Perhaps the answer is yes and no. In order to increase discretionary spending on jewellery the industry will have to reinvent and innovate constantly. Focus should be primarily on designs, and superior quality. Customer relationships are of prime importance."

Company observed, "Jewellery players should not be complacent as consumers have many choices in other categories. Jewellers have to continue to remain fashionable and current to the customer. Innovation can be done by partnering and collaborating with several other players. Consumers demand accessorising and customisation as they are driven by fashion. They also expect strong buy-back policies. Jewellery shops should be expanded to rural areas and stores should maintain inventories depending on which customer segment they would like to cater to. Retailers should embrace technology – direct market, internet; create a luxury experience to expand margins."

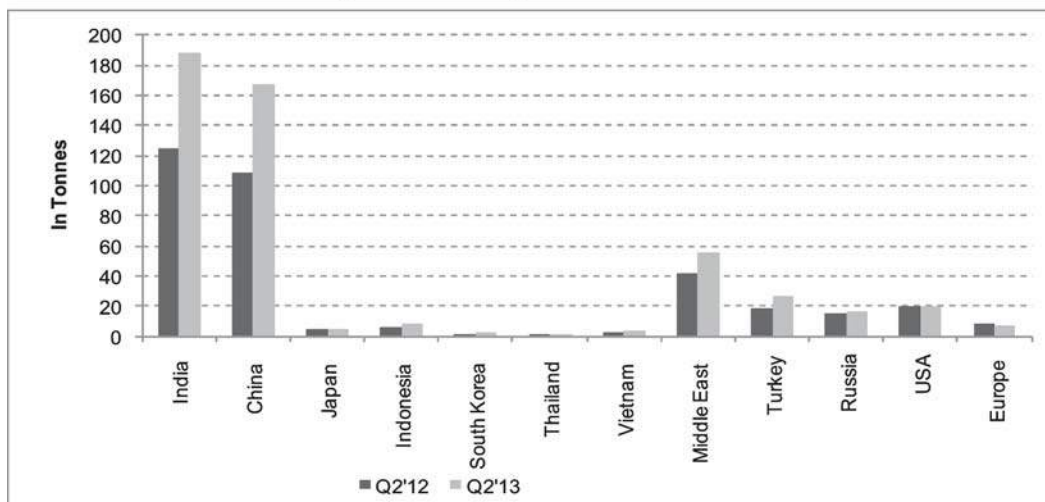
The Company noted that currently, people of working age – between 16 and 60 years – represent 64 per cent of the total population of the country. India now has a rich base of young consumers who have a different set of needs and are more amenable to branded products and services. These new Indian consumers demand greater transparency, better service and a more compelling value proposition driven by brands and fashion.

The industry needs to focus on tapping successfully the needs of this growing segment and create fashionable products. Retailers need to spend time and resources to understand consumer needs and expectations very carefully, the study suggested.

Factsheet

Global appeal of Indian Jewellery remains and is here to stay

Figure1. Jewellery Demand in Tonnes



Exports of Gems and Jewellery will definitely receive a further boost on the rising global demand. Past records show it as a major contributor to exports from India.

Table 1: Export of Gems and Jewellery

Year	Export of Gems & Jewellery (USD Billion)	% Share of Gems & Jewellery in India's total Export	Gold (USD Billion)	Diamond (USD Billion)
2008-09	24.49	15.36	8.61	14.80
2009-10	28.41	16.34	9.42	17.54
2010-11	42.99	17.40	12.88	28.25
2011-12	42.83	15.45	16.78	23.31
2012-13	39.03	14.57	18.28	17.41

* Source: Gems & Jewellery Export Promotion Council

CHALLENGES FACED BY THE INDUSTRY

Dependence on Import

The gems and jewellery industry is highly dependent on import for meeting its raw material requirements and among the imported commodities rough diamonds account for almost 50% of the imports. India is also one of the largest importer and consumer of silver in the world.

Lack of Financial Support

The industry is also facing problems in terms of financial assistance from the banks, which is evident in the below table which highlights the gross credit deployment to the industry:

Year	Credit Deployment Towards Industry (₹ Billion)	Credit Deployment Towards Gems and Jewellery (₹ Billion)	% Share of Gems and Jewellery in total Credit deployment
2009	10544.00	285.00	2.70
2010	13115.00	318.00	2.42
2011	16046.00	397.00	2.47
2012	19347.00	513.00	2.65
2013	22302.00	611.00	2.74

The gross credit deployment towards the gems & jewellery industry has been increasing in value terms; but still it is less than 3.00% during the last five years and stood at around 2.74% of the total credit deployment towards industry in 2013.

As the market is mainly constituted by small players, banks & financial institutions hesitate to provide them assistance or they ask for personal collaterals along with high rate of interest, which in turn jeopardizes the financial health and growth prospects of the entity and its owners.

Fluctuations in Exchange Rate

Gems and Jewellery industry is influenced by the rupee/dollar exchange rate because it is export & import oriented industry. Any variation in the exchange rates affects the margins of the players.

Changing Consumer Preference

Global marketing requires keeping pace with changing fashion of Gems and Jewellery particularly in the context of very high prices of diamond, gold and silver. India is not having enough design development centers to provide feedback and to innovate latest designs to catch up with fashion needs of the foreign buyers. Manufacturers craft specific type of gems and jewellery products according to the market demand. But due to change of fashion, demand of that type of products starts decreasing and eventually it finishes. This situation blocks the manufacturer's capital and leads to inventory pile up.

Competition Threat

Presently India is the dominant player as a processing hub for diamond, but she faces future threats in terms of competition from various countries; one of them is China, due to cheap economic labour, infrastructure and a welcoming government. Technology is another aspect where the Indian gems and jewellery industry faces a major threat from China. Apart from China, Israel and Belgium are also emerging as diamond processing centers; these countries are technologically more sound and efficient than India. The diamond producing nations are also building infrastructure for diamond processing to gain economic advantages.

Roadmap to success

The company chalked out detailed strategies and growth plans and made the following recommendations that could be adopted by the industry and government:

- Accord industry status to gem and jewellery sector
- At around \$20 billion, the domestic gem and jewellery industry deserves the same attention and interest as a number of other industries such as textiles and steel. Like the Indian film industry, the domestic gem and jewellery retail sector could benefit from being recognised as an industry as this would ease financing problems. The roadmap for this could be as follows:
 - Constitute a special cell to look into specific needs of the industry, interacting with all the industry stakeholders.
 - Assess the exact benefits (quantitative and qualitative) that can be gained from being accorded industry status. Compile this in a report.
 - Get the industry to fund the report and jointly work out the details of policy, incentives and financing.
 - Extend industry status and constitute a gem and jewellery ministry.
 - Create a technology upgradation fund for facilitating the modernisation of manufacturing and design facilities
- These funds have been successfully created and implemented in other labour-intensive industries like textiles. The broad structure of the fund could be as follows:
 - **Interest subsidy:**

A reimbursement on the interest charged by the leading agency on a project of technology upgradation. This should be not less than five percentage points.
 - **Capital Subsidy:**

A reimbursement of the purchase value for specified processing and manufacturing machinery. The specified machinery would represent advanced technology. A minimum subsidy of 10 per cent should be offered.
 - Additional interest and capital subsidies could be granted based on beneficiary size and sub-sector within the industry to give differentiated focus wherever required.
- Set up a gold exchange
 - In the last few years Indian banks have started retailing bullion. This has helped to reinvigorate investments in precious metals. However, while this has eased the process of buying gold from trustworthy sources, purchases are made mostly on festive occasions rather than as a regular trading activity. Further, banks do not buy back gold from individuals. Jewellers too are not very keen to buy

back gold at competitive prices, especially if it is not sold by them. In such a scenario, a physical or internet-based exchange to trade precious metals could revive investment in jewellery and precious metals.

- Build customer trust and adopt industry-wide standards
 - Enhancing and adopting product quality standards will go a long way in boosting consumer trust and will enable the industry to gain a larger share of discretionary spending. Existing certification processes for precious metals and precious stones in the Indian market need to be widely adopted as a best practice. Industry bodies need to organise workshops for educating and motivating the workforce. There should also be awareness campaigns to strengthen consumers' trust in jewellery. Eventually, the industry can approach the government to enact laws and regulations to make certifications and standards mandatory. In the long run, adherence to these standards will drive online jewellery retailing in India.

- Policy and Promotion:

The government has announced several measures for the promotion of the gems and jewellery sector in the New Foreign Trade Policy (2009-2014), some of the important ones being:

- To neutralize duty incidence on gold jewellery exports, duty drawback on such exports is now allowed.
- Import of diamonds on consignment basis for certification/grading and re-export by the authorized offices/agencies of Gemological Institute of America (GIA) in India or other approved agencies to be permitted.
- To promote exports of gems and jewellery products, the value limit of personal carriage has been increased from USD 2 million to USD 5 million in case of participation in overseas exhibitions. The limit in case of personal carriage as samples for export promotion tours has also been increased from USD 0.1 million to USD 1 million.
- The number of days for re-import of unsold items in the case of participation in an exhibition in the US has been increased to 90 days.

The government plans to establish diamond bourses in an endeavour to make India an international diamond trading hub.

- 100% FDI is permitted in the gems and jewellery sector through the automatic route.
- Gems and jewellery SEZs have been set up to promote investments in the sector.

