



33rd Annual Report

KANANI INDUSTRIES LIMITED

www.kananiindustries.com

Content

COMPARATIVE ANALYSIS OF LAST 3 YEARS RESULTS	2
GENERAL INFORMATION	3
NOTICE	4
DIRECTORS' REPORT	14
MANAGEMENT DISCUSSION AND ANALYSIS	40
CORPORATE GOVERNANCE REPORT	43
STANDALONE AUDITORS' REPORT	54
STANDALONE BALANCE SHEET	60
STANDALONE PROFIT & LOSS	61
STANDALONE CASH FLOW STATEMENT	62
STANDALONE SCHEDULES	63
CONSOLIDATED AUDITORS' REPORT	75
CONSOLIDATED BALANCE SHEET	78
CONSOLIDATED PROFIT & LOSS	79
CONSOLIDATED CASH FLOW STATEMENT	80
CONSOLIDATED SCHEDULES	81

○ Comparative Analysis of last 3 years Results**(₹ in Lacs)**

Particular	For the year ended on 31.03.2016	For the year ended on 31.03.2015	For the year ended on 31.03.2014
Net Sales	8487.91	6948.68	7060.02
Other Income	32.93	19.14	94.48
Total Income	8520.84	6967.83	7154.51
Expenditure	8473.87	6880.55	7019.75
PBIT	46.97	87.28	134.76
Interest	(4.77)	56.85	107.38
Depreciation	8.87	9.91	10.05
PBT	42.87	20.52	17.33
Tax	8.18	3.97	3.35
PAT	34.69	16.55	13.98
Net Profit	34.69	16.55	13.98
Basic & Diluted EPS (₹)	0.04	0.02	0.01
Dividend Paid / Proposed (In %)	—	—	—
Equity Capital	989.34	989.34	989.34
Reserves & Surplus	3087.12	3052.43	3037.75
Net worth	4076.46	4041.77	4027.09
Book Value per share (₹)	4.12	4.09	4.07
Operating Profit Margin (%)	0.61%	1.26%	1.91%
Net Profit Margin (%)	0.41%	0.24%	0.20%
Basic & Diluted Cash EPS (₹)	0.04	0.03	0.02

○ General Information

BOARD OF DIRECTORS :	PREMJIBHAI D. KANANI HARSHIL P. KANANI DEVENDRA K. KIKANI AMI D. JARIWALA SHAILESH R. PATEL (Resigned w.e.f. 01/07/2016)	CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR DIRECTOR
COMPANY SECRETARY & COMPLIANCE OFFICER :	MEHUL S. KUNDARIYA	
CHIEF FINANCIAL OFFICER :	DARSHAK A. PANDYA	
STATUTORY AUDITORS :	RAJPARA & CO. CHARTERED ACCOUNTANT O-15, FIRST FLOOR, PANCHARATNA TOWER, L. H. ROAD, VARACHHA, SURAT, GUJARAT - 395 004 TEL. : +91-261-2544446 E-MAIL: rajparasahb@gmail.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 E-mail : sharexindia@vsnl.com	

○ Notice

Notice is hereby given that the 33rd 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, 26th September, 2016 at 10:00 A.M.** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended March 31, 2016 together with the Reports of the Board of Directors and Auditor's thereon.
2. To appoint a Director in place of Mr. Premjibhai Kanani (DIN: 01567443), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

3. 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 of the Companies Act, 2013 and the Rules made thereunder, (including any modification(s) and re-enactment(s) thereon, for time being in force), and pursuant to the recommendations of the audit committee of the Board of Directors, M/s. Deepak Mehta & Associates., Chartered Accountants, Mumbai, [Firm Regd. No.102239W] be and is hereby appointed as the Statutory Auditors of the Company for term of 5 years i.e. from the conclusion of 33rd Annual General Meeting to be held for Financial Year ended 2016 till the conclusion of the 38th Annual General Meeting to be held for the Financial Year 2021, in place of M/s. Rajpara & Co., Chartered Accountants, Surat, [Firm Regd. No.114232W], the existing Auditors, who retires at the conclusion of the forthcoming Annual General Meeting and do not seek re-election at such and remuneration and out-of-pocket expenses, as may be determined by the Audit Committee in consultation with the said Auditors.”

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 Section 20 of the Companies Act 2013 and other applicable provisions, if any, of the said Act and relevant rules prescribed there under, whereby a document may be served on any member by the company by sending to him by post or by registered post or by speed post or by courier or by electronic or other mode as may be prescribed, the consent of the company be and is hereby accorded to charge from the member the fee in advance equivalent to the estimated actual expenses of delivery of the documents, pursuant to any request made by the shareholder for delivery of such document to him, through a particular mode of services mentioned above provided such request along with requisite fee has been duly received by the Company at least one week in advance of the dispatch of document by the company and that no such request shall be entertained by the company post the dispatch of such document by the company to the shareholder.”

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, director or key managerial personnel of the company be and are hereby severally authorized to do all acts, deeds, matters and things as

they may in their absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the matter aforesaid and further to do all acts, deeds, matters and things as may be necessary , proper or desirable or expedient to give effect to above resolution.”

For and on behalf of the Board of Directors

Place: Mumbai
Date: 10th, August 2016

HARSHIL KANANI
MANAGING DIRECTOR
(DIN : 01568262)

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

NOTES:

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

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

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. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday September 19, 2016 to Monday September 26, 2016** (*both days inclusive*).
3. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
4. Members who hold shares in electronic form are requested to write their Client ID and DP ID number and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting to facilitate identification of membership at the AGM.
5. For convenience of members, an attendance slip, proxy form and the route map of the venue of the Meeting are annexed hereto. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
6. Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 for items of Special Businesses is annexed herewith.
7. All documents referred to in the Notice are open for inspection at the Registered Office of the Company during office hours on all days except Sunday & public holidays between 11.00 a.m. to 1.00 p.m. up to the date of Annual General Meeting.
8. The Annual Report for 2015-2016, the Notice of the 33rd AGM and instructions for e-voting, along with the Attendance slip and Proxy form, are being sent by electronic mode to all the members whose email address are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the aforesaid documents are being sent by permitted mode of dispatch.
9. If the members have any queries on the audited accounts, directors' report & auditor's report, the same should be forwarded to the company in writing at its registered office at least 10 days before the meeting so that the same can be replied at the time of annual general meeting to the members' satisfaction.
10. 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 members.

11. The Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
12. Additional information, pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of the directors seeking appointment/re-appointment at the AGM, is furnished as annexure to the Notice. The directors have furnished consent / declaration for their appointment / re-appointment as required under the Companies Act, 2013 and the Rules thereunder.
13. The Company is providing facility for voting by electronic means (e-voting) through an electronic voting system which will include remote e-voting as prescribed by the Companies (Management and Administration) Amendment Rules, 2015 as presently in force and the business set out in the Notice will be transacted through such voting.
14. Members are requested to bring their copies of the reports to Annual General Meeting.
15. Members holding shares in the same set of names under different ledger folios are requested to apply for consolidation of such folios along with share certificates to the Company.
16. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
17. The Securities and Exchange Board of India ("SEBI") has mandated the submission of Income Tax Permanent Account Number ("PAN") by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or its Registrar and Share Transfer Agents.
18. In order to exercise strict control over the transfer documents, members are requested to send the transfer documents/ correspondence, if any, directly to:

SHAREX DYNAMIC (INDIA) PRIVATE LIMITED**Unit: KANANI INDUSTRIES LIMITED**

Unit 1, Luthra Industrial Premises,
Safed Pool, Andheri Kurla Road,
Andheri (E), Mumbai - 400 072

Ph.: 022 28515606 | Fax: 022 28512885

E-mail: sharexindia@vsnl.com

Instructions for Voting through electronics means:

In compliance with Regulation 44, SEBI Listing Obligation and Disclosure Requirements, 2015, provisions of Section 108 and other applicable provisions of the Companies Act, 2013, and read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015, the Company is pleased to provide members facility to exercise their right to vote at the 33rd Annual General Meeting (AGM) by electronic means ("e-Voting") and the items of business as detailed in this Notice may be transacted through e-voting services provided by Central Depository Services (India) Limited (CDSL).

The Members may cast their votes through E-voting from a place other than the venue of the AGM ("**Remote E-voting**").

The Members who have cast their vote by Remote E-voting may also attend the Meeting but shall not be entitled to cast their vote again.

The Remote E-voting facility will commence from 9.00 a.m. on Friday, 23rd September, 2016 and will end at 5.00 p.m. on Sunday, 25th September, 2016. Remote E-voting will not be allowed beyond the aforesaid date and time and the Remote E-voting module shall be disabled by CDSL upon expiry of aforesaid period.

Voting rights shall be reckoned on the paid-up value of shares registered in the name of the Member / beneficial owner as on the **cut-off date i.e. Monday, 19th September, 2016**.

The Members, whose names appear in the Register of Members / list of beneficial owners as on the cut-off date i.e. Monday, 19th September, 2016 only shall be entitled to vote on the Resolutions set out in this Notice.

The Board of Directors at their meeting held on 10th August, 2016 has appointed Mr. Deep Shukla, Practicing Company Secretary (*Membership No. FCS 5652*) as the Scrutinizer to scrutinize the E-voting process and voting done through physical ballot paper at the AGM in a fair and transparent manner

The Scrutinizer shall, after scrutinizing the votes cast at the AGM and through Remote E-voting, not later than 48 hours pursuant to SEBI (LODR) Regulations, 2015 from the conclusion of the AGM make a consolidated Scrutinizer's report and submit the same to the Chairman of the meeting.

The results declared along with the Scrutinizer's Report shall be placed on the website of the Company www.kananiindustries.com and on the website of CDSL and shall also be communicated to BSE Limited and NSE Limited.

Subject to receipt of requisite number of votes, the Resolutions shall be deemed to be passed on the date of the AGM i.e. Monday, 26th September, 2016.

The instructions for e-voting are as under:

- i. The voting period begins on **Friday, September 23, 2016 (09:00 a.m.)** and **ends on Sunday, September 25, 2016 (5:00 p.m.)**. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date **Monday, September 19, 2016**, may cast their vote electronically.
- ii. The shareholders should log on to the e-voting website www.evotingindia.com during the voting period.

- iii. Click on “Shareholders” tab.
- iv. Now, select the “**KANANI INDUSTRIES LIMITED**” from the drop down menu and click on “SUBMIT”
- v. Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- vi. Next enter the Image Verification as displayed and Click on Login.
- vii. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- viii. If you are a first time user, follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders). - 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 sequence number in the PAN field. - In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 1 then enter RA00000001 in the PAN field.
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 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 off date in the Dividend Bank Details field.

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

- xii. Click on the EVSN for the relevant KANANI INDUSTRIES LIMITED on which you choose to vote.
- xiii. On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/ NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiv. Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- xv. After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- xvi. Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- xvii. You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- xviii. If Demat account holder has forgotten the same password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xix. Note for Institutional Shareholders & Custodians:
 - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporate.
 - 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 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.
- xx. 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
- xxi. The voting rights of the members shall be in proportion to their of paid-up equity share capital of the Company as on relevant date **Monday, September 19, 2016**.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013.**Item No.3:**

M/s. Rajpara & Co., Chartered Accountants, Surat the existing Auditors of the Company who retires at the ensuing Annual General Meeting, and do not seek re election due to their unwillingness to act as auditor of the Company and thus M/s. Deepak Mehta & Associates., Chartered Accountants, Mumbai, [Firm Regd. No.102239W] Chartered Accountants is appointed as the Auditors of the Company (from whom consent to act as the auditor has been received) in place of M/s. Rajpara & Co., Chartered Accountants, Surat, [Firm Regd. No.114232W] from the conclusion of 33rd Annual General Meeting held for Financial Year ended 2016 till the conclusion of the 38th Annual General Meeting to be held for the Financial Year 2021 and remuneration and out-of-pocket expenses, as may be determined by the Audit Committee in consultation with the said Auditors.

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

The Board recommends the resolution set forth in Item no.3 for approval of the Members.

Item No.4:

Pursuant to the provisions of Section 20 of the Companies Act, 2013, a document may be served on a company or an officer thereof by sending it to the company or the officer at the registered office of the company by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode as may be prescribed.

Further, for filing of documents with the Registrar in electronic mode, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed. However, if a member requests for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

Taking into consideration the above provision, your Board places before the Members the resolution proposed in Item No.4 for their approval.

None of the Directors, their relatives of any Key Managerial Personnel may be deemed to be in any way, concerned or interested, financially or otherwise in passing of this resolution.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 10th, August 2016

HARSHIL KANANI
MANAGING DIRECTOR
(DIN : 01568262)

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

ROAD MAP



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

[In pursuance of Clause 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015]

Name of Director	Age	Nature of expertise	Qualifications	Disclosure relation-ships between director inter-se	Membership in the committees of other Public Companies	Share-holding of Directors
Mr. Premjibhai D. Kanani	58 yrs.	Wide experience in the diamond industry and he has been associate with the Company from more than two decades	Under Graduate	Father of Managing Director	—	80,06,130

○ Directors' Report

To
The Members of
KANANI INDUSTRIES LIMITED

Your Directors have pleasure in presenting their 33rd Annual Report on the Standalone and Consolidated Audited Statement of Accounts of Kanani Industries Limited [*"Company"*] for the Financial Year ended March 31, 2016.

