

Annual Report

Of

Kansal Fibres Limited

For The Year

2011-2012

Kansal Fibres Limited

BOARD OF DIRECTORS

Rakesh Kumar Kansal
Aruna Kansal
Ashok Goyal

Managing Director
Executive Director
Non-Executive Director

AUDITORS

M/s. 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

Kansal Fibres Limited

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NOTICE

Notice is hereby given that the Annual General Meeting of the members of KANSAL FIBRES LIMITED will be held on 28th September, 2012 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, 2012, 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.

SPECIAL BUSINESS:

4. To Consider and if thought fit to pass with or without modification following resolution as Special Resolution:

Appointment of Mr. Bipin Mangaldas Patel as Director of the Company:

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, and consent of shareholders of the company be and is hereby granted for appointment of Mr. Bipin Patel as director of the Company, liable to retire by rotation, in respect of whom a notice in writing has been received by the Company proposing his candidature for the office of Director under section 257 of the Companies Act, 1956, be and is hereby appointed as director liable to retire by rotation."

"RESOLVED FURTHER THAT Mr. Rakesh kansal, Director of the Company, be and is hereby authorised to take necessary action for the implementation of the aforesaid resolution."

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5. To Consider and if thought fit to pass with or without modification following resolution as Special Resolution:

Appointment of Mr. Mayur Manubhai Shah as Director of the Company:

“RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, and consent of shareholders of the company be and is hereby granted for appointment of Mr. Mayur Shah as director of the Company, liable to retire by rotation, in respect of whom a notice in writing has been received by the Company proposing his candidature for the office of Director under section 257 of the Companies Act, 1956, be and is hereby appointed as director liable to retire by rotation.”

“RESOLVED FURTHER THAT Mr. Rakesh kansal, Director of the Company, be and is hereby authorised to take necessary action for the implementation of the aforesaid resolution.”

By Order of the Board of Directors

Place : Ludhiana
Date : 29/08/2012

Sd/-	Sd/-	Sd/-
Rakesh Kansal	Aruna kansal	Ashok Goyal
Managing Director	Director	Director

Kansal Fibres Limited

NOTES:

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

Proxies, in order to be effective, must be lodged at the registered office of the Company not later than 48 hours before the meeting.

2. Pursuant to section 154 of the Companies Act, 1956, Register of Members and Shares Transfer Books of the Company will remain closed from 19th September, 2012 to 28th September, 2012 (both days inclusive).
3. The Company proposed to appoint its Registrars and Share Transfer Agents for rendering the entire range of services to the Shareholders of the Company. Accordingly, all documents, transfers, Demat request, change of address intimation and other communication in relation thereto with respect to shares in electronic and physical form should be addressed to the Registrars directly quoting Folio No., full name and Address to Registrars and Share Transfer Agents, Unit: Kansal Fibres Limited.
4. Members/proxies should bring the attendance slip duly filled in for attending the Meeting.
5. Members are requested to bring their copies of the Annual Report to the Meeting.
6. The Company is concerned about the environment and utilizes natural resources in sustainable way. The Ministry of Corporate Affairs (MCA), Government of India, has by its circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, permitted companies to send official documents to their shareholders electronically as part of "GREEN INITIATIVES" in corporate governance.
7. Members are requested to update their Email ID with their respective depository participant and with the Company's Registrar and Transfer Agents (RTA) to enable dispatch the communications in electronic form from time to time as your Company have taken a "Green Initiative" as per the directions of Ministry of Corporate Affairs, New Delhi allowing paperless compliances for Companies.
8. Members holding shares in physical form are requested to notify to the Company and the company's proposed Registrar and share Transfer Agent, quoting their folio, any change in their registered address with pin code and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participant.

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9. Corporate Members intending to send their authorized representatives under Section 187 of the Companies Act, 1956, are requested to send a duly certified copy of the board Resolution authorizing their representatives to attend and vote at the Meeting.
10. In case of joint holding, the joint holder whose name stands first, as per the Company's records, shall alone be entitled to vote.

By Order of the Board of Directors

Place : Ludhiana
Date : 29/08/2012

Sd/-	Sd/-	Sd/-
Rakesh Kansal	Aruna kansal	Ashok Goyal
Managing Director	Director	Director

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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, 2012.

