

KANSAL FIBRES LIMITED

ANNUAL REPORT OF

KANSAL FIBRES LIMITED

FOR THE YEAR

2009-2010

KANSAL FIBRES LIMITED

BOARD OF DIRECTORS

Rakesh Kumar Kansal
Aruna Kansal
Ashok Goyal

Managing Director
Executive Director
Non-Executive Director

AUDITORS

Raj Gupta & Co.,
549/10, Satluj Tower
Fountain Chowk, Civil Lines,
Ludhiana- 141001

REGISTERED OFFICE

281 Industrial Area-A,
Ludhiana, 141003
Punjab
Email: kansalfibersltd@gmail.com
Website: www.kansalfibres.com

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KANSAL FIBRES LIMITED

NOTICE

Notice is hereby given that the Annual General Meeting of the members of KANSAL FIBRES LIMITED will be held on 30th September, 2010 at 10.30 A.M. at the Registered Office of the Company i.e. 281 Industrial Area-A, Ludhiana, Punjab to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2010, balance sheet as on that date, Director's Report and the Auditor's report thereon.
2. To appoint Director in place of Mr. Ashok Goyal who retires by rotation and being eligible offers himself for reappointment.
3. To appoint the Auditors of the Company from the Conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors

Place : Ludhiana

Date : 05/08/2010

Sd/- (Rakesh Kansal) Managing Director	Sd/- (Aruna Kansal) Director
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NOTES:

a) A member entitled to attend and vote is entitled to appoint a proxy to attend vote instead of himself and the Proxy need not to be a member. The instrument appointing a proxy must be deposited at the registered office of the Company not later than 48 hours before the time fixed for holding the meeting.

b) The Register of the members and the share transfer book of the Company will remain closed from 18th September, 2010 to 30th September, 2010 (both days inclusive)

c) The shareholders are requested to bring their copy of Annual Report at the time of Meeting.

d) As a matter of convenience the shareholders are requested to inform their queries if any, the company in advance so as to enable the company to properly reply the same at the time of meeting

By Order of the Board of Directors

Place : Ludhiana

Date : 05/08/2010

Sd/- (Rakesh Kansal) Managing Director	Sd/- (Aruna Kansal) Director
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KANSAL FIBRES LIMITED

DIRECTORS' REPORT

To
The Members
KANSAL FIBRES LIMITED

The Board of Directors of your Company has the pleasure of presenting Annual Report of KANSAL FIBRES LIMITED together with the Audited Statements of Accounts for the year ended the March 31, 2010.

FINANCIAL PERFORMANCE OF THE COMPANY:

The Company has again started to operate in the finance market and received income of Rs. 36,000 during the financial year 2009-10. However, the Company incurred loss of Rs. 600,01,502 during the current financial year and hope for better in coming years, even in the downward stream scenario of global financial and capital market. Directors have started to explore various other opportunities to further improve the working results during the current year.

DIVIDEND:

In view of losses, your Directors do not recommend any dividend during the year.

DIRECTORS:

Mr. Ashok Goyal Director of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,

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1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) that the Directors have prepared the annual accounts for the year ended on March 31, 2010 on a 'going concern basis'.

AUDITORS:

M/S. Raj Gupta & Co., Chartered Accountants, Ludhiana, the retiring auditors being eligible offer themselves for re-appointment. Members are requested to appoint them as auditors of the company for the next year till the conclusion of next Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management discussion and analysis Report, pursuant to Clause 49 of the Stock Exchange Listing agreement, forms part of this Report and the same is annexed hereto.

CORPORATE GOVERNANCE:

A comprehensive report on corporate governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report.

The Company has obtained a certificate from the Statutory Auditors regarding compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed at the end of Corporate Governance Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

As the Company's operations do not involve any manufacturing or processing activities, the particulars as per the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1998, regarding conservation of energy and technology absorption, are not applicable. The particulars regarding expenditure and earnings in foreign exchange are Nil.

PARTICULARS OF EMPLOYEES:

No employee of the Company was in receipt of remuneration above the limit specified under Section 217(2A) of the Companies Act, 1956.

SEGMENT:

Your Company is engaged in a single segment only.

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ACKNOWLEDGEMENT:

The management is grateful to the government authorities, Bankers, Vendors for their continued assistance and co-operation. The directors also wish to place on record the confidence of members in the company.

By Order of the Board of Directors

Place : Ludhiana
Date : 05/08/2010

Sd/- Sd/-
(Rakesh Kansal) (Aruna Kansal)
Managing Director Director

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REPORT ON CORPORATE GOVERNANCE (Pursuant to Clause 49 of the Listing Agreement)

1. COMPANY'S PHILOSOPHY:

Corporate Governance is an integral part of value, ethics and best business practices followed by the Company. The core values of the Company are commitment to excellence and customer satisfaction, maximizing long-term value for stakeholders, socially valued enterprise and caring for people and environment.