○ Comparative Analysis of last 3 years Results

(Amt. in ₹ Lacs)

Particular	2014	2013	2012
Net Sales	7060.02	7763.04	14026.89
Other Income	94.48	119.18	(50.77)
Total Income	7154.51	7882.23	13976.12
Expenditure	7019.75	7704.44	13707.57
PBIT	134.76	177.77	268.55
Interest	107.38	148.69	231.88
Depreciation	10.05	11.03	12.19
PBT	17.33	18.05	24.48
Tax	3.35	3.60	4.75
PAT	13.98	14.45	19.73
Net Profit	13.98	14.45	19.73
Basic & Diluted EPS (₹)	0.01	0.01	0.11
Dividend Paid / Proposed (In %)	-	-	-
Equity Capital	989.34	989.34	899.40
Reserves & Surplus	3037.75	3023.77	3099.26
Net worth	4027.09	4013.11	3998.66
Book Value per share (₹)	4.07	4.06	22.23
Operating Profit Margin (₹)	1.91%	2.29%	1.91%
Net Profit Margin (%)	0.20%	0.19%	0.14%
Basic & Diluted Cash EPS (₹)	0.02	0.03	0.18

○ General Information

BOARD OF DIRECTORS:	PREMJIBHAI D. KANANI HARSHIL P. KANANI SHAILESH R. PATEL DEVENDRA K. KIKANI	CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR
COMPLIANCE OFFICER:	DARSHAK A. PANDYA	
STATUTORY AUDITORS:	RAVI & DEV 6TH FLOOR, 601 AURUS CHAMBERS, "A" WING, BEHIND MAHINDRA TOWER, S S AMRUTWAR MARG, WORLI, MUMBAI - 400013 TEL: +91-22-6134 3900 FAX: +91-22-6134 3902 E-MAIL: info@ravianddev.com	
BANKERS:	DENA BANK STATE BANK OF INDIA STANDARD CHARTERED BANK CANARA BANK	
REGISTERED OFFICE:	G-6, PRASAD CHAMBERS, TATA ROAD NO. 2, OPERA HOUSE, MUMBAI - 400004 TEL: +91-22-6526 3333 FAX: +91-22-3008 4000 E-MAIL: info@kananiindustries.com WEBSITE : www.kananiindustries.com	
FACTORY:	PLOT NO. 42, SURAT SPECIAL ECONOMIC ZONE, NEAR SACHIN RLY. STN., SACHIN, DIST: SURAT, GUJARAT TEL: +91-261-321 5152 FAX: +91-22-3008 4000 E-MAIL: info@kananiindustries.com	
REGISTRAR AND SHARE TRANSFER AGENT:	M/S. SHAREX DYNAMIC (INDIA) PRIVATE LIMITED UNIT-1, LUTHRA INDL. PREMISES, SAFED POOL, ANDHERI KURLA ROAD, ANDHERI (E), MUMBAI - 400072 TEL: +91-22-28515606 FAX: +91-22-28512885	

○ Notice

Notice is hereby given that the 31st Annual General Meeting of the Members of **KANANI INDUSTRIES LIMITED** will be held at **Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai – 400007**, on **Monday, September 29, 2014 at 10.00 A.M.** to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt Audited financial Statement of the Company for the year ended March 31, 2014, including the audited Balance Sheet as at March 31, 2014, the Statement of Profit and Loss for the year ended on that date and reports of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Mr. Premjibhai Devjibhai Kanani, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To re-appoint M/s. Ravi & Dev, Chartered Accountants, Mumbai, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration and to pass the following resolution thereof.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made there under (including any modification(s) and re-enactment(s) thereon, for time being in force), **M/s. Ravi & Dev, Chartered Accountants** [*Firm Regd. No.108752W*], be and is hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration to be fixed in consultation with the Board of Directors plus re-imbursement of out of pocket expenses.”

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, Mr. Devendra kumar Kikani [DIN: 01774865], non-executive Director of the Company who was appointed as a Director liable to retire by rotation and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office upto 31st March, 2019, his term will not liable to retire by rotation.”

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

“RESOLVED THAT in supersession of the earlier resolution passed by the Shareholders of the Company and pursuant to Section 180(1)(a) of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging in such form and manner and on such terms and at such time(s) as the Board of Directors may deem fit, the movable and / or immovable assets and properties of

the Company, wherever situated, present and future, whether presently belonging to the Company or not, in favour of any person including, but not limited to, financial / investment institution(s), bank(s), insurance company(ies), mutual fund(s), corporate body(ies), trustee(s) to secure the loans, borrowings, debentures, hire purchase and / or working capital facilities and other credit facilities up to a sum not exceeding ₹ 100,00,00,000/- (Rupees One Hundred Crores only).”

“**RESOLVED FURTHER THAT** the Board of Directors or such Committee or person/(s) as may be authorized by the Board be and is hereby authorized to finalize the form, extent and manner of, and the documents and deeds, as may be applicable, for creating the appropriate mortgages and/or charges on such of the immovable and / or movable properties of the Company on such terms and conditions and at such time(s) / tranche(s) as may be decided by the Board of Directors in consultation with the lenders and for reserving the aforesaid right and for performing all such acts and things as may be necessary for giving effect to this resolution.”

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

“**RESOLVED THAT** in supersession of the earlier resolution passed by the Shareholders of the Company and pursuant to Section 180(1)(c) of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time, for the purpose of the Company's business, such sum or sums of money, as they in their absolute discretion think fit, notwithstanding that the monies so borrowed together with the monies already borrowed by the Company and remaining outstanding shall be in excess of the aggregate of the paid-up share capital and free reserves, but not exceeding ₹100,00,00,000/- (Rupees One Hundred Crores only) over and above the paid up share capital and free reserves for the time being of the Company.”

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

“**RESOLVED THAT** pursuant to provisions of Section 5 read with Section 14 and all other applicable provisions, if any, of Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force), the new set of Articles of Association as placed before the meeting and initialed by the Chairman for the purpose of identification be and is hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company.

“**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to sign and execute such Forms, papers, documents, deeds and instrument and to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient by them for the purpose of giving effect to this resolution.”

On behalf of the Board

Place: Mumbai
Date: 20, August 2014

PREMJIBHAI KANANI
Chairman
DIN : 01567443

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

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company, provided not less than three days of notice in writing is given to the Company.
4. Members / proxies should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
5. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
8. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
9. Brief resume of Directors including those proposed to be appointed / re-appointed, nature of their expertise in specific functional areas, number of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock exchanges, are provided in the Explanatory Statement forming part of the notice.
10. The Register of Members and the Share Transfer Books of the Company shall remain closed from Thursday, 25th September, 2014 to Monday, 29th September, 2014 (both days inclusive), for the purpose of Annual General Meeting.
11. Members are requested to notify the change in their address, if any, immediately, so that all communications can be sent to the latest address. In case of members holding shares in physical form, all intimations

regarding change of address and change of bank account details are to be sent to M/s. Sharex Dynamic (India) Private Limited, Unit: Kanani Industries Limited, Unit-1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai – 400 072. Members, who hold shares in electronic form, are requested to notify any change in their particulars like change in address, bank particulars etc. to their Depository Participants immediately.

12. The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/Dop/CIR 05/2007 dated April 27, 2007 made PAN the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transaction. In continuation of the said circular, it is hereby clarified that for securities market transactions and off-market/private transactions involving transfer of shares in listed companies in physical form, it shall be mandatory for the transferee(s) to furnish a copy of the PAN card to the Company / RTA for registration of such transfer of shares.
13. Copies of the Annual Report 2014 are being sent by electronic mode only to all the members whose email IDs are registered with the Company/ Depository Participants for communication purposes unless any member has requested for a hard copy of the same. In the case of members holding shares in physical mode whose email IDs are registered with the Company/ Registrars M/s. Sharex Dynamic (India) Private Limited, and have given consent for receiving communication electronically, copies of the Annual Report 2014 are being sent by electronic mode only. For members who have not registered their email addresses, physical copies of the Annual Report 2014 are being sent by the permitted mode.
14. Members may also note that the Notice of the 31st Annual General Meeting and the Annual Report 2014 will also be available on the Company's website www.kananiindustries.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Mumbai for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's Registrars M/s. Sharex Dynamic (India) Private Limited at Unit-1, Luthra Ind. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai - 400072.
15. All documents referred to in the Notice will be available for inspection at the Company's registered office during 11.00 a.m. to 1.00 p.m. on working days up to the date of the AGM.

Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries to the Chairman, so as to reach the registered office of the Company at least seven days before the date of the meeting, to enable the Company to make available the required information at the meeting, to the extent possible.

16. Voting through electronic means

In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to the members the facility to exercise their right to vote at the 31st Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL) on all resolutions set forth in this Notice:

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on Monday, 22nd September, 2014 (9.00 a.m IST) and ends on Tuesday, 23rd September, 2014 (6.00 p.m IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 29th August, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
- For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/ folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. <p>Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.</p>
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat Bank account or folio.
	Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded details with the depository or company please enter the number of shares held by you as on the cut of date in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- i. Click on the EVSN for Kanani Industries Limited on which you choose to vote (i.e. 140821043).
- (xi) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/ NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xiv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvi) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Note for Non – Individual Shareholders and Custodians
- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xviii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013.**Item No. 4:**

Mr. Devendrakumar Kikani is a Non-Executive Independent Director of the Company and he was appointed on September 29, 2007. His period of office is liable to be determined by retirement of Directors by rotation at the ensuing AGM under the provisions of the *erstwhile* Companies Act, 1956. In terms of Section 149 and any other applicable provisions, *if any*, of the Companies Act, 2013, Mr. Devendrakumar Kikani being eligible and seeking re-appointment, is proposed to be appointed as an Independent Director of the Company for a term of five consequent years.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of ₹ 1,00,000/- proposing the candidature of Mr. Devendrakumar Kikani for the office of independent Director, to be appointed as such under the provisions of Section 149 of the Companies Act, 2013.

The Company has received from Mr. Devendrakumar Kikani the following:

- i. Consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014;
- ii. Intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013; and
- iii. A declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Devendrakumar Kikani as an Independent Director of the Company up to March 31, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. He is not liable to retire by rotation.

In the opinion of the Board, Mr. Devendrakumar Kikani, the Independent Director proposed to be appointed, fulfils the conditions specified in the Act and the Rules made there under and he is independent of the Management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail the services of Mr. Devendrakumar Kikani in the capacity of Independent Director.

No Director, key managerial personnel or their relatives, except Mr. Devendrakumar Kikani, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no.4 for approval of the Members.