FINANCIAL RESULTS

The summarized financial performance of the Company for the FY 2015-16 and FY 2014-15 is given below:

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	2015-2016	2014-2015	2015-2016	2014-2015
Gross Income	8525.61	6967.83	49637.38	44433.03
Profit Before Tax, Interest and Depreciation	51.74	87.29	248.89	264.50
Finance Charges	14.88	65.16	44.42	86.29
Provision for Depreciation	8.87	9.91	8.87	9.91
Net Profit Before Tax	42.87	20.52	210.49	176.61
Provision for Tax	8.18	3.97	19.08	10.33
Net Profit After Tax	34.69	16.55	191.41	166.27
Balance of Profit brought forward	2940.98	2938.94	3500.20	3348.45
Balance available for appropriation	2952.04	2940.98	3667.98	3500.20
Proposed Dividend on Equity Shares	—	—	—	—
Tax on proposed Dividend	—	—	—	—
Transfer to General Reserve	—	—	—	—
Surplus carried to Balance Sheet	34.69	16.55	191.41	166.27

REVIEW OF OPERATIONS

During the year under review, the Company has posted total Income of ₹ **8,52,561,063/-** as against ₹ **6,96,782,891/-** for the corresponding previous year.

Net Profit after Tax for the year under review was ₹ **3,468,624/-** as against Net Profit after Tax of ₹ **1,655,012/-** in the corresponding previous year.

FUTURE OUTLOOK

The Jewellery business will continue its growth path through various initiatives, including launching of new collections & Designs, increasing share of studded jewellery and achieving design leadership. Overall, the year 2016-17 will be a year where the Company would drive for strong and profitable growth in all its consumer businesses.

DIVIDEND AND RESERVES

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.

SHARE CAPITAL

The Paid-up Equity Share Capital of the Company as on 31st March, 2016 is ₹ 98,934,000/-, comprising of 98,934,000 shares of ₹ 1/- each. During the year under review, the Company has not issued any equity shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

At the 32nd Annual General Meeting held on September 28, 2015, Mr. Harshil Kanani was re-appointed as the Director of the Company, liable to retire by rotation.

Further, the Board of Directors of the Company at their meeting held on March 31, 2015 appointed Mrs. Ami Jariwala as an Additional (Woman) Director of the Company and subsequently, she was appointed as an Independent Director to hold office for a period of 5 (five) consecutive years at the 32nd Annual General Meeting.

Further, Mr. Shailesh Patel was appointed as an Independent Director to hold office for a period of 5 (five) consecutive years at the 32nd Annual General Meeting. Thereafter, Mr. Shailesh Patel resigned as Director of the Company w.e.f. 1st July, 2016.

The said Independent Directors fulfils the conditions specified in the Companies Act, 2013 and the Rules made there under and they are independent of the management and have submitted the Declarations as prescribed under Section 149(6) of the Companies Act, 2013.

In accordance with section 152(6) of the Companies Act, 2013 and in terms of Articles of Association of the Company Mr. Premjibhai Kanani (DIN: 01567443), Director of the Company, retires by rotation and being eligible; offers himself for re-appointment at the forthcoming 33rd Annual General Meeting. The Board recommends the said reappointment for shareholders' approval.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) & 134(5) of the Companies Act, 2013, the Board of Directors of the Company hereby confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) 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 state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) 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;
- (d) the directors have prepared the annual accounts on a going concern basis; and

- (e) the directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 in respect of employees of the Company, is enclosed as **Annexure I** and forms part of this Report.

Further, as per the provisions specified in Chapter XIII of Companies (Appointment & Remuneration of Managerial Personnel) Amendment Rules, 2016 none of the employees of the Company are in receipt of remuneration exceeding ₹ 1,02,00,000/- per annum, if employed for whole of the year or ₹ 8,50,000/- per month if employed for part of the year.

Further, the names of top ten employees in terms of remuneration drawn are disclosed in **Annexure II** and forms part of this Report.

EXTRACT OF ANNUAL RETURN

The details forming part of the Extract of the Annual Return in Form MGT-9, as required under Section 92 of the Companies Act, 2013 is included in this Report as **Annexure III** and forms part of this Report.

NUMBER OF BOARD MEETINGS

The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and the Listing Agreement.

During the year **06 (Six) Board Meetings** were held during the year ended March, 2016, the dates which are **10th April, 2015, 30th May, 2015, 06th August, 2015, 10th October, 2015, 31st October, 2015, and 5th February, 2016**

Name of the Directors	No. of Board Meetings attended
Mr. Premjibhai Devjibhai Kanani	6
Mr. Harshil Premjibhai Kanani	6
Mr. Devendrakumar Karshanbhai Kikani	6
Ms. Ami Dhaval Jariwala	6
Mr. Shailesh Patel	6

BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and the Listing Agreement, SEBI (LODR) Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. The Directors expressed satisfaction with the evaluation process.

INDEPENDENT DIRECTORS

The Independent Directors have submitted their disclosure to the Board that they fulfill all the requirements as to qualify for their appointment as Independent Director, under the provisions of section 149 of the Companies Act, 2013 as well as Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DETAILS OF SUBSIDIARY/JOINT VENTURES / ASSOCIATE COMPANIES

The Statement AOC-1 pursuant to the provisions of Section 129 (3) of the Companies Act, 2013 read with Rule 5 of the Companies (Accounts) Rules, 2014 regarding Subsidiary Company is enclosed as **Annexure IV** to this Report.

STATUTORY AUDITORS' AND AUDITORS' REPORT

M/s. Rajpara & Co., Chartered Accountants, Surat, [Firm Regd. No.114232W] do not seek re election due to their unwillingness to act as Auditors' of the Company for the financial year 2016-2017.

Your Directors recommend that M/s. Deepak Mehta & Associates., Chartered Accountants, Mumbai, [Firm Regd. No. 102239W] be appointed as the Statutory Auditors of the Company to hold office for the term of 5 years from the conclusion of 33rd Annual General Meeting held for Financial Year ended 2016 till the conclusion of the 38th Annual General Meeting to be held for the Financial Year 2021.

As required under the provision of section 139 of the Companies Act, 2013, the company has obtained a written consent and eligibility certificate from M/s. Deepak Mehta & Associates., Chartered Accountants, Mumbai to the effect that appointment, if made, would be in conformity with the limits specified in the said section.

Auditors Report as issued by M/s. Rajpara & Co., Chartered Accountants, Auditors of the Company is self explanatory and need not call for any explanation by your Board.

SECRETARIAL AUDIT

In terms of Section 204 of the Act and Rules made there under, M/s. Deep Shukla & Associates, Practicing Company Secretaries, have been appointed Secretarial Auditors of the Company. The Secretarial Audit Report is enclosed as **Annexure VI** to this report.

EXPLANATION(S)/ COMMENT(S) PURSUANT TO SECTION 134(3)(f)(ii) OF THE COMPANIES ACT, 2013

1. The Company has faced technical difficulties in filing eforms on MCA portal and hence the same were pending.
2. The Company has appointed Whole time Company Secretary in employment w.e.f. 21st March 2016.
3. Due to some technical reasons, the website of the Company faced some difficulties in proper functioning; however the said issues were sorted out and the website is working effectively.

INTERNAL AUDIT & CONTROLS

The Company has in place adequate internal financial controls with reference to the financial statement. The Audit Committee of the Board periodically reviews the internal control systems with the management, Internal Auditors and Statutory Auditors. Significant internal audit findings are discussed and follow-ups are taken thereon.

Further, M/s. Gosar Associates, Chartered Accountants, M.No. 045010 were appointed as Internal Auditors of the Company w.e.f. 05/02/2016 pursuant to Section 138 of the Companies Act, 2013.

COMPOSITION OF AUDIT COMMITTEE

Your Company has formed an Audit Committee as per the Companies Act, 2013 and the listing agreement. All members of the Audit Committee possess strong knowledge of accounting and financial management.

COMPOSITION OF NOMINATION & REMUNERATION COMMITTEE

Your Company has formed a Nomination & Remuneration Committee to lay down norms for determination of remuneration of the executive as well as non-executive directors and executives at all levels of the Company. The Nomination & Remuneration committee has been assigned to approve and settle the remuneration package with optimum blending of monetary and non-monetary outlay.

NOMINATION AND REMUNERATION POLICY

The Board of Directors has framed a policy which lays down a framework in relation to remuneration of Directors. This policy also lays down criteria for selection and appointment of Board Members. The Board of Directors is authorized to decide Remuneration to Executive Directors. The Remuneration structure comprises of Salary and Perquisites. Salary is paid to Executive Directors within the Salary grade approved by the Members. The Nomination & Remuneration committee has been assigned to approve and settle the remuneration package with optimum blending of monetary and non-monetary outlay.

EMPLOYEES' STOCK OPTION PLAN

The Company has not provided stock options to any employee.

VIGIL MECHANISM

In pursuant to the provisions of section 177(9) & (10) of the Companies Act, 2013, a Vigil Mechanism for directors and employees to report genuine concerns has been established. The Vigil Mechanism Policy has been uploaded on the website of the Company at <http://www.kananiindustries.com> employees of the Company are made aware of the said policy at the time of joining the Company.

RISK MANAGEMENT POLICY

The Company has laid down the procedure to inform the Board about the risk assessment and minimization procedures. These procedures are reviewed by the Board annually to ensure that there is timely identification and assessment of risks, measures to mitigate them, and mechanisms for their proper and timely monitoring and reporting.

The Company does not fall under the ambit of top 100 listed entities, determined on the basis of market capitalisation as at the end of the immediately preceding financial year. Hence, compliance under Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is not applicable.

CORPORATE GOVERNANCE REPORT

In compliance with Regulation 34(3) read with Schedule V(C) of the Listing Regulations, a Report on Corporate Governance forms part of this Annual Report. The Auditors' certificate certifying compliance with the conditions of corporate governance as prescribed under Schedule V(E) of the Listing Regulations is annexed to the Corporate Governance Report.

DEPOSITS

The Company has neither accepted nor renewed any fixed deposits during the year under review under Section 76 of the Companies Act, 2013. There are no unclaimed deposits, unclaimed / unpaid interest, refunds due to the deposit holders or to be deposited to the Investor Education and Protection Fund as on March 31, 2016.

LOANS & GUARANTEES

During the year under review, the Company has not provided any loan, guarantee, security or made any investment covered under the provisions of Section 186 of the Companies Act, 2013 to any person or other body corporate.

INSURANCE

The properties/assets of the Company are adequately insured.

RELATED PARTY TRANSACTIONS

As no related party transaction was entered into by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons pursuant the provisions of Section 188(1) of the Companies Act, 2013 during the financial year 2015-16 the particulars as required in form AOC-2 have not been furnished.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report, which gives a detailed state of affairs of the Company's operations, form a part of this Annual Report.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

(a) Conservation of Energy:

Even though its operations are not energy-intensive, significant measures are taken to reduce energy consumption by using energy-efficient equipment. The Company regularly reviews power consumption patterns across all locations and implement requisite improvements/changes in the process in order to optimize energy/ power consumption and thereby achieve cost savings. Energy costs comprise a very small part of the Company's total cost of operations. However, as a part of the Company's conservation of energy programme, the management has appealed to all the employees/workers to conserve energy.

(b) Absorption of Technology:

I. The efforts made towards technology absorption:

The Company values innovation and applies it to every facet of its business. This drives development of distinctive new products, ever improving quality standards and more efficient processes.

The Company has augmented its revenues and per unit price realization by deploying innovative marketing strategies and offering exciting new products. The depth of designing capabilities was the core to our success over the years.

The Company uses the service of in-house designers as well as those of free-lancers in developing product designs as per the emerging market trends. The Company uses innovation in design as well as in technology to develop new products.

II. Benefits derived as a result of the above efforts:

As a result of the above, the following benefits have been achieved:

- a) Better efficiency in operations,
- b) Reduced dependence on external sources for technology for developing new products and upgrading existing products,
- c) Expansion of product range and cost reduction,
- d) Greater precision,
- e) Retention of existing customers and expansion of customer base,
- f) Lower inventory stocks resulting in low carrying costs.

III. The Company has not imported any technology during the year under review;

IV. The Company has not expended any expenditure towards Research and Development during the year under review.

[Amt. in ₹]

Particulars	FY 2015-2016	FY 2014-2015
C.I.F. Value of Imports	8,33,116,436	68,00,57,640
F.O.B. Value of Exports	8,48,791,496	69,48,68,495

TRANSFER OF AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

The Company did not have any funds lying unpaid or unclaimed for a period of seven years. Therefore there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

Unclaimed Dividend	Amount (₹)
Unclaimed Dividend F.Y. 2008-09 - Interim	590
Unclaimed Dividend F.Y. 2008-09 - Final	899
Unclaimed Dividend F.Y. 2009-10 - Interim	1,807
Unclaimed Dividend F.Y. 2009-10 - Final	2,308

Members are requested to note that after completion of seven years, no claims shall lie against the said fund or company for the amounts of dividend so transferred, nor shall any payment be made in respect of such claims.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to discharging its social responsibility as a good corporate citizen.

The Board of Directors has framed a policy which lays down a framework in relation to Corporate Social Responsibility of the Company. This policy also lays down to lay down guidelines for the company to make

CSR a key business process for sustainable development for the Society. The details of this policy are explained by way of **Annexure V**.

During the year under review, the Company has not expended any amount towards CSR activities as the same is not applicable to the Company pursuant to section 135 of the Companies Act, 2013.