KANSAL FIBRES LIMITED is committed to good Corporate Governance in order to all stakeholders – Customers, suppliers, lenders, employees, the shareholders. The detailed report on implementation by the company of the Corporate Governance Code as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges, is set out below :

2. BOARD OF DIRECTORS:

2.1 COMPOSITION OF THE BOARD:

The Board of Directors as at 31st March, 2010 comprises of three directors comprises of a, two are Executive and one non-executive director. Mr. Rakesh Kumar Kansal, Active Director of the Company and he conducts the day to day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are senior, competent and highly respected persons from their receptive fields.

2.2 RESPONSIBILITIES OF THE BOARD

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board of Directors presided over by the Chairman and Managing Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

2.3 MEETING AND ATTENDANCE RECORD OF DIRECTORS

The meetings of the Board of Directors are held at periodical intervals and are generally at the registered office of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Senior

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Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

During the year 2009-2010, the board met 6(six) times on the following dates: 25/04/2009, 22/06/2009, 03/07/2009, 03/08/2009, 24/10/2009, 28/01/2010

The composition, attendance and other memberships of the Board of Directors of the company is as follows:

Attendance of Directors at Meetings of Board of Directors and last AGM:

Name of the Director	Designation	Category	No. of Board meetings attended	Attendance at last AGM	Total No. of Directorships in public Companies	Total No. of Committee membership	Total no. of Board Chairmanship
Rakesh Kansal	Managing Director	Executive	6	Yes	0	0	0
Aruna Kansal	Director	Executive	6	Yes	0	0	0
Ashok Goyal	Director	Non Executive	6	Yes	0	0	0

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

As per the provisions of the Companies Act, 1956, two third of the directors of a company should be retiring directors, of which one third of such directors are required to retire every year and if eligible, they qualify for re-appointment.

Mr. Ashok Goyal, retire by rotation at the ensuing Annual General Meeting and offer him for re-appointment.

Profile of Mr. Ashok Goyal, Director being appointed u/s 256 of the Companies Act, 1956

Name	Mr. Ashok Goyal
Date of Birth	04/12/1952
Date of Appointment	09/01/1995
No. of shares held in the company	NIL
Directorship in other company	NIL

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2.5 Details of Directors who are as Chairman and Directors in other Public Companies

None of the Directors on the Board is a member or Chairman of any Committees (as specified in Clause 49 (C) (ii) across all the Companies in which he is a director. The necessary disclosure regarding Directorship and Committee position have been made by the Directors who are on the Board of the Company as on 31st March, 2010 and the same is reproduced herein below:

Sr. No.	Name of Director	No of Directorship in other Public Companies	No. of Committees positions held as Chairman on other public Companies	No. of Committees positions held as member in other public Company
1.	Rakesh Kumar Kansal	--	--	--
2.	Aruna Kansal	--	--	--
3.	Ashok Goyal	--	--	--

3. Committee of Board:

The Company had four Board Committees. These are

1. Audit Committee
2. Remuneration Committee
3. Share Transfer & Shareholders/Investor Grievance Committee

Moving with various committees formed and reported in the previous Annual Report and in line with the requirements of SEBI and Stock Exchanges, the Board has formally constituted the following committees of Directors.

3.1 Audit Committee:

The Audit committee constituted by the Board of directors as per the provisions of Clause 49 of the listing Agreements as well as in Section 292A of the Companies Act, 1956, comprises of two members viz. Mrs. Aruna Kansal Member Director (Executive) Mr. Ashok Goyal, Member (Non- Executive) who are aware with finance, accounts, management and corporate affairs. Two members constitute the quorum of the said Audit Committee Meeting.

The Audit Committee of the Board of Directors of the Company, Inter-aila, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

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The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.

BRIEF DESCRIPTION OF TERMS OF REFERENCE:

A. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

B. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.

C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

- Review the financial reporting process and disclosure of its financial information
- Review with the management, Annual financial statements before submission to the Board
- Review with the management, statutory Auditors and Internal Auditors and adequacy of internal control systems
- Review the company's accounting and risk management policies
- Review the company's accounting and management reporting systems and updates the same from time to time recommend the appointment and removal of statutory and Internal Auditors and fixation of fees for the same.
- Review quarterly financial statement.
- Review internal investigations made statutory/ Internal Auditors.
- Scope of Statutory/ Internal Audit
- Review fixed deposits/repayment systems etc.
- Any other applicable functions as described in Corporate Governance.
- Review related party transactions.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for recode. The Board of Directors, regularly appraised on the recommendations for the Audit Committee, further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Clause 49(III)(E) of the Listing Agreement, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.

