

Kansal Fibres Limited

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, 2014 comprises of five directors comprises of a, two are Executive and Three non-executive director. Mr. Bipin Patel, 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 Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

During the year 2013-2014, the Board met 7 (Seven) times on the following dates:

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06/05/2013, 14/05/2013, 21/05/2013, 31/07/2013, 13/11/2013, 15/01/2014, 12/02/2014

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 Directors in public Companies	Total No. of Committee membership	Total no. of Board Chairmanship
Rakesh Kansal	Managing Director	Executive	7	Yes	0	0	0
Aruna Kansal	Director	Executive	7	Yes	0	0	0
Ashok Goyal	Director	Non Executive	7	Yes	3	0	0
Bipin Patel	Director	Non Executive	7	No	1	1	2
Mayur Shah	Director	Non Executive	7	No	1	0	0

2.4 DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

As per the provisions of the Companies Act, 2013, 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. Bipin M. Patel, retire by rotation at the ensuing Annual General Meeting and offer him for re-appointment.

Profile of Mr. Bipin M. Patel, Director being appointed u/s 152 of the Companies Act, 2013

Name	:	Mr. Bipin M. Patel
Date of birth	:	14/06/1969
Qualification	:	HSC
Expertise	:	15 years experience in Textiles Industry
Director of the Company since	:	28/09/2012
Directorship in other public	:	3

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limited companies		
Membership of Committees of other public limited companies	:	1
No. of Shares held in the Company	:	Nil

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, 2014 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	--	--	--
4	Bipin Patel	1	1	2
5	Mayur Shah	1	--	--

3. COMMITTEE OF BOARD:

The Company had Three 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. Mr. Mayur Shah, Director (Non Executive) Chairman, Mrs. Aruna Kansal, (Executive)

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and Mr. Bipin Patel Member who are aware with finance, accounts, management and corporate affairs. Two independent 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.

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 apprised 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 5 Audit Committees were held during Financial Year 2013-2014. The dates on which the said meetings were held as follows:

21/05/2013, 31/07/2013, 13/11/2013, 15/01/2014, 12/02/2014

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 2013-2014 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.

Details of Remuneration of Executive / Non-Executive Directors for the financial year ended 31st March, 2014

Name	Executive / Non-Executive	Salary	Bonus	Sitting Fees	Contribution to PF	Perquisites	Total
Rakesh Kansal	Executive	-	-	-	-	-	-
Aruna Kansal	Executive	-	-	-	-	-	-
Ashok Goyal	Non Executive	-	-	-	-	-	-
Bipin Patel	Non Executive	-	-	-	-	-	-
Mayur Shah	Non Executive	-	-	-	-	-	-

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3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

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

- 1 Mr. Rakesh Kansal
- 2 Mr. Bipin Patel
- 3 Mr. Mayur Shah

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, 2014 is given below:-

Complaints Status: 01.04.2013 to 31.03.2014

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

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	2011	281, Industrial Area-A, Ludhiana-141003, Punjab	30 th September, 2011	10.30 A.M.	No
Annual General Meeting	2012	281, Industrial Area-A, Ludhiana-141003, Punjab	28 th September, 2012	10.30 A.M.	Yes
Annual General Meeting	2013	281, Industrial Area-A, Ludhiana-141003, Punjab	27 th September, 2013	10.30 A.M.	No

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(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:

Special Resolution was passed during the year under review.

Details for Special Resolution had passed in last AGM:

2011: NIL

2012:

- 1) Appointment of Mr. Bipin Mangaldas Patel as Director of the Company under section 257 of Companies act, 1956.
- 2) Appointment of Mr. Mayur Manubhai Shah as Director of the Company under section 257 of Companies act, 1956.

2013: 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 large. The detailed related party information and transactions have been provided in of Note No. 17 (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 2013-14 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;

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- 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 2013-14 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 2013-14;
 - Significant changes in accounting policies during the year 2013-14 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.