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 2011-12. However, the Company incurred loss of Rs. 60,495,831 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 himself for re-appointment.

Mr. Bipin Patel and Mr. Mayur Shah are proposed to be appointed as directors of the company at the ensuing Annual General Meeting pursuant to section 257 of the companies act for which notices have been received from Members.

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;

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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, 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, 2012 on a 'going concern basis'.

AUDITORS:

M/s. Raj Gupta & Co., Chartered Accountants, Ahmedabad, the retiring auditors being eligible offers themselves for re-appointment. Members are requested to appoint them as auditors 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.

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SEGMENT:

Your Company is engaged in a single segment only.

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 : 29/08/2012

Sd/-	Sd/-	Sd/-
Rakesh Kansal	Aruna kansal	Ashok Goyal
Managing Director	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, 2012 comprises of four directors comprises of a, two are Executive and one non-executive director. Mr. Ashok Goyal 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 2011-2012, the Board met 7(Seven) times on the following dates: 22/04/2011, 10/05/2011, 12/07/2011, 04/08/2011, 31/08/2011, 25/10/2011, 17/01/2012

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	Director	Executive	7	Yes	0	0	0
Aruna Kansal	Director	Executive	7	Yes	0	0	0
Ashok Goyal	Director	Non Executive	7	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, 2012 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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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.
- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.

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- 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 2011-2012. The dates on which the said meetings were held as follows: 22/04/2011, 12/07/2011, 25/10/2011, 17/01/2012

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 2011-2012 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 redressal 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 redressal 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.

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, 2012 is given below:-

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Complaints Status: 01.04.2011 to 31.03.2012

- Number of complaints received so far : 2
- Number of complaints solved : 0
- Number of pending complaints : 2

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	2009	281, Industrial Area-A, Ludhiana-141003, Punjab	30 th September, 2009	11.30 A.M.	No
Annual General Meeting	2010	281, Industrial Area-A, Ludhiana-141003, Punjab	30 th September, 2010	11.30 A.M.	No
Annual General Meeting	2011	281, Industrial Area-A, Ludhiana-141003, Punjab	30 th September, 2011	10.30 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:

2009: NIL

2010: NIL

2011: NIL

5. DISCLOSURES:

a. Materially significant related party transactions:

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

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large. The detailed related party information and transactions have not been provided in of Note No. 18 (6) 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 2011-12 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 2011-12 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 2011-12;
- Significant changes in accounting policies during the year 2011-12 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: 28th September, 2012, at 10.30 a.m. at the Registered Office of the Company.
- b. Financial Year: 1st April 2011 to 31st March, 2012.
- c. Financial Calendar:
 - i. 1st quarterly results – Second week of April, 2011.
 - ii. 2nd quarterly results – Second week of July, 2011.
 - iii. 3rd quarter results – Second week of October, 2011.
 - iv. 4th quarter results – Second week of January, 2012.
- d. Date of Book Closure: 19th September, 2012 to 28th September, 2012
- 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 upto 31-03-2012
- 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.
- . 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 31.03.2012

SHARE HOLDING OF NOMINAL VALUE OF		SHARE HOLDERS		SHARE AMOUNT	
Rs.	Rs.	Number	% to Total	In Rs.	% to Total
(1)	(2)	(2)	(3)	(4)	(5)
Upto	- 5,000	2403	62.92	8152000	13.82
5,001	- 10,000	806	21.11	5818000	9.86
10,001	- 20,000	297	7.78	4347000	7.37
20,001	- 30,000	133	3.48	3382000	5.73
30,001	- 40,000	62	1.62	2200000	3.73
40,001	- 50,000	27	0.71	1243000	2.11
50,001	- 1,00,000	43	1.13	3076000	5.21
1,00,001 and above		48	1.26	30789000	52.18
TOTAL		3819	100.00	59007000	100.00

- n. Shareholding pattern as on 31.03.2012

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 31-03-2012 Demat shares accounted for Nil (Equity Shares) of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

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

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 : 29/08/2012

Sd/-	Sd/-	Sd/-
Rakesh Kansal	Aruna kansal	Ashok Goyal
Managing Director	Director	Director

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Textile Industry contributes nearly 14% of the total Industrial Production of the country and also contributes 3% to the GDP of the country. The country earns about 27% of its foreign exchange through textile export. Considering the slow global economic recovery so far, there is a need to improve competitiveness of the sector in the global market.