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- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

During the year under review, the 4 Audit Committees were held during Financial Year 2009-10. The dates on which the said meetings were held as follows: 25/04/2009, 03/07/2009, 24/10/2009, 28/01/2009

3.2 REMUNERATION COMMITTEE:

(a) EXECUTIVE DIRECTORS:

The Company has not set up a Remuneration Committee. The remuneration of Executive Director were fixed by the Board and approved by the Share Holders at the Annual General Meeting. During the year Company has not paid any remuneration to the Directors of the Company during the financial year 2009-2010 because of the no business of the Company.

(b) NON-EXECUTIVE DIRECTORS:

Non-Executive Directors have not been paid any remuneration, they had paid only Sitting Fees, being a Non Executive director had not paid any Sitting Fees for the financial year.

No meeting of Remuneration Committee was held during the year.

3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders'/Investor Grievance committee comprises as under:

- 1 Mr. Rakesh Kansal
- 2 Mrs. Aruna KAnsals
- 3 Mr. Ashok Goyal

The committee is responsible for approving and monitoring transfers, transmission, splitting and consolidation of shares issued by the Company. In addition to that, the committee also monitors redressed of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet etc., No sitting fees is paid to the committee members. The Committee reviewed redressed of investors Grievances pertaining to share transfer, dematerialization of shares, replacement of lost, mutilated and old share certificates, change of address etc. The committee has also taken steps to strengthening investors relations.

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The status of shareholders' complaints received so far/number not solved to the satisfaction of shareholders/number of pending share transfer transactions (as on 31st March, 2010 is given below:-

Complaints Status: 01.04.2009 to 31.03.2010

- Number of complaints received so far : 3
- Number of complaints solved : 0
- Number of pending complaints : 3

4. GENERAL BODY MEETING:

a. Location and time where last three AGMs were held:

Meeting	Year	Venue of AGM	Date	Time	Whether Special resolution passed
Annual General Meeting	2007	281, Industrial Area-A, Ludhiana-141003, Punjab	29th September, 2007	11.30 A.M.	No.
Annual General Meeting	2008	281, Industrial Area-A, Ludhiana-141003, Punjab	30th September, 2008	10.30 A.M.	No.
Annual General Meeting	2009	281, Industrial Area-A, Ludhiana-141003, Punjab	30th September, 2009	11.30 A.M.	No.

(b) All the resolutions including special resolutions set out in the respective notices were passed by the shareholders. The following special resolutions were passed in previous Three Annual General Meeting for the year:

No Special Resolution was passed during the year under review.

Details for Special Resolution had passed in last AGM:

2007: NIL

2008: NIL

2009: NIL

5. DISCLOSURES:

a. Materially significant related party transactions:

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There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have not been provided in of Schedule 12 of Notes to Accounts.

b. During the last three Years, there were no penalties, strictures imposed by either SEBI or stock Exchange or any statutory authority for non- Compliance of any matter related to the capital market.

6. CEO/CFO CERTIFICATION:

(Under Clause 49(V) of Listing Agreement)

We Certify that --

a. We have reviewed the financial statements and the cash flow statement for the year 2009-10 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- 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 our knowledge and belief, no transactions entered into by the Company during the year 2009-10 which are fraudulent, illegal or violative of the Company's code of conduct;

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee -

- Significant changes in internal control over the financial reporting during the year 2009-10;
- Significant changes in accounting policies during the year 2009-10 and that the same have been disclosed in the notes to the financial statements; and
- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

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7. MEANS OF COMMUNICATIONS:

The Quarterly Unaudited Financial Results and other presentation as to the Company's Performance etc., are made available to the institutional investors/Financial Analysts as and when felt expedient.

The Management discussion and analysis forms part of the Annual Report.

8. GENERAL SHAREHOLDER INFORMATION:

- a. Annual General Meeting: Date, Time and venue: 30th September, 2010, at 10.30 a.m. at the Registered Office of the Company.
- b. Financial Year: 1st April 2009 to 31st March, 2010.
- c. Financial Calendar:
 - i. 1st quarterly results – last week of April, 2009.
 - ii. 2nd quarterly results – last week of July, 2009.
 - iii. 3rd quarter results – last week of October, 2009.
 - iv. 4th quarter results – last week of January, 2010.
- d. Date of Book Closure: 18th September, 2010 to 30th September, 2010
- e. Dividend Payment Date: N.A.
- f. Listing of Equity Shares on Stock Exchanges: The Company has paid Annual Listing Fees to the Stock Exchanges where the Company's shares are listed for the financial Year up to 31-03-2010
- g. Stock Code: BSE-531205,
ASE- 29101,
DSE- 8365
LSE- Kansal
- h. Demat ISIN number: Not Obtained
- I. High / Low of Monthly Market Price of the Companies Equity Shares traded on Bombay Stock Exchange during the financial year 2008-09 are furnished below:

The trading of equity shares of the Company was suspended during the year and hence no Market Price Data is available during the year under review.
- j. Performance of the Company's shares in comparison with broad-based indices as BSE's Sensex: The Company has nothing to report on the matter.

