

2017 ANNUAL REPORT



34th Annual Report

KANANI INDUSTRIES LIMITED

www.kananiindustries.com

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

Particular	For the year ended on 31.03.2017	For the year ended on 31.03.2016	For the year ended on 31.03.2015
Net Sales	7872.47	8487.91	6948.68
Other Income	226.40	32.93	19.14
Total Income	8098.87	8520.84	6967.83
Expenditure	7946.35	8473.87	6880.55
PBIT	152.52	46.97	87.28
Interest	94.94	(4.77)	56.85
Depreciation	9.13	8.87	9.91
PBT	48.45	42.87	20.52
Tax	9.37	8.18	3.97
PAT	39.08	34.69	16.55
Net Profit	39.08	34.69	16.55
Basic & Diluted EPS (₹)	0.04	0.04	0.02
Dividend Paid / Proposed (In %)	–	–	–
Equity Capital	989.34	989.34	989.34
Reserves & Surplus	3126.20	3087.12	3052.43
Net worth	4115.54	4076.46	4041.77
Book Value per share (₹)	4.16	4.12	4.09
Operating Profit Margin (%)	1.94%	0.61%	1.26%
Net Profit Margin (%)	0.50%	0.41%	0.24%
Basic & Diluted Cash EPS (₹)	0.04	0.04	0.03

○ General Information

BOARD OF DIRECTORS:	PREMJIBHAI D. KANANI HARSHIL P. KANANI DEVENDRA K. KIKANI AMI D. JARIWALA	CHAIRMAN MANAGING DIRECTOR DIRECTOR DIRECTOR
COMPANY SECRETARY & COMPLIANCE OFFICER:	MEHUL S. KUNDARIYA	
CHIEF FINANCIAL OFFICER:	DARSHAK A. PANDYA	
STATUTORY AUDITORS:	DEEPAK MEHTA & ASSOCIATES CHARTERED ACCOUNTANT A/202-203, MAHENRDA APARTMENT, KULUPWADI ROAD, BORILVALI (E), MUMBAI – 400066 TEL.:+91-22-40069903 E-Mail: brainunique@rediffmail.com	
BANKERS:	DENA BANK STATE BANK OF INDIA STANDARD CHARTERED BANK CANARA BANK	
REGISTERED OFFICE:	915C, THE CAPITAL, G-BLOCK, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400051 TEL:--+91-22-65263333 FAX: - +91-22-30084000 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 IND. PREMISES, SAFED POOL, ANDHERI KURLA ROAD, ANDHERI (E), MUMBAI: 400 072 TEL:--+91-22-28515606 FAX: - +91-22-28512885 E-mail:-sharexindia@vsnl.com	

○ Notice

Notice is hereby given that the 34th 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 **Thursday, 28th September, 2017** 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, 2017 together with the Reports of the Board of Directors and Auditor's thereon.
2. To appoint a Director in place of Mr. Harshil Kanani (*DIN: 01568262*), who retires by rotation and being eligible, offers himself for re-appointment.
3. To ratify the appointment of M/s. Deepak Mehta & Associates, Chartered Accountants (Firm Registration No.102239W) as statutory auditors of the Company and to fix their remuneration and to pass the following resolution as an ordinary resolution thereof:

“RESOLVED THAT pursuant to the provisions of Sections 139 and 142 of the Companies Act, 2013 and the Rules made thereunder, and pursuant to the recommendations of the audit committee of the Board of Directors, and pursuant to the resolution passed by the members at the AGM held on 26th September 2016, the appointment of M/s. Deepak Mehta & Associates, Chartered Accountants (Firm Registration No. 102239W) as the statutory auditors of the Company to hold office till the conclusion of the fifth consecutive AGM to be held in the financial year 2021 is hereby ratified on a remuneration of ₹ 1,25,000/- plus applicable taxes and reimbursement of out-of-pocket expenses incurred by them in connection with the audit of the accounts of the Company for the financial year 2017-18.”

SPECIAL BUSINESS:

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

“RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Mr. Premjibhai Kanani (DIN: 01567443) as the Whole time Director designated as the Chairman of the Company, for a period of 5 (five) years with effect from 1st August, 2017, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Premjibhai Kanani, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

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

“RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the Company be and is hereby accorded to the re-appointment of Mr. Harshil Kanani (DIN: 01568262) as the Managing Director of the Company, for a period of 5 (five) years with effect from 1st August, 2017, on the terms and conditions including remuneration as set out in the Statement annexed to the Notice convening this Meeting, with liberty to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include the Nomination and Remuneration Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and / or remuneration as it may deem fit and as may be acceptable to Mr. Harshil Kanani, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof.”

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

For and on behalf of the Board of Directors

HARSHIL KANANI
MANAGING DIRECTOR
(DIN : 01568262)

Place: Mumbai

Date: August 21, 2017

Registered Office:

915C, The Capital G-Block,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400051

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. A proxy shall not have a right to speak at the AGM and shall not be entitled to vote except on poll.
3. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, September 21, 2017 to Thursday, September 28, 2017** (*both days inclusive*).
4. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. 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.
6. 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 slip at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.
7. Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 for items of Special Businesses is annexed herewith.
8. 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.
9. The Annual Report for 2016-2017, the Notice of the 34th 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.
10. 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.
11. 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.

12. 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.
13. 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.
14. 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.
15. Members are requested to bring their copies of the reports to Annual General Meeting.
16. 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.
17. The voting rights of the Members shall be in proportion to their share in the paid up equity share capital of the Company as on the cut off date i.e. September 21, 2017.
18. Members are requested to promptly notify any changes in their addresses to the Company at its Registered Office.
19. 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.
20. 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 34th 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 Monday, 25th September, 2017 and will end at 5.00 p.m. on Wednesday, 27th September, 2017. 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. Thursday, September 21, 2017.**

The Members, whose names appear in the Register of Members / list of beneficial owners as on the cut-off date i.e. Thursday, September 21, 2017 only shall be entitled to vote on the Resolutions set out in this Notice.

The Board of Directors at their meeting held on August 21, 2017 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 3 (*three*) days 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. Thursday, September 28, 2017.

The instructions for e-voting are as under:

- i. The voting period begins on **Monday, 25th September, 2017 (09:00 a.m.)** and **ends on Wednesday, 27th September, 2017 (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 **Thursday, September 21, 2017**, 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). <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the 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. <ul style="list-style-type: none"> • 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 **Thursday, September 21, 2017**.

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

Mr. Premjibhai Kanani, aged 59 years, is proposed to be reappointed as the Executive Chairman of our Company. Mr. Premjibhai Kanani is an experienced businessman and possesses good knowledge of Diamond Industry and considering his expertise and vast experience in the Diamond Industry, his reappointment as the Executive Chairman of the Company is recommended.

In view of the above, and taking into consideration the leadership qualities, your Board proposes to designate Mr. Premjibhai Kanani as the Executive Chairman of the Company on the remuneration package as detailed below and as approved by the Nomination and Remuneration Committee.

CATEGORY	PARTICULARS
Basic Salary	Upto maximum ₹ 2,50,000/- (Rupees Two Lakhs Fifty Thousand Only) per month or ₹ 30,00,000/- (Rupees Thirty Lakhs Only) per annum based on merit and taking into account the Company's Performance.
Perquisites and Allowances	<p>Category A Medical Reimbursement: Medical expenses actually incurred for self and family shall be reimbursed by the Company under the mediclaim Policy.</p> <p>Leave Travel Concession: Company shall provide leave travel fare for the Chairman and his family once a year, anywhere in India as per the Rules applicable to the Company and per Income Tax Rules.</p>
	<p>Category B: The Company shall contribute towards Provident Funds/ Superannuation Fund/Annuity Fund, as agreed upon, provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the IT Act.</p> <p>The Company shall pay Gratuity, as agreed upon, at the rate not exceeding half month's salary for each completed year of service.</p> <p>Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per Company rules.</p> <p>The perquisites under this category shall not be included in the computation of ceiling on remuneration.</p>
	<p>Category C : The Company shall provide a car with a driver at the cost of the Company for business use of the Company.</p> <p>The Chairman shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.</p> <p>Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be reimbursed.</p> <p>Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Chairman.</p>
Sitting Fees	The Chairman shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.
General	i. The Chairman will perform his duties as such with regard to all work of the Company and will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.

	ii. The Chairman shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.
	iii. The Chairman shall adhere to the Company's Code of Business Conduct & Ethics for Directors and Management Personnel.

Mr. Premjibhai Kanani satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

Except Mr. Premjibhai Kanani (being himself) and Mr. Harshil Kanani (Being Son), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

The Board recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the shareholders.

Item No.5:

Mr. Harshil Kanani, aged 34 years, is proposed to be reappointed as the Managing Director of our Company. Mr. Harshil Kanani is an experienced businessman and possesses good knowledge of Diamond Industry and considering his expertise and experience in the Diamond Industry and his dynamic leadership, his reappointment as the Managing Director of the Company is recommended.

In view of the above, and taking into consideration the leadership qualities, your Board proposes to designate Mr. Harshil Kanani as the Managing Director of the Company on the remuneration package as detailed below and as approved by the Nomination and Remuneration Committee.

CATEGORY	PARTICULARS
Basic Salary	Upto maximum ₹ 5,00,000/- (Rupees Five Lacs Only) per month or ₹ 60,00,000/- (Rupees Sixty Lacs Only) per annum based on merit and taking into account the Company's Performance.
Perquisites and Allowances	<p>Category A Medical Reimbursement: Medical expenses actually incurred for self and family shall be reimbursed by the Company under the mediclaim Policy.</p> <p>Leave Travel Concession: Company shall provide leave travel fare for the Managing Director and his family once a year, anywhere in India as per the Rules applicable to the Company and per Income Tax Rules.</p>
	<p>Category B : The Company shall contribute towards Provident Funds/ Superannuation Fund/Annuity Fund, as agreed upon, provided that such contributions either singly or put together shall not exceed the tax free limit prescribed under the IT Act.</p> <p>The Company shall pay Gratuity, as agreed upon, at the rate not exceeding half month's salary for each completed year of service.</p> <p>Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per Company rules.</p> <p>The perquisites under this category shall not be included in the computation of ceiling on remuneration.</p>

	<p>Category C: The Company shall provide a car with a driver at the cost of the Company for business use of the Company.</p> <p>The Managing Director shall be entitled to reimbursement of all expenses incurred in connection with the business of the Company.</p> <p>Reimbursement of entertainment expenses actually and properly incurred in the course of business of the Company shall be reimbursed.</p> <p>Any and all expenditure actually and properly incurred on Company's business shall be reimbursed to the Managing Director.</p>
Sitting Fees	The Managing Director shall not be entitled to sitting fees for attending meetings of the Board of Directors or Committees thereof. He shall, however be reimbursed the actual travelling, lodging and boarding expenses incurred by him for attending meeting of the Board of Directors and the Committees thereof.
General	<p>i. The Managing Director will perform his duties as such with regard to all work of the Company and will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.</p> <p>ii. The Managing Director shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors.</p> <p>iii. The Managing Director shall adhere to the Company's Code of Business Conduct & Ethics for Directors and Management Personnel.</p>

Mr. Harshil Kanani satisfies all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for his re-appointment. He is not disqualified from being appointed as Director in terms of Section 164 of the Act.

