

12th ANNUAL REPORT



KANEL OIL & EXPORT INDUSTRIES LTD.

2003- 2004

KANEL OIL & EXPORT INDUSTRIES LIMITED

TWELTH ADJOURNED ANNUAL GENERAL MEETING PROGRAMME

DATE	:	29TH NOVEMBER, 2004
DAY	:	MONDAY
TIME	:	9.00 A.M.
VENUE	:	TJR HOUSE, OPP. SUSHRUSHA HOSPITAL, OFF. C.G. ROAD, NAVRANGPURA, AHMEDABAD : 380 009.

NOTE TO SHAREHOLDERS :

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

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BOARD OF DIRECTORS

Shri Kanaiyalal J. Thakkar
Shri Nitesh K. Thakkar
Shri Dhiren K. Thakkar

Chairman & Managing Director
Managing Director
Director

COMPANY SECRETARY.

Mrs. Darshita T. Shah.
Company Secretary,
104/A, Sarita Govind Plaza,
Judges Bungalow Road, Bodakdev,
Ahmedabad : 380 015.

COMPANY LAW CONSULTANT

M/s. Kamallesh M. Shah & Co.,
Practicing Company Secretaries
6, Avanika Park,
Khanpur,
Ahmedabad : 380 001.

BANKERS OF THE COMPANY

State Bank of Saurashtra, Industrial Finance Branch, Ahmedabad
State Bank of Bikaner & Jaipur, C.G.Road, Ahmedabad
State Bank of Patiala, Ashram Road, Ahmedabad
Dena Bank, Ashram Road Branch, Ahmedabad
Central Bank of India, Gandhi Road, Ahmedabad.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

INTERNAL AUDITORS

Mahesh H. Trivedi
Chartered Accountants
Ahmedabad.

SHARE TRANSFER AGENT

Compuquick Datamation (India) Ltd.
Parishram, 3RD floor,
5B, Rashmi Society,
Mithakhali Six Road Circle,
Ahmedabad 380 009.

REGISTRAR FOR DEPOSITORY OPERATIONS

Sharepro Services
Satam Ind. Estate,
3rd floor, Above Bank of Baroda,
Chakla, Andheri (East),
Mumbai - 400 099.

LISTING AT

AHMEDABAD

The Stock Exchange Ahmedabad
Kamdhenu Complex,
Nr. Panjarapole,
Ambawadi, Ahmedabad : 380 015.

MUMBAI

The Stock Exchange Mumbai
25th floor, P.J. Towers,
Dalal Street, Fort,
Mumbai : 400 001.

ADMINISTRATIVE OFFICE

TJR House, 3rd floor,
Opp. Sushrusha Hospital,
Off. C.G. Road, Navrangpura,
Ahmedabad - 380 009.

REGISTERED OFFICE

203, Abhijeet - I
Mithakhali Six Road Circle,
Ellisbridge,
Ahmedabad - 380 006.

KANEL OIL & EXPORT INDUSTRIES LIMITED

CASTOR OIL DIVISION

Village : Meda Adraj,
Taluka : Kadi,
Dist : Mehasana.

Naroda Industrial Estate,
Naroda,
Dist : Ahmedabad.

EDIBLE OIL DIVISION

Village : Karannagar,
Taluka : Kadi,
Dist : Mehsana.

INVESTORS GRIEVANCES COMPLIANCE OFFICER

Mrs. Darshita T. Shah.

Company Secretary,
104/A Sarita Govind Plaza,
Judge's Bungalow Road
Bodakdev, Ahmedabad - 380 015.

12th Annual Report**NOTICE**

NOTICE is hereby given to the Members of Kanel Oil & Export Industries Ltd., that the 12th Adjourned Annual General Meeting of the Members of the Company will be held on Monday the 29th November, 2004 at 9 A.M. at TJR House, Opp. Sushrusha Hospital, Off. C. G. Road, Navrangpura, Ahmedabad - 380 009 to transact the following Business :

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Audited Statement of Accounts i.e. The Audited Balance Sheet as at 31/03/2004, the Profit & Loss Account for the period ended on that date and the Report of the Auditors and Directors thereon.
2. To Appoint the Auditors for the next Financial Year to hold the office as such from the conclusion on this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board of Directors
of Kanel Oil & Export Industries Ltd.**

Regd. Office : Ahmedabad.

Date : 04/09/2004

Sd/-
(Kanaiyalal J. Thakkar)
Chairman Managing Director

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 on behalf of him and that a Proxy need not be a member of the company.
2. Proxies in order to be effective should be duly completed in the prescribed form stamped and signed and must be deposited at the Registered office of the company not less than 48 hours before the time fixed for the meeting.
3. Members are requested to intimate any change in their registered addresses if any directly at the Registered Office of the Company or to the Company's Registrar and Share Transfer Agents at their address mentioned elsewhere in this report.
4. The Company has signed Triparty Agreement with NSDL and CDSL for Dematerializing of its Equity Shares. SEBI has announced that the company's shares will be compulsorily traded in Demat form only w.e.f. 26th February, 2001. The Equity shares are now available for dematerialisation. The shareholders can take the timely benefits and take necessary action to dematerialize their shareholding. The ISIN allotted to your company is INE 252 C 01015.