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- k. Registered and Transfer Agent: The Company has an in-house share transfer department and has not appointed any Registrar and Transfer Agent.
- l. Share Transfer System: Valid Share transfer in physical form and complete in all respects were approved and registered within the stipulated period.
- m. Distribution of Shareholding as on Dated 31.03.2010

Share Holding of Nominal Value		Share Holders		Share Amount	
Rs.	Rs.	No.	% to total	In Rs.	% to total
Up to	5,000	3002	78.75	3050400	51.70
5,001 to	10,000	258	6.77	302200	5.12
10,001 to	20,000	146	3.83	99800	1.69
20,001 to	30,000	159	4.17	46515	0.79
30,001 to	40,000	149	3.91	33987	0.58
40,001 to	50,000	79	2.07	17956	0.30
50,001 to	1,00,000	9	0.24	642	0.01
1,00,001 &	above	10	0.26	2349200	39.81
Total		3812	100.00	5900700	100.00

- n. Shareholding pattern as on 31.03.2010

Category	No of Shares held	% of Shareholding
a. Promoters and persons		
who may be deemed to be		
acting in concert including		
promoter/directors group		
Companies	1820200	30.85
b. Mutual Fund/Trust	0	0.00
c. Financial Institution/Banks	200000	3.39
d. Bodies Corporate	131600	2.23
e. Indian public	3748900	63.53
TOTAL	5900700	100

Dematerialization of shares: As on 31-03-2010 Demat shares accounted for Nil (Equity Shares) of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

- O. Address for communication: **KANSAL FIBRES LIMITED**
281 Industrial Area-A,
Ludhiana - 141003, Punjab

KANSAL FIBRES LIMITED

Declaration of compliance with the code of conduct

All the Directors and senior management personal have, respectively, affirmed compliance with the code of conduct as approved and adopted by the Board of Directors.

By Order of the Board of Directors

Place : Ludhiana
Date : 05/08/2010

Sd/-	Sd/-
(Rakesh Kansal)	(Aruna Kansal)
Managing Director	Director

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a. INDUSTRY STRUCTURE AND DEVELOPMENTS:

The scenario of the Fibre industry is changing from time to time as change in the Indian Economy level. However, at present small scale cotton growers are not often able to protect themselves against the fluctuations in the market prices. In addition, with a lower degree of investment in cotton growing infrastructure in these countries, growers face lower switching costs. Thus, your Company is in the process of changing its activities to give boost to its cotton ginning & export activity. However, due to lack of fund, resources and negative net worth of the Company could get succeed.

b. OPPORTUNITIES AND THREATS:

Opportunities

- ❑ Large, Potential Domestic and International Market
- ❑ Market is gradually shifting towards Branded Readymade Garments.
- ❑ Greater Investment and Foreign Direct Investment opportunities are available.
- ❑ Increased Disposable Income and Purchasing Power of Indian Customer opens New Market Development.
- ❑ Emerging Retail Industry and Malls provide huge opportunities for the Apparel, Handicraft, iron machineries and other segments of the industry.

Threats

- ❑ Competition from other developing countries, especially China.
- ❑ Continuous Quality Improvement is need of the hour as there are different demand patterns all over the world.
- ❑ Elimination of Quota system will lead to fluctuations in Export Demand.
- ❑ Threat for Traditional Market for Power loom and hosiery Products and forcing them for product diversification.
- ❑ Geographical Disadvantages.
- ❑ International labor and Environmental Laws.

c. SEGMENT WISE PERFORMANCE:

The Company has identified its activities as single segment. Hence, the Company's performance is to be viewed as a single segment company operating in textile industry.

d. RECENT TREND AND FUTURE OUTLOOK:

With the increasing trend in the cotton ginning, textile, hosiery and export of variety cotton and with the implementation of expansion project in cotton ginning business, it will provide new dimension to the working.

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e. RISKS AND CONCERNS:

Like any other industry, the textile industry is also exposed to risk of competition, government policies, natural factor etc. As the Company is proposed to export raw materials/ finished product, the Company has risk on account of Exchange Rate fluctuations. The Company has taken necessary measures to safeguard its assets/interests etc.

f. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has proper and adequate system of Internal Controls to ensure that all the assets are safeguarded, protected as against loss from unauthorised use or disposition and that transactions are authorised , recorded and reported correctly. The Company conducted the audit of various departments through an independent internal auditor. The views of the statutory auditors are also consider to ascertain the adequacy of the internal control system.

g. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The financial performance of the Company for the year 2007-08 is described in the Directors' Report under the head 'Financial Performance of the Company'.

h. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS FRONT:

Your Company has undertaken certain employees' development initiatives which have very positive impact on the morale and team spirit of the employees. The Company has continued to give special attention to Human Resources/Industrial Relations development. Industrial relations remained cordial throughout the year and there was no incidence of strike, lock-out etc.

i. CAUTIONARY STATEMENT:

Statement in this Management Discussion and Analysis Report, describing the Company's objectives, estimates and expectations may constitute 'Forward Looking Statements' within the meaning of applicable laws or regulations. Actual results might differ materially from those either expressed or implied.