Except Mr. Harshil Kanani (being himself) and Mr. Premjibhai Kanani (Being Father), no other Director of the Company may be deemed to be concerned or interested in passing of said resolution.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

The Board recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the shareholders.

For and on behalf of the Board of Directors

HARSHIL KANANI
MANAGING DIRECTOR
(DIN : 01568262)

Place: Mumbai
Date: August 21, 2017

Registered Office:
 915C, The Capital G-Block,
 Bandra Kurla Complex,
 Bandra (East), Mumbai - 400051

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 relations 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 associated with the Company for many years.	Under Graduate	Father of Managing Director	–	80,06,130
Mr. Harshil Kanani	34 yrs	Wide experience in the diamond industry and has been associated with the Company for many years.	Commerce Graduate	Son of Chairman	–	6,29,47,500

○ Directors' Report

To
The Members of
KANANI INDUSTRIES LIMITED

Your Directors have pleasure in presenting their 34th Annual Report on the Standalone and Consolidated Audited Statement of Accounts of Kanani Industries Limited [*"Company"*] for the Financial Year ended March 31, 2017.

FINANCIAL RESULTS

The summarized financial performance of the Company for the FY 2016-17 and FY 2015-16 is given below:

(₹ in Lacs)

Particulars	Standalone		Consolidated	
	2016-2017	2015-2016	2016-2017	2015-2016
Gross Income	8098.87	8525.61	44483.41	49637.38
Profit Before Tax, Interest and Depreciation	155.66	51.74	191.55	248.89
Finance Charges	98.08	14.88	115.03	44.42
Provision for Depreciation	9.13	8.87	9.13	8.87
Net Profit Before Tax	48.45	42.87	67.39	210.49
Provision for Tax	9.25	8.18	16.98	19.08
Previous year taxes	0.12	-	0.12	-
Net Profit After Tax	39.08	34.69	50.29	191.41
Balance of Profit brought forward	2952.04	2940.98	3667.98	3500.20
Balance available for appropriation	2991.11	2952.04	3718.27	3667.98
Proposed Dividend on Equity Shares	-	-	-	-
Tax on proposed Dividend	-	-	-	-
Transfer to General Reserve	-	-	-	-
Surplus carried to Balance Sheet	39.08	34.69	50.29	191.41

REVIEW OF OPERATIONS

Standalone:

During the year under review, the Standalone total Income was ₹ **8098.87 lacs** as against ₹ **8525.61 lacs** for the corresponding previous year.

The Standalone Net Profit after Tax for the year under review was ₹ **39.08 lacs** as against Net Profit after Tax of ₹ **34.69 lacs** in the corresponding previous year

Consolidated:

During the year under review, the consolidated total Income was ₹ **44483.41 lacs** as against ₹ **49637.38 lacs** for the corresponding previous year.

The Standalone Net Profit after Tax for the year under review was ₹ **50.29** lacs as against Net Profit after Tax of ₹ **191.41 lacs** 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 2017-18 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, 2017 is ₹ 98,934,000/-, comprising of 98,934,000/- shares of Re. 1/- each. During the year under review, the Company has not issued any equity shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

At the 33rd Annual General Meeting held on September 26, 2016, Mr. Premjibhai Kanani was re-appointed as the Director of the Company, liable to retire by rotation.

In accordance with section 152(6) of the Companies Act, 2013 and in terms of Articles of Association of the Company Mr. Harshil Kanani (DIN: 01568262), Director of the Company, retires by rotation and being eligible; offers himself for re-appointment at the forthcoming 34th 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.

KANANI INDUSTRIES LIMITED

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 **05 (Five) Board Meetings** were held during the year ended March, 2017, the dates which are **25th April 2016, 30th May, 2016, 10th August, 2016, 26th October, 2016, and 10th February, 2017**

Name of the Directors	No. of Board Meetings attended
Mr. Premjibhai Devjibhai Kanani	5
Mr. Harshil Premjibhai Kanani	5
Mr. Devendrakumar Karshanbhai Kikani	5
Ms. Ami Dhaval Jariwala	5
*Mr. Shailesh Patel	2

*Resigned on 01/07/2016

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 Director(s) 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

At the Annual General Meeting held on 26th September, 2016, M/s. Deepak Mehta & Associates, Chartered Accountant were appointed as Statutory Auditors of the Company to hold office till the conclusion of the Annual General Meeting to be held in financial year 2021. In the terms of the first provision to Section 139 of

the Companies Act, 2013, the appointment of the Auditors shall be placed for ratification at every Annual General Meeting. Accordingly, the appointment of M/s. Deepak Mehta & Associates, Chartered Accountants, as Statutory Auditors of the Company, is placed for ratification by the Shareholders. In regard to the Company has received a Certificate from the Auditors to the effect that if they are reappointed, it would be in accordance with the provisions of Section 141 of the Companies act, 2013.

Auditors Report as issued by M/s. Deepak Mehta & Associates, 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), IF ANY, OF THE COMPANIES ACT, 2013:

The Company is in the process to file relevant eform(s) on MCA portal with respect to appointment of internal auditor and secretarial auditor.

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 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.

In terms of requirements prescribed under Section 178(3) of the Companies Act, 2013, the Nomination and Remuneration Policy inter-alia providing the terms for appointment and payment of remuneration to Directors and Key Managerial Personnel is annexed to this Report as **Annexure VII**.

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, 2017.

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 2016-17, 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.
(c) Foreign Exchange Earnings and Outgo:

[Amt. in ₹]

Particulars	FY 2016-2017	FY 2015-2016
C.I.F. Value of Imports	8,44,491,497	8,33,116,436
F.O.B. Value of Exports	7,87,246,776	8,48,791,496

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	–
Unclaimed Dividend F.Y. 2008-09 - Final	–
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.

The 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 EXCHANGE:

The Company confirms that it has paid the Annual Listing Fees for the year 2017-2018 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

Place: Mumbai
Date: August 21, 2017

PREMJIBHAI KANANI
CHAIRMAN
DIN : 01567443

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 2016-17 and
- II. The percentage Increase / Decrease in remuneration of each Director, Managing Director, Chief Financial Officer and Company Secretary of the Company in the financial year 2016-17.

Name & Designation	*Remuneration of each Director & KMP for Financial Year 2016-17 (₹)	% increase / decrease in remuneration in the Financial Year 2016-17	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	1:9.56
Mr. Premjibhai Kanani	4,99,200	NIL	1:9.52
Mr. Darshak Pandya	4,20,000	16.67	–
Mr. Mehul Kundariya	2,16,000	100.00	–

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

*Resigned on 01/07/2016

Notes:

1. Median remuneration of all the employees of the Company for the financial year 2016-17 is ₹ 62,228/-

- III. The percentage Increase/Decrease in the median remuneration of employees in the financial year 2016-17.

Particular	Financial Year 2016 - 17 (₹)	Financial Year 2015 - 16 (₹)	Decrease (%)
Median remuneration of all employees	62,558/-	71,447	12.90%

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

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

There were 29 permanent employees on the rolls of Company as on March 31, 2017.

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 decrease in the salaries of employee other than the MD in the Financial Year 2016-17 was 13.15% and there is no increase in the salary of the MD.

The average Decrease in the salaries of employee was to the tune of 13.15%.

vi. 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.

For and On behalf of the Board of Directors

Place: Mumbai
Date: August 21, 2017

PREMJIBHAI KANANI
CHAIRMAN
DIN : 01567443

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 shareholding
Harshil Kanani	Managing Director	501,000	Under Graduate	15	34	28.07.2007	–	63.626%
Premjibhai Kanani	Chairman	499,200	Under Graduate	43	59	17.05.2007	Kanani Exports	8.092%
Darshak Pandya	CFO	420,000	B.Com	12	32	01.11.2007	Star Diam	–
Mehul Kundariya	CS	216000	Company Secretary	1	27	21.03.2016	–	–
Atulbhai Gabani	Admin Manager	141395	Under Graduate	41	57	01.12.2007	Kanani Exports	–
Ketan R. Shah	Account Officer	120000	Under Graduate	31	52	01.04.2016	Kanani Exports	–
Mahendrabhai Tandel	Operation Manager	109649	Under Graduate	24	45	15.05.2010	Krishna Diam	–
Chetan Halpati	Manufacturing Manager	90387	Under Graduate	16	36	01.02.2014	Gopal Gems	–
Indrajit Raj	Quality Manager	88899	Under Graduate	17	39	01.06.2009	Pavan Gems	–
Bhalani Rajendra R	Asst. Manager	86630	Under Graduate	35	52	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
Harshil P. Kanani	Premjibhai Kanani (Father)
Premjibhai D. Kanani	Harshil Kanani (Son)
Darshak Pandya	No Relation with any Director
Mehul Kundariya	No Relation with any Director
Atulbhai Mohanbhai Gabani	No Relation with any Director
Ketan R. Shah	No Relation with any Director
Mahendrabhai K. Tandel	No Relation with any Director
Chetan R Halpati	No Relation with any Director
Indrajit Raj	No Relation with any Director
Bhalani Rajendra R	No Relation with any Director