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:

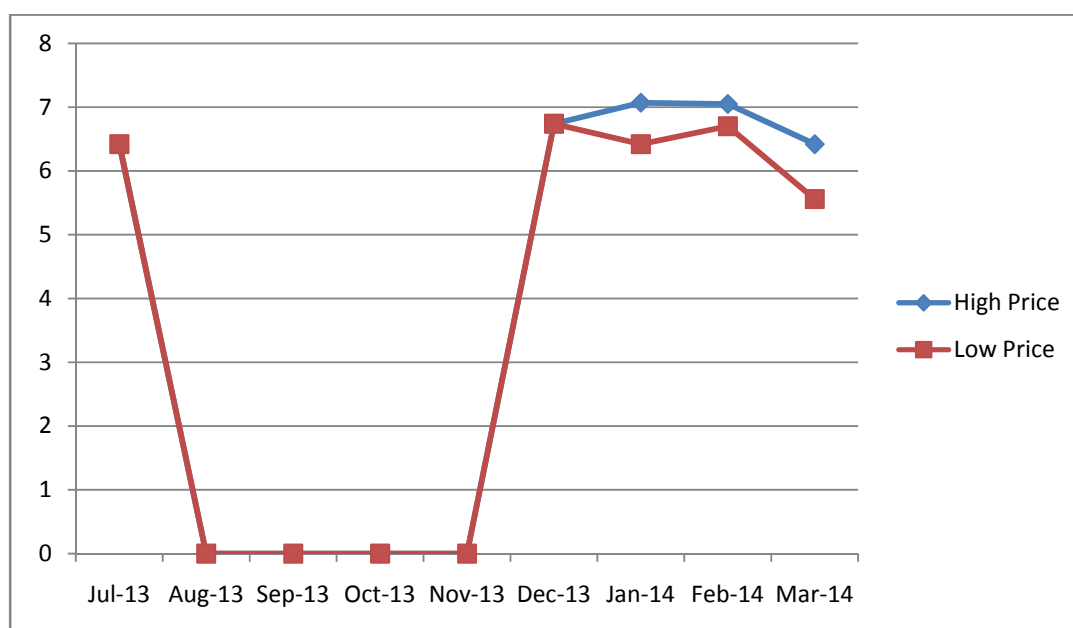
- a. Annual General Meeting: Date, Time and venue: 30th September, 2014, at 11.30 a.m. at the Registered Office of the Company.
- b. Financial Year: 1st April 2013 to 31st March, 2014.
- c. Financial Calendar:
 - i. 1st quarterly results - Last week of May, 2014.
 - ii. 2nd quarterly results - Last week of July, 2014.
 - iii. 3rd quarter results - Second week of November, 2014.
 - iv. 4th quarter results - Second week of February, 2015.
- d. Date of Book Closure: 23rd September, 2014 to 30th September, 2014
- e. Dividend Payment Date: N.A.

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- 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 31-03-2014
- g. Stock Code: BSE-531205,
ASE- 29101,
DSE- 8365
LSE- Kansal
- h. Demat ISIN number: **INE179O01015**
- I. High / Low of Monthly Market Price of the Companies Equity Shares traded on Bombay Stock Exchange during the financial year 2013-14 are furnished below:

Month	High Price (Rs.)	Low Price (Rs.)
July 2013	6.42	6.42
August 2013	NA	NA
September 2013	NA	NA
October 2013	NA	NA
November 2013	NA	NA
December 2013	6.74	6.74
January 2014	7.07	6.42
February 2014	7.05	6.70
March 2014	6.42	5.56

- j. Performance of the Company's shares in comparison with broad-based indices as BSE's Sensex:



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- k. Registrar & Share Transfer Agent: M/s. Purva Sharegistry (India) Pvt. Ltd.
No-9, Shiv Shakti Industrial Estate, Ground Floor,
J. R. Boricha Marg, Opp. Kasturba Hospital,
Lower Parel, Mumbai - 400 011
- 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 31.03.2014