COST AUDIT

As per the Cost Audit Orders and in terms of the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, Cost Audit is not applicable to our Company.

OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 has been notified on 9th December, 2013. Under the said Act every company is required to set up an Internal Complaints Committee to look into complaints relating to sexual harassment at work place of any women employee.

Company has adopted a policy for prevention of Sexual Harassment of Women at workplace and has set up Committee for implementation of said policy. During the year Company has not received any complaint of harassment.

LISTING WITH STOCK EXCHANGES

The Company confirms that it has paid the Annual Listing Fees for the year 2016-2017 to BSE and NSE where the Company's Shares are listed.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS:

There are no significant and material orders passed by the Regulators / Courts / Tribunals which would impact the going concern status of the Company and its future operations.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY:

There have been no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.

ACKNOWLEDGEMENT

The Directors would like to thank all shareholders, customers, bankers, suppliers and everybody else with whose help, cooperation and hard work the Company is able to achieve the results. The Directors would also like to place on record their appreciation of the dedicated efforts put in by the employees of the Company.

For and On behalf of the Board of Directors

PREMJIBHAI KANANI
Chairman
DIN : 01567443

Place: Mumbai
Date: 10th August, 2016

ANNEXURE I

Information required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2016

- I. The Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16 and
- II. The percentage increase in remuneration of each Director, Managing Director, Chief Financial Officer and Company Secretary of the Company in the financial year 2015-16.

Name & Designation	Remuneration of each Director & KMP for Financial Year 2015-16 (₹)	% increase / decrease in remuneration in the Financial Year 2015-16	Ratio of remuneration of each Directors to median remuneration of employees
A. Directors			
Mr. Devendrakumar Kikani	–	–	–
Mr. Shailesh Patel	–	–	–
Mrs. Ami D. Jariwala	–	–	–
B. Key Managerial Personnel			
Mr. Harshil Kanani	5,01,000	NIL	1:7.013
Mr. Premjibhai Kanani	4,99,200	100%	1:6.987

Legends: MD - Managing Director, CFO – Chief Financial Officer; WTD- Whole Time Director.

Notes:

1. Median remuneration of all the employees of the Company for the financial year 2015-16 is ₹ 71, 447/-.

- III. The percentage increase in the median remuneration of employees in the financial year 2015-16.

	Financial Year 2015 - 16 (₹)	Financial Year 2014 - 15 (₹)	Increase (%)
Median remuneration of all employees	71,447	70,877	0.81%

Note: The calculation of % increase in the median remuneration has been done based on comparable employees.

- iv. The number of permanent employees on the rolls of Company.

There were 31 permanent employees on the rolls of Company as on March 31, 2016.

- v. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.

Average percentile increase in the salaries of employee other than the MD in the Financial Year 2015-16 was 40.17% and there is no increase in the salary of the MD.

The average increase of 40.17% in the salaries of employees was in line with the market projection, the performance of the Company in the financial year 2015-16, the individual performance of the employees, the criticality of the roles they play and skills set they possess.

iv. Affirmation that the remuneration is as per the Remuneration Policy of the Company

Pursuant to Rule 5(1)(xii) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, it is affirmed that the remuneration paid to the Directors, KMPs, Senior Management and other employees of the Company is as per the Remuneration Policy of the Company.

ANNEXURE II

Information required under Section 197 of the Companies Act, 2013 read with Rule 5(2)(a) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016

Name of employees	Designation / Nature of Duties	Remuneration Received (₹) p.a.	Qualification	Experience in years	Age in years	Date of commencement of employment	Last Employment held	% of share-holding
Chirag Shah	International Marketing	600,000	B.Com	16	36	01.04.2015	Rama Industrial Estate	–
Harshil Kanani	Managing Director	501,000	Under Graduate	14	33	28.07.2007	–	63.626%
Premjibhai Kanani	Chairman	499,200	Under Graduate	42	58	17.05.2007	Kanani Exports	8.092%
Darshak Pandya	CFO	360,000	B.Com	11	31	01.11.2007	Star Diam	–
Tejas Avaiya	Vice General Manager	180,000	B.Com	04	26	01.10.2015	Shivam Jewel	–
Atulbhai Gabani	Admin Manager	130,886	Under Graduate	40	56	01.12.2007	Kanani Exports	–
Mahendrabhai Tandel	Operation Manager	107,791	Under Graduate	23	44	15.05.2010	Krishna Diam	–
Chetan Halpati	Manufacturing Manager	91,188	Under Graduate	15	35	01.02.2014	Gopal Gems	–
Indrajit Raj	Quality Manager	88,144	Under Graduate	16	38	01.06.2009	Pavan Gems	–
Bhalani Rajendra R	Asst. Manager	87,134	Under Graduate	34	51	01.05.2011	Sagar Diamond	–

The above employees are related to the Directors of the Company :

Names of Employees	Names of employees who are relatives of any Director
Chirag Shah	No Relation with any Director
Harshil Kanani	Premjibhai Kanani (Father)
Premjibhai Kanani	Harshil Kanani (Son)
Darshak Pandya	No Relation with any Director
Tejas Avaiya	No Relation with any Director
Atulbhai Gabani	No Relation with any Director
Mahendrabhai Tandel	No Relation with any Director
Chetan Halpati	No Relation with any Director
Indrajit Raj	No Relation with any Director
Bhalani Rajendra R	No Relation with any Director

ANNEXURE III
**FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN**
As on financial year ended on 31.03.2016
**Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014**
I. REGISTRATION & OTHER DETAILS:

1.	CIN	L51900MH1983PLC029598
2.	Registration Date	22/03/1983
3.	Name of the Company	KANANI INDUSTRIES LIMITED
4.	Category/Sub-category of the Company	COMPANY LIMITED BY SHARES Indian Non-Government Company
5.	Address of the Registered office & contact details	G/6, PRASAD CHAMBERS, TATA ROAD NO.2 OPERA HOUSE, MUMBAI - 400004 Tel. : +91-22-6526 3333 • Fax:-+91-22-3008 4000 Email : info@kananiindustries.com Website : www.kananiindustries.com
6.	Whether listed company	YES
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Sharex Dynamic (India) Pvt. Ltd. Unit 1, Luthra Ind Premises, Safed Pool, Andheri Kurla Road, Andheri (East), Mumbai - 400072 Tel. : 022 – 28515606 • Fax : 022 - 28512885 Email : sharexindia@vsnl.com Website : www.sharexindia.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company are as under)

Sr. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Diamond Studded Jewellery	71131120	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

Sr. no.	Name and address of the company	CIN / GIN	Holding / Subsidiary / Associate	% of shares held	applicable section
1.	KIL INTERNATIONAL LIMITED Room # 1502,15th Floor, Rise Commercial Building, 5-11 Granville Circuit, T.S.T, KLN., Hong Kong	1625216	Subsidiary	100%	2 (87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
i. Category-wise Share Holding

Category of shareholders	No. of shares held at the beginning of the year (As on 31st March, 2015)				No. of shares held at the end of the year (As on 31st March, 2016)				% change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	74034840	0	74034840	74.833	74034840	0	74034840	74.833	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any other	0	0	0	0.00	0	0	0	0.00	0.00
Total shareholding of Promoter (A)	74034840	0	74034840	74.833	74034840	0	74034840	74.833	0.00
B. Public Shareholding									
1. Institutions	0	0	0	0.00	0	0	0	0.00	0.00
a) Mutual Funds	0	0	0	0.00	0	0	0	0.00	0.00
b) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
g) FIs	0	0	0	0.00	0	0	0	0.00	0.00
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	0	0	0	0.00	0	0	0	0.00	0.00
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	624441	0	624441	0.631	729344	0	729344	0.737	0.106
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals	0	0	0	0.00	0	0	0	0.00	0.00

i) Individual share holders holding nominal share capital up to Rs. 1 lakh	1945899	46200	1992099	2.014	2024875	46200	2071075	2.093	0.079
ii) Individual share holders holding nominal share capital in excess of Rs 1 lakh	22126601	0	22126601	22.365	21932004	0	21932004	22.168	(0.197)
c) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Non Resident Indians	37632	0	37632	0.038	28912	0	28912	0.029	(0.009)
Overseas Corporate Bodies	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	0	0	0	0.00	0	0	0	0.00	0.00
Clearing Members	118387	0	118387	0.12	137825	0	137825	0.139	0.019
Trusts	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Bodies - D R	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(2):-	24852960	46200	24899160	25.168	24852960	46200	24899160	25.166	(0.002)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	24852960	46200	24899160	25.168	24852960	46200	24899160	25.166	(0.002)
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	0.00
Grand Total (A+B+C)	98887800	46200	98934000	100.00	98887800	46200	98934000	100.00	0.00

i. Shareholding of Promoters-

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total Shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged/ encumbered to total Shares	
1	Premjibhai Devjibhai Kanani	80,06,130	8.092	N.A	80,06,130	8.092	N.A	0
2	Alpesh Vinubhai Kanani	30,81,210	3.114	N.A	30,81,210	3.114	N.A	0
3.	Harshil Premjibhai Kanani	6,29,47,500	63.626	N.A	6,29,47,500	63.626	N.A	0
	TOTAL	7,40,34,840	74.833	N.A	7,40,34,840	74.833	N.A	0

iii. Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	—	—	—	—
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	—	—	—	—
	At the end of the year	—	—	—	—

iv. Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

Sr. No.	For each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Hirabhai Kanjibhai Kakadia				
	At the beginning of the year	2112000	2.135	2112000	2.135
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	—	—	—	—
	At the end of the year	2112000	2.135	2112000	2.135
2	Anil Bhikhabhai Virani				
	At the beginning of the year	2442000	2.468	2442000	2.468
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	—	—	—	—
	At the end of the year	2442000	2.468	2442000	2.468

3	Kishor B Virani				
	At the beginning of the year	2310000	2.335	2310000	2.335
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	—	—	—	—
	At the end of the year	2310000	2.335	2310000	2.335
4	Rajesh Bhagwanbhai Sutaria				
	At the beginning of the year	1789463	1.809	1789463	1.809
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	—	—	—	—
	At the end of the year	1789463	1.809	1789463	1.809
5	Vallabhbhai D Vaghasia				
	At the beginning of the year	1595000	1.612	1595000	1.612
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	—	—	—	—
	At the end of the year	1595000	1.612	1595000	1.612
6	Lakhabhai Gangjibhai Magukia				
	At the beginning of the year	7,73,520	0.782	7,73,520	0.782
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	—	—	—	—
	At the end of the year	7,73,520	0.782	7,73,520	0.782
7	Govindbhai Laljibhai Kakadia				
	At the beginning of the year	20,56,384	2.079	20,56,384	2.079
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	—	—	—	—
	At the end of the year	20,56,384	2.079	20,56,384	2.079

8	Dahyabhai Govindbhai Sutariya				
	At the beginning of the year	23,09,837	2.335	23,09,837	2.335
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	–	–	–	–
	At the end of the year	23,09,837	2.335	23,09,837	2.335
9	Hansa Ashokbhai Mangukiya				
	At the beginning of the year	789,800	0.798	789,800	0.798
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	–	–	–	–
	At the end of the year	789,800	0.798	789,800	0.798
10	Jayshriben Mukeshbhai Mangukiya				
	At the beginning of the year	8,09,737	0.818	8,09,737	0.818
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	–	–	–	–
	At the end of the year	8,09,737	0.818	8,09,737	0.818

v. Shareholding of Directors and Key Managerial Personnel:

Sr. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. Harshil Kanani				
	At the beginning of the year	6,29,47,500	63.63	6,29,47,500	63.63
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) :	–	–	–	–
	At the end of the year	6,29,47,500	63.63	6,29,47,500	63.63
2	Mr. Premjibhai Kanani				
	At the beginning of the year	80,06,130	8.09	80,06,130	8.09
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc.) :	–	–	–	–
	At the end of the year	80,06,130	8.09	80,06,130	8.09

V. INDEBTEDNESS - *Indebtedness of the Company including interest outstanding / accrued but not due for payment.*

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	2,31,915,151	1,76,80,000	—	24,95,95,151
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	2,31,915,151	1,76,80,000	—	24,95,95,151
Change in Indebtedness during the financial year				
* Addition	—	17,85,000	—	17,85,000
* Reduction	(58,064,220)		—	(58,064,220)
Net Change	(58,064,220)	17,85,000	—	(58,064,220)
Indebtedness at the end of the financial year				
i) Principal Amount	1,73,850,931	19,465,000	—	1,93,315,931
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	—	—	—	—
Total (i+ii+iii)	1,73,850,931	19,465,000	—	1,93,315,931

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN	Particulars of Remuneration	Name of MD/WTD Manager		Total Amount
		Mr. Premjibhai Kanani	Mr. Harshil Kanani	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	4,99,200	5,01,000	10,00,200
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL
4	Commission			
	- as % of profit	NIL	NIL	NIL
	- others, specify...	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL
	Total (A)	4,99,200	5,01,000	10,00,210
	Ceiling as per the Act	The Remuneration paid to Managing Director and Whole-time Director is within the ceiling prescribed under the Companies Act, 2013.		