By Order of the Board of Directors

Place : Ludhiana
Date : 05/08/2010

Sd/-	Sd/-
(Rakesh Kansal)	(Aruna Kansal)
Managing Director	Director

KANSAL FIBRES LIMITED

AUDITORS' REPORT

To
The Members of
KANSAL FIBRES LIMITED

We have audited the attached Balance Sheet of KANSAL FIBRES LIMITED as at 31st March, 2010, the Profit and Loss Account of the company and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) (Amendment Order 2004) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent to which it is applicable to the company.

2. Further to our comments in the annexure referred to in paragraph (1) above, state that:

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit ;

b. In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of such books ;

c. The Balance Sheet and Profit and Loss Account as referred to in this report are in agreement with the books of account;

d. In our opinion, the Profit and Loss Account and the Balance Sheet of the company comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

e. During the year ended 31.03.2010 the company has undertaken no activity except hiring out its solve vehicle, the proceeds of which are insufficient to meet the Expenses of the Company. The company has incurred cash loss amounting to Rs. 240110/- during the year. The accumulated losses of the company have eroded more than 100% of its capital.

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The net worth of the company is negative Rs. (2133502/-). In our opinion and according to the information and explanation given to us, the prevailing situation of the company vitiates the basic accounting assumption of going concern and there is substantial doubt regarding continuation of companies' activity for unforeseeable future.

f. Subject to Point E in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner required and give a true and fair view ;

- i) In case of Balance Sheet, of the state of Company's affairs as at 31st March, 2010 and
- ii) In case of Profit and Loss Account, of the loss of the company for the year ended on that date.
- iii) In the case of the cash flow statement, of the case flow for the year ended on that date.

g. On the basis of confirmations received from the directors, none of the director is disqualified from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies act, 1956.

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS**

**Place: Ludhiana
Dated: 10.05.2010**

**Sd/-
(CA R.K.Gupta)
PARTNER**

KANSAL FIBRES LIMITED

ANNEXURE TO AUDITORS' REPORT

RE : KANSAL FIBRES LIMITED

(REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has physically verified all the assets during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(ii) In respect of its inventories.

(a) As explained to us, and according to the information and explanations given to us the company owned no inventories during the year.

(iii) (a) The company has not granted any loans, secured or unsecured, to any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us. So, provisions of clause (b), (c) and (d) is not applicable to the said company.

(b) The company has not taken any loans, secured or unsecured, from any companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets.

(v) In our opinion and according to the information and explanations given to us all the particulars of contracts or arrangements required to be made in the register maintained in pursuance of Section 301 of the Companies Act, 1956 has been made.

(vi) The company has not accepted any deposits within the year.

(vii) In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.

(viii) The order made by the Central Government for the maintenance of cost records under section 209 (I) (d) of the Companies Act, 1956 is not applicable to the company.

KANSAL FIBRES LIMITED

(ix) According to the information and explanations given to us, in respect of statutory and other dues.

(a) The company has been regular in depositing undisputed statutory dues, including Provident fund, Investor Education and protection fund, Employees State Insurance, Income Tax, Sales tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities during the year except the following :-

Name of the Party	Nature of Payment	Amount
Ludhiana Stock Exchange	Listing Fees	168000/-
Ahmedabad Stock Exchange	Listing Fees	60000/-
Delhi Stock Exchange	Listing Fees	60000/-
Bombay Stock Exchange	Listing Fees	11330/-

(b) No disputed amount is pending.

(x) The Company have accumulated losses at the end of the year amounting to Rs. 60001502/- (Previous Year Rs. 59753794/-) and has incurred cash losses during the current year amounting to Rs. 240110/- (Previous Years Cash Loss Rs. 223199/-).

(xi) Based on our procedures on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institutions or banks.

(xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial Institutions.

(xiv) To the best of our knowledge and according to the information and explanations given to us, No term loans has been availed by the Company.

(xv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for the purposes for which the loans were obtained and vice-versa other than temporary deployment pending application.

KANSAL FIBRES LIMITED

(xvi) The company has not made any preferential allotment during the year.

(xvii) The company has not raised any money by public issue during the year.

(xviii) To the best of knowledge and belief and according to the information and explanations given to us, no fraud or by the company has been noticed or reported during the course of our audit.