SHARE HOLDING OF NOMINAL VALUE OF		SHARE HOLDERS		SHARE AMOUNT	
Rs.	Rs.	Number	% to Total	In Rs.	% to Total
(1)		(2)	(3)	(4)	(5)
Upto	- 5,000	2369	62.67	8051000	13.64
5,001	- 10,000	804	21.27	5808000	9.84
10,001	- 20,000	292	7.72	4282000	7.26
20,001	- 30,000	134	3.54	3400000	5.76
30,001	- 40,000	61	1.61	2160000	3.66
40,001	- 50,000	32	0.85	1498000	2.54
50,001	- 1,00,000	39	1.03	2631000	4.46
1,00,001 and above		49	1.30	31177000	52.84
TOTAL		3780	100.00	59007000	100.00

- n. Shareholding pattern as on 31.03.2014

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	1543100	26.15
b. Mutual Fund/Trust	200000	4.91
c. Financial Institution/Banks	290000	3.39
d. Bodies Corporate	333700	5.66
e. Indian public	3513400	59.54
f. other (HUF)	20400	0.35
TOTAL	5900700	100.00

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Dematerialization of shares: As on 31-03-2014 Demat shares accounted for 40,700 Equity Shares (0.69%) of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

o. Top 10 Shareholders as on 31st March, 2014 (Other than Promoters)

Sr. No	Name of Shareholders	Shareholding	%
1	Punjab State Industrial development corporation	290000	4.91
	Bank of Baroda	200000	3.38
2	Money Growth Investment Consultant	65800	1.12
3	SSG Infocom (P) Ltd	65800	1.12
4	V A Mehta	65800	1.12
	Shashi Gupta	63400	1.07
5	P L Lamba	65800	1.12
6	Sunil Lamba	65800	1.12
7			
8	M/s Hi- Tech Foam Pvt. Ltd.	56000	0.94
9	M/S Yelena Exports Pvt. Ltd.	50000	0.84
10	Suneila Aggarwal	50000	0.84
	Total	748400	12.68

P. Open Offer

M/s. Laxmi Edifice Private Ltd ("Acquirer") have given open offer for the Acquisition of 15,34,182 Equity shares (including 2,27,800 partly paid up Equity Shares) representing 26% of the issued and subscribed capital and 27.04% of the Voting Equity Share Capital of Kansal Fibres Limited, at a price of Re. 1/- (Rupee One Only) per Fully Paid-up Equity Share of Rs. 10/- each and Re. 0.50 paise (Fifty Paise Only) per partly paid up Equity Share of Rs. 5/- each ("offer Price") payable in Cash by Acquirer. Comfort Securities Ltd was appointed as Manager to the Open Offer. Other details for the same are as follows:

Offer Details:

- a. Date of Opening of the Offer : 29th January, 2014
 b. Date of Closing of the Offer : 11th February, 2014

Date of Payment of Consideration : 24th February, 2014

Details of Acquisition:

Sr. No	Particulars	Proposed in the Offer Document	Actual

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Share Capital)	4080500	69.15% & 71.93%	283618	48.17% & 49.99%	4080500	69.15% & 71.93%	435760 0	73.85% & 76.81%
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Q. 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

Date : 30/05/2014
Place : Ludhiana

Sd/-
(Rakesh Kansal)
Managing Director
(DIN: 01735388)

Sd/-
(Bipin Patel)
Director
(DIN: 03190744)

Sd/-
(Mayur Shah)
Director
(DIN: 03313341)

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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.
- ✳ 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

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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 2013-14 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 top line 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.

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.

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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 2013-14 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

Date : 30/05/2014
Place : Ludhiana

Sd/-
(Rakesh Kansal)
Managing Director
(DIN: 01735388)

Sd/-
(Bipin Patel)
Director
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