B. Remuneration to other directors:

Sr. No.	Particulars of Remuneration	Name of Directors			Total Amount
1	Independent Directors	Ms. Ami Jariwala	Mr. Devendra Kumar Kikani	*Mr. Shailesh Patel	
	Fee for attending board committee meetings	N.A	N.A	N.A	N.A
	Commission	N.A	N.A	N.A	N.A
	Others, please specify	N.A	N.A	N.A	N.A
	Total (1)	N.A	N.A	N.A	N.A
2	Other Non-Executive Directors				
	Fee for attending board committee meetings	N.A	N.A	N.A	N.A
	Commission	N.A	N.A	N.A	N.A
	Others, please specify	N.A	N.A	N.A	N.A
	Total (2)	N.A	N.A	N.A	N.A
	Total (B)=(1+2)	N.A	N.A	N.A	N.A
	Total Managerial Remuneration	N.A	N.A	N.A	N.A
	Overall Ceiling as per the Act	N.A	N.A	N.A	N.A

* Resigned w.e.f. 01/07/2016

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

Sr. no.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	—	3,60,000	3,60,000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	—	—	—	—
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	—	—	—	—
2.	Stock Option	—	—	—	—
3.	Sweat Equity	—	—	—	—
4.	Commission	—	—	—	—
	— as % of profit	—	—	—	—
	Others, specify...	—	—	—	—
5.	Others, please specify	—	—	—	—
	Total	—	—	3,60,000	3,60,000

VIII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ Court]	Appeal made, if any (give details)
A. COMPANY					
Penalty			None		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			None		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment					
Compounding					

ANNEXURE IV**FORM AOC-I****Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures****(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)****Part “A”: Subsidiaries****(Information in respect of each subsidiary to be presented with amounts in ₹)**

Sl. No.	1.
Name of the subsidiary	KIL International Limited.
Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	March 31, 2016
Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	US\$ to INR- 66.25
Share capital	273,548,387
Reserves & surplus	18,431,904
Total assets	1,123,555,668
Total Liabilities	1,123,555,668
Investments	
Turnover	4,111,176,546
Profit before taxation	16,761,535
Provision for taxation	(1,089,637)
Profit after taxation	15,671,898
Proposed Dividend	—
% of shareholding	100%

For and on behalf of the Board of Directors

PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]

Place: Mumbai
Date: August 10, 2016

Part “B”: Associates and Joint Ventures
**Statement pursuant to Section 129 (3) of the Companies Act, 2013
related to Associate Companies and Joint Ventures**

	Name of Associates/Joint Ventures	
1.	Latest audited Balance Sheet Date	—
2.	Shares of Associate/Joint Ventures held by the company on the year end	—
	No.	
	Amount of Investment in Associates/Joint Venture	
	Extend of Holding %	
3.	Description of how there is significant influence	—
4.	Reason why the associate/joint venture is not consolidated	—
5.	Net worth attributable to Shareholding as per latest audited Balance Sheet	—
6.	Profit / Loss for the year	—
	i. Considered in Consolidation	
	i. Not Considered in Consolidation	

For and on behalf of the Board of Directors

PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]

Place: Mumbai
Date: August 10, 2016

Annexure - V**CSR POLICY****(Approved by the Board of Directors on 19th January, 2015)****OBJECTIVE**

The main objective of CSR policy is to lay down guidelines for the company to make CSR a key business process for sustainable development for the Society. It aims at supplementing the role of the Government in enhancing welfare measures of the society based on immediate and long term social and environmental consequences of their activities. KIL will act as a good Corporate Citizen, subscribing to the principles of Global Compact for implementation.

AREAS TO BE COVERED

The poor and needy Section of the Society living in and around the factory vicinity at different parts of India would normally be covered. The CSR Program will also cover the promoting education, including education and employment enhancing vocation skills.

For carrying out CSR activities, 80% of the budgeted amount should be spent within the radius of 50 Km of the Company's factory and 20% of the budget would be spent on CSR activities within the other part of the State or Country.

SCOPE

- i. Education;
- ii. Water Supply including drinking water;
- iii. Health care by providing Indoor medical facilities and medicines;
- iv. Environment;
- v. Social Empowerment;
- vi. Infrastructure for Village Electricity/Solar Light/Wind Mill etc. Recurring expenditure should be borne by the beneficiaries;
- vii. Sports and culture.
- viii. Generation of employment & setting up Co-operative Society.
- ix. Infrastructure Support
- x. Grant/donation/financial assistance/sponsorship to reputed NGOs of the Society/locality doing/involve in upliftment of the standard of the society.
- xi. Heritage sites in the CSR purview ensuring involvement of employee's representatives in this Project.
- xii. Empowerment of women for education/health & self-employment
- xiii. Relief of victims and Natural Calamities like Earth Quake, Cyclone, Draught and Flood situation in any part of the country.
- xiv. Disaster Management Activities including those related to amelioration/ Mitigation.
- xv. Collection of old cloths from the employees and distribution in the nearby village by utilizing the platform of Mahila Sabha of the Company, Club (Executives & Non-executives) and Women in Public Sector.
- xvi. Development of smokeless fuel out of coal and also arrangement for distribution of efficient Chula to the villagers.
- xvii. Adoption of village for carrying out the activities like infrastructural development e.g. Road, water supply, electricity and community center etc.

The above list is illustrative and not exhaustive. Audit Committee shall be authorized to consider CSR activities not falling in this list.

The activities will be specific to the village depending on the need assessed for the people. As far as possible efforts will be made to co-ordinate with similar CSR activities that are taken up by the Central or State Government in the areas of KIL.

All activities under the CSR activities should be environment friendly and socially acceptable to the local people and Society.

ANNEXURE VI**SECRETARIAL AUDIT REPORT****For the financial year ended March 31, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members

KANANI INDUSTRIES LIMITED

G/6, Prasad Chambers,

Tata Road No.2,

Opera House, Mumbai - 400004

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Kanani Industries Limited** (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March 2016 ('Audit Period') complied with the statutory provisions listed hereunder and subject to specified qualification(s)/observation(s) mentioned below, the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (*to the extent as may be applicable to the Company*);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): —
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not Applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not Applicable to the Company during the Audit Period);

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;(Not Applicable to the Company during the Audit Period);and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;(Not Applicable to the Company during the Audit Period);
- (vi) Other laws applicable specifically to the Company, namely:
- (a) Special Economic Zones Act, 2005 read with Special Economic Zone Rules, 2006.

I have also examined compliance with the applicable clauses of the following:

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India
- (b) The Listing Agreement entered into by the Company with the Stock Exchanges viz BSE Ltd (BSE) & NSE Ltd. (NSE) along with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable for respective periods.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, subject to following observations / qualifications:

- Filing of certain e-forms on MCA portal;
- Appointment of Company Secretary w.e.f. 21st March 2016
- Updation of website of the Company in compliance of applicable provisions.

I further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. No changes took place in the composition of the Board of Directors during the period under review.
- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- All the resolutions were passed with consent of majority Directors and minutes were prepared accordingly.

I further report that:

- There are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, guidelines and standards.

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

**(PROPRIETOR)
DEEP SHUKLA
FCS: 5652
CP NO.5364**

**Place: Mumbai
Date: 10th Auguts, 2016**

ANNEXURE TO THE SECRETARIAL AUDIT REPORT

To,

The Members

KANANI INDUSTRIES LIMITED

I further state that my said report of the even date has to be read along with this letter.

1. Maintenance of Secretarial/ Statutory Records is the responsibility of the Management of the Company. My responsibility is to express an opinion on these records based on the audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial Records.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required I have obtained the Management representation about the compliance of laws, rules and regulations and happenings of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standard is the responsibility of management. My examination is limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

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

**(PROPRIETOR)
DEEP SHUKLA
FCS: 5652
CP NO.5364**

**Place: Mumbai
Date: 10th Auguts, 2016**

○ Management Discussion and Analysis

About Jewellery

Jewellery includes ornaments that are worn for personal adornment. Jewelers are made of gold, diamond, and other precious metals such as platinum, silver, and gems. Jewellers play an important role in the lifestyle of Indian people and they associate jewelries with a number of reasons such as status, long-term investment, and hedge against inflation.

The analysts forecast the Jewelry Market in India to grow at a CAGR of 15.95 percent over the period 2014-2019.

Introduction

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 6-7 per cent of the country's GDP. One of the fastest growing sectors, it is extremely export oriented and labour intensive.

Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote 'Brand India' in the international market.

India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world's largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies. Moreover, India exports 95 per cent of the world's diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC). The industry has generated US\$ 38.6 billion of revenue from exports in 2015-16, making it the second largest exporter after petrochemicals.

India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. The Indian government presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route.

Market size

The gems and jewellery market in India is home to more than 500,000 players, with the majority being small players.

India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the country. UAE, US, Russia, Singapore, Hong Kong, Latin America and China are the biggest importers of Indian jewellery.

The overall gross exports of Gems & Jewellery in April 2016 stood at US\$ 3.23 billion, whereas exports of cut and polished diamonds stood at US\$ 1.78 billion. Exports of gold coins and medallions stood at US\$ 302.67 million and silver jewellery export stood at US\$ 299.69 million in April 2016. The overall gross imports of Gems & Jewellery in April 2016 stood at US\$ 2.90 billion.

According to a report by Research and Markets, the jewellery market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of 15.95 per cent over the period 2014-2019.

The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000 - December 2015 were US\$ 751.37 million, according to Department of Industrial Policy and Promotion (DIPP).

During April-December 2015, India imported US\$ 17.33 billion worth of raw material for gems and jewellery. With an 8 per cent share in polished diamonds, India has become the world's third largest diamond consumer.

Investments/Developments

The Gems and Jewellery sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Consumers are demanding new designs and varieties in jewellery, and branded jewellers are able to fulfil their changing demands better than the local unorganised players. Moreover, increase in per capita income has led to an increase in sales of jewellery, as jewellery is a status symbol in India.

- Major mining companies such as Rio Tinto, De Beers and Alrosa have decided to participate in the Indian Diamond Trading Centre (IDTC) which has been set up to eliminate the middlemen in diamond trade and allow Indian manufacturers to deal directly with miners.
- India Bullion and Jewellers Association (IBJA) has signed an pact with the Bombay Stock Exchange (BSE) for setting up India's first bullion exchange through a Special Purpose Vehicle (SPV), wherein IBJA and its constituents will hold 70 per cent and BSE will hold 30 per cent stake.
- Global luxury brand Montblanc International has entered into a joint venture with India's largest watch maker Titan Co. Ltd. and plans to start the retail operations in India by opening five Montblanc boutiques in Mumbai, Delhi, Hyderabad and Pune.
- Jewellery major Joyalukkas plans to invest Rs. 1,500 crore (US\$ 220.08 million) on setting up 20 stores in India and 10 overseas. The new stores, which will come up almost in a year's time, will add to the Thrissur-headquartered company's existing 95 outlets.
- London-headquartered Gemfields, a multi-national firm specialising in colour gemstones mining and marketing, is planning to acquire colour gemstone mines in Odisha and Jharkhand, and participate in the exploration of the Kashmir sapphire mines in Jammu & Kashmir.
- The India arm of US private equity (PE) firm Warburg Pincus picked up a minority stake in Kerala-based Kalyan Jewellers for Rs 1,200 crore (US\$ 176 million). The jeweller plans to use the proceeds to fund its retail and manufacturing expansion plans.
- Creador, a PE firm focused on long-term investments in growth-oriented businesses in Indonesia, India, Malaysia and Singapore, invested Rs 135 crore (US\$ 20.28 million) for a minority stake in PC Jeweller Limited.
- Indian exports will now receive concessional duty treatment in the US as it has renewed the Generalised System of Preferences retrospectively from August 1, 2013 – December 31, 2017.

Government Initiatives

The Reserve Bank of India has announced norms for gold monetisation scheme, which allows individuals, trusts and mutual funds to deposit gold with banks in return for interest, to help reduce gold imports and alleviate pressure on trade balance.

The Reserve Bank of India (RBI) has liberalised gold import norms. With this, star and premier export houses can import the commodity, while banks and nominated agencies can offer gold for domestic use as loans to bullion traders and jewellers. Also, India has signed a Memorandum of Understanding (MoU) with Russia to source data on diamond trade between the two countries. India is the top global processor of diamonds, while Russia is the largest rough diamond producer. The Government of India is planning to establish a special zone with tax benefits for diamond import and trading in Mumbai, in an effort to develop the city as a rival to Antwerp and Dubai, which are currently the top trading hubs for diamond.

Due to shortage of skilled manpower, the Gems and Jewellery Skill Council of India is planning to train over four million people till 2022. The council aims to train, skill and enhance 4.07 million people by 2022. The council plans to tie-up with the existing training institutes including Gemological Institute of America (GIA) and Indian Gemological Institute (IGI), along with setting up of new institutes in major diamond cutting and processing centres, Gems & Jewellery Export Promotion Council (GJEPC) said in a statement here. The GJEPC has also proposed to develop a jewellery park on Thane-Belapur Road which is around five kilometers from Mumbai with a view to boost the Mumbai-based jewellery industry by providing modern facilities and services.

Indian Institute of Gems & Jewellery (IIGJ) Mumbai, a project of the Gem & Jewellery Export Promotion Council of India (GJEPC), has come-up with three-year Graduate Program in Jewellery Design & Manufacturing Techniques with an introduction to Management studies in collaboration with Welingkar Institute of Management.

In September 2015, the Government of India approved the gold monetisation plan in the form of revamped Gold Deposit Scheme (GDS) and the Gold Metal Loan (GML) Scheme to mobilise tonnes of gold stored in households and temples across the country. The Union Cabinet also approved the introduction of Sovereign Gold Bond Scheme, under which gold bonds denominated in grams of gold will be issued to individuals by the Reserve Bank of India (RBI), in consultation with Ministry of Finance.