Within textile, 'Home Textile' market is estimated at over 10,000 crores. Of this, the organized sector accounts for under 10%. The Home Textile category is expected to grow at 8% p.a. and the share of organized sector is expected to improve.

The emergence of strong modern trade and rapidly growing large format stores is expected to help upgradation of the market and also aid growth of organized sector players.

OPPORTUNITIES AND THREATS:

Opportunities

- ✦ Abundant availability of Raw Materials.
- ✦ India has significantly lower raw material costs, wastage costs and labour costs when compared to other countries.
- ✦ Greater Investment and Foreign Direct Investment opportunities are available.
- ✦ Increased Disposable Income and Purchasing Power of Indian Customer opens New Market Development.
- ✦ Strong presence of related and supporting industries.
- ✦ Textile machinery Indian textile machinery manufacturers are able to produce at competitive prices sophisticated machines of higher speed and production capability.
- ✦ The textile industry also gets significant support from the well developed IT capabilities of Indian firms.

Threats

- ✦ Fragmented structure with the dominance of the small scale sector
- ✦ High power costs
- ✦ Rising interest rates and transaction costs
- ✦ Unfriendly labour laws
- ✦ Logistical disadvantages in terms of shipping costs and time pose serious threats to its growth
- ✦ Foreign investments are not coming in as the overall factors influencing the industry are not investment friendly.
- ✦ Geographical Disadvantages.
- ✦ International labor and Environmental Laws.

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- ✦ Increase in rate of service tax from 10 percent to 12 percent has given the intense competition in the Industry. Increased competition also translates into serious pressures on cost. These added to soaring commodity prices and volatility of exchange rates pose a serious challenge to cost management.

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.

RECENT TREND AND FUTURE OUTLOOK:

The textile industry is undergoing a major reorientation towards non-clothing applications of textiles, known as technical textiles, which are growing roughly at twice rate of textiles for clothing applications and now account for more than half of total textile production. Technical textiles have many applications including bed sheets; filtration and abrasive materials; furniture and healthcare upholstery; thermal protection and blood-absorbing materials; seatbelts; adhesive tape, and multiple other specialized products and applications.

While the year 2011-12 was not a rewarding period from business perspective, few positives could be derived out of the operation such as efforts toward energy conservation, maintaining a reasonably healthy capacity utilisation compared to the industry average, an improved gross realisation and stable topline compared to previous year. With our sustained efforts in these fronts coupled with anticipated improved demand and higher capacity utilization, we expect the business to improve and become profitable. This will further be aided by your Company's focus on speciality fibres, innovative product mix and long term measures for cost reduction by converting fuel from RLNG to coal.

RISKS AND CONCERNS:

High inflation could adversely impact the domestic demand, especially since the 'Home Category' is considered as 'non-essential' in the family's consumption basket. Aggressive competition by new players, who wish to enter the category pose a risk of the Company losing its market share. The conversion cost could sharply escalate with severe energy price rise as well as increased labour cost due to hike in minimum wages.

The Company will focus on contemporary designs, better value proposition in the product basket through continuous innovation and on cost management to mitigate the risks. We will also strive to widen the customer base in the exports business to address the challenges in the market.

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INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company maintains adequate internal control systems, which provide among other things reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of Company's assets.

The Internal Auditors have introduced several objective tools to assess strengths of our internal controls as also, identify areas where it need to be further strengthened. The scope and authority of the Internal Audit are well defined in the internal audit charter, approved by the Audit Committee. Internal audit plays a key role in providing an assurance to the Board of Directors of adequate internal control system. The audit committee at its meetings reviewed the reports of the internal auditors as well as the Risk Management process of the Company.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The financial performance of the Company for the year 2011-12 is described in the Directors' Report under the head 'Financial Performance of the Company'.

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.

Functional training and employee engagement was given adequate weightage during the year to enhance employee productivity and morale. Re-training on occupational, health, safety and environment were carried out in both the manufacturing facilities to improve awareness.