Item No. 5:

The Company may borrow monies by way of debentures, bonds, loans, hire purchase finance either in rupee or in foreign currency from Financial Institutions / Banks / Insurance Companies and other Corporate Bodies apart from working capital facilities from banks in ordinary course of business. This in turn would necessitate further creation of securities by suitable mortgages and / or charges on all or some of the immovable and movable properties of the Company, both present and future, in favour of the lenders / trustees. To create mortgage and / or charge upto the limit of ₹ 100 crores, approval of the Members is required to be obtained

pursuant to Section 180(1)(a) of the Companies Act, 2013 authorizing the Board of Directors of the Company in this regard. Hence the resolution is placed before the Members for their approval.

Your Directors recommend passing the above resolution.

None of the Directors is concerned or interested in the said resolution.

Item No. 6:

Your Board of Directors is of the opinion that for any future business expansion or diversification which may be carried out by the Company, the Company requires infusion of additional funds. Hence, the requirement for mobilization of the funds has been substantially increased. Therefore, it is considered desirable to increase the Board's borrowing powers upto the limit of ₹ 100 Crores over and above the paid-up share capital and free reserves of the Company.

Accordingly, the consent of the Shareholders at the General Meeting is sought under Section 180(1) (c) of the Companies Act, 2013.

Your Directors recommend passing the above resolution.

None of the Directors is concerned or interested in the said resolution.

Item No. 7:

The existing Articles of Association ("AoA") are based on *erstwhile* Companies Act, 1956 and several regulations in the existing AoA contain references to specific sections of *erstwhile* Companies Act, 1956 and some regulations in the existing AoA are no longer in conformity with the Act.

With the coming into force of the Companies Act, 2013, several regulations of the existing AoA of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing AoA by a new set of Articles.

The new AoA to be substituted in place of the existing AoA are based on Table 'F' of the Act which sets out the model Articles of Association for Company limited by shares.

The proposed new draft of AoA is available for inspection by the members at the Registered Office of the Company on any working day excluding public holidays and Sundays, between 11.00 A.M. to 1.00 P.M. upto and including the date of Annual General Meeting.

None of the Directors and Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financial or otherwise, in the Special Resolution set out at item no. 8 of the Notice.

The Board of Directors recommends the Special Resolution for your approval.

On behalf of the Board

Place: Mumbai
Date: 20, August 2014

PREMJIBHAI KANANI
Chairman
DIN : 01567443

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

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. Premjibhai Devjibhai Kanani	54	wide experience in the diamond industry and he has been associate with us from more than 2 decades	Under Graduate	1	–	8006130
Mr. Devendrakumar Kikani	47	Having a 28 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

○ Directors' Report

To
The Members of
KANANI INDUSTRIES LIMITED

Your Directors present the **31st Annual Report** together with the Audited financial Statement for the financial year ended March 31, 2014.

FINANCIAL RESULTS:

The Financial Results for the year ended March 31, 2014 are summarized below:

(Amt. in ₹)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Revenue from operation	706,002,384	77,63,04,269
Other Income	9,448,380	1,19,18,236
Total Income	715,450,763	78,82,22,505
Expenditure (before depreciation)	712,712,976	78,53,14,532
Profit/(Loss) before Depreciation and Taxes	2,737,787	29,07,973
Less: Depreciation	1,005,269	11,03,212
Profit/(Loss) before Taxation	1,732,518	18,04,761
Less: Provision for Tax		
- Current Taxes	3,35,000	3,60,000
- Previous year taxes	—	—
Profit/(Loss) after Taxation	1,397,518	14,44,761
Balance brought forward	299,565,532	30,82,65,297
Add: Net Profit/(Net Loss) for the year	1,397,518	14,44,761
Amount available for the appropriation	300,963,050	309,710,058
Less: Capitalised by way of issue of fully paid up Bonus Shares	—	(89,94,000)
Less: Transferred to Special Economic Zone re-investment reserve	—	(11,50,526)
Balance Carried to Balance Sheet	300,963,050	29,95,65,532
Earnings per equity share (₹ per share)		
- Basic	0.01	0.01
- Diluted	0.01	0.01

DIVIDEND:

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

PERFORMANCE:

Your company is engaged in the manufacturing activities and during the year under review, the Company has posted total Income of ₹ 715,450,763/- as against total Income of ₹ 78,82,22,505/- in the corresponding previous year. Net Profit after Tax for the year under review was ₹ 1,397,518/- as against Net Profit after Tax of ₹ 14, 44,761/- 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:

In accordance with section 152(6) of the Companies Act, 2013 and in terms of Articles of Association of the Company, Mr. Premjibhai Devjibhai Kanani, Whole-time Director of the Company are liable to retire by rotation at the ensuing Annual General meeting and being eligible, offered himself for re-appointment. Board of Directors recommends the above re-appointment.

In accordance with Section 149(4) and other applicable provisions, if any, read with Schedule IV of the Companies Act, 2013, the Company has to appoint 1/3rd of the total Directors as Independent Directors, for a maximum period of 5 years and who are not liable to retire by rotation.

Accordingly, the Board of Directors proposes to appoint the existing Independent Director i.e. Mr. Devendra kumar Kikani as an Independent Directors of the Company under Section 149 of the Companies Act, 2013 for term up to 5 (five) years, respectively, in ensuing Annual General Meeting.

The Company has received declarations from the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

During the year under review, Mr. Gautam Parekh resigned from Directorship of the company w.e.f. 01st December, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under section 217(2AA) of the *erstwhile* 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 2013-14, 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 or loss 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, 2014.

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, 2014 is not applicable to the Company as none of the employee is drawing remuneration more than the limits presently specified under the said rules.

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 erstwhile 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. 21 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.

CONSTITUTION / RE CONSTITUTION OF COMMITTEE:

During the financial year, Mr. Gautam Parekh, non-executive Independent Directors, resigned from Directorship of the company w.e.f. 01st December, 2013. The Board of Directors of the Company has re-constituted the Audit Committee and Share Transfer/Investor Grievance Committee w.e.f. 01st December, 2013.

The constitution of the Audit Committee is as follows:

Mr. Devendrakumar Kikani	-	Chairman, Non Executive Independent
Mr. Shailesh Patel	-	Member, Non-Executive Independent
Mr. Harshil Kanani	-	Member, Executive

The constitution of the Share Transfer/Investor Grievance Committee is as follows:

Mr. Shailesh Patel	-	Chairman, Non Executive Independent
Mr. Devendrakumar Kikani	-	Member, Non-Executive Independent
Mr. Harshil Kanani	-	Member, Executive

Further, the Board of Directors of the Company has constituted Remuneration committee, the following are the members of the said committee are as table below:

Mr. Shailesh Patel	-	Chairman, Non Executive Independent
Mr. Devendrakumar Kikani	-	Member, Non-Executive Independent
Mr. Harshil Kanani	-	Member, Executive

Terms of reference

- Fix the remuneration payable to the Executive Directors;
- Review the performance of employees and their compensation; and
- Review the performance of employees against specific key result areas identified as yardsticks for measuring performance.

In accordance with provision of Companies Act, 2013, the Board of Directors of the Company has re-named the all existing committees w.e.f. 20th August, 2014.

STATEMENT U/S. 212 REGARDING SUBSIDIARY COMPANY:

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

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), Bombay Stock Exchange Limited, Central, State and Local Government for their continued support and cooperation.

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

**PREMJIBHAI KANANI
Chairman
DIN : 01567443**

**Place: Mumbai
Date: 20th August, 2014**

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

Sr. No.	Name of the Subsidiary	KIL International Limited Hong Kong
1	Financial Year Ended	31/03/2014
2	Date from which it became subsidiary company	04/07/2011
3	Shares of Subsidiary held as on 31st March, 2014	32000000
	a. Total Number of Shares and face value	32000000
	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.	28522420 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.	8146802 INR

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

**Place: Mumbai
Date: 20th August, 2014**

**PREMJIBHAI KANANI
Chairman
DIN : 01567443**

○ Corporate Governance Report

The Corporate Governance Code as stipulated in Clause 49 in the Listing Agreements of the Stock Exchanges 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.

The Company firmly believes that corporate governance and compliance practices are of paramount importance in order to maintain the trust and confidence of the stakeholders and clients of the Company and the unquestioned integrity of all personnel involved or related to the Company. To ensure transparency, fairness and objectivity in an organisation's functioning, the Company has proactively adopted best practices with regard to corporate governance and compliance, which are ahead of regulatory requirements.

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 upward moving target.

We have undertaken several initiatives towards maintaining the highest standards.

2. BOARD OF DIRECTORS

(a) Composition of Board of Directors

As on 31st March, 2014 the total strength of Board of Directors was 04, comprising of 2 Executive Directors and 2 Non-Executive Independent Directors. The Chairman of the Company is Executive Promoter Director.

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

The composition of the Board of Directors and also the number of other Companies of which he is a Director and Member/Chairman as on March 31, 2014 are as under:

Sr. No.	Name of the Directors	Category of Directorship	Number of Other		
			Directorship	Committee Membership(s)	Committee Chairman
1.	Mr. Premjibhai Kanani	Chairman & Executive	1	—	—
2.	Mr. Harshil Kanani	Managing Director	—	—	—
3.	Mr. Devendra kumar Kikani	Non Executive Independent	—	—	—
4.	Mr. Shailesh Patel	Non Executive Independent	—	—	—
5.	*Mr. Gautam Parekh	Non Executive Independent	—	—	—
6.	**Mr. Nagjibhai Vithani	Non Executive Independent	—	—	—

* Mr. Gautam Parekh resigned from Directorship of the company w.e.f. 01st December, 2013.

** Mr. Nagjibhai Vithani retired from directorship of the company w.e.f. 25th September, 2013.

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

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

During the financial year 2013-2014, 5 [five] meetings of the Board of Directors were held on 30th May, 2013; 14th August, 2013, 26th October, 2013; 01st December, 2013 and 04th February 2014.

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

Name of Directors	Category	No. of Board Meetings Attended during the F.Y. 2013-2014	Attendance at Previous 30th AGM on, 25 th September, 2013
Mr. Premjibhai Kanani	Chairman & Executive	5	Absent
Mr. Harshil Kanani	Managing Director	5	Attended
*Mr. Gautam Parekh	Non Executive Independent	3	Absent
Mr. Devendrakumar Kikani	Non Executive Independent	5	Absent
Mr. Shailesh Patel	Non Executive Independent	5	Attended
**Mr. Nagjibhai Vithani	Non Executive Independent	NIL	Absent

* Mr. Gautam Parekh resigned from Directorship of the company w.e.f. 01st December, 2013.

