

**DIRECTORS REPORT**

To,  
The members,

Your Directors have the pleasure in presenting the 24rdAnnual Report together with the Audited Statement of Accounts for the year ending on 31stMarch, 2018.

**Financial Results:**

(Amt. in Rupees)

Particulars	Financial Year ended			
	Standalone		Consolidated	
	2017 - 2018	2016 - 2017	2017 - 2018	2016 - 2017
Revenue from operations	-	-	-	-
Other Income	12,69,632	1,100,347	13,58,904	1,185,930
Total revenue	12,69,632	1,100,347	13,58,904	1185930
Expenditure :				
- Employee benefits expenses	4,16,995	247,266	4,16,995	247,266
- Other expenses	4,12,925	491,174	4,65,962	543,367
Total expenses	8,29,920	738,440	8,82,957	790,633
Profit before tax	4,39,712	361,907	4,75,947	395,297
Tax expense :				
- Current Tax	1,35,870	72,066	1,47,067	82,384
- Provision for Income Tax		-		-
Net profit for theyear	3,03,842	289,841	3,28,880	312,913

**APPROPRIATIONS:**

The Opening Balance of Surplus of Profit and Loss shown under the head Reserves and Surplus was Rs. 50,234,299. During the year under the review, the profit of Rs. 303842 was also added. The Closing Balance of Surplus of the Profit and Loss shown under the head reserves and Surplus was Rs50,538,141.

**OPERATIONS:**

During the year under the review there was increased in total income of 13.33% in comparison to the previous year. The total expenses have increased by 11.02 % and the net profit after tax has increased by 4.61%.

**DIVIDEND:**

As Company has inadequate Profit, your directors do not propose any dividend for the current year to conserve the resources.

**DETAILS OF DIRECTORS / KEY MANAGERIAL PERSONNEL APPOINTED / RESIGNED:**

**i. Retirement by Rotation:**

Pursuant to the provisions of Section 152(6) of the Companies Act, 2013, Mr. ISMAIL MEMON (DIN: 00209507), retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Your directors recommend his re-appointment.

**ii. Cessation:**

There is cessation of any director during the year.

- Ms.Sakina Aiyaz Pimpalnerwala, Company Secretary cum Compliance Officer

**iii. Appointment of Additional / Independent Women Director:**

There is no appointment of any director during the year under review.

**iv. Key Managerial Personnel:**

The following persons are designated as Key Managerial Personnel:

- Mr. Babulal Hirani, Managing Director
- Mr. Mohsin Ismailbhai Memon, Chief Financial Officer

**DETAILS OF HOLDING / SUBSIDIARY COMPANIES / JOINT VENTURES / ASSOCIATE COMPANIES:**

Your Company has Four wholly owned Subsidiary Companies i.e. KGN Bio Tech Limited, KGN Green Limited, KGN Proteins Limited, KGN Oil & Gas Private Limited.

In terms of the Provisions contained in Section 129(3) of the Companies Act, 2013, Read with rule 5 of the Companies (Accounts) Rules, 2014, a report on the performance and the financial of each of the subsidiaries is provided as **Annexure A i.e.' AOC-1'** to this Report.

**DEPOSITS:**

The Company has not invited/ accepted any deposit, other than the exempted deposit as prescribed under the provision of the Companies Act, 2013 and the rules framed there under, as amended from time to time. Hence there are no particulars to report about the deposit falling under Rule 8 (5) (v) and (vi) of Companies (Accounts) Rules, 2014.

**DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS:**

During the year under review there **were no** significant and material orders passed by any Regulators or Court or Tribunals which may have impact on the going concern status. Neither there are any orders passed which may have impact on the Company's operation in future.

**INTERNAL FINANCIAL CONTROLS:**

Your Company has well laid out policies on financial reporting, adherence to Management policies and also on promoting compliance of ethical and well defined standards. Moreover, the management team regularly meets to monitor goals and results and scrutinizes reasons for deviations in order to take necessary corrective steps. The Audit Committee which meets at regular intervals also reviews the internal control systems with the Management and the internal auditors. All audit observations and follow up actions are discussed with the Management as also the Statutory Auditors and the Audit Committee reviews them regularly.

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

Pursuant to Rule 8 (3) of Companies (Accounts) Rules, 2014, the Board of Directors hereby declares that there are no particulars to report for the Conservation of Energy & Technology Absorption. There is no foreign exchange earnings and outgo during the year under the review.

**ENVIRONMENTAL PROTECTION:**

Your Company is engaged in the manufacturing activities for which Company has taken approval of Gujarat Pollution Control Board and the directors inform with regret that there were no manufacturing activities during the financial year 2017-18.