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS**

**Place: Ludhiana
Dated: 10.05.2010**

**Sd/-
(CA R.K.Gupta)
PARTNER**

KANSAL FIBRES LIMITED

Auditors' Compliance Certificate

To,
The Members,
KANSAL FIBRES LIMITED
281 Industrial Area-A,
Ludhiana, 141003
Punjab

We have examined the compliance of Corporate Governance by Sequel E-Routers Limited for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS**

**Place: Ludhiana
Dated: 10.05.2010**

**Sd/-
(CA R.K.Gupta)
PARTNER
M. No. 017039**

KANSAL FIBRES LIMITED

BALANCE SHEET AS AT 31/03/2010

(Amount in Rs)

PARTICULARS	SCHEDULE	AS AT 31/03/2010	AS AT 31/03/2009
I SOURCES OF FUNDS.			
1 Shareholders Funds			
a) Share Capital	1	57868000	57868000
b) Reserves & Surplus		0	0
		57868000	57868000
2 Loan Funds	2		
Unsecured Laons		810000	595000
		58678000	58463000
Total		58678000	58463000
II APPLICATION OF FUNDS			
1 Fixed Assets	3		
a) Gross Block		515042	515042
b) Less: Depreciation		495322	487724
Net Block		19720	27318
2 Investments		0	0
3 Current Assets and Loans and Advances			
Sundry Debtors	4	509384	509384
Cash and Bank Balances	5	89691	61766
Loans & Advances	6	431276	431541
		1030351	1002691
Less:- Current Liabilities and provisions	7		
Current Liabilities		2373573	2320803
Net Current Assets		-1343222	-1318112
Profit & Loss A/C.		60001502	59753794
		58678000	58463000
Total		58678000	58463000

Significant Accounting Policies and Notes on Accounts

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As per our Auditor's report of even date attached herewith.

For Raj Gupta & Co.
Chartered Accountants.

For, KANSAL FIBRES LTD.

Sd/
CA R. K Gupta
(Partner)
M.No.017039
Date : 10/05/2010
Place: Ludhiana

Sd/-	Sd/-
Rakesh Kansal	Aruna Kansal
Mg. Director	Director
Date : 10/05/2010	Date : 10/05/2010
Place: Ludhiana	Place: Ludhiana

KANSAL FIBRES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31/03/2010	(Amount in Rs)		
PARTICULARS	SCHEDULE	31/03/2010 AMOUNT Rs.	31/03/2009 AMOUNT Rs.
INCOME			
Other Income	8	36000	36000
Total Income		36000	36000
EXPENDITURE			
Personal Expenses	9	120000	120000
Administration & Other Expenses	10	156060	139019
Financial Expenses	11	50	178
Depreciation		7598	7598
Total Expenses		283708	266795
Profit / (Loss) Before Taxation		-247708	-230795
Provision for Fringe Benefit Tax		0	0
Provision for Income Tax		0	0
Provision for Deferred Tax Liability		0	0
Profit / (Loss) After Taxation		-247708	-230795
Balance Brought Forward from Last Year		-59753794	(59522999)
Net Loss Carried Over to Balance Sheet		(60001502)	(59753794)
Basic/Diluted Earning Per Share (Rs.)		-0.04	-0.04

As per our Auditor's report of even date attached herewith.

For Raj Gupta & Co.
Chartered Accountants.

For, KANSAL FIBRES LTD.

Sd/-
CA R. K Gupta
(Partner)
M.No.017039
Date : 10/05/2010
Place: Ludhiana

Sd/-	Sd/-
Rakesh Kansal	Aruna Kansal
Mg. Director	Director
Date : 10/05/2010	Date : 10/05/2010
Place: Ludhiana	Place: Ludhiana

KANSAL FIBRES LIMITED

Schedules attached to and forming part of the Balance Sheet as on 31/03/2010

PARTICULARS	As at 31/03/2010 RS.	(Amount in Rs) As at 31/03/2009 Rs.
SCHEDULE "1" :- SHARE CAPITAL		
Authorised :- -----		
70,00,000(70,00,000) Equity Shares of Rs.10/- each	70000000	70000000
Total	70000000	70000000
Issued, Subscribed and Paid up Capital :- -----		
59,00,700 (59,00,700) Equity Shares of Rs. 10/- each fully paid up	59007000	59007000
Less: Calls in Arrears	1139000	1139000
Total	57868000	57868000
SCHEDULE "2" :- Unsecured Loans		
From Directors	0	0
Sh. Rakesh Kansal	810000	595000
Total	810000	595000
SCHEDULE "4" :- Sundry Debtors (Un-Secured considered Goods)		
Over Six Months Old	509384	509384
Others	0	0
Total	509384	509384
SCHEDULE "5" :- Cash & Bank Balance		
Cash	43962	24027
Balance with Scheduled Bank in Current A/C	45729	37739
Total	89691	61766
SCHEDULE "6" :- Loans & Advances (Unsecured Considered Good Recoverable in cash or kind or for Value to Be Received)		
Prepaid Expenses	1273	1538
TDS Recoverable	753	753
Securities & Deposits	429250	429250
Total	431276	431541
SCHEDULE 7 :- Current Liabilities & Provision		
Sundry Creditors	2063213	2069567
Other Liabilities	310360	251236
Total	2373573	2320803