** Mr. Nagjibhai retired from directorship of the company w.e.f. 25th September, 2013.

(a) 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.

(b) 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:**(a) Composition:**

The Board re-constituted the Audit Committee on 01/12/2013 and presently the audit committee comprises of 3 (three) Directors, out of 2 (two) member non executive and independent Directors. All the Directors possess knowledge by corporate finance, accounts and company law.

The constitution of the Audit Committee is as follows:

Name of Director	Category
Mr. Devendrakumar Kikani	Chairman, Non Executive Independent <i>w.e.f. 01st December, 2013</i>
Mr. Gautam Parekh	Chairman, Non Executive & Independent <i>upto 30th November, 2013</i>
Mr. Shailesh Patel	Non-Executive Independent
Mr. Harshil Kanani	Executive

(B) Meetings and Attendance:

During the financial year ended March 31, 2014, 4 (Four) Audit Committee Meetings were held on 30th May, 2013; 14th August, 2013, 26th October, 2013 and 04th February 2014.

The attendance at the Audit Committee Meetings is as under:

Name of Directors	Category	No. of meetings attended
Mr. Devendrakumar Kikani	Chairman, Non Executive Independent <i>w.e.f. 01st December, 2013</i>	04
Mr. Gautam Parekh	Chairman, Non Executive & Independent <i>upto 30th November, 2013</i>	03
Mr. Shailesh Patel	Non-Executive Independent	04
Mr. Harshil Kanani	Executive	01

The Audit Committee has been vested with the following powers:

- i. To investigate any activity in terms of its reference;
- ii. To seek information from any employee;

- iii. To obtain outside legal or other professional advice;
- iv. To secure the attendance of outsiders with relevant expertise, if it considers necessary.

(C) 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:

- Oversee of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required being included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory Auditor and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Reviewing the Company's financial and risk management policies.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. SHARE TRANSFER/INVESTOR GRIEVANCE COMMITTEE:

The Company has a Share Transfer cum Shareholders/ Investors' Grievance Committee.

(a) 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, *inter-alia*, 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.

The share department of the company and registrar and transfer agents, Sharex Dynamic (India) Private Limited attends expeditiously to all grievances/ correspondences of the shareholders and investors. The complaints are generally resolved within 15 days of receipt, except in the cases that are constrained by disputes or legal impediment.

(b) Composition

The constitution of the Committee of Directors is as under:

Name of Director	Category
Mr. Shailesh Patel	Chairman, Non Executive Independent <i>w.e.f. 01st December, 2013</i>
Mr. Gautam Parekh	Chairman, Non Executive & Independent <i>upto 30th November, 2013</i>
Mr. Devendrakumar Kikani	Non-Executive Independent
Mr. Harshil Kanani	Executive

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

The Company had not received any investor complaint and no any complaint pending for the financial year ended 31st March, 2014.

5. REMUNERATION COMMITTEE:**(a) Composition**

The constitution of the Remuneration Committee is as under:

Name of Director	Category
Mr. Shailesh Patel	Chairman, Non Executive Independent
Mr. Devendrakumar Kikani	Non-Executive Independent
Mr. Harshil Kanani	Executive

(b) Terms of reference

- Fix the remuneration payable to the Executive Directors;
- Review the performance of employees and their compensation; and
- Review the performance of employees against specific key result areas identified as yardsticks for measuring performance.

6. DIRECTORS' REMUNERATION**Remuneration Policy**

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 2013-14.

Name of Directors	Executive/Non-Executive Independent	Remuneration Paid (in ₹)
Mr. Premjibhai Kanani	Executive Chairman	—
Mr. Harshil Kanani	Managing Director	5,01,000/-

7. 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
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
2013-2014	25/09/2013	KRISHNA PALACE RESIDENCY HOTEL, GRANT ROAD, MUMBAI - 400007	10.00 A.M

8. 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.

9. 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 2010-2011, 2011-2012 and 2012-2013 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)

10. 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.

11. 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.

12. GENERAL SHAREHOLDERS' INFORMATION:

Company Registration Details	The Company is registered in the State of Maharashtra, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L51900MH1983PLC029598.	
Annual General Meeting		
Day, Date and Time	Monday, 29 th September, 2014 at 10.00 A.M.	
Venue	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai - 400007	
Financial Year	1 st April, 2014 to 31 st March, 2015	
	Financial Reporting for the quarter ending 30 th June, 2014	Up to 15 th August, 2014
	Financial Reporting for the quarter ending 30 th September, 2014	Up to 15 th November 2014
	Financial Reporting for the quarter ending 31 st December, 2014	Up to 15 th February 2015
	Financial Reporting for the quarter ending 31 st March, 2015	Up to 30 th May 2015
Date of Book Closure	Thursday, 25 th September, 2014 to Monday, 29 th September, 2014 (both days inclusive)	
Listing on Stock Exchange	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 Web: www.bseindia.com	National Stock Exchange of India Limited 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	

Stock Price Data

The monthly high and low quotations and volume of shares traded on Bombay Stock Exchange Limited [BSE] and National Stock Exchange of India Limited [NSE] for the financial year 2013-2014 are as follows:

MONTH	BOMBAY STOCK EXCHANGE (BSE)			NATIONAL STOCK EXCHANGE (NSE)		
	High (₹)	Low (₹)	No. of shares traded	High (₹)	Low (₹)	No. of shares traded
2013						
April	19.15	14.05	3,31,942	18.80	14.35	2,57,807
May	20.40	14.66	4,43,169	19.50	14.60	4,43,405
June	17.85	15.00	2,74,938	18.35	14.90	2,83,535
July	16.90	14.20	1,96,383	16.75	13.85	2,08,781
August	15.00	10.75	2,11,260	14.90	11.10	2,02,942
September	12.49	8.81	2,26,446	12.30	8.10	2,42,184
October	14.46	10.00	2,24,332	13.30	12.90	2,53,579
November	14.63	12.00	2,24,957	14.70	12.20	2,33,324
December	15.90	11.00	4,74,451	16.00	13.50	3,59,058
2014						
January	16.39	10.00	5,09,908	15.85	13.90	5,62,517
February	13.21	9.40	2,69,775	13.10	11.30	3,32,555
March	11.94	9.06	3,87,167	11.85	11.25	1,71,785

[Source: This information is compiled from the data available from the websites of BSE and NSE]

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
Email: info@kananiindustries.com
Web Site: www.kananiindustries.com
- **Registrar & Share Transfer Agent** Sharex Dynamic (India) Private Limited
Corporate Office: Luthra Indus. Estate,
1st Floor, Safed Pool, Andheri-Kurla Road,
Andheri (East), Mumbai - 400072
Tel: +91-22-28515606, 28515644
Fax: +91-22-228512885
Email : shatexindia@vsnl.com
Web Site: www.sharexindia.com
- **Compliance Officer** Mr. Darshak Pandya
Email: investorgrievance@kananiindustries.com

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 15 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:

Equity Shares of the Company can be traded in dematerialized form, so it is advisable that the shareholders who have shares in physical form get their shares dematerialized. As on 31st March, 2014, 9,88,87,800 equity shares comprising 99.96% of the total paid up share capital were held in dematerialized form with NSDL and CDSL.

Distribution of shareholding as on March 31, 2014:

No. of shares held	No. of shareholders	No. of shares held	% of Shareholding
1 to 100	467	16106	0.02
101 to 200	176	25208	0.03
201 to 500	163	53699	0.05
501 to 1000	207	140408	0.14
1001 to 5000	188	421390	0.43
5001 to 10,000	23	155418	0.16
10,001 to 1,00,000	58	1739189	1.76
1,00,001 to above	27	96382582	97.42
TOTAL	1309	98934000	100.00

Shareholding Pattern as on 31st March, 2014

Category	No. of Shares Held	% of Share holding
Promoter and Promoter Group	74034840	74.833
Financial Institutions, Insurance Companies, Banks and Mutual Funds, etc.	—	—
Foreign Institutional Investors	—	—
Bodies Corporates	822097	0.831
NRIs / OCBs	40883	0.041
Indian Public	24036180	24.295
TOTAL	98934000	100.00

Note:

Shareholding pattern in case of demated shares has been prepared based on download of data received from NSDL / CDSL as on 31st March 2014.

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.

DECLARATION

I, Harshil Kanani, Managing Director of Kanani Industries Limited, based on confirmations received from all the Directors and Senior Management of the Company, do hereby state that all Board Members and senior management personnel have affirmed compliances with the Code of Conduct of the Company for the year ended 31st March 2014.

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

**HARSHIL KANANI
Managing Director
DIN : 01568262**

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 violates 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; and
- 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
DIN : 01568262**

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kanani Industries Limited
Mumbai

We have examined the compliance of conditions of Corporate Governance by KANANI INDUSTRIES LIMITED for the year ended on 31st March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock exchanges.