For and On behalf of the Board of Directors

**PREMJIBHAI KANANI
CHAIRMAN
DIN : 01567443**

**Place: Mumbai
Date: August 21, 2017**

ANNEXURE III
**FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN**
As on financial year ended on 31.03.2017
**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	915C, The Capital, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051 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 1st April, 2016)				No. of shares held at the end of the year (As on 31st March, 2017)				% 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	729344	0	729344	0.737	885135	0	885135	0.895	0.158
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 ₹ 1 lakh	2024875	46200	2071075	2.093	2547151	46200	2593351	2.621	0.528
ii) Individual share holders holding nominal share capital in excess of ₹ 1 lakh	21932004	0	21932004	22.168	20858218	0	20858218	21.083	(1.085)
c) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Non Resident Indians	28912	0	28912	0.029	45227	0	45227	0.046	0.017
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	137825	0	137825	0.139	516929	0	516929	0.522	0.383
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	25.166	24852960	46200	24899160	25.167	0.001
Total Public Shareholding (B)=(B)(1)+ (B)(2)	24852960	46200	24899160	25.166	24852960	46200	24899160	25.167	0.001
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.	Harshil Premjibhai Kanani	6,29,47,500	63.626	0.00	6,29,47,500	63.626	0.00	0.00
2.	Premjibhai D Kanani	80,06,130	8.092	0.00	80,06,130	8.092	0.00	0.00
3.	Alpesh Vinubhai Kanani	30,81,210	3.114	0.00	30,81,210	3.114	0.00	0.00

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	Anil Bhikhabhai Virani				
	At the beginning of the year	2442000	2.468	2442000	2.468
	Date wise Increase / Decrease in 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
2	Kishor B Virani				
	At the beginning of the year	2310000	2.335	2310000	2.335
	Date wise Increase / Decrease in 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

3	Dahyabhai Govindbhai Sutariya				
	At the beginning of the year	2309837	2.335	2309837	2.335
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	–	–	–	–
	At the end of the year	2309837	2.335	2309837	2.335
4	Hirabhai Kanjibhai Kakadia				
	At the beginning of the year	2112000	2.135	2112000	2.135
	Date wise Increase / Decrease in 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
5	Govindbhai Laljibhai Kakadia				
	At the beginning of the year	2056384	2.079	2056384	2.079
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	–	–	–	–
	At the end of the year	2056384	2.079	2056384	2.079
6	Rajesh Bhagwanbhai Sutaria				
	At the beginning of the year	1789463	1.809	1789463	1.809
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	60358 Sold 50000 Sold 20000 Sold 50000 Sold	Dt. 26.08.2016 Dt. 02.09.2016 Dt. 09.09.2016 Dt. 21.10.2016	–	–
	At the end of the year	1609105	1.626	1609105	1.626
7	Vallabhbhai D Vaghasia				
	At the beginning of the year	1595000	1.612	1595000	1.612
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	74400 Sold 35000 Sold 40000 Sold 500000 Sold	Dt. 16.09.2016 Dt. 21.10.2016 Dt. 04.11.2016 Dt. 11.11.2016	–	–
	At the end of the year	945600	0.956	945600	0.956

KANANI INDUSTRIES LIMITED

8	Jayshriben Mukeshbhai Mangukiya				
	At the beginning of the year	809737	0.818	809737	0.818
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	–	–	–	–
	At the end of the year	809737	0.818	8,09,737	0.818
9	Hansaben Ashokbhai Mangukiya				
	At the beginning of the year	789,800	0.798	789,800	0.798
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	101500 Sold	22.07.2016	–	–
	At the end of the year	688300	0.696	688300	0.696
10	Varshaben L. Magukia				
	At the beginning of the year	679800	0.687	679800	0.687
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	–	–	–	–
	At the end of the year	679800	0.687	679800	0.687

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	62947500	63.63	62947500	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	62947500	63.63	62947500	63.63
2	Mr. Premjibhai Kanani				
	At the beginning of the year	8006130	8.09	8006130	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	8006130	8.09	8006130	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	1,73,85,0931	1,94,65,000	–	19,33,15,931
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	1,73,85,0931	1,94,65,000	–	19,33,15,931
Change in Indebtedness during the financial year				
* Addition	53,47,50,000	76,15,000	–	54,23,65,000
* Reduction	49,99,50,931	98,95,000	–	50,98,45,931
Net Change	3,47,99,069	(22,80,000)	–	3,25,19,069
Indebtedness at the end of the financial year				
i) Principal Amount	20,86,50,000	1,71,85,000	–	22,58,35,000
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	20,86,50,000	1,71,85,000	–	22,58,35,000

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	10,00,200
	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
		Ms. Ami Jariwala	Mr. Devendra Kumar Kikani	*Mr. Shailesh Patel	
1	Independent 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 (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	CS	CFO	Total
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	–	2,16,000	4,20,000	6,36,000
	(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	–	2,16,000	4,20,000	6,36,000

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					

For and On behalf of the Board of Directors

Place: Mumbai
Date: August 21, 2017

PREMJIBHAI KANANI
CHAIRMAN
DIN : 01567443

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, 2017
Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	US \$ To INR -64.8500
Share capital	267767742
Reserves & surplus	22966966
Total assets	1002890899
Total Liabilities	1002890899
Investments	
Turnover	3638454204
Profit before taxation	1893889
Provision for taxation	772644
Profit after taxation	1121246
Proposed Dividend	
% of shareholding	100%

For and on behalf of the Board of Directors

Place: Mumbai
Date: August 21, 2017

PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]

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

Place: Mumbai
Date: August 21, 2017

PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]

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, 2017**

[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

915C, Capital Building, G-Block,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400051.

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 2017 ('Audit Period') and subject to the observations mentioned hereinunder, complied with the statutory provisions listed hereunder, 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 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder subject to certain observation(s);
- (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 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 the observations mentioned hereinunder:

- i. Relevant eforms for appointment of internal auditor and secretarial auditor has still to be filed on MCA portal by the Company.

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. The changes that took place in the composition of the Board of Directors during the period under review were in compliance of the applicable laws.
- 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 decisions at the Board Meetings and the Committee Meetings were carried out unanimously as recorded in the minutes of the Board of Directors and minutes of the Committee Meetings as the case may be.

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 speciûc 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: August 21, 2017**

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: August 21, 2017

ANNEXURE VII**NOMINATION AND REMUNERATION POLICY****CONSTITUTION OF COMMITTEE**

The Board of Directors of the Company (the Board) constituted the committee to be known as the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half are independent directors. The Chairman of the Committee is an Independent Director. However, the chairperson of the company (whether executive or nonexecutive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.”

OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement. The objective of this policy is to lay down a framework in relation to remuneration of directors, KMP, senior management personnel and other employees.

The Key Objectives of the Committee would be:

- To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, key managerial personnel and other employees.
- To formulation of criteria for evaluation of Independent Director and the Board.
- To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To develop a succession plan for the Board and to regularly review the plan.
- To assist the Board in fulfilling responsibilities.
- To Implement and monitor policies and processes regarding principles of corporate governance.

APPLICABILITY

- Directors (Executive and Non Executive)
- Key Managerial Personnel
- Senior Management Personnel

DEFINITIONS:

“**Act**” shall mean the Companies Act, 2013 and the Rules made thereunder, including the modifications, amendments, clarifications, circulars or re-enactment thereof.

“**Board**” means Board of Directors of the Company.

“**Committee**” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“**Company**” means Kanani Industries Limited.

“**Directors**” mean Directors of the Company.

“**Independent Director**” means a Director referred to in Section 149 (6) of the Companies Act, 2013.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes –

- Managing Director, or Executive Director or manager and in their absence, a whole- time director; (includes Executive Chairman)
- Company Secretary;
- Chief Financial Officer; and
- Such other officer as may be prescribed.

“**Policy**” or “**This policy**” means Nomination and Remuneration Policy.

“**Remuneration**” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961.

“**Senior Management**” Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 and the Listing Agreement as may be amended from time to time shall have the meaning respectively assigned to them therein.

ROLE AND POWER OF THE COMMITTEE:-

Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee:

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

Policy for appointment and removal of Director, KMP and Senior Management**(i). Appointment criteria and qualifications**

- a. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- c. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

(ii) Term / Tenure**a. Managing Director/Whole-time Director:**

- The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

b. Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

c. Evaluation

- The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

d. Removal

- Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

e. Retirement

- The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel**(i) General:**

- The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required;
- The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act;
- Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director;
- Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

(ii) Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**• Fixed pay:**

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

• Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

- **Provisions for excess remuneration:**

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

(iii) Remuneration to Non- Executive / Independent Director:

- **Remuneration / Commission:**

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

- **Sitting Fees**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

- **Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

- **Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

MEMBERSHIP:-

- The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- Minimum two (2) members shall constitute a quorum for the Committee meeting.
- Membership of the Committee shall be disclosed in the Annual Report.
- Term of the Committee shall be continued unless terminated by the Board of Directors.

CHAIRMAN:-

- Chairman of the Committee shall be an Independent Director;
- Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee;
- In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman;
- Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

COMMITTEE MEMBERS' INTERESTS

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

VOTING

- Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- In the case of equality of votes, the Chairman of the meeting will have a casting vote.

MINUTES OF COMMITTEE MEETING

- Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

IMPLEMENTATION

- The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.
- The Committee may Delegate any of its powers to one or more of its members.

AMENDMENTS TO THE POLICY

- The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed fit.

AMENDMENTS IN THE LAW

- Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

For and on behalf of the Board of Directors

Place: Mumbai

Date: August 21, 2017

**PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]**

○ Management Discussion and Analysis

Role in Indian Economy

The Gems and Jewellery (G&J) market is composed of sourcing, processing, manufacturing and selling of precious metals and gemstones - Gold, Platinum, Silver, Diamond, Ruby, and Sapphire etc. The G&J market is a significant contributor to the Indian economy, based on the size of the domestic market and through its contribution to the country's exports. The consumption of gold in India stands at 1000 tonnes per year (around 20 percent of global consumption) - largest consumer; it also processes 90% of the diamonds by pieces (55 percent by value of the global market) - largest consumer. The Gems and Jewellery Export Promotion Council (GJEPC) is responsible for sustaining the new initiatives in the sector (Public enterprise).

The industry holds prominent significance as it is a net exporter and provides employment to 1.3 million people directly and indirectly. India is also emerging as the world's largest trading centre for gold. GJ market contributes 16 per cent of total exports, making it a significant foreign exchange earner for the country.

Growth Potential

Jewellery Retail

Sourcing & Mining of Metals

India is not a major miner of precious metals and stones. The country's inexpensive and skilled workforce are one of the best in the world for processing of diamonds though. The most interesting development in India's diamond industry in the last five years has been the industry's steady progress up the value chain; from the skill to the ability to innovate and develop.