Road Ahead

In the coming years, growth in Gems and Jewellery sector would be largely contributed by the development of large retailers/brands. Established brands are guiding the organised market and are opening opportunities to grow. Increasing penetration of organised players provides variety in terms of products and designs. Also, the relaxation of restrictions of gold import is likely to provide a fillip to the industry. The improvement in availability along with the reintroduction of low cost gold metal loans and likely stabilisation of gold prices at lower levels is expected to drive volume growth for jewellers over short to medium term. The demand for jewellery is expected to be significantly supported by the recent positive developments in the industry.

Exchange Rate Used: INR 1 = US\$ 0.0149 as on May 16, 2016

References: Media Reports, Press Releases, Department of Industrial Policy and Promotion (DIPP), Reserve Bank of India, Gem & Jewellery Export Promotion Council.

○ Corporate Governance Report

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is not merely the compliance of a set of regulatory laws and regulations but is a set of good and transparent practices that enable an organization to perform efficiently and ethically to generate long term wealth and create value for all its stakeholders. It goes beyond building and strengthening the trust and integrity of the Company by ensuring conformity with the globally accepted best governance practices. The Securities and Exchange Board of India (SEBI) observes keen vigilance over governance and fulfillment of these regulations in letter and spirit, which entails surety towards sustainable development of the Company, enhancing stakeholders' value eventually.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Corporate governance refers to the mechanisms, processes and relations by which corporations are controlled and directed.

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. 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.

BOARD OF DIRECTORS

The Board of Directors ("the Board") facilitates effective fulfillment of the Board's tasks and provides leadership and guidance to the Company's management and helps in supervising the performance of the Company and helps achieving goals. The Board plays a crucial role enhancing and protecting the reputation of the organization are expected to exercise their duties in the best interests of shareholders and to maximize wealth.

The Board comprises of the members distinguished in various fields such as management, finance, law and marketing. This provides reliability to the Company's functioning and the Board ensures a critical examination of the strategies and operational planning mechanisms adopted by the management across the globe.

The Company has an optimum combination of Directors on the Board and is in conformity with Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as on March 31, 2016, the Board comprised of 5 Directors out of which 3 are Non-Executive Independent Directors and 2 are Executive Directors.

Agenda papers of the Boards and its Committee meetings are circulated to the Directors well in advance of the meetings, supported with significant information as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for an effective and well-informed decision making during the meetings.

KANANI INDUSTRIES LIMITED

The Board meets at regular intervals to discuss and decide on Company's business policy and strategy apart from other normal business. During the Financial Year 2015-2016, 6 (Six) Board Meetings were held on **10th April 2015, 30th May, 2015, 06th August, 2015, 10th October, 2015, 31st October, 2015, and 5th February, 2016** Time gap between any two meetings was not more than 120 days.

Details of the composition, category of the Directors, their attendance at the Board Meetings held during the year & Annual General Meeting (AGM) held on **28th September, 2015**, Directorships and Committee Memberships are as under:

Name of the Director	Category	No. of Board Meeting attended during the year	No. of Equity Shares held on March 31, 2016	Attendance previous AGM Held on the year 2016 September 28, 2015 (Y-Yes, N-No)
Mr. Premjibhai Kanani	Chairman / Executive Director	6	80,06,130	No
Mr. Harshil Kanani	Managing Director	6	6,29,47,500	Yes
Mr. Devendra Kumar Kikani	Independent Director	6	NIL	Yes
Mr. Shailesh Patel	Independent Director	6	NIL	No
Mrs. Ami D. Jariwala	Independent Director	1	NIL	No

The Board periodically reviews the compliance report of all laws applicable to the Company. All the Directors have made necessary disclosures about the directorships and committee positions they occupy in other companies. None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees across all Companies in which they are Directors.

The particulars of Directors, who are proposed to be re-appointed at the ensuing AGM, are given in the Notice convening the AGM.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises of experts specializing in accounting / financial management. During the Financial Year 2015-16, Six (6) meetings of the Audit Committee were held on **10th April 2015, 30th May, 2015, 6th August, 2015, 10th October, 2015, 31st October 2015, and on 05th February, 2016**. The time gap between any two meetings was not more than 4 months and the Company has complied with all the requirements as mentioned under the Listing Agreement / SEBI (LODR) Regulation 2015 and the Companies Act, 2013.

Details of the composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Mr. Devendra Kumar Kikani	Chairman of Committee and Independent Director	6
Mr. Shailesh Patel	Member and Independent Director	6
Mr. Harshil Kanani	Member and Executive Director	6

The terms of reference of the Audit Committee are in order to cover the matters specified under revised Regulation 17(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013. This Committee has powers and roles comprising of Financial Reporting and disclosure, recommendation of appointment/removal of Auditors, reviewing of company's results, evaluation of Independent Directors performances.

NOMINATION AND REMUNERATION COMMITTEE

The Committee's constitution and terms of reference are in compliance with provisions of section 178 of the Companies Act, 2013, Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

During the Financial Year 2015-16, One (1) meetings of the Committee were held on 10th April, 2015.

Details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Mr. Devdendra Kumar Kikani	Chairman of Committee & Independent Director	1
Mr. Shailesh Patel	Member & Independent Director	1
Mr. Ami D. Jariwala	Member & Independent Director	1

This Committee has powers to recommend/ approve remuneration, Identification of Persons who are qualified to become director, Recommend to the board their appointment and removal, approve remuneration of Non Executive Directors.

Remuneration Policy for Key Managerial Personnel and other Employees of the Company

As per listing regulation the Company is required to frame Remuneration Policy for Key Managerial Personnel and Other employees. The Nomination and Remuneration Committee are responsible for Identifying suitable person eligible to become director and recommend to the Board their appointment and removal. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce.

STAKEHOLDERS RELATIONSHIP COMMITTEE

Two (2) meetings of the Committee were held during the year 2015-16 on **10th April 2015 and 31st October 2015**. The details of composition of the Committee and attendance during the year are as under:

Name of the Director	Category	No. of Meetings Attended
Mr. Devdendra Kumar Kikani	Chairman of Committee & Independent Director	2
Mr. Shailesh Patel	Member & Independent Director	2
Mr. Harshil Kanani	Member & Managing Director	2

The terms of reference are in line with Section 178 of the Companies Act, 2013 and Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Committee reviews Shareholder's/ Investor's complaints like non-receipt of Annual Report, physical transfer/ transmission/transposition, split/ consolidation of share certificates, issue of duplicate share certificates etc. This Committee is also empowered to consider and resolve the grievance of other stakeholders of the Company including security holders.

GENERAL BODY MEETINGS

Financial Year	Date	Location of the Meeting	Time	Special Resolution (s) Passed
2012-2013	25 th September, 2013	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai – 400007	10 A.M	NIL
2013-2014	29 th September, 2014	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai – 400007	10 A.M	3
2014-2015	28 th September, 2015	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai – 400007	10 A.M	1

TRAINING FOR BOARD MEMBERS

Regulation 25(7) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, every listed company is required to conduct familiarization programme enabling the Independent Directors of the Company to understand the Company's business in depth that would facilitate their active participation in managing the Company.

The Company has adopted a system to familiarize its Independent Directors with the Company, to make them aware of their roles, rights & responsibilities in the Company, and nature of the industry in which the Company operates business model of the Company, etc.

PERFORMANCE EVALUATION

The performance evaluation process is a constructive mechanism for improving board effectiveness, maximizing strengths and tackling weaknesses, leading to an immediate improvement in performance throughout the organization. The Board of the Company has carried out the annual performance evaluation of its own performance, the Directors individually including the Chairman of the Board as well as the evaluation of the working of its Audit Committee, Nomination & Remuneration Committee, and Stakeholders Relationship Committee on parameters such as attendance and participation in the Meetings, preparedness for the meetings, understanding of the Company & the external environment in which it operates, contribution to strategic direction, raising of valid concerns to the Board, constructive contribution to issues, active participation at meetings and engaging with & challenging the management team without confronting or obstructing the proceeding of the Board and its Committee meetings of which the Director is a member pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors at its meeting. The Directors expressed their satisfaction with the evaluation process.

DISCLOSURES**I. Related Party Transactions**

The transactions with related parties as per Accounting Standard AS-18 are set out in Notes to accounts under Note no. 21(8) forming part of financial statements. Further, no transactions were entered into with Related Parties as defined under Section 188 the Companies Act, 2013. Further, there were no materially significant transactions with related parties during the financial year which were in conflict with the interest of the Company.

II. Managing Director Certification

Certification on financial statements pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been obtained from the Managing Director of the Company. Extract of the same is given at the end of this Report.

III. Code of Conduct for Directors

The Board has laid down Codes of Conduct for Executive Directors and for Non-Executive/ Independent Directors of the Company. The Codes of Conduct have been circulated to the Board and the compliance of the same has been affirmed by them. A declaration signed by the MD in this regard is given at the end of this Report.

IV. Subsidiary Companies

The Company has no material non-listed Indian Subsidiary Company as defined in Regulation 24 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

However, the Company has a foreign subsidiary during the year under review.

V. Risk Management & Internal Control

The board has ultimate responsibility for risk management and internal control, including for the determination of the nature and extent of the principal risks it is willing to take to achieve its strategic objectives and for ensuring that an appropriate culture has been embedded throughout the organization. The Company has implemented a comprehensive 'Enterprise Risk Management' framework in order to understand the risks they are exposed to, put controls in place to counter threats, and effectively pursue their objectives and further to anticipate, identify, measure, mitigate, monitor and report the risks, details of which are given in the Risk Management section under 'Management Discussion and Analysis Report' which forms part of this Annual Report. The team presents their key audit findings of every quarter to the Audit Committee. The management updates the members about the remedial actions taken or proposed for the same. The suggestions and comments from the Committee members are vigilantly incorporated and executed by the Company.

VI. Independent Directors

The Independent Directors of the Company have the option and freedom to meet and interact with the Company's Management as and when they deem it necessary. They are provided with necessary resources and support to enable them to analyze the information/data provided by the Management and help them to perform their role effectively.

MEANS OF COMMUNICATION

The quarterly and annual financial results are normally published in Business Standard (English) and Mumbai Lakhshyadeep (Marathi) newspapers. The following information is promptly uploaded on the Company's website viz. <http://www.kananiindustries.com/investors.asp>

GENERAL SHAREHOLDER INFORMATION**i. Annual General Meeting**

Day, Date & Time	Monday, 26th September, 2016 at 10.00 am.
Venue	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai - 400007

ii. Financial year

Financial Calendar (Tentative) – Financial Year 2016-2017

1 st Quarter	On or before 15 th August, 2016
2 nd Quarter	On or before 15 th November, 2016
3 rd Quarter	On or before 15 th February, 2017
4 th Quarter	On or before 30 th May, 2017
	Audited yearly result for the year ended March 2017 - End of May 2017

iii. 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.

iv. Stock Code / Symbol

BSE	506184
NSE	KANANIIND
ISIN in (NSDL and CDSL)	INE879E01037
Corporate Identity Number (CIN)	L51900MH1983PLC029598

v. Market Price Data

The market price data i.e. monthly high and low prices of the Company's shares on BSE are given below:

Month	BSE*		
	Share Price (₹)		No. of Shares Traded
	High	Low	
April, 2015	9.33	7.50	16,651
May, 2015	9.29	6.56	22,936
June, 2015	7.90	5.93	22,546
July, 2015	9.50	7.51	1,02,159
August, 2015	10.55	7.86	1,88,915
September, 2015	8.40	6.04	1,90,221
October, 2015	8.50	6.99	1,35,152
November, 2015	7.99	6.34	69,491
December, 2015	10.90	6.70	2,85,416
January, 2016	20.40	10.00	20,22,427
February, 2016	20.55	12.15	7,84,074
March, 2016	16.90	11.44	8,46,245

* Source: BSE Website

The market price data i.e. monthly high and low prices of the Company's shares on NSE are given below:

Month	NSE*		
	Share Price (₹)		No. of Shares Traded
	High	Low	
April, 2015	10.10	7.40	25,156
May, 2015	8.90	6.40	19,630
June, 2015	7.85	5.75	16,498
July, 2015	9.80	7.45	3,15,721
August, 2015	10.55	7.90	2,04,191
September, 2015	8.65	6.05	1,43,997
October, 2015	8.50	6.95	93,274
November, 2015	8.00	6.15	79,053
December, 2015	10.70	6.40	2,62,440
January, 2016	20.30	9.95	20,54,511
February, 2016	20.45	12.15	8,17,128
March, 2016	16.90	11.25	7,51,913

* Source: NSE Website

vi. Registrar & Transfer Agent

Sharex Dynamic (India) Pvt. Ltd.