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 : 29/08/2012

Sd/-	Sd/-	Sd/-
Rakesh Kansal	Aruna kansal	Ashok Goyal
Managing Director	Director	Director

Kansal Fibres Limited

AUDITORS' REPORT

To
The Members of
KANSAL FIBRES LIMITED

1. We have audited the attached Balance Sheet of KANSAL FIBRES LIMITED as at **31st March, 2012**, the Profit and Loss Account of the company and also the Cash Flow Statement for the year ended on that date, both annexed thereto. 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.

2. 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.

3. As required by the Companies (Auditor's Report) (Amendment) Order, 2003 ("the order") issued by the Central Government of India in terms of sub-section (4A) of section 227 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.

4. Further to our comments in the Annexure referred to above, we report that :

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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 and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account,

d. In our opinion, the balance sheet, the Profit and Loss Account and the cash flow statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956 ;

e. We draw attention to note 1 in the financial statements. The company incurred a net loss of Rs. 2,53,608/- during the year ended 31st March, 2012, and on that date. The accumulated losses of the company exceed its paid-up capital. These factors along with

Kansal Fibres Limited

other matters as set forth in Note 1 raise substantial doubt about the ability of the company to continue as a going concern in future.

f. Except as stated in (f) above, In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India. ;

- i) In case of Balance Sheet, of the state of Company's affairs as at 31st March, 2012;
- ii) In the case of Profit and Loss Account, of the loss of the company for the year ended on that date; and
- iii) In the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS
FRN. 000203N**

**Place: Ludhiana
Dated: 29/08/2012**

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

Kansal Fibres Limited

ANNEXURE TO AUDITORS' REPORT

RE: KANSAL FIBRES LIMITED

(REFERRED TO IN PARAGRAPH (3) 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) As explained to us, most of the fixed assets have been physically verified by the management during the year in a phased manner, which in our opinion is reasonable having regard to the size of the company. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off a substantial part of its fixed assets during the year.
- (ii) According to information and explanations given to us, the company held no inventories during the year. As such clause (ii)-a, b and c are not applicable.
- (iii) (a) According to the information and explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence clause (iii)-(b), (c) and (d) are not applicable.
- (b) The company has taken an unsecured loan from a party listed in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 12,26,899/-. Based on the information and explanations given to us, there are no stipulations regarding repayment of the principal amount and the payment of interest on the loan. Other terms and conditions of the loan, in our opinion, are not prima facie prejudicial to the interests of the company.
- (iv) In our opinion, based on our observations and the information and explanations given to us, the company has in place an adequate internal control systems commensurate with its size and the nature of its business, with regard to rendering of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system. There were no transactions relating to purchase of inventory, fixed assets and the sale of goods during the year.
- (v) (a) Based on the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies act, 1956 have been entered into the register maintained under that section.

Kansal Fibres Limited

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) The company has not accepted any deposits from the public.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The requirements relating to the maintenance of the cost records in terms of Section 209 (I) (d) of the Companies Act, 1956 are not applicable to the company.
- (ix) Based on our examination of the records of the company and information and explanations given to us, there were no arrears of undisputed statutory dues outstanding as on 31st March, 2012 for more than six months from the date they become payable.
- (x) The Company has accumulated losses of Rs. 6,04,95,831/- at the end of the financial year. The accumulate losses are more than 50% of the company's net worth. The company has incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or banks or debenture holders.
- (xii) As explained to us, the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause (xii) of the order are not applicable to the company.
- (xiii) The company is not a Chit Fund or a Nidhi, mutual benefit fund/society. Therefore, the provisions of Clause 4 (xiii) of the order are not applicable to the company.
- (xiv) Based on the information and explanations given to us and the records of the company examined by us, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of the order are not applicable to the company.
- (xv) Based on our examination of records of the company and information and explanation given to us, the company has not given a guarantee in respect of loans taken by others from banks and financial institutions.