Currently, India's G&J industry is highly unorganized and fragmented with 96 percent of the total players being family owned businesses. The gold processing industry has around 15,000 players, with only 80 having revenues over USD 5 million. India is also home to around 450,000 goldsmiths, 100,000 gold jewellers along with 6,000 diamond processing players and 8,000 diamond jewellers.

Consumers have started shifting towards branded jewellery, which offers higher quality and saves the consumers from unfair trade practices in the industry. The emergence of jewellery retail chains provide customers with convenience and assurance of quality. The organized gems and jewellery sector is expected to progress with a good pace in near future, and should hopefully account for nearly 8% of the total gems and jewellery market. The Branded jewellery segment is also expected to have a high growth rate.

The key drivers for the industry growth are raising disposable income, conscious marketing efforts, rising young population with urge to spend and jewellery being increasingly regarded as fashion accessory.

The entry of foreign players is also likely to increase competition and provide consumers with greater choice. As Indian gem and jewellery exports have grown to \$17 billion, the industry has witnessed an annual average growth rate of about 15-20 percent.

EXPORTS

The gems and jewellery industry has a 15.71% share of India's total merchandise exports – a figure that has increased from the earlier roughly 13% share – and contributes 7% to the GDP of the country. It has grown at a CAGR of 14.5% over the past 50 years since the GJEPC was first set up.

Overall, gross exports of gems and jewellery for FY 2016-17 totalled US\$ 43.156 billion as compared to gross exports worth US\$ 39.286 billion achieved in the previous financial year. This marks an increase of 9.85%.

Total exports of cut & polished diamonds amounted to almost US\$ 22.784 billion for FY 2016-17 as against around US\$ 20.668 for FY 2015-16; registering a growth of 10.24%. Gold jewellery exports for the period at

about US\$ 8.722 billion were 1.92% higher than exports worth US\$ 8.557 billion in the previous financial year. Coloured gemstones exports for FY 2016-17 of US\$ 419.90 million showed a decline of 3.08% compared to US\$ 433.26 million worth of exports of the segment in 2015-16. Silver jewellery performed well, achieving exports worth almost US\$ 4.021 billion for FY 2016-17 marking an increase of 35.83% over exports of US\$ 2.960 billion in 2015-16.

Source: (GJEPC), Mumbai

The trend for export based demand for the Indian GJ sector is 80-90 percent as compared to the domestic demand between 10-20 percent. Out of the total demand for Indian GJ in 2008, 90.45 per cent was export driven and the remaining 9.55 was from domestic consumers. GJ sector accounted for 13 per cent of India's total merchandise exports.

Top Export Destinations

United States, Hong Kong, UAE , Singapore, Belgium, Israel, Japan, Switzerland, Thailand, U.K

MARKET STRUCTURE

Emerging from relatively humble beginnings of a small and unorganized sector in the 1950s and 1960s, the Indian gems & jewellery industry has rapidly emerged as one of the leading export oriented industries in India and a significant foreign exchange earner for the country. However, the demand for different types of G&J is influenced by different factors including buyer preferences, properties, varieties, unit values, application etc.

The GJ Sector may be further classified into the following sub-sectors based on the characteristics, processing techniques and preciousness in terms of price range and marketability:

The two major segments in India are gold and diamonds.

Major issues affecting the sector that need assistance

Large Presence of Unorganized Sector

The bulk of the Gem and Jewellery industry in India is concentrated in the unorganized sector and employs around 2 million workers serving over 0.1 million gold jewellers and over 8,000 diamond jewellers. The majority of India's diamond workforce is employed by small units that process diamonds on a job-lot basis.

The share of the unorganized sector in the Indian GJ business is declining. According to a survey commissioned by GJEPC, the share of the organized sector in diamond processing increased from 9% in 1995 to 45% in 1998. This was because of the shift in processing towards higher stones, implementation of advanced cutting techniques, and preference of buyers towards fewer sellers.

Technological constraints

Technology is another area where the Indian industry faces a long-term threat from other countries. Until now, a combination of manual skill and semi-automatic machines has helped the Indian industry to maintain a leadership position. However, China with its modern and automatic factories is today in a similar position to manufacture jewellery at competitive prices. Increased competition will force the Indian industry to focus on higher-end products, with the concomitant requirement of increased investment in modern technology.

Government Initiatives

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

100 per cent foreign direct investment (FDI) in gems and jewellery allowed through the automatic route.

The government has lowered import duty on platinum and has exempted rough colored precious gems stones from customs duty. Rough, semi-precious stones are also exempt from import duty.

Duty-free import of consumables for metals other than gold and platinum up to 2 per cent of freight on board value of exports.

Setting up of SEZs and gems and jewellery parks to promote investment in the sector.

The export of colored gemstones on a consignment basis has been allowed.

Social benefits in various segments

The Indian gems and jewellery industry has proved its mettle in international competitiveness. Simultaneously, it has also made significant socio-economic contributions.

Employment generation with low investment:

The investment required for creating employment in the diamond processing and jewellery-making units is quite low. Employment generation in other industries calls for heavy investments.

Hard currency foreign exchange earnings:

The countries to which India exports gems and jewellery are among the hard currency areas.

The industry contributes continuously to the country's foreign exchange reserves.

Pollution-free industry:

Diamond processing and jewellery manufacture do not pollute the environment, neither air nor water.

Environmental friendly industry

Being an import-based industry, it does not deplete natural resources and leaves the flora and the flora intact.

Assists in urban decongestion

Through decentralized location, the gems and jewellery industry helps in the removal of unemployment in the rural sector, prevention of migration to cities and the avoidance of slums in the urban areas.

Low Power Consumption

The gems and jewellery manufacturing processes do not aggravate the country's energy problems.

No burden on the country's transport infrastructure

The raw materials as also the finished products are of high-value but of low weight. They do not put any burden on the country's road, rail, sea or air transport

CAUTIONARY STATEMENT

Statement in this Management's Discussion and Analysis detailing the Company's objectives, projections, estimates, estimates, expectations or predictions are "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

○ Corporate Governance Report

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, 2017, the Board comprised of 4 Directors out of which 2 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.

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 2016-2017, 5 (Five) Board Meetings were held on 25th

KANANI INDUSTRIES LIMITED

April 2016, 30th May 2016, 10th August 2016, 26th October 2016, and 10th February 2017. 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 **26th September 2016**, 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 September 26, 2016 (Y-Yes, N-No)
Mr. Premjibhai Kanani	Chairman / Executive Director	5	80,06,130	No
Mr. Harshil Kanani	Managing Director	5	6,29,47,500	Yes
Mr. Devendra Kumar Kikani	Independent Director	5	NIL	Yes
*Mr. Shailesh Patel	Independent Director	2	NIL	No
Mrs. Ami D. Jariwala	Independent Director	5	NIL	No

*Resigned on 01/07/2016

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 2016-17, Four (4) meetings of the Audit Committee were held on **30th May 2016, 10th August 2016, 26th October 2016, and 10th February 2017**. 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) Regulations, 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	4
*Mr. Shailesh Patel	Member and Independent Director	1
Mr. Harshil Kanani	Member and Executive Director	4
Mrs. Ami Jariwala	Member and Independent Director	3

*Resigned on 01/07/2016

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 2016-17, One (1) meetings of the Committee were held on 30th May 2016.

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
Mrs. Ami D. Jariwala	Member & Independent Director	1
Mr. Premjibhai Kanani	Member & Executive Director	NIL

*Resigned on 01/07/2016

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 2016-17 on **30th May 2016 and 26th October 2016**. 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	1
Mr. Harshil Kanani	Member & Managing Director	2
Mrs. Ami Jariwala	Member & Independent Director	1

*Resigned on 01/07/2016

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
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
2015-2016	26 th September, 2016	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai – 400007	10 A.M	NIL

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. 19(10) 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 Lakshyadeep (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	Thursday, 28th September, 2017 at 10.00 am.
Venue	Krishna Palace Residency Hotel, 96/98, Grant Road, Mumbai - 400007

ii. Financial year

April 1, 2017 to March 31, 2018

Financial Calendar (Tentative) – Financial Year 2017-2018

1 st Quarter	On or before 15 th August, 2017
2 nd Quarter	On or before 15 th November, 2017
3 rd Quarter	On or before 15 th February, 2018
4 th Quarter	On or before 30 th May, 2018
	Audited yearly result for the year ended March 2018 - End of May 2018

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

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, 2016	15.40	11.20	6,91,553
May, 2016	18.96	10.20	9,88,592
June, 2016	20.40	17.00	5,33,551
July, 2016	26.20	19.50	11,43,470
August, 2016	28.20	20.30	25,37,964
September, 2016	34.40	21.00	17,22,176
October, 2016	27.90	17.90	13,22,490
November, 2016	23.40	12.95	16,83,070
December, 2016	19.25	13.30	8,46,109
January, 2017	18.30	15.05	2,87,675
February, 2017	18.50	13.50	4,67,584
March, 2017	17.55	11.82	11,42,763

* 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, 2016	15.20	11.30	7,42,531
May, 2016	19.40	10.30	11,48,036
June, 2016	20.35	16.90	4,66,799
July, 2016	26.55	19.50	7,13,182
August, 2016	28.00	20.50	6,55,255
September, 2016	31.90	19.45	8,51,721
October, 2016	26.00	17.95	6,03,778
November, 2016	22.95	12.90	7,98,792
December, 2016	19.25	13.15	8,15,528
January, 2017	18.30	15.00	3,63,948
February, 2017	17.40	13.50	4,68,338
March, 2017	17.65	11.90	2,19,827

* 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, 2017

Sr. No.	For each of the Top 10 Shareholders	Shareholding as on 31st March, 2017	
		No. of shares	% of total shares of the Company
1.	Anil Bhikhabhai Virani	2442000	2.468
2.	Kishor B. Virani	2310000	2.335
3.	Dahyabhai G Sutariya	2309837	2.335
4.	Hirabhai Kanjibhai Kakadia	2112000	2.135
5.	Govindbhai Laljibhai Kakadia	2056384	2.079
6.	Rajesh Bhagwanbhai Sutaria	1609105	1.626
7.	Vallabhbhai Dhanjibhai Vaghasiya	945600	0.956
8.	Jayshriben Mukeshbhai Magukiya	809737	0.818
9.	Hansaben Ashokbhai Mangukiya	688300	0.696
10.	Varshaben G. Mangukiya	679800	0.687

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 31.03.2017, a total number of 98887800 shares, representing 99.94% of the total shares of the company have been dematerialized.

ix. Address for Correspondence

915C ,The Capital G-Block, Bandra Kurla Complex, Bandra (East), Mumbai: 400051.

x. Plant Location

Plot No.42, Surat Special Economic Zone, Near Sachin Railway Station, Sachin, Surat, Gujarat.