Unit 1, Luthra Industrial Premises,
Safed Pool, Andheri Kurla Road,
Andheri (East), Mumbai - 400072

vii. Top 10 Shareholders as on March 31, 2016

Sr. No.	For each of the Top 10 Shareholders	Shareholding as on 31st March, 2016	
		No. of shares	% of total shares of the Company
1.	Hirabhai Kanjibhai Kakadia	21,12,000	2.135
2.	Anil Bhikhabhai Virani	24,42,000	2.468
3.	Kishor B. Virani	23,10,000	2.335
4.	Rajesh Bhagwanbhai Sutaria	17,89,463	1.809
5.	Vallabhbhai D Vaghasia	15,95,000	1.612
6.	Lakhabhai Gagjibhai Magukia	7,73,520	0.782
7.	Govindbhai Laljibhai Kakadia	20,56,384	2.079
8.	Dahyabhai Govindbhai Sutariya	23,09,837	2.335
9.	Hansaben Ashokbhai Mangukiya	7,89,800	0.798
10.	Jayshriben Mukeshbhai Magukiya	8,09,737	0.818

viii. Dematerialization of Shares and Liquidity

According to the requirements of the Securities & Exchange Board of India (SEBI) the shares of the company are to be compulsorily traded in a dematerialized form. Consequently the company had written to its shareholders advising them that they had the option of converting their shareholdings from the physical form to the electronic form. As of 31.03.2016, a total number of 98887800 shares, representing 99.94% of the total shares of the company have been dematerialized.

ix. Address for Correspondence

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

x. Plant Location

Plot No. 42, Surat Special Economic Zone, Near Sachin Rly. Stn., Sachin, Dist: Surat, Gujarat

Place: Mumbai

Dated: 10th August, 2016

CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015

**To the Members of
Kanani Industries Limited
Mumbai**

We have examined the compliance of the conditions of Corporate Governance, by Kanani Industries Limited having its Registered Office at G-6, Prasad Chambers, Tata Road No. 2, Opera House, Mumbai - 400004 as stipulated in SEBI (Prohibition of Insider Trading) Regulations, 2015 entered into by the said Company with the Stock exchanges viz. BSE Ltd. (BSE) and NSE Ltd. (NSE) for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Regulations. It is neither an audit nor an expression of opinion on the Financial Statement 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 not entirely complied with the conditions of Corporate Governance as stipulated in SEBI (Prohibition of Insider Trading) Regulations, 2015. 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 RAJPARA & CO.
Chartered Accountants

**Place: Surat
Date: 10th August, 2016**

(RAJPARA AP)
Proprietor
M. No. 047645
ICAI Firm Regi. No. 114232W

CERTIFICATION FROM THE MANAGING DIRECTOR AND CFO:

In terms of Regulation 17(8) of **Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** entered with the BSE and NSE, I hereby certify as under:

- a) I have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of my knowledge and belief:
 - 1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.

There have been no

- I. Significant changes in internal control over financial reporting during the year;
- II. Significant changes in accounting policies during the year;
- III. Instances of fraud of which we have become aware and the involvement therein, of the management or an employee having significant role in the Company's internal control system over financial reporting.

For KANANI INDUSTRIES LIMITED

HARSHIL KANANI
MANAGING DIRECTOR
DIN : 01568262

DARSHAK PANDYA
Chief Financial Officer

Place : Mumbai
Date : 10th August, 2016

DECLARATION BY THE MANAGING DIRECTOR ON 'CODE OF CONDUCT'

I hereby confirm that:

The Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the Code of Conduct as applicable to them.

For KANANI INDUSTRIES LIMITED

**HARSHIL KANANI
MANAGING DIRECTOR
DIN : 01568262**

Place : Mumbai

Date : 10th August, 2016

○ Standalone Auditors Report

To the Members

Kanani Industries Limited

Mumbai

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s. Kanani Industries Limited (“the Company”)** which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, 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

The Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor’s 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 financial control relevant to the Company’s preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company’s Directors, 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 on the financial statements

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at March 31, 2016, and its Profit and its Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - a. we have sought and 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 law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e. On the basis of written representations received from the directors as on March 31, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
 - g. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014,
 - i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no delay in transferring amounts, requires to be transferred, to the Investor Education and Protection Fund by the Company.

For RAJPARA & CO.
Chartered Accountants

(RAJPARA AP)
Proprietor
M. No. 047645
ICAI Firm Regi. No. 114232W

Place: Surat
Date: 30th May, 2016

ANNEXURE “A” TO THE AUDITOR’S REPORT

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) All the assets have not been physically verified by the management during the year but according to information & explanation given to us, there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification
- (c) According to the information and explanations given to us and on the basis of our examination of records of the Company, the title deeds of immovable properties are held in the name of the company.
- (ii) (a) The inventory has 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 explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security, if any
- (v) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- (vi) We have broadly reviewed the books of accounts maintained by the company pursuant to the Rule made by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 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.
- (vii) (a) During the year under review, we are informed by management that provisions of Employees State Insurance and provident Fund are not applicable to the company. The company is regular in depositing with appropriate authorities undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess were in arrears as at 31st March, 2016 for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess which have not been deposited on account of any dispute, except mention in below

Name of Status	Nature of Dues	Amount	Period to which the amount relates
Income Tax	Assessed Tax	68,100	A Y 2013-14

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.
- (ix) (a) According to the information and explanation given to us and based on our examination of the records of the Company, the company has not raised moneys by way of initial public offer or further public offer including debt
- (b) In our opinion, and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (x) According to the information and explanation given to us and based on our examination of the records of the Company, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanation given to us and based on our examination of the records of the Company, the company has paid/provided for managerial remuneration in accordance with requisite approvals mandated by the provisions of section 197 read with schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- (xiii) According to the information and explanation given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- (xiv) According to the information and explanation given to us and based on our examination of the records of the Company, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. hence, the provisions of clause 3 (xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanation given to us and based on our examination of the records of the Company, the company has not entered into any non-cash transactions with directors or persons connected with him. hence, the provisions of clause 3 (xv) of the Order are not applicable to the Company.
- (xvi) According to the information and explanation given to us and based on our examination of the records of the Company, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934. hence, the provisions of clause 3 (xvi) of the Order are not applicable to the Company.

For RAJPARA & CO.
Chartered Accountants

(RAJPARA AP)
Proprietor
M. No. 047645
ICAI Firm Regi. No. 114232W

Place: Surat
Date: 30th May, 2016

“Annexure B” to the Independent Auditor’s Report of even date on the Standalone Financial Statements of M/s Kanani Industries Limited**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **M/s Kanani Industries Ltd.** (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance

Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountant of India.

For RAJPARA & CO.
Chartered Accountants

(RAJPARA AP)
Proprietor
M. No. 047645
ICAI Firm Regi. No. 114232W

Place: Surat
Date: 30th May, 2016

○ Standalone Balance Sheet as on 31st March, 2016

	<u>Notes</u>	2016 ₹	2015 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	1	9,89,34,000	9,89,34,000
b. Reserves & Surplus	2	30,87,12,032	30,52,43,408
		<u>40,76,46,032</u>	<u>40,41,77,408</u>
2 Non Current liabilities			
a. Long-term borrowings	3	1,94,65,000	1,76,80,000
		<u>1,94,65,000</u>	<u>1,76,80,000</u>
3 Current liabilities			
a. Short-term borrowings	4	17,38,50,931	23,19,15,151
b. Trade payables		18,10,82,897	11,73,99,637
c. Other current liabilities	5	10,95,398	7,80,828
d. Short-term provisions	6	—	—
		<u>35,60,29,226</u>	<u>35,00,95,616</u>
TOTAL		<u>78,31,40,258</u>	<u>77,19,53,024</u>
II. ASSETS			
1 Non-current assets			
a. Fixed Assets			
(i) Tangible assets	7	60,62,296	69,41,016
b. Non-current investments	8	21,33,58,969	21,33,58,969
c. Long-term loans and advances	9	10,12,490	7,38,371
2 Current assets			
a. Inventories	10	16,49,312	43,87,705
b. Trade receivables	11	40,71,61,157	40,26,40,266
c. Cash and bank balances	12	14,34,68,502	13,54,01,097
d. Short-term loans and advances	13	27,74,737	29,14,729
e. Other current assets	14	76,52,795	55,70,871
		<u>56,27,06,503</u>	<u>55,09,14,668</u>
TOTAL		<u>78,31,40,258</u>	<u>77,19,53,024</u>

Significant Accounting Policies

21

Notes are an integral part of the financial statements

In terms of our report of even date

 For **Rajpara & Co.**

Chartered Accountants

(FRN : 114232W)

(RAJPARA A.P.)

Proprietor

M. No.047645

Surat

May 30th, 2016

For & on behalf of Board of Directors

PREMJIBHAI KANANI

Chairman

MEHUL KUNDARIYA

Company Secretary

HARSHIL KANANI

Managing Director

DARSHAK PANDYA

Chief Finance Officer

Mumbai

May 30th, 2016

○ Standalone Statement of Profit & Loss for the year ended 31st March, 2016

	<u>Notes</u>	2016 ₹	2015 ₹
I. INCOME			
Revenue from operation	15	84,87,91,496	69,48,68,495
Other Income	16	37,69,566	19,14,396
TOTAL		85,25,61,063	69,67,82,891
II. EXPENDITURE			
Cost of raw materials consumed		83,62,84,673	67,82,62,262
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	17	—	—
Employee benefit expenses	18	39,35,746	26,00,405
Finance costs	19	14,88,480	65,15,953
Depreciation and amortization expense	7	8,86,709	9,91,362
Other expenses	20	56,78,331	63,60,666
TOTAL		84,82,73,939	69,47,30,647
Profit for the year before taxes		42,87,124	20,52,244
Less : Provision for taxes			
Current Taxes		(8,18,500)	(3,92,200)
(Short) / Excess Provision for earlier years		—	(5,032)
Profit for the year after taxes		34,68,624	16,55,012
Earnings per equity share:			
(1) Basic		0.04	0.02
(2) Diluted		0.04	0.02

Significant Accounting Policies

21

Notes are an integral part of the financial statements

In terms of our report of even date

 For **Rajpara & Co.**

 Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)

 Proprietor
M. No.047645

Surat

May 30th, 2016

For & on behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

MEHUL KUNDARIYA
Company Secretary

HARSHIL KANANI
Managing Director

DARSHAK PANDYA
Chief Finance Officer

Mumbai

May 30th, 2016

○ Standalone Cash Flow Statement for the year ended 31st March, 2016

		2016 ₹	2015 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(Loss) Before tax		42,87,124	20,52,244
Adjustments for			
Depreciation		8,86,709	9,91,362
Adjustments for Working Capital Changes			
Inventories		27,38,393	(24,84,134)
Trade receivables		(45,20,891)	(2,89,26,875)
Short term Loans and Advances		1,39,992	5,66,052
Other current assets		(20,81,924)	4,55,175
Trade Payables & Other Liabilities		6,39,97,830	9,92,72,128
<i>Cash Generated from Operations</i>		6,54,47,233	7,19,25,952
Direct taxes paid		(10,92,618)	(11,45,922)
<i>Net cash from Operating activities</i>	(a)	6,43,54,615	7,07,80,030
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed assets		(7,990)	—
Investment in Equity Instruments		—	—
Change in long term Fixed Deposit		—	—
<i>Net Cash Utilised in Investing Activities</i>	(b)	(7,990)	—
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds/(Repayment) of Short Term Borrowings		(5,80,64,220)	43,18,041
Proceeds/(Repayment) of Long–Term Borrowings		17,85,000	(1,07,20,000)
Share Capital		—	—
Interim Dividend		—	—
Corporate tax		—	—
<i>Net Cash utilised in Financing Activities</i>	(c)	(5,62,79,220)	(64,01,959)
Net increase in cash and cash equivalents	(a+b+c)	80,67,405	6,43,78,071
Cash & cash equivalents as at 1st april (opening balance)		13,54,01,097	7,10,23,026
Cash & cash equivalents as at 31st march (closing balance)		14,34,68,502	13,54,01,097

For **Rajpara & Co.**
Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)
Proprietor
M. No.047645

Surat
May 30th, 2016

For **Kanani Industries Limited**

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director

Mumbai
May 30th, 2016

MEHUL KUNDARIYA
Company Secretary

DARSHAK PANDYA
Chief Finance Officer

○ Standalone Schedule for the year ended 31st March, 2016

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.