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

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

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

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

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

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

Place: Mumbai
Date: August 20th, 2014

○ 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, 2014 and the Statement of Profit & Loss 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 ("the Act") read with General Circular No. 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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 judgment, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements give the information required by the Act in the manner so required and 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 **31st March, 2014**;
- b) In the case of the Statement of Profit and Loss, of the profit 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', as amended by 'the companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of checks of books and records of the company as we considered appropriate and according to the information and explanation given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the 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 and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular No. 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
- (e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, 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, 2014

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 taken unsecured loan, repayable on demand, from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹ 2,84,00,000/- and the year end balance of loans taken from such party was ₹ 2,84,00,000/- . The Company has not granted any loans to such parties.
b. In our opinion and according to explanation given to us, the rate of interest wherever applicable and other terms and conditions on which such loans have been taken from parties listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
c. There is no stipulation as to payment of interest and principal amount to such parties.
d. The loans taken from or granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are repayable on demand. Therefore the question of overdue amount does not arise.
- 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 the information and explanations given to us, we are of the opinion that the transactions that are needed to be entered into the register in pursuance of section 301 of the Companies Act, 1956 have been so entered.
b. In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions exceeding ₹ 5,00,000/- in value made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit in contravention of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and other relevant provisions of the Act. As informed to us, no order has been passed by the Company Law Board, National Company Law Tribunal or any Court or Tribunal.
- vii. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

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

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

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

Place: Mumbai
Date: May 30th, 2014

○ Balance Sheet as on 31st March, 2014

	<u>Notes</u>	2014 ₹	2013 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	1	9,89,34,000	9,89,34,000
b. Reserves & Surplus	2	30,37,74,603	30,23,77,085
		<u>40,27,08,603</u>	<u>40,13,11,085</u>
2 Non Current liabilities			
a. Long-term borrowings	3	2,84,00,000	—
		<u>2,84,00,000</u>	<u>—</u>
3 Current liabilities			
a. Short-term borrowings	4	22,75,97,110	14,88,21,434
b. Trade payables		1,83,00,423	21,40,97,716
c. Other current liabilities	5	6,07,914	7,85,049
d. Short-term provisions	6	43,548	75,936
		<u>24,65,48,995</u>	<u>36,37,80,135</u>
TOTAL		67,76,57,598	76,50,91,220
II. ASSETS			
1 Non-current assets			
a. <u>Fixed Assets</u>	7		
(i) Tangible assets		81,18,585	91,04,749
b. Non-current investments	8	21,33,58,969	20,06,33,280
c. Long-term loans and advances	9	33,229	33,229
2 Current assets			
a. Inventories	10	19,03,571	11,04,26,071
b. Trade receivables	11	37,37,13,391	41,78,89,803
c. Cash and bank balances	12	7,10,23,026	2,55,96,882
d. Short-term loans and advances	13	34,80,781	10,26,878
e. Other current assets	14	60,26,046	3,80,327
		<u>45,61,46,815</u>	<u>55,53,19,962</u>
TOTAL		67,76,57,598	76,50,91,220
Significant Accounting Policies	21		
Notes are an integral part of the financial statements			

In terms of our report of even date

For & on behalf of Board of Directors

For **RAVI & DEV**Chartered Accountants
(FRN : 108752W)**DEVENDRA MEHTA**Partner
M. No.82325Mumbai
May 30th, 2014**PREMJIBHAI KANANI**

Chairman (DIN : 01567443)

HARSHIL KANANI

Managing Director (DIN : 01568262)

Mumbai
May 30th, 2014

○ Profit & Loss Statement for the year ended 31st March, 2014

	<u>Notes</u>	2014 ₹	2013 ₹
I. INCOME			
Revenue from operation	15	70,60,02,384	77,63,04,269
Other Income	16	94,48,380	1,19,18,236
TOTAL		71,54,50,763	78,82,22,505
II. EXPENDITURE			
Cost of raw materials consumed		65,88,39,379	78,82,36,644
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	17	2,41,66,699	(2,41,66,699)
Employee benefit expenses	18	30,48,521	36,05,996
Finance costs	19	1,24,08,313	1,52,69,474
Depreciation and amortization expense	7	10,05,269	11,03,212
Other expenses	20	1,42,50,065	23,69,117
TOTAL		71,37,18,245	78,64,17,744
Profit for the year before taxes		17,32,518	18,04,761
<u>Less : Provision for taxes</u>			
Current Taxes		(3,35,000)	(3,60,000)
Previous year taxes		—	—
Profit for the year after taxes		13,97,518	14,44,761
Earnings per equity share:			
(1) Basic		0.01	0.01
(2) Diluted		0.01	0.01
Significant Accounting Policies	21		

Notes are an integral part of the financial statements

In terms of our report of even date

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

Partner

M. No.82325

Mumbai

May 30th, 2014

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman (DIN : 01567443)

HARSHIL KANANI

Managing Director (DIN : 01568262)

Mumbai

May 30th, 2014

○ Cash Flow Statement for the year ended 31st March, 2014

	2014	2013
	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	17,32,518	18,04,761
Adjustments for		
Depreciation	10,05,269	11,03,212
Adjustments for Working Capital Changes		
Inventories	10,85,22,500	(5,67,86,840)
Trade receivables	4,41,76,412	38,10,32,900
Short term Loans and Advances	(24,53,903)	71,72,732
Other current assets	(56,45,719)	71,488
Trade Payables	(19,59,74,428)	(4,44,76,997)
<i>Cash Generated from Operations</i>	(4,86,37,351)	28,99,21,256
Direct taxes paid	(3,67,388)	(3,96,601)
<i>Net cash from Operating activities</i>	(a) (4,90,04,739)	28,95,24,655
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(19,105.00)	—
Investment in Equity Instruments	(1,27,25,689)	—
Change in long term Fixed Deposit	—	—
<i>Net Cash Utilised in Investing Activities</i>	(b) (1,27,44,794)	—
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) of Borrowings	7,87,75,676	(33,18,89,247)
Proceeds from Long-Term Borrowings	2,84,00,000	—
Share Capital	—	—
Interim Dividend	—	—
Corporate tax	—	—
<i>Net Cash utilised in Financing Activities</i>	(c) 10,71,75,676	(33,18,89,247)
Net increase in cash and cash equivalents	(a+b+c) 4,54,26,144	(4,23,64,592)
Cash & cash equivalents as at 1st april (opening balance)	2,55,96,882	6,79,61,475
Cash & cash equivalents as at 31st march (closing balance)	7,10,23,026	2,55,96,883

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

DEVENDRA MEHTA
Partner
M. No.82325

Mumbai
May 30th, 2014

For Kanani Industries Limited

PREMJIBHAI KANANI
Chairman (DIN : 01567443)

HARSHIL KANANI
Managing Director (DIN : 01568262)

Mumbai
May 30th, 2014

○ Schedule for the year ended 31st March, 2014

NOTE 1 : SHARE CAPITAL**Authorised**

15,00,00,000 (Previous Year: 15,00,00,000 Equity Shares)
Equity Shares of ₹ 1/- Each

Issued, subscribed & paid-up

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

	2014 ₹	2013 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	8,99,40,000
	9,89,34,000	8,99,40,000

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

Particulars	31st March, 2014		31st March, 2013	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	9,89,34,000	9,89,34,000	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
Outstanding at the end of the year	9,89,34,000	9,89,34,000	9,89,34,000	9,89,34,000

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

Name of Share holders	31st March, 2014		31st March, 2013	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	80,06,130	8.09	80,06,130	8.09
Harshil Premjibhai Kanani	6,29,47,500	63.63	6,29,47,500	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

	2014 ₹	2013 ₹
Balance as per last balance sheet	16,61,027	16,61,027
Add: Current year transfer	—	—
Less: Written back in current year	—	—
	<hr/>	<hr/>
Balance at the end of the year	16,61,027	16,61,027
	<hr/>	<hr/>
Balance as per last balance sheet	11,50,526	—
Add: Transferred from Profit & Loss Account	—	11,50,526
Less: Written back in current year	—	—
	<hr/>	<hr/>
Balance at the end of the year	11,50,526	11,50,526
	<hr/>	<hr/>
Balance as per last balance sheet	29,95,65,532	30,82,65,297
Add: Net Profit/(Net Loss) for the year	13,97,518	14,44,761
	<hr/>	<hr/>
Amount available for the appropriation	30,09,63,050	30,97,10,058
Appropriations :		
Less : Capitalised by way of issue of fully paid up Bonus Shares	—	(89,94,000)
Less : Transferred to Special Economic Zone re-investment reserve	—	(11,50,526)
	<hr/>	<hr/>
Balance at the end of the year	30,09,63,050	29,95,65,532
	<hr/>	<hr/>
	<hr/>	<hr/>
	30,37,74,603	30,23,77,085
	<hr/>	<hr/>

NOTE 3 : LONG-TERM BORROWINGS**Unsecured**

From Related Party

Shri PremjiBhai Kanani

	2014 ₹	2013 ₹
	2,84,00,000	—
	2,84,00,000	—
NOTE 4 : SHORT-TERM BORROWINGS		
1 <u>Secured</u>		
i) <u>From Banks</u>		
<u>Post Shipment Credit Facility</u>		
Dena Bank	22,75,97,110	14,88,21,434
(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.)		
	22,75,97,110	14,88,21,434
NOTE 5 : OTHER CURRENT LIABILITIES		
Unclaimed Dividend	5,604	5,604
Other Payable		
Statutory dues payable	46,636	36,512
Creditor for capital goods	19,105	—
Employee related liabilities	2,78,032	4,85,152
Other Liabilities	2,58,537	2,57,781
	6,07,914	7,85,049
NOTE 6 : SHORT-TERM PROVISIONS		
Provision for Taxation	43,548	75, 936
	43,548	75, 936

NOTE 7 : FIXED ASSETS

Name of the Assets	←----- GROSS BLOCK -----→			←----- DEPRECIATION -----→				NET BLOCK	
	As on 01/04/13	Additions During the year	Sale	Total	Rate %	As on 01/04/13	Written Off During the year	As on 31/03/14	As on 31/03/13
a) Tangible Assets									
Leasehold Land	47,00,000	-	-	47,00,000	-	15,66,665	3,13,333	28,20,002	31,33,335
Factory Building	59,69,514	-	-	59,69,514	10.00	22,28,746	3,74,077	33,66,691	37,40,768
Plant & Machinery	37,63,087	-	-	37,63,087	13.91	18,41,521	2,67,290	16,54,276	19,21,566
Generator	1,40,000	-	-	1,40,000	13.91	55,506	11,753	72,741	84,494
Office Equipment	90,550	19,105	-	1,09,655	13.91	48,709	6,257	54,689	41,841
Air Conditioner	3,04,074	-	-	3,04,074	13.91	1,48,694	21,613	1,33,767	1,55,380
Computer	2,18,554	-	-	2,18,554	40.00	1,91,189	10,946	16,419	27,365
	1,51,85,779	19,105	-	1,52,04,884		60,81,030	10,05,269	81,18,585	91,04,749
Previous Year Total	1,51,85,779	-	-	1,51,85,779		49,77,818	11,03,212	91,04,749	1,02,07,961