Kansal Fibres Limited

- (xvi) In the absence of any term loans availed by the company, the provision of clause 4 (xvi) of the order are not applicable.
- (xvii) In the absence of short-term funds raised by the company, the provisions of clause 4(xvii) of the order are not applicable.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies act, 1956.
- (xix) According to the information and explanations given to us, the company has not issued debentures during the year. Accordingly, the provisions of clause 4(xix) of the order are not applicable to the company.
- (xx) According to the information and explanations given to us, the company has not raised any money by way of public issue during the year. Accordingly the provisions of clause 4(xx) of the order are not applicable to the company.
- (xxi) According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the company, has been noticed or reported by the company during the year.

**FOR RAJ GUPTA & CO.,
CHARTERED ACCOUNTANTS
FRN. 000203N**

**Place: Ludhiana
Dated: 29/08/2012**

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

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 KANSAL FIBRES LIMITED for the year ended on **31st March, 2012**, 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
FRN. 000203N**

**Place: Ludhiana
Dated: 29/08/2012**

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

Kansal Fibres Limited

Particulars	Note No	As at 31st March 2012	As at 31st March 2011
		₹	₹
I. EQUITY AND LIABILITIES			
Shareholders' Funds			
(a) Share Capital	1	57,868,000	57,868,000
(b) Reserves and Surplus	2	(60,495,831)	(60,235,935)
(c) Money received against share warrants		-	-
Non-Current Liabilities			
(a) Long-term borrowings	3	1,226,899	976,899
		-	-
Current Liabilities			
(a) Trade payables	4	2,063,213	2,063,213
(b) Other Current Liabilities	5	438,214	368,519
(c) Short-term Provisions	6	-	-
Total		1,100,495	1,040,696
II.Assets			
Non-current assets			
<i>(a) Fixed assets</i>			
(i) Tangible assets	7	5,834	12,122
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		-	-
(iv) Intangible assets under development		-	-
(b) Long-term loans and advances	8	429,250	429,250
Current assets			
(a) Trade receivables	9	509,384	509,384
(d) Cash and cash equivalents	10	153,564	87,914
(e) Short-term loans and advances	11	2,463	2,026
		-	-
Total		1,100,495	1,040,696
for and on behalf of Raj Gupta & Co.		For and on behalf of the Board of directors	
Chartered Accountants		Sd/-	
Sd/-		Rakesh Kansal	
R. K Gupta		Managing Director	
Partner		Sd/-	
Membership No. 017039		Aruna kansal	
		Director	
		Sd/-	
		Ashok Goyal	
		Director	
Place : Ludhiana		Place : Ludhiana	
Date : 29/08/2012		Date: 29/08/2012	

Kansal Fibres Limited

	Particulars	Note No	As at 31st March 2012	As at 31st March 2011
			₹	₹
I.	Revenue from operations			
II.	Other Income	12	36,000	36,000
III.	Total Revenue (I +II)		36,000	36,000
IV.	<u>Expenses:</u>			
	Employee benefit expense	13	120,000	120,000
	Finance Costs	14	-	46
	Depreciation and amortization expense	10	6,288	7,598
	Other expenses	15	169,608	142,789
	Total Expenses		295,896	270,433
V.	Profit before exceptional and extraordinary items and tax (III - IV)		(259,896)	(234,433)
VI.	Exceptional Items			
VII.	Profit before extraordinary items and tax (V - VI)		(259,896)	(234,433)
VIII	.			
	Extraordinary Items :- Prior Period Exp		-	-
	BSE Revocation Suspension Exp		-	-
	Extra Ordinary Income		-	-
IX.	Profit before tax (VII - VIII)		(259,896)	(234,433)
X.	Tax expense:			
	(1) Current Tax		-	-
	(2) Deferred Tax		-	-
	(3) Prior Perid Deferred Tax		-	-
XI.	Profit/(Loss) from the perid from continuing operations (IX - X)		(259,896)	(234,433)
XII.	Balance Brought Forward		(60,235,935)	(60,001,502)
XIII	Profit/(Loss) for the period (XI + XIV)		(60,495,831)	(60,235,935)
XIV	Earning per equity share:			
	Basic and Diluted	16	(-0.04)	(-0.04)
	SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS	1 to 17		
for and on behalf of Raj Gupta & Co.		For and on behalf of the Board of directors		
Chartered Accountants		Sd/-		
Sd/-		Rakesh Kansal		
R. K Gupta		Managing Director		
Partner		Sd/-		
Membership No. 017039		Aruna kansal		
		Director		
		Sd/-		
		Ashok Goyal		
		Director		
Place : Ludhiana		Place : Ludhiana		
Date : 29/08/2012		Date: 29/08/2012		