For and on behalf of the Board of Directors

PREMJIBHAI KANANI
CHAIRMAN
[DIN: 01567443]

Place: Mumbai

Date: August 21, 2017

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 conditions of Corporate Governance by Kanani Industries Limited, having its Registered Office at 915C, Capital Building, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 for the year ended March 31, 2017 as stipulated under SEBI Listing Regulation, 2015 as referred to in Regulation 15(2) of the listing regulation for the period from April 01, 2016 to March 31, 2017 of the said company with the stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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 explanation given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations, 2015.

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

For Deepak Mehta & Associates
Chartered Accountants

(DEEPAK MEHTA)
Proprietor
M. No. 44141
ICAI Firm Regi. No. 102239W

Place: Mumbai
Date: August 21, 2017

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, 2017 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

Place : Mumbai
Date : August 21, 2017

HARSHIL KANANI
MANAGING DIRECTOR
DIN : 01568262

DARSHAK PANDYA
Chief Financial Officer

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

Place : Mumbai
Date : August 21, 2017

HARSHIL KANANI
MANAGING DIRECTOR
DIN : 01568262

○ Standalone Auditors Report

To the Members

Kanani Industries Limited

Mumbai

Report on the Financial Statements

We have audited the accompanying standalone financial statements of Kanani Industries Limited which comprise of the Balance Sheet as at **March 31, 2017**, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the standalone 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 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 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 are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act and the rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. 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 standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the accompanying 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:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2017;
- (ii) in the case of the statement of profit and loss, of the profit for the year ended on that date;
- (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date

Report on Other Legal and Regulatory Requirements

1. As required by the Companies'(Auditors' Report) Order, 2016 ("the order"), as ammended issued by the Central Government of India in terms of sub -Section (11) Of Section 143 of the Companies Act, 2013 (here-in-after referred to as the order) and on the basis of such checks of the book and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the "**Annexure A**" a statement on the matters specified in Paragraph 3 & 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 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 standalone 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 the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 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. 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, in our opinion and to the best of our information and according to the explanations given to us :
 - 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017.

For Deepak Mehta & Associates
Chartered Accountants

(DEEPAK MEHTA)
Proprietor
M. No. 44141
ICAI Firm Regi. No. 102239W

Place: Mumbai
Date: May 27, 2017

ANNEXURE “A” TO THE AUDITOR’S REPORT

- i. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. As explained to us, the fixed assets have been physically verified by the mangement during the year in accordance with a regular programme for verification, which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c. The title deeds of immovable properties are held in the name of the company.
- ii. The management has conducted physical verification of inventory at reasonable intervals during the year and no material discripancies were noticed on such physical verification.
- iii. The company has not granted any loans, secured or unsecured to any companies, firms or other parties covered in the register maintained under Section 189 of the Act. As such sub-clause (a) to (c) are not applicable.
- 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.
- v. In our opinion and according to the information and explanations given to us, the Company did not accept any deposit in contravention of sections 73 to section 76 or any other relevent provisions of the Companies Act, 2013 and the rules framed there under. As informed to us, no order has been passed by Company Law Board or National Company Tribunal or Reserve Bank of India or any court or any other tribunal.
- vi. We have broadly reviewd the books of account 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. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees’ state insurance fund, income tax, sales tax, wealth tax, custom duty, excise duty cess and other material statutory dues wherever applicable to it.
- b. In our opinion and in accordance with the information and explanation given to us, the following demands were not deposited on account of dispute:

Name of Status	Nature of Dues	Period to which the amount relates	Forum where disputes is pending	Amount (₹)
Income Tax Act, 1961	Income Tax	A Y 2014-15	CIT (Appeals)	2,090/-
Income Tax Act, 1961	Income Tax	A Y 2014-15	CIT (Appeals)	68,100/-

- viii. In our opinion and according to the information and explanation given to us, the Company is not defaulted in repayment of loans / borrowings to banks, government.
- ix. In our opinion, the company has not raised any funds from public offer (including debt instruments) or by term loan.
- x. In our opinion, on the basis of audit conducted by us and in accordance with the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.
- xi. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies 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. In our opinion, 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. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
- xv. The company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- xvi. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3(xvi) of the Order are not applicable to the company and hence not commented upon.

For Deepak Mehta & Associates
Chartered Accountants

(DEEPAK MEHTA)
Proprietor
M. No. 44141
ICAI Firm Regi. No. 102239W

Place: Mumbai
Date: May 27, 2017

“Annexure B” to the Independent Auditor’s Report**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 **KANANI INDUSTRIES LIMITED**. (“the Company”) as of March 31, 2017 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, 2017, 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".

Place: Mumbai
Date: May 27, 2017

For Deepak Mehta & Associates
Chartered Accountants

(DEEPAK MEHTA)
Proprietor
M. No. 44141
ICAI Firm Regi. No. 102239W

○ Standalone Balance Sheet as on 31st March, 2017

	<i>Notes</i>	2017 ₹	2016 ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	1	98,934,000	98,934,000
b. Reserves & Surplus	2	312,619,738	308,712,032
		<u>411,553,738</u>	<u>407,646,032</u>
2 Non Current liabilities			
a. Long-term borrowings	3	17,185,000	19,465,000
		<u>17,185,000</u>	<u>19,465,000</u>
3 Current liabilities			
a. Short-term borrowings	4	208,650,000	173,850,931
b. Trade payables		133,734,389	181,082,897
c. Other current liabilities	5	1,849,731	1,095,398
d. Short-term provisions		—	—
		<u>344,234,120</u>	<u>356,029,226</u>
TOTAL		<u>772,972,858</u>	<u>783,140,258</u>
II. ASSETS			
1 Non-current assets			
a. <u>Fixed Assets</u>			
(i) Tangible assets	6	5,257,039	6,062,296
b. Non-current investments	7	213,358,969	213,358,969
c. Long-term loans and advances	8	441,173	1,012,490
2 Current assets			
a. Inventories	9	61,431,946	1,649,312
b. Trade receivables	10	389,758,677	407,161,157
c. Cash and bank balances	11	93,428,120	143,468,502
d. Short-term loans and advances	12	4,343,290	2,774,737
e. Other current assets	13	4,953,644	7,652,795
		<u>553,915,677</u>	<u>562,706,503</u>
TOTAL		<u>772,972,858</u>	<u>783,140,258</u>
Significant Accounting Policies	19		
Notes are an integral part of the financial statements			

For **Deepak Mehta & Associates**
Chartered Accountants
(FRN : 102239W)

(DEEPAK MEHTA)

Proprietor
M. No. 44141
Mumbai
May 27, 2017

For & behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

MEHUL KUNDARIYA
Company Secretary

HARSHIL KANANI
Managing Director

DARSHAK PANDYA
Chief Finance Officer

Mumbai
May 27, 2017

○ Standalone Statement of Profit & Loss for the year ended 31st March, 2017

	<i>Notes</i>	2017 ₹	2016 ₹
I. INCOME			
Revenue from operation	14	787,246,776	848,791,496
Other Income	15	22,639,895	3,769,567
TOTAL		809,886,671	852,561,063
II. EXPENDITURE			
Cost of raw materials consumed		785,361,918	836,284,673
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		–	–
Employee benefit expenses	16	3,494,871	3,935,746
Finance costs	17	9,807,612	1,488,480
Depreciation and amortization expense	6	913,228	886,709
Other expenses	18	5,464,210	5,678,331
TOTAL		805,041,840	848,273,939
Profit for the year before taxes		4,844,831	4,287,124
<u>Less : Provision for taxes</u>			
Current Taxes		(925,000)	(818,500)
(Short)/Excess Provision for earlier years		(12,125)	–
Profit for the year after taxes		3,907,706	3,468,624
Earnings per equity share:			
(1) Basic		0.04	0.04
(2) Diluted		0.04	0.04

Significant Accounting Policies

19

Notes are an integral part of the financial statements

For Deepak Mehta & Associates

Chartered Accountants

(FRN : 102239W)

(DEEPAK MEHTA)

Proprietor

M. No. 44141

Mumbai

May 27, 2017

For & behalf of Board of Directors
PREMJIBHAI KANANI

Chairman

MEHUL KUNDARIYA

Company Secretary

HARSHIL KANANI

Managing Director

Mumbai

May 27, 2017

DARSHAK PANDYA

Chief Finance Officer

○ Standalone Cash Flow Statement for the year ended 31st March, 2017

	2017	2016
	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	4,844,831	4,287,124
Adjustments for		
Depreciation	913,228	886,709
Adjustments for Working Capital Changes		
Inventories	(59,782,634)	2,738,393
Trade receivables	17,402,480	(4,520,891)
Short term Loans and Advances	(1,568,553)	139,992
Other current assets	2,699,151	(2,081,924)
Trade Payables & Other Liabilities	(46,594,175)	63,997,830
<i>Cash Generated from Operations</i>	(82,085,672)	65,447,233
Direct taxes paid	(987,985)	(1,092,618)
Income tax refund	622,177	—
<i>Net cash from Operating activities</i>	(a) (82,451,479)	64,354,615
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(107,972)	(7,990)
Investment in Equity Instruments	—	—
Change in long term Fixed Deposit	—	—
<i>Net Cash Utilised in Investing Activities</i>	(b) (107,972)	(7,990)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) of Short Term Borrowings	34,799,069	(58,064,220)
Proceeds/(Repayment) of Long-Term Borrowings	(2,280,000)	1,785,000
<i>Net Cash utilised in Financing Activities</i>	(c) 32,519,069	(56,279,220)
Net increase in cash and cash equivalents	(a+b+c) (50,040,382)	8,067,405
Cash & cash equivalents as at 1st april (opening balance)	143,468,502	135,401,097
Cash & cash equivalents as at 31st march (closing balance)	93,428,120	143,468,502

For **Deepak Mehta & Associates**
Chartered Accountants
(FRN : 102239W)

(DEEPAK MEHTA)
Proprietor
M. No. 44141
Mumbai
May 27, 2017

For & behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director
Mumbai
May 27, 2017

MEHUL KUNDARIYA
Company Secretary

DARSHAK PANDYA
Chief Finance Officer

○ Standalone Schedule for the year ended 31st March, 2017
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.