NOTE 8 : NON-CURRENT INVESTMENTS**1 Non Trade Investments**Unquoted InvestmentInvestment in Subsidiary

Investment in Equity Instruments

[3,20,00,000 Equity Shares of KIL International Ltd. fully paid up]

2 Others**NOTE 9 : LONG TERM LOANS AND ADVANCES**

Advances recoverable in cash or in kind

or for value to be received

(Unsecured & considered good)

Security Deposits

NOTE 10 : INVENTORIES

(As taken, valued and certified by the Management)

(Valued at lower of cost or net realisable value)

Raw material

Polished Diamonds

Bullion

Work in Progress

Finished Goods

Diamond Studded Jewellery

NOTE 11 : 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**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

	2014 ₹	2013 ₹
	21,33,58,969	20,06,33,280
	—	—
	21,33,58,969	20,06,33,280
	33,229	33,229
	33,229	33,229
	18,81,567	8,61,54,590
	22,004	1,04,782
	—	77,06,568
	—	1,64,60,131
	19,03,571	11,04,26,071
	37,37,13,391	41,78,89,803
	—	—
	37,37,13,391	41,78,89,803
	—	—
	—	—
	—	—
	—	—

NOTE 12 : CASH AND BANK BALANCE

- a) Cash and cash equivalents
 i) Balances with banks
 ii) Current account
 iii) Deposits with original maturity of less than 12 months
 b) Cheques, drafts on hand
 c) Cash on hand
 d) Other Bank Balances
 Deposits with original maturity for more than 12 months
 maturing within 12 months

	2014 ₹	2013 ₹
	3,69,43,776	2,10,542
	2,48,58,000	2,48,58,000
	—	—
	2,21,250	5,28,340
	90,00,000	—
	7,10,23,026	2,55,96,882
	34,80,781	9,58,808
	—	68,707
	34,80,781	10,26,878
	15,05,760	3,80,327
	45,20,286	—
	60,26,046	3,80,327
	70,60,02,384	77,63,04,269
	70,60,02,384	77,63,04,269
	94,48,380	1,19,18,236
	94,48,380	1,19,18,236
	1,64,60,131	—
	—	(1,64,60,131)
	1,64,60,131	(1,64,60,131)
	77,06,568	—
	—	(77,06,568)
	77,06,568	(77,06,568)
	2,41,66,699	(2,41,66,699)

NOTE 13 : 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

NOTE 14 : OTHER CURRENT ASSETS

- Interest accrued on Fixed Deposit with Bank
 Other Receivables

NOTE 15 : REVENUE FROM OPERATIONS

- Sale of products
 Diamond Studded Jewellery

NOTE 16 : OTHER INCOME

- Exchange rate difference

NOTE 17 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

- Finished Goods—Jewellery
 Opening Stock
Less: Closing Stock

Work in Progress

- Opening Stock
Less: Closing Stock

NOTE 18 : EMPLOYEE BENEFIT EXPENSES

Salary, Wages and allowances
Staff Welfare

2014
₹

29,62,535
85,986

30,48,521

2013
₹

35,03,098
1,02,898

36,05,996

NOTE 19 : FINANCE COSTS

Interest
Other borrowing cost

1,07,38,203
16,70,110

1,24,08,313

1,48,69,361
4,00,113

1,52,69,474

NOTE 20 : OTHER EXPENSES

Consumption of Stores & Consumables
Power & Fuel
Audit fees
Insurance
Rates and Taxes
Travelling Expenses
Legal & Professional Fee
Bank Charges
Loss form dealing in currency futures
Miscellaneous Expenses

1,85,397

47,458

1,00,000

19,872

4,00,985

5,30,368

3,02,829

4,62,859

1,19,79,713

2,20,584

1,42,50,065

2,44,234

95,890

1,50,000

14,181

3,58,257

2,59,967

3,09,390

6,56,319

—

2,80,879

23,69,117

NOTE 21 : 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.

	2014	2013
	₹	₹
3. Expenditure in Foreign Currency		
Interest on Loan	40,26,953	57,95,217
4. C. I. F. Value of Imports		
Raw Material	51,67,84,932	82,03,26,441
5. F.O.B. Value of Exports	70,60,02,384	77,63,04,269
6. <u>Auditors' Remuneration</u>		
Audit Fee	75,000	1,25,000
Tax Audit Fee	25,000	25,000
	<u>1,00,000</u>	<u>1,50,000</u>

7. Value of imported & indigenous material consumed :

	<u>%</u>	<u>2014</u> <u>Amount</u> ₹	<u>%</u>	<u>2013</u> <u>Amount</u> ₹
Raw Material				
Indigenous	0.06	3,63,357	0.05	4,22,394
Imported	99.94	65,84,76,022	99.95	78,78,14,250
Stores & Spares				
Indigenous	100.00	1,85,397	100.00	2,44,234
Imported	—	—	—	—

8. Stock and turnover

	<u>Sales Value</u>	<u>Closing Inventory</u>	<u>Opening Inventory</u>
<u>Manufactured goods</u>			
Diamond studded Jewellery	70,60,02,384 (77,63,04,269)	— (1,64,60,131)	1,64,60,131 —

* 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

Investment in subsidiary

	<u>2014</u> ₹	<u>2013</u> ₹
Remuneration to Director	5,01,000	5,01,000
Loan given to subsidiary	—	68,070
Investment in Subsidiary	1,27,25,689	200,633,280
Remuneration to Director Payable	1,22,484	2,44,968
Loan given to subsidiary	—	68,070
Investment in subsidiary	21,33,58,969	20,06,33,280
Maximum Balance outstanding during the year	—	68,070
Closing Balance	—	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

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".

12. **Basic & Diluted Earning per Share (Face Value : ₹ 1/- each)**

Profit after tax as per Profit & Loss Account

Weighted average number of shares outstanding

Basic & Diluted earning per share in Rupees

	2014 ₹	2013 ₹
	13,97,518	14,44,761
	9,89,34,000	9,89,34,000
	0.01	0.01
	—	1,64,47,430

13. **Contingent Liability**

Income Tax / Sales Tax / Excise Demand
disputed in appeal (net of amount paid)

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, 2014 :

Particulars	Nominal Value \$	Quantity	
		Long	Short
USD Forward Contract 15.04.2014 - 30.04.2014	2,39,000.00	1.00	—
USD Forward Contract 15.04.2014 - 30.04.2014	3,10,000.00	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 21 :

In terms of our report of even date

For **RAVI & DEV**

Chartered Accountants

(FRN : 108752W)

DEVENDRA MEHTA

Partner

M. No.82325

Mumbai

May 30th, 2014

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman

(DIN : 01567443)

HARSHIL KANANI

Managing Director

(DIN : 01568262)

Mumbai

May 30th, 2014

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, 2014 and the Statement of Profit & Loss 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular No. 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 **31st March, 2014;**
- b) In the case of the Consolidated Statement of Profit and Loss, 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 ₹ 14663.00 lacs as at 31st March 2014 as well as the total revenue of ₹ 26721.09 lacs as at 31st March 2014. 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, 2014

○ Consolidated Balance Sheet as on 31st March, 2014

	Notes	2014 ₹	2013 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	1	9,89,34,000	9,89,34,000
b. Reserves & Surplus	2	34,55,79,086	31,67,90,474
		44,45,13,086	41,57,24,474
2 Non Current liabilities			
a. Long-term borrowings	3	2,84,00,000	—
		2,84,00,000	—
3 Current liabilities			
a. Short-term borrowings	4	22,75,97,110	14,88,21,434
b. Trade payables		1,22,92,17,045	86,40,89,680
c. Other current liabilities	5	7,23,879	8,89,943
d. Short-term provisions	6	2,39,992	7,34,161
		1,45,77,78,025	1,01,45,35,218
TOTAL		1,93,06,91,112	1,43,02,59,692
II. ASSETS			
1 Non-current assets			
a. <u>Fixed Assets</u>			
(i) Tangible assets	7	81,18,585	91,04,749
b. Long-term loans and advances	8	1,26,001	33,229
c. Investments		—	—
d. Other non-current assets		—	—
		82,44,586	91,37,978
2 Current assets			
a. Inventories	9	41,28,57,572	21,69,07,706
b. Trade receivables	10	1,42,78,42,625	1,17,22,33,087
c. Cash and bank balances	11	7,17,52,451	3,06,41,786
d. Short-term loans and advances	12	39,67,832	9,58,808
e. Other current assets	13	60,26,046	3,80,327
		1,92,24,46,526	1,42,11,21,714
TOTAL		1,93,06,91,112	1,43,02,59,692

Significant Accounting Policies

Notes are an integral part of the financial statements

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In terms of our report of even date attached.

For & on behalf of Board of Directors

For **RAVI & DEV**Chartered Accountants
(FRN : 108752W)**DEVENDRA MEHTA**Partner
M. No.82325Mumbai
May 30th, 2014**PREMJIBHAI KANANI**

Chairman (DIN : 01567443)

HARSHIL KANANI

Managing Director (DIN : 01568262)

Mumbai
May 30th, 2014

○ Consolidated Profit & Loss Statement for the year ended 31st March, 2014

	<u>Notes</u>	2014 ₹	2013 ₹
I. INCOME			
Revenue from operation	14	3,37,81,10,995	2,92,05,62,236
Other Income	15	94,48,489	1,19,18,244
TOTAL		3,38,75,59,484	2,93,24,80,480
II. EXPENDITURE			
Cost of raw materials consumed		65,88,39,379	78,82,36,644
Purchases of traded goods	16	2,94,53,33,955	2,17,86,64,946
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	17	(28,03,05,667)	(6,81,07,269)
Employee benefit expenses	18	30,48,521	36,05,996
Finance costs	19	1,24,08,313	1,52,69,474
Depreciation and amortization expense	7	10,05,269	11,03,212
Other expenses	20	1,63,33,653	32,89,542
TOTAL		3,35,66,63,423	2,92,20,62,545
Profit for the year before taxes		3,08,96,061	1,04,17,935
<u>Less : Provision for taxes</u>			
Current Taxes		(9,76,121)	(8,26,373)
Previous year taxes		—	—
Profit for the year after taxes		2,99,19,940	95,91,562
Earnings per equity share:			
(1) Basic		0.30	0.10
(2) Diluted		0.30	0.10

Notes to Accounts

21

In terms of our report of even date attached.