Kansal Fibres Limited

NOTES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2012

Amount in ₹

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
1	Share Capital		
a	Equity Share Capital		
	Authorised Share capital 70,00,000(70,00,000) Equity Shares of Rs.10/- each	70,000,000	70,000,000
	Issued, subscribed & fully paid share capital 59,00,700 (59,00,700) Equity Shares of Rs. 10/- each fully paid up	59,007,000	59,007,000
	Less:- Calls in Arrears	1,139,000	1,139,000
		57,868,000	57,868,000
	Total	57,868,000	57,868,000
Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
1(A)	Reconciliation of the number of Equity Shares Outstanding at the beginning & at the end of year.		
	Share outstanding at the beginning of the year	5,900,700	5,900,700
	Add : Share issue during the year	-	-
	Share outstanding at the end of the year	5,900,700	5,900,700
Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
1(B)	Details of Shareholders Holding more than Five Percent of Shares		
1	ARUNA KANSAL	6.29%	6.29%
2	RAKESH KANSAL	13.51%	13.51%
	Number of Shares	1,168,300	1,168,300

Kansal Fibres Limited

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
2	Reserves and Surplus		
	Capital Reserves	-	-
	Capital Redemption Reserves	-	-
	Securities Premium Reserves	-	-
	Debenture Redemption Reserves	-	-
	Revaluation Reserves	-	-
	Other Reserve / fund	-	-
	Surplus from profit and loss account		
Opening Balance	(60,235,935)	(60,001,502)	
Profit/loss during the year	(259,896)	(234,433)	
	(60,495,831)	(60,235,935)	
	Total	(60,495,831)	(60,235,935)

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
3	Long Term Borrowing		
	i Secured Loan		
	A Bonds/Debenture	-	-
	B Term Loan	-	-
ii	Unsecured Loan		
	From Shareholders, directors & their relatives	1,226,899	976,899
	Total	1,226,899	976,899

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
4	Trade Payables	-	-
	Sundry Creditors	2,063,213	2,063,213
	Total	2,063,213	2,063,213

4.1	Based on the information available with the company regarding the coverage of its suppliers under the Micro, Small and Medium Enterprises Development Act 2006, no amount was due to any party covered under the said Act.
4.2	Balances of creditors are subject to confirmation.

Kansal Fibres Limited

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
5	Other Current Liabilities		
	Other Current Liabilities	438,214	368,519
	Total	438,214	368,519

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
6	Short-term Provisions		
	Provision for Current Tax	-	-
	Total	-	-

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
7	Non-Current Assets		
(a)	Fixed Assets		
	(i) Tangible Assets		
	Land/ Building/ Plant & Equipment/ Furniture & fixtures/ Vehicles/ Office Equipment/ Others (individually)	515,042	515,042
	Opening Balance	-	-
	Add: acquisition through business combination	-	-
	Other Adjustments		
	Sub total	515,042	515,042
	Less: Disposals	-	-
	Gross Block at year end (a)	515,042	515,042
	Less: Depreciation		
	Opening Depreciation	502,920	495,322
	Depreciation for the year	6,288	7,598
	Other Adjustments	-	-
	Total accumulated depreciation (b)	509,208	502,920
	Net carrying value (a) - (b)	5,834	12,122
	Total	5,834	12,122

Kansal Fibres Limited

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
8	Long-Term Loans & Advances		
	Security Deposits	429,250	429,250
	Total	429,250	429,250
Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
9	Trade receivables		
	I Secured/ Unsecured/ Doubtful	-	-
	More than Six Month :		
	Considered goods	-	-
	Others : Considered goods	509,384	509,384
	Less: Allowance for Bad debts	-	-
	Total	509,384	509,384
Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
10	Cash and cash equivalents		
	I Balance with Scheduled Bank in Current A/C	116,867	50,187
	ii Cash on hand	36,697	37,727
	Total	153,564	87,914