**PERSONNEL:**

There was no employee drawing remuneration requiring disclosure under the Rule 5 (2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

**DISCLOSURE UNDER SECTION 197(12) AND RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

There was no employee drawing remuneration requiring disclosure under section 197(12) and Rule 5 (1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Required details are annexed to this Report as **Annexure B**.

**VIGIL MECHANISM:**

Pursuant to Section 177(9) of the Companies Act, 2013, the company has a Whistle Blower Policy to deal with any instance of fraud and mismanagement. The employees of the company are free to report violations of any laws, rules, regulations and concerns about unethical conduct to the Audit Committee under this policy. The policy ensures that strict confidentiality is maintained whilst dealing with concerns and also that no discrimination with any person for a genuinely raised concern.

**AUDIT COMMITTEE:**

The Audit Committee of the Board of Directors of the Company presently consists of three Directors viz. Mr. Aftabahmed Kadri, Mr. Ajazahmed Ansari and Ms. Janki Vaghela. All members of the Audit Committee are non-executive Directors. Mr. Aftabahmed Kadri, is the Chairman of the Audit Committee.

During the Year under review, total four Meetings of the Board of Directors of the Company were held.

The Composition and the Terms of Reference of the Audit Committee is as mentioned in the provisions of Section 177 of the Companies Act, 2013 and SEBI Listing Regulations with the Stock exchanges as amended from time to time. The Statutory Auditor, Internal Auditor and Chief Finance Officer usually attend the Meeting of the Audit Committee

**AUDITORS:**

**i. STATUTORY AUDITORS AND THEIR REPORT**

Under Section 139 of the Companies Act, 2013 and Rules made thereunder, it is mandatory to rotate the Statutory Auditors on completion of the maximum term permitted under the said Section. The audit committee of the Company has proposed, the Board of Directors of the Company have recommended the appointment of M/s. Kamlesh Bhojani & Associates Chartered Accounts FRN:- 127505 Was the Statutory Auditors of the Company. M/s. Kamlesh Bhojani & Associates Chartered Accounts FRN:- 127505W will hold the office from 24<sup>th</sup> Annual General Meeting till the conclusion of next Annual General Meeting of the Company to be held in the year 2019, subject to the approval of Shareholders of the Company. The first year of audit will be of the Financial Statement for the year ended 31st March, 2019 which will include the audit of quarterly financial statement for the year. In this regard, the Company has received a Certificate from the said Auditor to the effect that if their appointment will be made, it would be in accordance with the provisions of Section 141 of Companies Act, 2013.

The observations made in their report and dealt with in the notes forming part of the Accounts at appropriate places are self-explanatory.

**ii. INTERNAL AUDITORS**

M/s. Kirit & Co. FRN 132282W., Chartered Accountants, is Internal Auditors of the Company. The Audit Committee of the Board of Directors in consultation with the Internal Auditor formulates the scope, functioning periodicity and methodology for conducting the internal audit.

**iii. SECRETARIAL AUDITORS AND SECRETARIAL AUDIT REPORT**

The Board of Directors of the Company has, in compliance with the provisions of Section 304(1) of the Companies Act, 2013 and rules made in this behalf, appointed M/s. K. JATIN & CO., Practising Company Secretaries to carry out Secretarial Audit of the Company for the financial year 2017-18. The Report of the Secretarial Auditor is annexed to this Report as **Annexure C** which is self explanatory and gives complete information.

**LISTING:**

The shares of the company are listed at BSE Limited and Metropolitan Stock Exchange of India Limited. Listing fees of BSE Limited is paid for the year 2016 – 2017 and the Company is in process to pay the listing of Metropolitan Stock Exchange of India Limited.

**DIRECTORS RESPONSIBLITY STATEMENT:**

As required under the provisions of Section 134 of the Act, your Directors report that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period.
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The Directors have prepared the annual accounts on a going concern basis.
- (e) The Directors have laid down internal financial controls as required by Explanation to Section 134(5) (e) of the Act to be followed by the Company and such internal financial controls are adequate and are operating effectively.
- (f) The Directors have devised proper systems to ensure compliance with the provisions of applicable laws and such systems are adequate and operating effectively.

**RELATED PARTY TRANSACTIONS:**

During the year under review the Company has entered into the transactions with the related parties, the details of each are provided in point No. 28 under the head notes on Financial Statements.

**PARTICULARS OF LOANS / GUARANTEES / INVESTMENT:**

The Particulars of loans, guarantee or investment made under Section 186 of the Companies Act, 2013 are furnished in the Notes to the Financial Statements for the year ended 31st March 2018.