	2017 ₹	2016 ₹
	150,000,000	150,000,000
	98,934,000	98,934,000
	98,934,000	98,934,000

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

Particulars	31st March, 2017		31st March, 2016	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	98,934,000	98,934,000	98,934,000	98,934,000
Issued during the period	—	—	—	—
Outstanding at the end of the year	98,934,000	98,934,000	98,934,000	98,934,000

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

Name of Share holders	31st March, 2017		31st March, 2016	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	8,006,130	8.09	8,006,130	8.09
Harshil Premjibhai Kanani	62,947,500	63.63	62,947,500	63.63

(c) Issue of Bonus Shares :

During the year ended March 31, 2010, the company issued 5,996,000 fully paid up bonus shares of ₹10/- each by capitalisation of Securities premium account ₹16,260,000/- 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 Reserves

Balance as per last balance sheet

Add: Withdrawn from Special Economic Zone re-investment reserve

Balance at the end of the year

Special Economic Zone re-investment reserve

Balance as per last balance sheet

Add: Transferred from Profit & Loss Account

Less: Written back in current year

Balance at the end of the year

Surplus in the Statement of Profit and Loss

Balance as per last balance sheet

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

Amount available for the appropriation

Appropriations :

Less :Transferred to Special Economic Zone re-investment reserve

Balance at the end of the year

	2017 ₹	2016 ₹
	1,661,027	1,661,027
	7,068,794	—
	<u>8,729,821</u>	<u>1,661,027</u>
	11,847,372	9,484,848
	2,668,405	2,362,524
	(7,068,794)	—
	<u>7,446,983</u>	<u>11,847,372</u>
	295,203,633	294,097,533
	3,907,706	3,468,624
	<u>299,111,339</u>	<u>297,566,157</u>
	(2,668,405)	(2,362,524)
	<u>296,442,934</u>	<u>295,203,633</u>
	<u>312,619,738</u>	<u>308,712,032</u>

NOTE 3 : LONG-TERM BORROWINGS
Unsecured

From related party

Shri Premji Bhai Kanani

	2017 ₹	2016 ₹
	17,185,000	19,465,000
	17,185,000	19,465,000
NOTE 4 : SHORT-TERM BORROWINGS		
1 Secured		
i) <i>From Banks</i>		
<u>Post Shipment Credit Facility</u>		
Dena Bank	208,650,000	173,850,931
(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.)		
	208,650,000	173,850,931
NOTE 5 : OTHER CURRENT LIABILITIES		
Unclaimed Dividend	4,115	5,604
Other Payable		
Statutory dues payable	78,293	73,363
Employee related liabilities	1,389,483	811,991
Other Liabilities	373,330	204,440
Out Standing Liabilities	4,510	-
	1,849,731	1,095,398

NOTE 6 : FIXED ASSETS											
Name of the Assets	←----- GROSS BLOCK -----→			←----- DEPRECIATION -----→			NET BLOCK				
	As on 01/04/16	Additions During the year	Sale During the year	Total	As on 01/04/16	Off During the year	Written Back During the year	Total	As on 31/03/17	As on 31/03/16	
a) Tangible Assets											
Leasehold Land	4,700,000	-	-	4,700,000	2,506,664	313,333	-	2,819,998	1,880,002	2,193,336	
Factory Building	5,969,514	-	-	5,969,514	3,205,967	271,204	-	3,477,170	2,492,344	2,763,547	
Plant & Machinery	3,763,087	-	-	3,763,087	2,716,797	243,112	-	2,959,910	803,177	1,046,290	
Generator	140,000	-	-	140,000	93,215	10,341	-	103,555	36,445	46,785	
Office Equipment	109,655	25,472	-	135,127	104,196	15,681	-	119,877	15,250	5,459	
Air Conditioner	304,074	-	-	304,074	170,307	-	-	170,307	-	-	
Computer	218,554	82,500	-	301,054	202,135	55,437	-	257,572	27,063	-	
Refrigerator	7,990	-	-	7,990	1,111	4,120	-	5,231	2,759	6,879	
	15,212,874	107,972	-	15,320,846	9,000,392	913,228	-	9,913,620	5,257,039	6,062,296	
Previous Year Total	15,204,884	7,990	-	15,212,874	8,113,683	886,709	-	9,000,392	6,062,296	6,941,015	

NOTE 7 : 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]

	2017 ₹	2016 ₹
	213,358,969	213,358,969

2 Others

-	-
---	---

213,358,969	213,358,969
--------------------	--------------------

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 Provision)

33,229	33,229
407,944	979,261

441,173	1,012,490
----------------	------------------

NOTE 9 : INVENTORIES

(As taken, valued and certified by the Management)

(Valued at lower of cost or net realisable value)

Raw material

Polished Diamonds

61,353,672	1,580,944
------------	-----------

Bullion

78,274	68,368
--------	--------

Finished Goods

Diamond Studded Jewellery

-	-
---	---

61,431,946	1,649,312
-------------------	------------------

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

389,758,677	407,161,157
-------------	-------------

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

-	-
---	---

389,758,677	407,161,157
--------------------	--------------------

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

-	-
---	---

	2017 ₹	2016 ₹
NOTE 11 : CASH AND BANK BALANCE		
a) <u>Cash and cash equivalents</u>		
Balances with banks		
i) Current account	262,045	630,947
ii) Deposits with original maturity of less than 12 months	93,117,511	141,885,550
b) Cheques, drafts on hand	–	–
c) Cash on hand	48,564	952,005
	93,428,120	143,468,502
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	4,343,290	2,774,737
	4,343,290	2,774,737
NOTE 13 : OTHER CURRENT ASSETS		
Interest accrued on Fixed Deposit with Bank	4,242,144	4,666,595
Interest Receivable - FD With Standard Chartered Bank	–	2,924,949
Desposit- Wadhwa Group Holding Pvt. Ltd.	36,500	–
Desposit- Radius Realty Pvt. Ltd.	675,000	–
Prepaid Insurance Charges	–	14,902
Other Receivables	–	46,350
	4,953,644	7,652,795
NOTE 14 : REVENUE FROM OPERATIONS		
<u>Sale of products</u>		
Diamond Studded Jewellery	787,246,776	848,791,496
	787,246,776	848,791,496
NOTE 15 : OTHER INCOME		
Exchange rate difference	22,587,980	3,293,009
Interest	51,915	476,558
	22,639,895	3,769,566

NOTE 16 : EMPLOYEE BENEFIT EXPENSES

Salary, Wages and allowances

Staff Welfare

	2017	2016
	₹	₹
	3,411,184	3,851,984
	83,687	83,762
	3,494,871	3,935,746

NOTE 17 : FINANCE COSTS

Interest

Other borrowing cost

	9,494,112	–
	313,500	1,488,480
	9,807,612	1,488,480

NOTE 18 : OTHER EXPENSES

Consumption of Stores & Consumables

Power & Fuel

Audit fees

Insurance

Rates and Taxes

Travelling Expenses

Legal & Professional Fee

Bank Charges

Miscellaneous Expenses

	504,305	632,247
	107,895	81,397
	125,000	125,000
	25,046	51,342
	747,853	691,178
	780,226	629,799
	583,000	557,000
	1,485,385	2,552,189
	1,105,501	358,180
	5,464,210	5,678,331

NOTE 19 : 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. 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.

IV. Investments

Investments are either classified as current or non current 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.

Non-current 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.

V. Inventory

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. 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.

VII. 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.

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

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. Employee Benefits**(i) Post Employment Benefit Plans**

Defined Contribution Plan - Contributions to Provident fund and pension fund are accrued in accordance with applicable statute and deposited with appropriate authorities.

(ii) Short term Employment Benefits

The amount of short term employee benefits expected to be paid in exchange for services rendered by employees is recognized during the period at the time payment of the same to the employees.

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 recognised in the profit & loss account.
- b. The gain / loss on forward contracts outstanding at the year end are provided for in the books of account of the Company in accordance with accounting standard issue by the institute of Chartered Accountants of India.

XII. Impairment of Assets

The carrying amount of assets is reviewed at each balance sheet date for any indication of impairment based on internal external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount and is charged to Profit & Loss account in the year of identification as an impaired asset. Impairment loss recognised in prior accounting periods is reversed if there is change in the estimate of recoverable amount.

	2017 ₹	2016 ₹
2. Auditors' Remuneration		
Audit Fee	1,00,000	1,00,000
Tax Audit Fee	25,000	25,000
	1,25,000	1,25,000
3. Basic & Diluted Earning per Share (Face Value : ₹1/- each)		
Profit after tax as per Profit & Loss Account	3,907,706	3,468,624
Weighted average number of shares outstanding	98,934,000	98,934,000
Basic & Diluted earning per share in Rupees	0.04	0.04
4. C. I. F. Value of Imports		
Raw Material	844,573,059	833,116,436
5. F.O.B. Value of Exports	787,246,776	848,791,496
6. Raw Material Consumed	785,361,918	836,284,673

6. Value of imported & indigenous material consumed :

	2017		2016	
	%	<u>Amount</u> ₹	%	<u>Amount</u> ₹
Raw Material				
Indigenous	0.07	561,587	0.05	442,796
Imported	99.93	784,800,331	99.95	835,841,877
Stores & Spares				
Indigenous	100.00	504,305	100.00	632,247
Imported	-	-	-	-

7. Stock and turnover

	Sales Value	Closing Inventory	Opening Inventory
<u>Manufactured goods</u>			
Diamond studded Jewellery	787,246,776	–	–
	(848,791,496)	–	–

* Figures in bracket refers to previous year

8. Contingent Liability

The assessee has preferred an appeal before the Commissioner of Income Tax (Appeals) against an order passed by Deputy Commissioner of Income Tax for the Assessment Years 2013-2014 & 2014-2015 raising a demand of Rs. 68,100/- & Rs. 2,090/- respectively.

Contingent Liability

Bank Guarantee

	2017 ₹	2016 ₹
Bank Guarantee	150,000,000	150,000,000

9. In the opinion of the management and to the best of their knowledge, Current Assets and Loans & Advances are approximately of the value stated if realised in the ordinary course of the business, unless otherwise stated.