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
11	Short term loans and advances (Unsecured Considered Good Recoverable in cash or kind or for Value to Be Received)		
	I Prepaid Expenses	2,463	1,273
	ii TDS Recoverable	-	753
	Total	2,463	2,026

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
12	Other Income		
	I Discount /Rate Difference	-	-
	ii Miscellaneous Income	36,000	36,000
	Total	36,000	36,000

Kansal Fibres Limited

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
13	Employee Benefits Expense Salary, Wages, Allowances & Other Benefits	120,000	120,000
	Total	120,000	120,000

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
14	Finance Costs		
i	Bank Interest	-	-
ii	Bank Charges and Commission	-	46
	Total	-	-

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
15	Other Expenses		
A)	Selling & Distribution Expenses		
	Rebate and Discount	753	-
	Advertisement	42,248	19,639
	Total (A)	43,001	19,639
B)	Operating, Administrative & Other Expenses		
	Rent, Rates, Fees & Taxes	69609	69609
	Insurance	9052	6113
	Payment to Auditors :		
	Audit Fees	11236	11030
	Postage, Telegram and Telephone	20950	21050
	Printing & Stationery	12500	12500
	General Expenses	3260	2848
	Total (B)	126,607	123,150
	Total(A)+(B)	169,608	142,789

Note No	Particulars	As at 31st March 2012	As at 31st March 2011
		₹	₹
16	Earning Per Share		
	Profit after Tax (Rs)	(259,896)	(234,433)
	Weighted average no. of ordinary shares	5,900,700	5,900,700
	Weighted average no. of diluted shares	5,900,700	5,900,700
	Nominal Value of ordinary Shares (Rs)	10	10
	Basic Earning Per Share (Rs)	(0.04)	(0.04)
	Total	-	-

Kansal Fibres Limited

**Note No
17**

Presentation and Disclosure of Financial Statements

In compliance with the Ministry of Corporate Affairs Notification No F No 2/6/2008-CL-V dated 30 March 2011, the financial statements of the company for the year ended 31 March, 2012 have been drawn up in accordance with the terms of the revised Schedule VI to the Companies Act. The adoption of the revised Schedule VI does not impact the measurement and recognition principles followed for the preparation of financial statements. However, it has significant impact on the presentation of and disclosures made in the financial statements. The company has also recast the previous year's figures to meet the requirements of the revised Schedule VI.

Note No. 3 : Fixed Assets

Sr. No.	Particulars	Gross Block				Depreciation				Net Block	
		As at 1/4/2011	Additio nal During the year	Sold During the Year	As at 31/03/2012	As at 01/04/2011	For the year	Written Back /Adj During the Year	As at 31/03/2012	As at 31/03/2012	As at 31/03/2011
1	Furniture & Fixtures	104219	0	0	104219	98923	5286	0	104209	10	5296
2	Office Equipments	21100	0	0	21100	14274	1002	0	15276	5824	6826
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	502920	6288	0	509208	5834	12122
	Previous Year	515042	0	0	515042	495322	7598	0	502920	12122	19720

Kansal Fibres Limited

NOTE NO. 18 - SIGNIFICANT ACCOUNTING POLICIES NOTES ON ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES:

I) Basis of accounting;

The financial statements, other than the cash flow statement, are prepared on accrual basis under the historical cost convention.

II) Fixed assets and depreciation:

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on Straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Notes to Accounts:

1) During the year, the company has engaged in no business activity other than renting out its vehicle. The rental income is not sufficient to meet out the expenditure of the company. As a result, the company has incurred a cash loss of Rs. 2,53,608/- during the year as at 31st March 2012, the company has accumulated losses of Rs 6,04,95,831/- which amount exceeds its paid-up share capital in view of this, there is a substantial doubt about the ability of the company to continue its operations in the foreseeable future.

2) The balances of debtors, Creditors and Security Deposits are subject to their confirmation.

3) In the opinion of the Directors, the current assets, Loans & Advances have a value on realization at least equal to the value at which they are stated in the foregoing balance sheet.

4) Amounts due to creditors covered under Micro, Small and Medium Undertakings Act, 2006 could not be determined owing to lack of information available with the company.