**INVESTMENT IN UNQUOTED SHARES:**

The Company has made investment in unquoted shares, which is as under:

- |                           |              |
|---------------------------|--------------|
| 1. KGN Bio- Tech Ltd      | 50000 Shares |
| 2. KGN Green Ltd          | 50000 Shares |
| 3. KGN Oil & Gas Pvt. Ltd | 10000 Shares |
| 4. KGN Proteins Ltd       | 50000 Shares |

**RISK MANAGEMENT POLICY:**

The Company has a structured risk management policy. The Risk management process is designed to safeguard the organisation from various risks through adequate and timely actions. It is designed to anticipate, evaluate and mitigate risks in order to minimize its impact on the business. The potential risks are inventorised and integrated with the management process such that they receive the necessary consideration during decision making.

**STATEMENT OF INDEPENDENT DIRECTORS:**

The following Directors are independent in terms of Section 149(6) of the Act:

- (a) Mr. Ajazahmed Ansari
- (b) Mr. Aftabahmed Kadri
- (c) Ms. Janki Ranjitsingh Vaghela

The Company has received requisite declarations/ confirmations from all the above Directors confirming their independence.

**EXTRACT OF THE ANNUAL RETURN:**

Pursuant to provision of Section 92 and 134 and other applicable provision of the Companies Act, 2013 and of Rule 12 (1) of Companies (Management and Administration) Rules, 2014 the extract of the annual return in form MGT 9 for the Financial Year ended on 31st March, 2017 is annexed as **Annexure D** to this Report.

**NUMBER OF BOARD MEETINGS:**

Total 6 Board Meetings were held during the Financial Year 2017-18 on 30th May, 2017, 14th August, 2017, 29th August, 2017, 13th November, 2017, 19<sup>TH</sup> January, 2018 and 14th February, 2018 and the gap between two meetings did not exceed one hundred and twentydays.

**CORPORATE SOCIAL RESPONSIBILITY:**

The Provision of Section 135 of the Companies Act, 2013 regarding Corporate Social Responsibility is not applicable to the company.

**ANNUAL PERFORMANCE EVALUATION:**

In compliance with the provisions of the Act and voluntarily SEBI Listing Regulations, the performance evaluation was carried out as under:

**Board:**

In accordance with the criteria suggested by The Nomination and Remuneration Committee, the Board of Directors evaluated the performance of the Board, having regard to various criteria such as Board composition, Board processes, Board dynamics etc. The Independent Directors, at their separate meetings, also evaluated the performance of the Board as a whole based on various criteria. The Board and the Independent Directors were of the unanimous view that performance of the Board of Directors as a whole was satisfactory.

**Committees of the Board:**

The performance of the Audit Committee, the Nomination and Remuneration Committee and Stakeholders Relationship Committee was evaluated by the Board having regard to various criteria such as committee composition, committee, processes, committee dynamics etc. The Board was of the unanimous view that all the committees were performing their functions satisfactorily and according to the mandate prescribed by the Board under the regulatory requirements including the provisions of the Act, the Rules framed thereunder and SEBI Listing Regulations.

**Individual Directors:**

- (a) **Independent Directors:** In accordance with the criteria suggested by The Nomination and Remuneration Committee, the performance of each independent director was evaluated by the entire Board of Directors (excluding the director being evaluated) on various parameters like engagement, leadership, analysis, decision making, communication, governance and interest of stakeholders. The Board was of the unanimous view that each independent director

was a reputed professional and brought his/her rich experience to the deliberations of the Board. The Board also appreciated the contribution made by all the independent directors in guiding the management in achieving higher growth and concluded that continuance of each independent director on the Board will be in the interest of the Company.

- (b) **Non-Independent Directors:** The performance of each of the non-independent directors (including the chair person) was evaluated by the Independent Directors at their separate meeting. Further, their performance was also evaluated by the Board of Directors. The various criteria considered for the purpose of evaluation included leadership, engagement, transparency, analysis, decision making, functional knowledge, governance and interest of stakeholders. The Independent Directors and the Board were of the unanimous view that each of the non-independent directors was providing good business and people leadership.

**SEXUAL HARASSMENT:**

The Company has an Internal Complaint Committee as required under Section 4 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules made thereunder. During the year under review, no complaints were reported.

**POLICIES:**

The Company has adopted the following policies pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the year under review:

- a. Policy on preservation of the Documents
- b. Policy on criteria for determining Materiality of Events
- c. Whistle Blower Policy
- d. Policy on dealing with related party transactions
- e. Policy for determining material subsidiaries

The details of the above mentioned policies are provided in the website of the Company i.e. [www.kgnenterprises.com](http://www.kgnenterprises.com).

**APPRECIATION:**

Your Directors wish to convey their thanks to all the bankers, suppliers, customers, shareholders and other persons for their continued support to the company.

**For and on behalf of Board of Directors of  
KGN ENTERPRISES LIMITED**

**Date : 14.08.2018  
Place : Mumbai**

**BABULAL HIRANI  
MANAGING DIRECTOR  
DIN: 02362983**