For & on behalf of Board of Directors

For **RAVI & DEV**Chartered Accountants
(FRN : 108752W)**DEVENDRA MEHTA**Partner
M. No.82325Mumbai
May 30th, 2014**PREMJIBHAI KANANI**

Chairman (DIN : 01567443)

HARSHIL KANANI

Managing Director (DIN : 01568262)

Mumbai
May 30th, 2014

○ Consolidated Cash Flow Statement for the year ended 31st March, 2014

	2014	2013
	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	3,08,96,062	1,04,17,936
Adjustments for		
Depreciation	10,05,269	11,03,212
Opening Balance of Profit and Loss Account	—	—
Opening Balance of General Reserve	—	—
Provision for taxation net of paid	—	—
Foreign currency translation reserve	(11,31,326)	80,54,438
Adjustments for Working Capital Changes		
Inventories	(19,59,49,866)	(10,07,27,410)
Trade receivables	(25,56,09,538)	(21,37,43,893)
Short term loans and advances	(30,09,024)	72,40,802
Other current assets	(56,45,719)	71,488
Long-term loans and advances	(92,772)	—
Trade Payables	36,49,61,300	57,89,34,170
<i>Cash Generated from Operations</i>	(6,45,75,613)	29,13,50,743
Direct taxes paid	(14,70,290)	(3,96,601)
<i>Net cash from Operating activities</i>	(a) (6,60,45,903)	29,09,54,142
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase/Sale of fixed assets	(19,105)	—
<i>Net Cash Utilised in Investing Activities</i>	(b) (19,105)	—
C. CASH FLOW FROM FINANCING ACTIVITIES		
Capital	—	—
Proceeds from Short-Term Borrowings	7,87,75,676	(33,19,65,411)
Proceeds from Long-Term Borrowings	2,84,00,000	—
Interim Dividend	—	—
Corporate tax	—	—
<i>Net Cash utilised in Financing Activities</i>	(c) 10,71,75,676	(33,19,65,411)
Net increase in cash and cash equivalents	(a+b+c) 4,11,10,666	(4,10,11,269)
Cash & cash equivalents as at 1st april (opening balance)	3,06,41,786	7,16,53,055
Cash & cash equivalents as at 31st march (closing balance)	7,17,52,451	3,06,41,786

For **RAVI & DEV**Chartered Accountants
(FRN : 108752W)**DEVENDRA MEHTA**Partner
M. No.82325Mumbai
May 30th, 2014

For Kanani Industries Limited

PREMJIBHAI KANANI

Chairman (DIN : 01567443)

HARSHIL KANANI

Managing Director (DIN : 01568262)

Mumbai
May 30th, 2014

○ Consolidated Schedule for the year ended 31st March, 2014

NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 : SHARE CAPITAL

Authorised

15,00,00,000 (Previous Year: 15,00,00,000 Equity Shares)

Equity Shares of ₹ 1/- Each

Issued, subscribed & paid-up

9,89,34,000 (Previous Year : 9,89,34,000 Equity Shares)

Equity shares of ₹ 1/- each.

	2014 ₹	2013 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	8,99,40,000
	9,89,34,000	9,89,34,000

Notes :

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

Particulars	31st March, 2014		31st March, 2013	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	9,89,34,000	9,89,34,000	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
Outstanding at the end of the year	9,89,34,000	9,89,34,000	9,89,34,000	9,89,34,000

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

Name of Share holders	31st March, 2014		31st March, 2013	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	80,06,130	8.09	80,06,130	8.09
Harshil Premjibhai Kanani	6,29,47,500	63.63	6,29,47,500	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**

	2014 ₹	2013 ₹
Balance as per last balance sheet	16,61,027	16,61,027
Add: Current year transfer	—	—
Less: Written back in current year	—	—
Balance at the end of the year	<u>16,61,027</u>	<u>16,61,027</u>

Foreign currency translation reserve

Balance as per last balance sheet	19,85,136	(60,57,197)
Add: Additions in current year	—	—
Less: Written back in current year	(11,31,326)	80,42,333
Balance at the end of the year	<u>8,53,810</u>	<u>19,85,136</u>

Special Economic Zone re-investment reserve

Balance as per last balance sheet	11,50,526	—
Add: Net Profit/(loss) for the year	—	11,50,526
Less: Written back in current year	—	—
Balance at the end of the year	<u>11,50,526</u>	<u>11,50,526</u>

Surplus in the Statement of Profit and Loss

Balance as per last balance sheet	31,19,93,784	31,25,46,749
Add: Net Profit/(Net Loss) for the year	2,99,19,940	95,91,562
Amount available for the appropriation	<u>34,19,13,724</u>	<u>32,21,38,311</u>
Appropriations :	—	—
Less: Capitalised by way of issue of fully paid up Bonus Shares	—	(89,94,000)
Less: Transferred to Special Economic Zone re-investment reserve	—	(11,50,526)
Balance at the end of the year	<u>34,19,13,724</u>	<u>31,19,93,785</u>
	<u>34,55,79,086</u>	<u>31,67,90,474</u>

NOTE 3 : LONG-TERM PROVISIONS**Unsecured**

From Related Party

Shri Premji Bhai Kanani

2014
₹

2,84,00,000

2,84,00,0002013
₹

—

—**NOTE 4 : SHORT-TERM BORROWINGS****1 Secured**i) From BanksPost Shipment Credit Facility

Dena Bank

22,75,97,110

14,88,21,434

(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)

22,75,97,110**14,88,21,434****NOTE 5 : OTHER CURRENT LIABILITIES**

Unclaimed Dividend

5,604

5,604

Other Payable

Statutory dues payable

46,636

36,512

Creditor for capital goods

19,105

—

Employee related liabilities

2,78,032

2,40,184

Other Liabilities

3,74,502

6,07,643

7,23,879**8,89,943****NOTE 6 : SHORT-TERM PROVISIONS**

(a) Others

Provision for Income Tax

2,39,992

7,34,161

2,39,992**7,34,161**

NOTE 7 : FIXED ASSETS

Name of the Assets	←----- GROSS BLOCK -----→			←----- DEPRECIATION -----→				NET BLOCK	
	As on 01/04/13	Additions During the year	Sale	Total	Rate %	As on 01/04/13	Written Off During the year	As on 31/03/14	As on 31/03/13
a) Tangible Assets									
Leasehold Land	47,00,000	-	-	47,00,000	-	15,66,665	3,13,333	28,20,002	31,33,335
Factory Building	59,69,514	-	-	59,69,514	10.00	22,28,746	3,74,077	33,66,691	37,40,768
Plant & Machinery	37,63,087	-	-	37,63,087	13.91	18,41,521	2,67,290	16,54,276	19,21,566
Generator	1,40,000	-	-	1,40,000	13.91	55,506	11,753	72,741	84,494
Office Equipment	90,550	19,105	-	1,09,655	13.91	48,709	6,257	54,689	41,841
Air Conditioner	3,04,074	-	-	3,04,074	13.91	1,48,694	21,613	1,33,767	1,55,380
Computer	2,18,554	-	-	2,18,554	40.00	1,91,189	10,946	16,419	27,365
	1,51,85,779	19,105	-	1,52,04,884		60,81,030	10,05,269	81,18,585	91,04,749
Previous Year Total	1,51,85,779	-	-	1,51,85,779		49,77,818	11,03,212	91,04,749	1,02,07,961

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

NOTE 9 : INVENTORIES

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

Raw material

Diamonds

Bullion

Work in Progress

Finished Goods

Diamonds

Diamond Studded Jewellery

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

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

- a) Cash and cash equivalents
 - i) Balances with banks
 - ii) Current account
 - iii) Deposits with original maturity of less than 12 months
- b) Cash on hand
- c) Cheques, drafts on hand
- d) Other Bank Balances
 - Deposits with original maturity for more than 12 months maturing within 12 months

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

NOTE 13 : OTHER CURRENT ASSETS

Accrued Interest on F. D.

Other Reviewable

	2014 ₹	2013 ₹
	1,26,001	33,229
	1,26,001	33,229
	18,81,567	8,61,54,590
	22,004	1,04,782
	—	77,06,568
	41,09,54,001	10,64,81,635
	—	1,64,60,131
	41,28,57,572	21,69,07,706
	1,42,78,42,625	1,17,22,33,087
	—	—
	1,42,78,42,625	1,17,22,33,087
	—	—
	—	—
	—	—
	—	—
	3,76,73,201	51,05,601
	2,48,58,000	2,48,58,000
	2,21,250	6,78,185
	—	—
	90,00,000	—
	7,17,52,451	3,06,41,786
	39,67,832	9,58,808
	39,67,832	9,58,808
	15,05,760	3,80,327
	45,20,286	—
	60,26,046	3,80,327

NOTE 14 : REVENUE FROM OPERATIONS

Sale of products

Diamonds and Diamonds Jewellery

2014	2013
₹	₹
3,37,81,10,995	2,92,05,62,236
3,37,81,10,995	2,92,05,62,236

NOTE 15 : OTHER INCOME

Exchange rate difference

Bank Interest income

94,48,380	1,19,18,237
109	7
94,48,489	1,19,18,244

NOTE 16 : PURCHASES OF TRADED GOODS

Diamond

Diamond studded Jewellery

2,94,53,33,955	2,17,86,64,946
—	—
2,94,53,33,955	2,17,86,64,946

NOTE 17 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

Opening Stock

Finished Goods

Stock in trade

Work In Progress

1,64,60,131	—
10,64,81,635	6,25,41,065
77,06,568	—
13,06,48,334	6,25,41,065

Closing Stock

Finished Goods

Stock in trade

Work In Progress

—	—
41,09,54,001	12,29,41,766
—	77,06,568
41,09,54,001	13,06,48,334
28,03,05,667	6,81,07,269

NOTE 18 : EMPLOYEE BENEFIT EXPENSES

Salary & Wages

Staff Welfare

29,62,535	35,03,098
85,986	1,02,898
30,48,521	36,05,996

NOTE 19 : FINANCE COSTS

Interest on Loan (Net)

Other borrowing cost

1,07,38,203	1,48,69,361
16,70,110	4,00,113
1,24,08,313	1,52,69,474

NOTE 20 : OTHER EXPENSES

Consumption of Stores & Consumables

Power & Fuel

Audit fees

Insurance Charges

Rent, Rates and Taxes

Travelling Expenses

Legal & Professional Fee

Bank Charges

Loss form dealing in currency futures

Miscellaneous Expenses

1,85,397	2,44,234
47,458	95,890
1,44,207	1,90,634
19,872	14,181
8,20,948	3,58,257
10,17,599	6,58,130
3,02,829	3,09,390
5,59,948	6,71,063
1,19,79,713	—
12,55,682	7,47,763
1,63,33,653	32,89,542

NOTE 21 : 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 recognized 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 Accountants 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.