KANSAL FIBRES LIMITED

Schedules attached to and forming part of the Balance Sheet and Profit and Loss Account

PARTICULARS	As at 31/03/2010 RS.	As at 31/03/2009 Rs.
SCHEDULE "8" :- Other Income		
Misc. Income	36000	36000
Total	36000	36000
SCHEDULE "9" :- Personal Expenses		
Salaries & Wages	120000	120000
Total	120000	120000
SCHEDULE "10" :- Administrative & Other Expenses		
Listing Fee	63000	63000
Rate, Taxes Fee & Subscription	11442	112
Postage, Couriers & Communication Expenses	21050	21290
Stationery & Printing	12600	12600
Insurance	6378	6248
Audit Fee	11030	11236
Advertisement & Publicity	28220	22413
Annual General Meeting Expenses	2340	2120
Total	156060	139019
SCHEDULE "11" :- Financial Other Expenses		
Bank Charge	50	178
Total	50	178

Schedule - 3 Fixed Assets

Sr. No.	Particulars	Gross Block			Depreciation			Net Block			
		As at		As at							
		01/04/2009	Additional During The Year	Sold During the Year	31/03/2010	As at 01/04/2009	For the year	Written Back/Adj During the Year	As at 31/03/2010	As at 31/03/2010	As at 31/03/2009
1	Furniture & Fixtures	104219	0	0	104219	85731	6596	0	92327	11892	18488
2	Office Equipments	21100	0	0	21100	12270	1002	0	13272	7828	8830
3	Vehicle	326673	0	0	326673	326673	0	0	326673	0	0
4	Computer	63050	0	0	63050	63050	0	0	63050	0	0
Current Year		515042	0	0	515042	487724	7598	0	495322	19720	27318
Previous Year		515042	0	0	515042	480126	7598	0	487724	27318	34916

KANSAL FIBRES LIMITED

SCHEDULE - 12 - NOTES ON ACCOUNTS

1) SIGNIFICANT ACCOUNTING POLICIES

i) ACCOUNTING CONVENTIONS :-

Accounts are maintained under the mercantile system of accounting, adopting historical cost convention.

ii) FIXED ASSETS

Fixed assets are stated at cost less depreciation. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

iii) DEPRECIATION

Depreciation is provided on Straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

2) No provision for Gratuity has been made since no employee has completed the qualifying period of five years.

3) The balances of Sundry debtors, Loans and Advances and Sundry Creditors are subject to their confirmation.

4) In the opinion of the Board of Directors, the current assets, Loans & Advances are having the value at which they are stated in the Balance Sheet if realized in the ordinary course of business except as otherwise specified.

5) Sundry Creditors due to small scale and ancillary undertaking could not be ascertained due to lack of in formations.

6) Contingent Liabilities not provided for :

Claims lodged against the company not acknowledged as debt
Rs. 70,00,000. Previous Year (Rs. 70,00,000)

7) Related Party Disclosures as required by the Accounting Standard 18 OF ICAI are as below.

Name of Party	Nature of Relationship	Nature of Transaction	Amount (Rs.)
S.V.Exports	Concern under Same Management	Incomre from hiring charges of Tempo Tata 407 (Previous Period Rs. .36000/)	36000.00

KANSAL FIBRES LIMITED

8) Earning Per Share (E.P.S)

	Current Year Amount (Rs.)	Previous Period Amount (Rs.)
Net Profit / Loss After Tax	(247708)	(230795)
Weighted Average No. of Equity Shares (Face Value Rs. 10/- each)	5786800	5786800
Basic and Diluted E.P.S.	(0.15)	(0.15)

9) Deferred tax liability / asset (net) as at 31.03.2010

Pursuant to Accounting Standard (AS) -22 Accounting for Taxes on Income, no deferred tax asset has not been considered up to 31.03.2010 in the books of account since the next year.

10) Previous Year figures have been regrouped / rearranged wherever considered necessary to make them comparable.

11) Schedule 1 to 13 form an integral part of the balance sheet and profit and loss account.