5) Contingent Liabilities not provided for :

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

6) Related Party Disclosures in terms of Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

Name of Party	Nature of Relationship	Nature of transaction	Amount (Rs)
S V Export	Associate Concern	Hiring of Tempo	36,000/-
Rakesh kansal	Key Management	Loan Taken	12,26,899/-

Kansal Fibres Limited

	Personnel		
Balance Outstanding as at 31 st March,2012			12,26,899/-

7) In the absence of there being virtual certainty that there would be sufficient taxable income in future to set of unabsorbed business losses and depreciation, no deferred tax asset has been created, in accordance with the provisions of Accounting standard 22 "Accounting for taxes on Income" issued by the Institute of chartered Accountants of India.

8) Previous year figures have been recast and rearranged wherever thought necessary in order to make them look comparable with the current year's figures.

10) Note Nos. 1 to 17 form an integral part of the balance sheet and the profit and loss account.

Subject to our report of even date

For & on behalf of Board

For Raj Gupta & Co.
Chartered Accountants
FRN 000203N

Sd/-
(Raj Kumar Gupta)
Partner
M NO 017039

Sd/-
Rakesh Kansal
Mg. Director

Sd/-
Aruna Kansal
Director

Sd/-
Ashok Goyal
Director

Date: 29/08/2012
Place: Ludhiana

Kansal Fibres Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH,2012

Particulars	AMOUNT 2011-12	AMOUNT 2010-2011
A.CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE INTEREST,TAX AND EXTRAORDINARY ITEMS	-259896.00	-234433.00
Adjustments for		
Depreciation	6288.00	7598.00
Share/Debenture Issue Expenses written off	0.00	0.00
Preliminary Expenses Written off	0.00	0.00
Excess provision for Taxation/Dividend written back	0.00	0.00
	-253608.00	-226835.00
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		
Adjustments for increase/decrease in :		
Loans and advances	437.00	0.00
Trade Payables	69695.00	58159.00
Inventories	0.00	0.00
CASH GENERATED FROM OPERATIONS	-184350.00	-168676.00
Interest Paid	0.00	0.00
Direct Taxes Paid (TDS deducted from various income)	0.00	0.00
CASH FLOW BEFORE EXTRAORDINARY ITEMS	-184350.00	-168676.00
EXTRAORDINARY ITEMS	0.00	0.00
NET CASH FROM OPERATING ACTIVITES (A)	-184350.00	-168676.00
B.CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	0.00	0.00
Sales of Fixed Assets	0.00	0.00
Purchase of Investments/Increase in Investment	0.00	0.00
Sales of Investments/Decrease in Investment in AOP	0.00	0.00
Change in Loans and Advances	0.00	0.00
Interest/Dividend Received	0.00	0.00
NET CASH USED IN INVESTING ACTIVITIES (B)	0.00	0.00
C.CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	0.00	0.00

Kansal Fibres Limited

Unsecured Loans	250000.00	166899.00
Proceeds from Short Term Borrowings	0.00	0.00
Share/Debenture Issue Expenses/Preliminary Expenses	0.00	0.00
Increase/(Decrease) in Unsecured Loan	0.00	0.00
Increase/(Decrease) in Current Liabilities		
Dividend Paid	0.00	0.00
NET CASH USED IN FINANCING ACITIVITES (C)	250000.00	166899.00
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	65650.00	-1777.00
CASH AND CASH EQUIVALENTS AS AT 1.4.2011	87914.00	89691.00
CASH AND CASH EQUIVALENTS AS AT 1.4.2012	153564.00	87914.00
NET INCREASE/DECREASE IN CASH EQUIVALENTS	65650.00	-1777.00
NOTE : FIGURES IN BRAKETS SHOWS OUTFLOW		

As Per our Attached Report of even date

**For Raj Gupta & Co.
Chartered Accountants**

Sd/-

R. K Gupta
Partner

Place : Ludhiana

Date : 29/08/2012

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 28th Day of September, 2012 at 10.30 a.m.

Signed by the said _____ day of _____ 2012

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.

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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, 28th September, 2012 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.

Kansal Fibres Limited

If Undelivered, please return to:-
Kansal Fibres Limited
281 Industrial Area-A,
Ludhiana, 141003, Punjab
Email: kansalfibersltd@gmail.com
Website: www.kansalfibres.com