10. 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

	2017 ₹	2016 ₹
b) Transactions with related parties		
Remuneration to Director	1,000,200	1,000,200
Loan from Director	7,615,000	11,814,000
Loan repayment to Director	9,895,000	8,472,000
Bank guarantee given on behalf of subsidiary	61,607,500	106,761,875
c) Balances at the year end		
Remuneration to Director Payable	1,099,831	546,648
Investment in Subsidiary	213,358,969	213,358,969
Loan from Director	17,185,000	19,465,000

11. 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

—	—
—	—

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

13. 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, 2017 :

Particulars	Nominal Value \$	Quantity	
		Long	Short
USD Forward Contract 17.04.2017 - 30.04.2017	347,000.00	1.00	—
USD Forward Contract 16.05.2017 - 31.05.2017	624,000.00	1.00	—
USD Forward Contract 15.06.2017 - 30.06.2017	381,000.00	1.00	—
USD Forward Contract 17.07.2017 - 31.07.2017	393,800.00	1.00	—
USD Forward Contract 16.08.2017 - 31.08.2017	828,000.00	1.00	—
USD Forward Contract 15.09.2017 - 30.09.2017	536,000.00	1.00	—

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 - 31.05.2016	239,000.00	1.00	–
USD Forward Contract 16.06.2016 - 30.06.2016	808,500.00	1.00	–
USD Forward Contract 01.08.2016 - 31.08.2016	811,000.00	1.00	–

15. Details of Specified Bank Notes (SBN) held and transacted during period from 8th November, 2016 to 31st December, 2016

Particulars	SBN	Other Demonisations Note	Total
	(₹)	(₹)	(₹)
Closing cash in hand as on 8th Nov, 2016	470,000	65,401	535,401
(+) Permitted Receipts		330,000	330,000
(-) Permitted Payments		113,896	113,896
(-) Amount Deposited in Banks	470,000		470,000
Closing cash in hand as on 31st Dec, 2016	–	281,505	281,505

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

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

Signature to Notes 1 to 19 :

In terms of our report of even date

For **Deepak Mehta & Associates**
Chartered Accountants
(FRN : 102239W)

(DEEPAK MEHTA)
Proprietor
M. No. 44141
Mumbai
May 27th, 2017

For & behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director
Mumbai
May 27th, 2017

MEHUL KUNDARIYA
Company Secretary

DARSHAK PANDYA
Chief Finance Officer

CONSOLIDATED FINANCIAL STATEMENT

○ Consolidated Auditors Report

To the member
Kanani Industries Limited
Mumbai

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kanani Industries Limited and its subsidiaries, which comprise the Consolidated Balance Sheet as at March 31, 2017 and the Statement of Profit & Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with General Circular No. 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- a) In the case of the Consolidated Balance sheet, of the state of affairs of the Group as at **31st March, 2017**;
- b) In the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements of one subsidiary included in the consolidated year to date results, whose consolidated interim financial statements reflect total assets of ₹ 10,028.90 lacs as at 31st March 2017 as well as the total revenue of ₹ 36,384.54 lacs as at 31st March 2017. These interim financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion on the year to date results, to the extent they have been derived from such interim financial statements is based solely on the report of such other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by the companies'(Auditors' Report) Order, 2016 ("the order") as ammended issued by the Central Government of India in terms of sub -Section (11) Of Section 143 of the Companies 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 appears from our examination of those books;
 - c. The Cosolidated Balance Sheet, Cosolidated the Statement of Profit and Loss, and the Cosolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the Cosolidated 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 the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. 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, in our opinion and to the best of our information and according to the explanations given to us:
 - 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March, 2017.

For Deepak Mehta & Associates
Chartered Accountants

(DEEPAK MEHTA)
Proprietor
M. No. 44141
ICAI Firm Regi. No. 102239W

Place: Mumbai
Date: May 27, 2017

○ Consolidated Balance Sheet as on 31st March, 2017

	<u>Notes</u>	<u>2017</u> ₹	<u>2016</u> ₹
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	1	98,934,000	98,934,000
b. Reserves & Surplus	2	389,995,478	387,333,355
		488,929,478	486,267,355
2 Non Current liabilities			
a. Long-term borrowings	3	17,185,000	19,465,000
		17,185,000	19,465,000
3 Current liabilities			
a. Short-term borrowings	4	270,257,500	280,612,806
b. Trade payables		783,334,713	904,858,565
c. Other current liabilities	5	2,025,454	1,274,914
d. Short-term provisions	6	772,644	858,318
		1,056,390,311	1,187,604,603
TOTAL		1,562,504,789	1,693,336,958
II. ASSETS			
1 Non-current assets			
a. <u>Fixed Assets</u>			
(i) Tangible assets	7	5,257,039	6,062,296
b. Long-term loans and advances	8	641,999	1,217,651
c. Investments		-	-
d. Other non-current assets		-	-
		5,899,039	7,279,947
2 Current assets			
a. Inventories	9	244,706,840	180,195,208
b. Trade receivables	10	1,205,888,086	1,350,336,719
c. Cash and bank balances	11	96,713,890	145,097,551
d. Short-term loans and advances	12	4,343,290	2,774,737
e. Other current assets	13	4,953,644	7,652,795
		1,556,605,750	1,686,057,011
TOTAL		1,562,504,789	1,693,336,958
Significant Accounting Policies	21		
Notes are an integral part of the financial statements			

For Deepak Mehta & Associates

Chartered Accountants

(FRN : 102239W)

(DEEPAK MEHTA)

Proprietor

M. No. 44141

Mumbai

May 27, 2017

For & behalf of Board of Directors
PREMJIBHAI KANANI

Chairman

MEHUL KUNDARIYA

Company Secretary

HARSHIL KANANI

Managing Director

Mumbai

May 27, 2017

DARSHAK PANDYA

Chief Finance Officer

○ Consolidated Statement of Profit & Loss for the year ended 31st March, 2017

	<i>Notes</i>	2017 ₹	2016 ₹
I. INCOME			
Revenue from operation	14	4,425,700,980	4,959,968,042
Other Income	15	22,640,106	3,769,591
TOTAL		4,448,341,087	4,963,737,634
II. EXPENDITURE			
Cost of raw materials consumed		785,361,918	836,284,673
Purchases of traded goods	16	3,632,030,981	4,110,464,398
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	17	(4,728,999)	(21,530,863)
Employee benefit expenses	18	8,502,045	3,935,746
Finance costs	19	11,503,471	4,442,188
Depreciation and amortization expense	7	913,228	886,709
Other expenses	20	8,019,722	8,206,123
TOTAL		4,441,602,367	4,942,688,974
Profit for the year before taxes		6,738,720	21,048,660
<u>Less : Provision for taxes</u>			
Current Taxes		(1,697,644)	(1,908,137)
Previous year taxes		(12,125)	—
Profit for the year after taxes		5,028,951	19,140,523
Earnings per equity share:			
(1) Basic		0.05	0.19
(2) Diluted		0.05	0.19

Notes to Accounts
21

For **Deepak Mehta & Associates**
Chartered Accountants
(FRN : 102239W)

(DEEPAK MEHTA)
Proprietor
M. No. 44141
Mumbai
May 27, 2017

For & behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

MEHUL KUNDARIYA
Company Secretary

HARSHIL KANANI
Managing Director
Mumbai
May 27, 2017

DARSHAK PANDYA
Chief Finance Officer

○ Consolidated Cash Flow Statement for the year ended 31st March, 2017

	2017	2016
	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) Before tax	6,738,720	21,048,660
Adjustments for		
Depreciation	913,228	886,709
Foreign currency translation reserve	(2,366,828)	7,129,701
Adjustments for Working Capital Changes		
Inventories	(64,511,632)	(18,792,470)
Trade receivables	144,448,633	(110,282,923)
Short term loans and advances	(1,568,553)	139,992
Other current assets	2,699,151	(2,081,924)
Long-term loans and advances	4,336	(205,161)
Trade Payables	(120,773,312)	163,318,190
<i>Cash Generated from Operations</i>	(34,416,257)	61,160,774
Direct taxes paid	(1,846,303)	(1,366,849)
Income Tax refund	622,177	
<i>Net cash from Operating activities</i>	(a) (35,640,383)	59,793,925
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase/Sale of fixed assets	(107,972)	(7,990)
<i>Net Cash Utilised in Investing Activities</i>	(b) (107,972)	(7,990)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Capital	-	-
Proceeds from Short-Term Borrowings	(10,355,306)	(52,404,091)
Proceeds/(Repayment) from Long-Term Borrowings	(2,280,000)	1,785,000
Interim Dividend	-	-
Corporate tax	-	-
<i>Net Cash utilised in Financing Activities</i>	(c) (12,635,306)	(50,619,091)
Net increase in cash and cash equivalents	(a+b+c) (48,383,661)	9,166,844
Cash & cash equivalents as at 1st april (opening balance)	145,097,551	135,930,707
Cash & cash equivalents as at 31st march (closing balance)	96,713,890	145,097,551

For Deepak Mehta & Associates

 Chartered Accountants
 (FRN : 102239W)

(DEEPAK MEHTA)

 Proprietor
 M. No. 44141
 Mumbai
 May 27, 2017

For & behalf of Board of Directors
PREMJIBHAI KANANI
 Chairman

MEHUL KUNDARIYA
 Company Secretary

HARSHIL KANANI
 Managing Director

DARSHAK PANDYA
 Chief Finance Officer

 Mumbai
 May 27, 2017

○ Consolidated Schedule for the year ended 31st March, 2017

	2017 ₹	2016 ₹
NOTE 1 : SHARE CAPITAL		
Authorised		
15,00,00,000 (Previous Year: 15,00,00,000 Equity Shares) Equity Shares of ₹ 1/- Each	150,000,000	150,000,000
Issued, subscribed & paid-up		
9,89,34,000 (Previous Year : 9,89,34,000 Equity Shares) Equity shares of ₹ 1/- each.	98,934,000	98,934,000
	98,934,000	98,934,000

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

Particulars	31st March, 2017		31st March, 2016	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	98,934,000	98,934,000	98,934,000	98,934,000
Issued during the period	—	—	—	—
Outstanding at the end of the year	98,934,000	98,934,000	98,934,000	98,934,000

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

Name of Share holders	31st March, 2017		31st March, 2016	
	No. of Shares	%	No. of Shares	%
Premjibhai Devjibhai Kanani	8,006,130	8.09	8,006,130	8.09
Harshil Premjibhai Kanani	62,947,500	63.63	62,947,500	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 : Withdrawn from Special Economic Zone re-investment reserve

Balance at the end of the year

Foreign currency translation reserve

Balance as per last balance sheet

Add : Additions in current year

Less : Written back in current year

Balance at the end of the year

Special Economic Zone re-investment reserve

Balance as per last balance sheet

Add : Net Profit/(loss) for the year

Less : Written back in current year

Balance at the end of the year

Surplus in the Statement of Profit and Loss

Balance as per last balance sheet

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

Amount available for the appropriation

Appropriations :

Less : 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

	2017 ₹	2016 ₹
	1,661,027	1,661,027
	7,068,794	—
	<u>8,729,821</u>	<u>1,661,027</u>
	7,026,647	(103,054)
	—	—
	(2,366,828)	7,129,701
	<u>4,659,819</u>	<u>7,026,647</u>
	11,847,372	9,484,848
	2,668,405	2,362,514
	(7,068,794)	—
	<u>7,446,983</u>	<u>11,847,362</u>
	366,798,309	350,020,310
	5,028,951	19,140,523
	<u>371,827,260</u>	<u>369,160,833</u>
	(2,668,405)	(2,362,514)
	<u>369,158,855</u>	<u>366,798,319</u>
	<u>389,995,478</u>	<u>387,333,355</u>
	1,718,5000	1,946,5000
	<u>1,718,5000</u>	<u>1,946,5000</u>

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.)