KANSAL FIBRES LIMITED

ADDITIONAL INFORMATION PURSUANT TO PART II of SCHEDULE VI TO THE COMPANIES ACT, 1956

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I.	REGISTRATION DETAILS			
	REGISTRATION NUMBER	14457	STATE CODE	16
	BALANCE SHEET DATE 31.03.2010			
II.	CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSAND)			
	PUBLIC ISSUE	RIGHT ISSUE	BONUS ISSUE	PRIVATE PLACEMENT
	NIL	NIL	NIL	NIL
III.	POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)			
	TOTAL LIABILITIES		TOTAL ASSETS	
	58,678		58,678	
	<u>SOURCES OF FUNDS</u>			
	PAID UP CAPITAL	RESERVE & SURPLUS	SECURED LOANS	UNSECURED LOANS
	57,868	NIL	NIL	810
	<u>APPLICATIN OF FUNDS</u>			
	NET FIXED ASSETS	INVESTMENTS	NET CURRENT ASSETS	MISC. EXP.
	35	NIL	(1343)	
	ACCUMULATED LOSSES 60,002			
IV.	PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)			
	INCOME	TOTAL EXP.	PROFIT (-) LOSS BEFORE TAX	PROFIT (-) LOSS AFTER TAX
	36	284	(248)	(885)
	<u>EARNING PER SHARE</u>		<u>DIVIDEND RATE</u>	
	(0.15)		NIL	
V.	GENERIC NAMES OF THE TWO PRINCIPAL PRODUCTS OF THE COMPANY			
a.	ITEM CODE NO : (ITC CODE)	52.05		
	PRODUCT DESCRIPTION	COTTON YARN		
b.	ITEM CODE NO : (ITC CODE)	51.05		
	PRODUCT DESCRIPTION	COTTON YARN		

KANSAL FIBRES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	2009-2010	2008-2009
A. CASH FLOW FROM OPERATING ACTIVITIES RS.	RS.	
NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS ADJUSTMENT FOR	(247,708.00)	(230,795.00)
DEPRECIATION	7,598.00	7,598.00
NON CASH ITEMS	0.00	0.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHARGES	(240,110.00)	(223,197.00)
ADJUSTMENT FOR		
TRADE AND OTHER RECEIVABLES	0.00	0.00
TRADE PAYABLES	52,770.00	54,354.00
CASH GENERATED FROM OPERATIONS	(187,340.00)	(168,843.00)
NET CASH FROM OPERATING ACITIVITIES	(187,340.00)	(168,843.00)
B. CASH FLOW FROM INVESTING ACTIVITIES		
CHANGE IN LOANS AND ADVANCES	(265.00)	(21.00)
DIVIDEND RECEIVED	0.00	0.00
NET CASH FROM INVESTING ACTIVITIES	(265.00)	(21.00)
C. CASH FLOW FROM FINANCING ACTIVITIES	0.00	0.00
PROCEEDS FROM LONG TERM BORROWINGS	215,000.00	150,000.00
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	27,395.00	(18,864.00)
CASH AND CASH EQUIVALENTS AT THE BEGINING	61,766.00	80,588.00
CASH AND CASH EQUIVALENTS AT THE CLOSING	89,691.00	61,766.00

NOTES :

1. FIGURES IN BRACKETS REPRESENT CASH OUTFLOWS

By Order of the Board of Directors

Place : Ludhiana
Date : 05/08/2010

Sd/- (Rakesh Kansal) Managing Director	Sd/- (Aruna Kansal) Director
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KANSAL FIBRES LIMITED

AUDITORS' CERTIFICATE

To
The Board of Directors
Kansal Fibres Limited
Ludhiana.

We have examined the attached cash flow statement of Kansal Fibres Limited for the Year ended 31st March, 2010. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of Listing agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the company covered by our report of 10th of May, 2010 to the members of the company.

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS.**

**Place: Ludhiana
Dated: 10.05.2010**

**Sd/-
(CA R.K.Gupta)
PARTNER**

KANSAL FIBRES LIMITED

PROXY FORM

Registered Folio No:

No of Shares held:

I/We _____ of _____ being Member / Members of KANSAL FIBRES LIMITED hereby appoint Shri / Smt. _____ of _____ or failing him Shri / Smt. _____ of _____ as my/ our proxy to vote for me/ us and on my/ us behalf at the Annual General Meeting of the Company to be held on Thursday 30th Day of September, 2010 at 10.30 a.m.

Signed by the said _____ day of _____ 2010

Signature: _____

**Affix Rs. 1
Revenue
Stamp**

Applicable to the members holding shares in electronic form.

NOTE:

The proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

=====

ATTENDANCE SLIP

Please complete this Attendance slip and hand it over at the entrance of the Meeting Hall. It helps us to make proper arrangements. Failures to bring this Attendance Slip create unnecessary inconvenience to you. Please write below

Reg.Folio No:

I hereby record my presence at the Annual General Meeting of the Company held at 281 Industrial Area-A, Ludhiana- 141003 on Thursday, 30th September, 2010 at 10.30 a.m.

Full Name of the Members/Proxy _____

(In Block Letters, to be filled in if the proxy attends instead of the Member)

Members/ Proxy Signature

Application to the members holding shares in electronic form.

NOTES:

1. Members/ Proxy holders are requested to bring their copy of the Notice with them at the Meeting.
2. Please carry with you this Attendance Slip and hand over the same duly completed, stamped signed at the space provided, at the entrance of the Meeting Hall.
3. Shareholders / Proxy holders should bring their copy of the Annual Report for the meeting.