	2016 ₹	2015 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	9,89,34,000
	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, 2016		31st March, 2015	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	9,89,34,000	9,89,34,000	9,89,34,000	9,89,34,000
Issued during the period - Bonus Issue	—	—	—	—
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, 2016		31st March, 2015	
	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, 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

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

Less : Additional Depreciation pursuant to enactment of schedule II of the Companies Act 2013

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

	2016 ₹	2015 ₹
	1,661,027	1,661,027
	—	—
	<u>1,661,027</u>	<u>1,661,027</u>
	94,84,848	82,19,320
	23,62,514	12,65,528
	—	—
	<u>1,18,47,362</u>	<u>94,84,848</u>
	29,40,97,533	29,38,94,256
	—	(1,86,207)
	34,68,624	16,55,012
	<u>29,75,66,157</u>	<u>29,53,63,061</u>
	—	—
	(23,62,514)	(12,65,528)
	<u>29,52,03,643</u>	<u>29,40,97,533</u>
	<u>30,87,12,032</u>	<u>30,52,43,408</u>

NOTE 3 : LONG-TERM BORROWINGS
Unsecured
From related party

Shri Premji Bhai Kanani

	2016 ₹	2015 ₹
	1,94,65,000	1,76,80,000
	1,94,65,000	1,76,80,000
NOTE 4 : SHORT-TERM BORROWINGS		
1 <u>Secured</u>		
i) <u>From Banks</u>		
<u>Post Shipment Credit Facility</u>		
Dena Bank	17,38,50,931	23,19,15,151
(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 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.)		
	17,38,50,931	23,19,15,151
NOTE 5 : OTHER CURRENT LIABILITIES		
Unclaimed Dividend	5,604	5,604
Other Payable		
Statutory dues payable	73,363	65,266
Creditor for capital goods	—	—
Employee related liabilities	8,11,991	2,78,537
Other Liabilities	2,04,440	4,31,421
	10,95,398	7,80,828
NOTE 6 : SHORT-TERM PROVISIONS		
Provision for Taxation	—	—
	—	—
	—	—

NOTE 7: FIXED ASSETS

Name of the Assets	←----- GROSS BLOCK -----→				←----- DEPRECIATION -----→				NET BLOCK			
	As on 01/04/15	Additions		Total	Rate %	As on 01/04/15	Written Off		Total	Retained Earning		
		During the year					Back					
a)Tangible Assets												
Leasehold Land	47,00,000	-	-	47,00,000		21,93,331	3,13,333	-	25,06,664	-	21,93,336	25,06,669
Factory Building	59,69,514	-	-	59,69,514		29,19,241	2,86,726	-	32,05,967	-	27,63,547	30,50,273
Plant & Machinery	37,63,087	-	-	37,63,087		24,47,445	2,69,352	-	27,16,797	-	10,46,290	13,15,642
Generator	1,40,000	-	-	1,40,000		81,664	11,551	-	93,215	-	46,785	58,336
Office Equipment	1,09,655	-	-	1,09,655		99,560	4,636	-	1,04,196	-	5,459	10,095
Air Conditioner	3,04,074	-	-	3,04,074		1,70,307	-	-	1,70,307	-	-	-
Computer	2,18,554	-	-	2,18,554		2,02,135	-	-	2,02,135	-	-	-
Refrigerator	-	7,990	-	7,990		1,111	-	-	1,111	-	6,879	-
	1,52,04,884	7,990	-	1,52,12,874		81,13,683	8,86,709	-	90,00,392	-	60,62,296	69,41,015
Previous Year Total	1,52,04,884	-	-	1,52,04,884		70,86,299	9,91,362	-	80,77,611	1,86,207	69,41,016	81,18,585

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

Investment in Equity Instruments

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

2016 ₹	2015 ₹
21,33,58,969	21,33,58,969
—	—
21,33,58,969	21,33,58,969

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

Advance Tax (Net-Off Provision)

33,229	33,229
9,79,261	7,05,142
10,12,490	7,38,371

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

15,80,944	42,41,209
68,368	1,46,496
—	—
—	—
16,49,312	43,87,705

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

40,71,61,157	40,26,40,266
—	—
40,71,61,157	40,26,40,266

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 12 : CASH AND BANK BALANCE

a) <u>Cash and cash equivalents</u>		
Balances with banks		
i) Current account	6,30,947	17,17,871
ii) Deposits with original maturity of less than 12 months	14,18,85,550	13,22,72,431
b) Cheques, drafts on hand	—	—
c) Cash on hand	9,52,005	14,10,794
d) <u>Other Bank Balances</u>		
Deposits with original maturity for more than 12 months	—	—
	14,34,68,502	13,54,01,097

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	27,74,737	29,14,729
	27,74,737	29,14,729

NOTE 14 : OTHER CURRENT ASSETS

Interest accrued on Fixed Deposit with Bank	46,66,595	55,70,871
Interest Receivable - FD With Standard Chartered Bank	29,24,949	—
Prepaid Insurance Charges	14,902	—
Other Receivables	46,350	—
	76,52,795	55,70,871

NOTE 15 : REVENUE FROM OPERATIONS

Sale of products

Diamond Studded Jewellery	84,87,91,496	69,48,68,495
	84,87,91,496	69,48,68,495

NOTE 16 : OTHER INCOME

Exchange rate difference	32,93,009	19,14,396
Bank Interest Income	4,76,558	—
	37,69,566	19,14,396

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

Opening Stock	—	—
<u>Less:</u> Closing Stock	—	—

Work in Progress

Opening Stock	—	—
<u>Less:</u> Closing Stock	—	—

NOTE 18 : EMPLOYEE BENEFIT EXPENSES

Salary, Wages and allowances	38,51,984	25,35,478
Staff Welfare	83,762	64,927
	39,35,746	26,00,405

NOTE 19 : FINANCE COSTS

Interest	—	56,85,044
Other borrowing cost	14,88,480	8,30,908
	14,88,480	65,15,953

NOTE 20 : OTHER EXPENSES

Consumption of Stores & Consumables	6,32,247	2,49,395
Power & Fuel	81,397	61,846
Audit fees	1,25,000	1,25,000
Insurance	51,342	—
Rates and Taxes	6,91,178	7,71,779
Travelling Expenses	6,29,799	8,56,741
Legal & Professional Fee	5,57,000	8,08,398
Bank Charges	25,52,189	32,14,501
Miscellaneous Expenses	3,58,180	2,73,006
	56,78,331	63,60,666

NOTE 21 : NOTES TO FINANCIAL 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 Company is providing depreciation as per W.D.V. method as per rates given in Schedule II of the Companies Act, 2013 on pro rata basis.

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.

	2016	2015
	₹	₹
3. C. I. F. Value of Imports		
Raw Material	83,31,16,436	68,00,57,640
4. F.O.B. Value of Exports	84,87,91,496	69,48,68,495
5. <u>Auditors' Remuneration</u>		
Audit Fee	1,00,000	1,00,000
Tax Audit Fee	25,000	25,000
	<u>1,25,000</u>	<u>1,25,000</u>

6. Value of imported & indigenous material consumed :

	<u>%</u>	<u>2016</u> <u>Amount</u> ₹	<u>%</u>	<u>2015</u> <u>Amount</u> ₹
Raw Material				
Indigenous	0.05	4,42,796	0.07	5,02,785
Imported	99.95	83,58,41,877	99.93	67,77,59,477
Stores & Spares				
Indigenous	100.00	6,32,247	100.00	2,49,395
Imported	—	—	—	—

7. Stock and turnover

	<u>Sales Value</u>	<u>Closing Inventory</u>	<u>Opening Inventory</u>
<u>Manufactured goods</u>			
Diamond studded Jewellery	84,87,91,496 (69,48,68,495)	— —	— —

* Figures in bracket refers to previous year

8. 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

Investment in Subsidiary

Loan from Director

Loan repayment to Director

c) Balances at the year end

Remuneration to Director Payable

Investment in subsidiary

Loan from Director

	<u>2016</u> ₹	<u>2015</u> ₹
Remuneration to Director	10,00,200	5,01,000
Investment in Subsidiary	—	—
Loan from Director	1,18,14,000	—
Loan repayment to Director	84,72,000	1,07,20,000
Remuneration to Director Payable	5,46,648	41,257
Investment in subsidiary	21,33,58,969	21,33,58,969
Loan from Director	1,94,65,000	1,76,80,000

9. 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

10. 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".

11. **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

	2016 ₹	2015 ₹
	34,68,624	16,55,012
	9,89,34,000	9,89,34,000
	0.04	0.02
	15,00,00,000	15,00,00,000

12. **Contingent Liability**

Bank Guarantee

13. 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.

14. Derivative contracts entered into by the company and outstanding as on 31st March, 2016 :

Particulars	Nominal Value \$	Quantity	
		Long	Short
USD Forward Contract 01.05.2016 - 30.05.2016	2,39,000.00	1.00	—
USD Forward Contract 16.06.2016 - 30.06.2016	8,08,500.00	1.00	—
USD Forward Contract 01.08.2016 - 31.08.2016	8,11,000.00	1.00	—

Derivative contracts entered into by the company and outstanding as on 31st March, 2015 : NIL

15. The company has also reclassified the previous year figures in accordance with requirement for the current period.
16. Figures have been rounded off to the nearest of a rupee.

Signature to Notes 1 to 21 :

For **Rajpara & Co.**

Chartered Accountants

(FRN : 114232W)

(RAJPARA A.P.)

Proprietor

M. No.047645

Surat

May 30th, 2016

For Kanani Industries Limited

PREMJIBHAI KANANI

Chairman

HARSHIL KANANI

Managing Director

Mumbai

May 30th, 2016

MEHUL KUNDARIYA

Company Secretary

DARSHAK PANDYA

Chief Finance Officer

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 **M/s. Kanani Industries Limited (“the Holding Company”) and its Subsidiary** which comprise the consolidated Balance Sheet as at March 31, 2016, the Statement of Profit and 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

The Holding Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated Cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, 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 financial control relevant to the Holding Company’s preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made

by the Holding Company's Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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, 2016;
- b) In the case of the Consolidated Statement of Profit & 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 consolidated financial statements reflect total assets of ₹ 11,235.56 Lacs as at 31st March, 2016 as well as the total revenue of ₹ 41,111.76 Lacs as at 31st March, 2016. These 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 result, to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, 2013 and on the basis of such of the books and records of the company
2. As required by section 143 (3) of the Act, we report that:
 - a. we have sought and 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 law have been kept by the Company so far as it appears from our examination of those books;
 - c. the Consolidated Balance Sheet, Consolidated the Statement of Profit and Loss and Consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Consolidated financial statements.

- d. in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of written representations received from the directors of the respective group's companies as on March 31, 2016 and taken on record by the Board of Directors of the respective group's companies, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. In our opinion and to the best of our information and according to the explanations given to us, we report as under with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014,
 - i. The Company does not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no delay in transferring amounts, requires to be transferred, to the Investor Education and Protection Fund by the Company.

For RAJPARA & CO.
Chartered Accountants

(RAJPARA AP)
Proprietor
M. No. 047645
ICAI Firm Regi. No. 114232W

Place: Surat
Date: 30th May, 2016

○ Consolidated Balance Sheet as on 31st March, 2016

	<u>Notes</u>	2016 ₹	2015 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
a. Share Capital	1	9,89,34,000	9,89,34,000
b. Reserves & Surplus	2	38,73,33,355	36,10,63,131
		48,62,67,355	45,99,97,131
2 Non Current liabilities			
a. Long-term borrowings	3	1,94,65,000	1,76,80,000
		1,94,65,000	1,76,80,000
3 Current liabilities			
a. Short-term borrowings	4	28,06,12,806	33,30,16,897
b. Trade payables		90,48,58,565	74,18,65,552
c. Other current liabilities	5	12,74,914	9,49,737
d. Short-term provisions	6	8,58,318	—
		1,18,76,04,603	1,07,58,32,186
TOTAL		1,69,33,36,958	1,55,35,09,318
II. ASSETS			
1 Non-current assets			
a. Fixed Assets			
(i) Tangible assets	7	60,62,296	69,41,016
b. Long-term loans and advances	8	12,17,651	6,95,460
c. Investments		—	—
d. Other non-current assets		—	—
		72,79,947	76,36,476
2 Current assets			
a. Inventories	9	18,01,95,208	16,14,02,738
b. Trade receivables	10	1,35,03,36,719	1,24,00,53,797
c. Cash and bank balances	11	14,50,97,551	13,59,30,707
d. Short-term loans and advances	12	27,74,737	29,14,729
e. Other current assets	13	76,52,795	55,70,871
		1,68,60,57,011	1,54,58,72,842
TOTAL		1,69,33,36,958	1,55,35,09,318

Significant Accounting Policies

Notes are an integral part of the financial statements

In terms of our report of even date

 For **Rajpara & Co.**

 Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)

 Proprietor
M. No.047645

Surat

May 30th, 2016

For & on behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

MEHUL KUNDARIYA
Company Secretary

HARSHIL KANANI
Managing Director

DARSHAK PANDYA
Chief Finance Officer

Mumbai

May 30th, 2016

○ Consolidated Statement of Profit & Loss for the year ended 31st March, 2016

	<u>Notes</u>	2016 ₹	2015 ₹
I. INCOME			
Revenue from operation	14	4,95,99,68,042	4,44,13,88,472
Other Income	15	37,69,591	19,14,483
TOTAL		4,96,37,37,634	4,44,33,02,955
II. EXPENDITURE			
Cost of raw materials consumed		83,62,84,673	67,82,62,262
Purchases of traded goods	16	4,11,04,64,398	3,47,14,38,377
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	17	(2,15,30,863)	25,39,38,968
Employee benefit expenses	18	39,35,746	26,00,405
Finance costs	19	44,42,188	86,28,718
Depreciation and amortization expense	7	8,86,709	9,91,362
Other expenses	20	82,06,123	97,82,364
TOTAL		4,94,26,88,974	4,42,56,42,455
Profit for the year before taxes		2,10,48,660	1,76,60,500
Less : Provision for taxes			
Current Taxes		(19,08,137)	(10,28,352)
Previous year taxes		—	(5,032)
Profit for the year after taxes		1,91,40,523	1,66,27,116
Earnings per equity share:			
(1) Basic		0.19	0.17
(2) Diluted		0.19	0.17

Notes to Accounts
21

In terms of our report of even date

For **Rajpara & Co.**

Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)

Proprietor
M. No.047645

Surat

May 30th, 2016

For & on behalf of Board of Directors
PREMJIBHAI KANANI
Chairman

MEHUL KUNDARIYA
Company Secretary

HARSHIL KANANI
Managing Director

DARSHAK PANDYA
Chief Finance Officer

Mumbai

May 30th, 2016

○ Consolidated Cash Flow Statement for the year ended 31st March, 2016

		2016 ₹	2015 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(Loss) Before tax		2,10,48,660	1,76,60,500
Adjustments for			
Depreciation		8,86,709	9,91,362
Foreign currency translation reserve		71,29,701	(9,56,864)
Adjustments for Working Capital Changes			
Inventories		(1,87,92,470)	25,14,54,834
Trade receivables		(11,02,82,923)	18,77,88,829
Short term loans and advances		1,39,992	10,53,103
Other current assets		(20,81,924)	4,55,175
Long-term loans and advances		(2,05,161)	92,772
Trade Payables		16,33,18,190	(48,71,25,635)
<i>Cash Generated from Operations</i>		6,11,60,774	(2,85,85,924)
Direct taxes paid		(13,66,849)	(19,35,607)
<i>Net cash from Operating activities</i>	(a)	5,97,93,925	(3,05,21,531)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase/Sale of fixed assets		(7,990)	—
<i>Net Cash Utilised in Investing Activities</i>	(b)	(7,990)	—
C. CASH FLOW FROM FINANCING ACTIVITIES			
Capital		—	—
Proceeds from Short-Term Borrowings		(5,24,04,091)	10,54,19,787
Proceeds/(Repayment) from Long-Term Borrowings		17,85,000	(1,07,20,000)
Interim Dividend		—	—
Corporate tax		—	—
<i>Net Cash utilised in Financing Activities</i>	(c)	(5,06,19,091)	9,46,99,787
Net increase in cash and cash equivalents	(a+b+c)	91,66,844	6,41,78,256
Cash & cash equivalents as at 1st april (opening balance)		13,59,30,707	7,17,52,451
Cash & cash equivalents as at 31st march (closing balance)		14,50,97,551	13,59,30,707

For **Rajpara & Co.**
Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)
Proprietor
M. No.047645

Surat
May 30th, 2016

For **Kanani Industries Limited**

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director

Mumbai
May 30th, 2016

MEHUL KUNDARIYA
Company Secretary

DARSHAK PANDYA
Chief Finance Officer

○ Consolidated Schedule for the year ended 31st March, 2016

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.