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

	2014 ₹	2013 ₹
b) Transactions with related parties		
Remuneration to Director	501,000	501,000
c) Balances at the year end		
Remuneration to Director Payable	1,22,484	2,44,968
Loan given to subsidiary	—	68,070
4. Basic & Diluted Earning per Share (Face Value : ₹ 1/- each)		
Profit after tax as per Profit & Loss Account	2,99,19,940	95,91,562
Weighted average number of shares outstanding	9,89,34,000	9,89,34,000
Basic & Diluted earning per share in Rupees	0.30	0.10
5. Contingent Liability		
Income Tax / Sales Tax / Excise Demand disputed in appeal (net of amount paid)	—	1,64,47,430
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 21 :

In terms of our report of even date
For **RAVI & DEV**

Chartered Accountants
(FRN : 108752W)

DEVENDRA MEHTA
Partner
M. No.82325

Mumbai
May 30th, 2014

For & on behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

(DIN : 01567443)

HARSHIL KANANI
Managing Director

(DIN : 01568262)

Mumbai
May 30th, 2014

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH, 2014

Information regarding subsidiary Companies

Name of the Company	KIL INTERNATIONAL LTD.
Financial year ending on	31.03.2014
Currency	USD
Exchange rate on the last day of financial year	59.92
a. Share capital	24,73,90,968
b. Reserves	77,72,483
c. Liabilities	1,21,12,29,031
d. Total liabilities	1,46,63,92,482
e. Total assets	1,46,63,92,482
f. Turnover	2,67,21,08,611
g. Profit before taxation	2,91,63,541
h. Provision for Taxation	(6,41,121)
i. Profit after taxation	2,85,22,420

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

31st Annual General Meeting

KANANI INDUSTRIES LIMITED

ATTENDANCE SLIP

[CIN : L51900MH1983PLC029598]

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

Phone: +91-22-65263333 • Fax: +91-22-30084000

Website www.kananiindustries.com • email: investorgrievances@kananiindustries.com.

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Date	Venue	Time
September 29, 2014	Krishna Palace Residency Hotel, 96/98, Grant Road (West), Mumbai – 400007	10.00 A.M.

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.

Folio No. _____ *DP ID No. _____ *Client ID No. _____

Name of the Member Mr./Mrs. _____ Signature _____

Name of the Proxyholder Mr./Mrs. _____ Signature _____

** Applicable for investors holding shares in electronic form.*

I certify that I am the registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the 31st Annual General Meeting of the Company held on **Monday, September 29, 2014 at 10.00 a.m** at Krishna Palace Residency Hotel, 96/98, Grant Road (West), Mumbai – 400007.

Signature of the Member/ Proxy

Note: Electronic copy of the Annual Report for 2014 and Notice of the 31st Annual General Meeting with the Attendance slip and Proxy form is being sent to all the members whose email id is registered with the Company/ Depository Participant unless any meeting has been requested for a hard copy of the same. Shareholders receiving electronic copy and attending the Annual General Meeting can print copy of this Attendance Slip.

Physical copy of the Annual Report for 2014 and Notice of the 31st Annual General Meeting along with the Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email Id is not registered or has requested for hard copy.

31st Annual General Meeting

KANANI INDUSTRIES LIMITED

[CIN : L51900MH1983PLC029598]

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

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Form No. MGT-11

FORM OF PROXY

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of Member(s) :	Email Id :
Registered Address :	Folio No. :
	*DP Id. :
No. of Shares held :	*Client Id. :

** Applicable for investors holding shares in electronic form.*

I/We, being a member(s) of _____ shares of Kanani Industries Limited hereby appoint:

1. Mr./Mrs. _____ Email Id: _____
Address _____
Signature: _____
2. Mr./Mrs. _____ Email Id: _____
Address _____
Signature: _____
3. Mr./Mrs. _____ Email Id: _____
Address _____
Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Monday, September 29, 2014 at 10.00 a.m. at Krishna Palace Residency Hotel, 96/98, Grant Road (West), Mumbai – 400007 and at any adjournment thereof in respect of such resolutions as are indicated below:

**** I wish my above Proxy to vote in the manner as indicated in the box below:**

Sl.No.	Resolutions	Number of Shares held	For	Against
Ordinary Business				
1.	Adopt of audited Financial Statements for the financial year ended March 31, 2014 and reports of the Board of Directors and the Auditors thereon;			
2.	Re-appointment of Mr. Premjibhai Devjibhai Kanani, who retires by rotation			
3.	Appointment of M/s. Ravi & Dev, Chartered Accountants, Mumbai as Auditors			
Special Business				
4.	Appointment of Mr. Devendra Kumar Kikani as an Independent Director			
5.	Special Resolution to authorize the Board to create mortgage/charge for a sum not exceeding Rs.100.00 crores			
6.	Special Resolution to authorize the Board to borrow monies upto a sum not exceeding Rs.100.00 crores			
7.	Special Resolution for alteration in the Articles of Association of the Company for adoption of Table F as per Companies Act, 2013.			

**** This is optional.** Please put a tick mark (x) in the appropriate column against the resolutions indicated in the box. If a member leaves the "For" or "Against" column blank against any or all of the Resolutions, the proxy will be entitled to vote in the manner he/ she thinks appropriate. If a member wishes to abstain from voting on particular resolution, he/she should write "Abstain" across the boxes against the Resolution.

Signature(s) of the Member(s)

1. _____
2. _____
3. _____

Signed this _____ day of _____ 2014

Notes:

1. The Proxy to be effective should be deposited at the registered office of the company not less than Forty Eight (48) Hours before commencement of the meeting.
2. A proxy need not be a member of the company.
3. In the case of the Joint holders, the vote of the senior who tenders vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of the Members.
4. The form of proxy confers authority to demand or join in demanding a poll.
5. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.
6. In case a member wishes his/her votes to be used differently, he/she should indicate the number of shares under the columns "For" or "Against" as appropriate.

Affix ₹ 1
Revenue
Stamp

31st Annual General Meeting
KANANI INDUSTRIES LIMITED

[CIN : L51900MH1983PLC029598]

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

Phone: +91-22-65263333 • Fax: +91-22-30084000

Website www.kananiindustries.com • email: investorgrievances@kananiindustries.com.

BALLOT/ POLL FORM

(The members who are not able to attend the 31st Annual General Meeting can send their assent or dissent in writing in respect of the resolution set out in the Notice by sending the duly filled and signed ballot/ Poll Form to **Mr. Deep Shukla, Practicing Company Secretary (the Scrutinizer) at c/o. SHAREX DYNAMIC (INDIA) PRIVATE LIMITED, Unit: Kanani Industries Limited, Unit 1, Luthra Indl. Premises, Safed Pool, Andheri Kurla Road, Andheri (E), Mumbai: 400 072** so as to reach him on or before September 23, 2014).

Name of Member(s) :	Email Id :
Registered Address :	Folio No. :
	*DP Id. :
No. of Shares held :	*Client Id. :

** Applicable for investors holding shares in electronic form.*

I/ We hereby exercise my/our vote in respect of the Ordinary resolution / Special Resolution as specified in the Notice of Kanani Industries Limited dated August 20, 2014 to be passed through Ballot/ Poll for the businesses stated in the said Notice by conveying my/our assent or dissent to the said Resolution in the relevant box below:

Sl.No.	Resolutions	Number of Shares held	For	Against
Ordinary Business				
1.	Adopt of audited Financial Statements for the financial year ended March 31, 2014 and reports of the Board of Directors and the Auditors thereon;			
2.	Re-appointment of Mr. Premjibhai Devjibhai Kanani, who retires by rotation			
3.	Appointment of M/s. Ravi & Dev, Chartered Accountants, Mumbai as Auditors			
Special Business				
4.	Appointment of Mr. Devendra Kumar Kikani as an Independent Director			
5.	Special Resolution to authorize the Board to create mortgage/charge for a sum not exceeding Rs.100.00 crores			
6.	Special Resolution to authorize the Board to borrow monies upto a sum not exceeding Rs.100.00 crores			
7.	Special Resolution for alteration in the Articles of Association of the Company for adoption of Table F as per Companies Act, 2013.			

Place :

Date :

Signature of Member / Beneficial Owner

BOOK POST

If undelivered, please return to :

KANANI INDUSTRIES LIMITED

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

Date: 04Th September 2014

FORM A

(Pursuant to Clause 31(a) of Listing Agreement)

1.	Name of the Company	KANANI INDUSTRIES LIMITED
2.	Annual Financial Statement for the year ended	31 st March 2014
3.	Type of audit observation Un-qualified / matter of Emphasis	Un-Qualified
4.	Frequency of observation	Not Applicable
5.	To be signed by-	
	➤ Mr. Harshil Kanani Managing Director	
	➤ Mr. Darshak Pandya Accounts Head	
	➤ For Ravi & Dev Chartered Accountants FRN : 108752W Mr. Devendra Mehta Partner M. No.82325	 
	➤ Mr. Shailesh Patel Audit Committee Chairman	