208,650,000

173,850,931

Standard Chartered Bank

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

(The above facility are further secured by personal guarantees of Directors of wholly owned holding company)

–

43,824,375

DBS Bank

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

(The above facility are further secured by personal guarantees of Directors of wholly owned holding company)

61,607,500

62,937,500

270,257,500
280,612,806
NOTE 5 : OTHER CURRENT LIABILITIES

Unclaimed Dividend

4,115

5,604

Other Payables

Statutory dues payable

78,293

73,363

Employee related liabilities

1,389,483

811,991

Other liabilities

549,053

383,956

Out Standing Liabilities

4,510

–

2,025,454
1,274,914
NOTE 6 : SHORT-TERM PROVISIONS

 a) *Others*

Provision for Income tax

772,644

858,318

772,644
858,318

Name of the Assets	← GROSS BLOCK →			← DEPRECIATION →			NET BLOCK		
	As on 01/04/16	Additions During the year	Total	As on 01/04/16	Off During the year	Written Back During the year	Total	As on 31/03/17	As on 31/03/16
		Sale							
a) Tangible Assets									
Leasehold Land	4,700,000	-	4,700,000	2,506,664	313,333	-	2,819,998	1,880,002	2,193,336
Factory Building	5,969,514	-	5,969,514	3,205,967	271,204	-	3,477,170	2,492,344	2,763,547
Plant & Machinery	3,763,087	-	3,763,087	2,716,797	243,112	-	2,959,910	803,177	1,046,290
Generator	140,000	-	140,000	93,215	10,341	-	103,555	36,445	46,785
Office Equipment	109,655	25,472	135,127	104,196	15,681	-	119,877	15,250	5,459
Air Conditioner	304,074	-	304,074	170,307	-	-	170,307	-	-
Computer	218,554	82,500	301,054	202,135	55,437	-	257,572	27,063	-
Refrigerator	7,990	-	7,990	1,111	4,120	-	5,231	2,759	6,879
	15,212,874	107,972	15,320,846	9,000,392	913,228	-	9,913,620	5,257,039	6,062,296
Previous Year Total	15,204,884	7,990	15,212,874	8,113,683	886,709	-	9,000,392	6,062,296	6,941,015

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)

	2017 ₹	2016 ₹
	234,055	238,390
	407,944	979,261
	641,999	1,217,651

NOTE 9 : INVENTORIES

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

Raw material

Diamonds

Bullion

Traded Goods

Diamonds & Diamonds Studded Jewellery

	61,353,672	1,580,944
	78,274	68,368
	183,274,894	178,545,896
	244,706,840	180,195,207

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

	1,205,888,086	1,350,336,719
	—	—
	1,205,888,086	1,350,336,719

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

	3,547,815	2,259,996
	93,117,511	141,885,550
	48,564	952,005
	—	—
	96,713,890	145,097,551

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

2017
₹

4,343,290

4,343,290
2016
₹

2,774,737

2,774,737
NOTE 13 : OTHER CURRENT ASSETS

Accrued Interest on F.D.

4,242,144

4,666,595

Interest Receivable—FD With Standard Chartered Bank

–

2,924,949

Deposit-Wadhwa Group Holding Pvt. Ltd.

36,500

–

Deposit-Radius Realty Pvt. Ltd.

675,000

–

Prepaid Insurance Charges

–

14,902

Other Receivables

–

46,350

4,953,644
7,652,795
NOTE 14 : REVENUE FROM OPERATIONS
Sale of products

Finished Goods

787,246,776

848,791,496

Traded Goods

3,638,454,204

4,111,176,546

4,425,700,980
4,959,968,042
NOTE 15 : OTHER INCOME

Exchange rate difference

22,587,980

3,293,009

Interest

51,915

476,582

22,639,895
3,769,591
NOTE 16 : PURCHASES OF TRADED GOODS

Diamond & Diamond Studded Jewellery

3,632,030,981

4,110,464,398

3,632,030,981
4,110,464,398
NOTE 17 : CHANGES IN INVENTORIES OF FINISHED GOODS,
WORK-IN-PROGRESS AND STOCK-IN-TRADE

Opening Stock

Finished Goods

–

–

Traded Goods

178,545,896

157,015,033

Work In Progress

–

–

178,545,896
157,015,033

Closing Stock

Finished Goods

–

–

Traded Goods

183,274,894

178,545,896

Work In Progress

–

–

183,274,894
178,545,896
4,728,999
21,530,863

	2017 ₹	2016 ₹
<u>NOTE 18 : EMPLOYEE BENEFIT EXPENSES</u>		
Salary & Wages	7,166,565	3,851,984
Staff welfare	83,687	83,762
Director Quarter Expenses	1,251,794	—
	8,502,045	3,935,746
<u>NOTE 19 : FINANCE COSTS</u>		
Interest on Loan (Net)	11,189,971	2,953,708
Other borrowing cost	313,500	1,488,480
	11,503,471	4,442,188
<u>NOTE 20 : OTHER EXPENSES</u>		
Consumption of Stores & Consumables	504,305	632,247
Power & Fuel	107,895	81,397
Audit fees	196,048	194,685
Insurance Charges	25,046	51,342
Rates and Taxes	747,853	1,457,713
Travelling Expenses	928,031	824,876
Legal & Professional Fee	583,000	557,000
Bank Charges	1,821,195	2,715,301
Miscellaneous Expenses	3,106,350	1,691,562
	8,019,723	8,206,123

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. Inventory

- 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 gain / loss on forward contracts outstanding at the year end are provided for in the books of account of the Company in accordance with accounting standard issue by the institute of 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

	2017 ₹	2016 ₹
b) Transactions with related parties		
Remuneration to Director	1,000,200	1,000,200
Investment in Subsidiary	7,615,000	11,814,000
Loan from Director	9,895,000	8,472,000
Loan repayment to Director	61,607,500	106,761,875
c) Balances at the year end		
Remuneration to Director Payable	1,099,831	546,648
Investment in Subsidiary	213,358,969	213,358,969
Loan from Director	—	—
4. Basic & Diluted Earning per Share (Face Value : ₹ 1/- each)		
Profit after tax as per Statement of Profit & Loss Account	3,907,706	19,140,523
Weighted average number of shares outstanding	98,934,000	98,934,000
Basic & Diluted earning per share in Rupees	0.04	0.04

5. Contingent Liability

The assessee has preferred an appeal before the Commissioner of Income Tax (Appeals) against an order passed by Deputy Commissioner of Income Tax for the Assessment Years 2013-2014 & 2014-2015 raising a demand of ₹ 68,100/- & ₹ 2,090/- respectively.

	2017 ₹	2016 ₹
Contingent Liability		
Bank Guarantee	150,000,000	150,000,000

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 **Deepak Mehta & Associates**
Chartered Accountants
(FRN : 102239W)

(DEEPAK MEHTA)
Proprietor
M. No. 44141
Mumbai
May 27, 2017

For & behalf of Board of Directors

PREMJIBHAI KANANI
Chairman

HARSHIL KANANI
Managing Director
Mumbai
May 27, 2017

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, 2017Information regarding subsidiary Companies

Name of the Company	KIL INTERNATIONAL LTD.
Financial year ending on	31.03.2017
Currency	USD
Exchange rate on the last day of financial year	64.85

	(Amt in ₹)
a. Share capital	267,767,742
b. Reserves	22,966,966
c. Liabilities	712,156,191
d. Total liabilities	1,002,890,899
e. Total assets	1,002,890,899
f. Turnover	3,638,454,204
g. Profit before taxation	1,893,889
h. Provision for Taxation	772,644
i. Profit after taxation	1,121,246

34th Annual General Meeting

ATTENDANCE SLIP

KANANI INDUSTRIES LIMITED

[CIN : L51900MH1983PLC029598]

REGISTERED OFFICE: 915C, The Capital, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051

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 28, 2017	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 34th Annual General Meeting of the Company held on **Thursday, September, 28th 2017 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 2017 and Notice of the 34th 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 2017 and Notice of the 34th 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.

34th Annual General Meeting
KANANI INDUSTRIES LIMITED

[CIN : L51900MH1983PLC029598]

REGISTERED OFFICE: 915C, The Capital, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051

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 34th Annual General Meeting of the Company to be held on Thursday, September 28, 2017 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, 2017 and reports of the Board of Directors and the Auditors thereon;			
2.	To appoint a Director in a place of Mr. Harshil Kanani, who retires by rotation and being eligible offers himself for reappointment;			
3.	To ratify the appointment of M/s. Deepak Mehta & Associates, Chartered Accountants as the Statutory Auditors of the Company.			
	Special Business			
4.	Reappointment of Mr. Premjibhai Kanani , as the Executive Chairman of the Company			
5.	Reappointment of Mr. Harshil Kanani , as the Managing Director of the Company			

** 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. _____

Affix ₹ 1
Revenue
Stamp

Signed this _____ day of _____ 2017

- 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.

If undelivered, please return to :

KANANI INDUSTRIES LIMITED

REGISTERED OFFICE: 915C, THE CAPITAL, G-BLOCK, BANDRA KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400051