	2016 ₹	2015 ₹
Authorised	15,00,00,000	15,00,00,000
Issued, subscribed & paid-up	9,89,34,000	9,89,34,000
	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, 2016		31st March, 2015	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	9,89,34,000	9,89,34,000	9,89,34,000	9,89,34,000
Issued during the period - Bonus Issue	—	—	—	—
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, 2016		31st March, 2015	
	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 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

Balance at the end of the year

Foreign currency translation reserve

Balance as per last balance sheet

Add : Additions in current year

Less : Written back in current year

Balance at the end of the year

Special Economic Zone re-investment reserve

Balance as per last balance sheet

Add : Net Profit/(loss) for the year

Less : Written back in current year

Balance at the end of the year

Surplus in the Statement of Profit and Loss

Balance as per last balance sheet

Less : Additional Depreciation pursuant to enactment of schedule II of the Companies Act 2013

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

NOTE 3 : LONG-TERM BORROWINGS
Unsecured

From related party

Shri Premji Bhai Kanani

	2016 ₹	2015 ₹
	16,61,027	16,61,027
	—	—
	16,61,027	16,61,027
	(1,03,054)	8,53,810
	—	—
	71,29,701	(9,56,864)
	70,26,647	(1,03,054)
	94,84,848	82,19,320
	23,62,514	12,65,528
	—	—
	1,18,47,362	94,84,848
	35,00,20,310	33,48,44,929
	—	(1,86,207)
	1,91,40,523	1,66,27,116
	36,91,60,833	35,12,85,838
	—	—
	(23,62,514)	(12,65,528)
	36,67,98,319	35,00,20,310
	38,73,33,355	36,10,63,131
	1,94,65,000	1,76,80,000
	1,94,65,000	1,76,80,000

NOTE 4 : SHORT-TERM BORROWINGS
1 Secured
i) From Banks
Post Shipment Credit Facility
Dena Bank

(Prime Security: Hypothecation of Export Bills/Receivables)

(The above facility are further secured by collateral security by way of equitable mortgage of factory at surat SEZ owned by the company, Factory at surat SEZ owned by M/s. Star Diam, immovable properties belonging to 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.)

17,38,50,931

23,19,15,151

Standard Chartered Bank

(Prime Security: Fixed Deposit lien by wholly owned holding company)

(The above facility are further secured by personel gurantees of Directors of wholly owned holding company)

4,38,24,375

4,15,00,965

DBS Bank

(Prime Security: Fixed Deposit lien by wholly owned holding company)

(The above facility are further secured by personel gurantees of Directors of wholly owned holding company)

6,29,37,500

5,96,00,781

28,06,12,806
33,30,16,897
NOTE 5 : OTHER CURRENT LIABILITIES

Unclaimed Dividend

5,604

5,604

Other Payable

Statutory dues payable

73,363

65,266

Creditor for capital goods

—

—

Employee related liabilities

8,11,991

2,78,537

Other liabilities

3,83,956

6,00,330

12,74,914
9,49,737
NOTE 6 : SHORT-TERM PROVISIONS
a) Others

Provision for Income tax

8,58,318

—

8,58,318

—

NOTE 7 : FIXED ASSETS

Name of the Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As on 01/04/15	Additions		Total	Rate %	As on 01/04/15	Written Off		Total	Retained Earning		
		During the year	Sale				During the year	Back				
a)Tangible Assets												
Leasehold Land	47,00,000	-	-	47,00,000		21,93,331	3,13,333	-	25,06,664	-	21,93,336	25,06,669
Factory Building	59,69,514	-	-	59,69,514		29,19,241	2,86,726	-	32,05,967	-	27,63,547	30,50,273
Plant & Machinery	37,63,087	-	-	37,63,087		24,47,445	2,69,352	-	27,16,797	-	10,46,290	13,15,642
Generator	1,40,000	-	-	1,40,000		81,664	11,551	-	93,215	-	46,785	58,336
Office Equipment	1,09,655	-	-	1,09,655		99,560	4,636	-	1,04,196	-	5,459	10,095
Air Conditioner	3,04,074	-	-	3,04,074		1,70,307	-	-	1,70,307	-	-	-
Computer	2,18,554	-	-	2,18,554		2,02,135	-	-	2,02,135	-	-	-
Refrigerator	-	7,990	-	7,990		1,111	-	-	1,111	-	6,879	-
	1,52,04,884	7,990	-	1,52,12,874		81,13,683	8,86,709	-	90,00,392	-	60,62,296	69,41,015
Previous Year Total	1,52,04,884	-	-	1,52,04,884		70,86,299	9,91,362	-	80,77,611	1,86,207	69,41,016	81,18,585

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

Advance tax (Net off Tax Provisions)

2016 ₹	2015 ₹
2,38,390	33,229
9,79,261	6,62,231
12,17,651	6,95,460

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

Traded Goods

Diamonds & Diamonds Studded Jewellery

15,80,944	42,41,209
68,368	1,46,496
—	—
17,85,45,896	15,70,15,033
18,01,95,207	16,14,02,738

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

1,35,03,36,719	1,24,00,53,796
—	—
1,35,03,36,719	1,24,00,53,796

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

Balances with banks

i) Current account

ii) 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

22,59,996	22,47,482
14,18,85,550	13,22,72,431
9,52,005	14,10,794
—	—
—	—
14,50,97,551	13,59,30,707

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

2016 ₹	2015 ₹
27,74,737	29,14,729
27,74,737	29,14,729

NOTE 13 : OTHER CURRENT ASETS

Accrued Interest on F.D.
Interest Receivable - FD With Standard Chartered Bank
Prepaid Insurance Charges
Other Receivables

46,66,595	55,70,871
29,24,949	—
14,902	—
46,350	—
76,52,795	55,70,871

NOTE 14 : REVENUE FROM OPERATIONS
Sale of products

Finished Goods
Traded Goods

84,87,91,496	69,48,68,495
4,11,11,76,546	3,74,65,19,977
4,95,99,68,042	4,44,13,88,472

NOTE 15 : OTHER INCOME

Exchange rate difference
Bank interest income

32,93,009	19,14,396
4,76,582	87
37,69,591	19,14,483

NOTE 16 : PURCHASES OF TRADED GOODS

Diamond & Diamond Studded Jewellery

4,11,04,64,398	3,47,14,38,377
4,11,04,64,398	3,47,14,38,377

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

Opening Stock
Finished Goods
Traded Goods
Work In Progress

—	—
15,70,15,033	41,09,54,001
—	—
15,70,15,033	41,09,54,001

Closing Stock
Finished Goods
Traded Goods
Work In Progress

—	—
17,85,45,896	15,70,15,033
—	—
17,85,45,896	15,70,15,033
2,15,30,863	(25,39,38,968)

NOTE 18 : EMPLOYEE BENEFIT EXPENSES

Salary & Wages

Staff welfare

NOTE 19 : FINANCE COSTS

Interest on Loan (Net)

Other borrowing cost

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

Miscellaneous Expenses

	2016 ₹	2015 ₹
	38,51,984	25,35,478
	83,762	64,927
	39,35,746	26,00,405
	29,53,708	77,97,809
	14,88,480	8,30,908
	44,42,188	86,28,718
	6,32,247	2,49,395
	81,397	61,846
	1,94,685	1,91,252
	51,342	—
	14,57,713	14,14,580
	8,24,876	16,15,798
	5,57,000	8,08,398
	27,15,301	35,30,301
	16,91,562	19,10,793
	82,06,123	97,82,363

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 Company is providing depreciation on straight line method as per rates given in Schedule II of the Companies Act, 2013 on pro rata basis.

V. Closing Stock

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

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

- a) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.
- b) Foreign currency transactions remaining unsettled till the 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.

2. In the opinion of the management, Current Assets and Loans & Advances are approximately of the value stated if realised in the ordinary course of the business. The provision for all liabilities is, in the opinion of the management, adequate and not in excess of amount reasonably necessary.
3. Disclosures as required by Accounting Standard AS-18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India are as follows :
 - a) Names of related parties and nature of relationship where control exists :
 - Subsidiary Company
 - KIL International Limited
 - Key Management Personnel
 - Harshil P. Kanani
 - Premji D. Kanani
 - Enterprises where key management personnel have control
 - Kanani Polyfab Pvt. Ltd.
 - M/s. Star Diam

	2016	2015
	₹	₹
b) Transactions with related parties		
Remuneration to Director	10,00,200	5,01,000
Investment in Subsidiary	—	—
Loan from Director	1,18,14,000	—
Loan repayment to Director	84,72,000	1,07,20,000
c) Balances at the year end		
Remuneration to Director Payable	5,46,648	41,257
Investment in Subsidiary	21,33,58,969	21,33,58,969
Loan from Director	1,94,65,000	1,76,80,000
4. Basic & Diluted Earning per Share (Face Value : ₹ 1/- each)		
Profit after tax as per Profit & Loss Account	1,91,40,523	1,66,27,116
Weighted average number of shares outstanding	9,89,34,000	9,89,34,000
Basic & Diluted earning per share in Rupees	0.19	0.17
5. <u>Contingent Liability</u>		
Contingent Liability		
Bank Guarantee	15,00,00,000	15,00,00,000
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 :

For **Rajpara & Co.**
Chartered Accountants
(FRN : 114232W)

(RAJPARA A.P.)
Proprietor
M. No.047645

Surat
May 30th, 2016

For Kanani Industries Limited

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director
Mumbai
May 30th, 2016

MEHUL KUNDARIYA
Company Secretary

DARSHAK PANDYA
Chief Finance Officer

**STATEMENT PURSUANT TO SECTION 129 OF THE COMPANIES ACT, 2013 RELATING TO
SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31 MARCH, 2016**Information regarding subsidiary Companies

Name of the Company	KIL INTERNATIONAL LTD.
Financial year ending on	31.03.2016
Currency	USD
Exchange rate on the last day of financial year	66.2500
a. Share capital	27,35,48,387
b. Reserves	1,84,31,904
c. Liabilities	83,15,75,377
d. Total liabilities	1,12,35,55,668
e. Total assets	1,12,35,55,668
f. Turnover	4,11,11,76,546
g. Profit before taxation	1,67,61,535
h. Provision for Taxation	(10,89,637)
i. Profit after taxation	1,56,71,898

[illegible]

33rd 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 26, 2016	Krishna Palace Residency Hotel, 96/98, Grant Road (West), Mumbai – 400007	10.00 A.M.

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 33rd Annual General Meeting of the Company held on **Monday, September, 26th 2016 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 2016 and Notice of the 33rd 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 2016 and Notice of the 33rd 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.

33rd 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.

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 33rd Annual General Meeting of the Company to be held on Monday, September 26, 2016 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:

Sr.No.	Resolutions	Number of Shares held	For	Against
	Ordinary Business			
1.	To Adopt Standalone and Consolidated Audited Financial Statements for the financial year ended March 31, 2016 and reports of the Board of Directors and the Auditors thereon;			
2.	To appoint a Director in a place of Mr. Premjibhai Kanani, who retires by rotation and being eligible offers himself for reappointment;			
	Special Business			
3.	Appointment of M/s. Deepak Mehta & Associates , Chartered Accountants, Mumbai as Statutory Auditors in Place of M/s. Rajpara & Co., Chartered Accountant, Surat.			
4.	To fix a fee on service of documents pursuant to Section 20 of the 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 _____ 2016

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

BOOK POST

If undelivered, please return to :

KANANI INDUSTRIES LIMITED

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