EXPLANATORY STATEMENTS AS PER SECTION 173 OF THE COMPANY ACT-1956**Item No. 2 :**

M/s, Nimesh M. Shah & Co., Chartered accountants was appointed as auditors of the Company in the last (11th) Annual General Meeting, he resigned from Auditors of the Company, therefore it became necessary to appoint another auditors to fill the casual vacancy caused by the said resignation. Due to above reasons company was not in position to finalise its Annual Account for the Year ended 31/03/04 till the issue of the AGM Notice of the Company to the Members. Thereby the Company had called an Extra-Ordinary General Meeting on 30/09/2004 for appointments of the Auditors of the Company. Due to this reasons, Board of Directors had proposed to adjourn the said AGM not latter than 30/11/04.

**By Order of the Board of Directors
of Kanel Oil & Export Industries Ltd.**

Regd. Office : Ahmedabad.

Date : 04/09/2004

Sd/-
(Kanaiyalal J. Thakkar)
Chairman Managing Director

KANEL OIL & EXPORT INDUSTRIES LIMITED

DIRECTORS' REPORT

To,
The Members,
Kanel Oil & Export Industries Limited.

Dear Shareholders,

Your Directors have pleasure in presenting herewith their 12th Report together with the Audited Statement of Accounts of the Company for the period ended on 31st March, 2004.

FINANCIAL HIGHLIGHTS

During the period from 01st April, 2003 to 31st March, 2004 of Financial year 2003-04 the Financial operational results of the Company is as follows :-

Particulars	(Amount in Rs.)	
	For the year Ended on 31st March, 2004	For the year ended on 31st March, 2003
Sales	10,22,26,352	41,55,01,377
Other Income	1,49,18,060	52,03,678
Increase / Decrease in Stock.	(10,16,790)	(29,10,892)
Total Turnover.	11,61,27,622	41,77,94,163
Total Expenditure.	12,26,58,180	62,63,28,215
Profit(Loss) before Dep. & Tax.	(6530558)	(20,85,34,052)
Provision for Depreciation.	1,36,45,624	1,14,73,577
Provision for Tax for current year	NIL	NIL
Provision for Deferred Tax Assets	NIL	NIL
Provision for Tax of Earlier periods	NIL	NIL
Net Profit (Loss) after tax.	(2,01,76,182)	(22,00,07,629)
Prior Period Extra Ordinary Adjustment.	2,07,359	1,02,872
Net Profit/Loss for the year	(2,03,83,541)	(22,01,10,501)
Previous Year Balance	(116,85,37,179)	(94,84,26,678)
Balance Carried to Balance Sheet	(118,89,20,720)	(116,85,37,179)

The Company's networth has been completely eroded. The Company's application to BIFR for Revival and Rehabilitation has been rejected and BIFR has confirmed its prima facie opinion of winding up of the Company under section 20(1) of SICA Act through its Order dated 23rd May, 2003. However the Company has filed an appeal in AAIFR against this order.

DIVIDEND

As your Company has not earned profit during the year under review and due to the accumulated losses your directors regret for their inability to declare any amount as dividend to be paid.

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TRANSFER OF UNPAID / UNCLAIMED DIVIDEND :

Your Company's First Dividend Declared in the year 1994 and Second Dividend declared in the year 1995 are now due for transfer thereof to Investor' Education and Protection fund as per the provisions of Section 205C of the Companies Act 1956. However due to huge accumulated losses and the company could not meet its liabilities towards its bankers in time, the Bankers are not co operating with the company. They are not supplying bank statements to the Company. The company has made representation of this fact to Registrar of Companies, Securities And Exchange Board of India, at the Highest authorities of Bankers, Reserve Bank of India. In this situation the Audit of the Unclaimed unpaid Dividend accounts could not be conducted and completed.

The Company has received lot of investors complaints for Non Payment of dividend or not revalidation of the Dividend warrants of the investors. However due to non co operation of the Bankers as stated above, the company could not resolve such complaints. Even the company's efforts to surrender of the Original Dividend warrants and in lieu of such dividend warrants requests for issue of demand drafts in favour of investors concerned are not accepted by the Bankers.

In view of the above stated reasons the company could not make compliances with the provisions of section 205C of the Companies Act 1956.

SHARE CAPITAL DURING THE YEAR

During the year under review your directors have not issued any Equity or Preference shares to any persons. There has been no change in the issued, subscribed and paid up capital of the company during the year under review.

BUY BACK OF SHARES

Your Directors had not declared or announced or completed any procedure for Buy Back of its own shares during the year under review as per the provisions of the Section 77A, 77AA and 77B of the Companies Act 1956. Further No Buy Back of Shares if any announced in earlier years are still pending for implementation.

YEAR UNDER REVIEW

During the last year under review your company's sales was Rs.1022.26 Lacs as against Rs.4155.01 Lacs in the previous year. Other Income include the Income from Job work charges and certain creditors write off. Your Company has suffered a net operational loss of Rs.65.30 Lacs as against Rs.2085.34 Lacs in the previous year. This has been due to non availability of adequate funds and the company could not utilize its full production capacity.

NON OPERATION OF NARODA PLANT

The Company's Naroda Plant is not in use since 1998-99 due to inadequate financial resources further it could not function due to its old age. The Company could not complete the required maintenance, renovation, upgradation of the said plant. Due to these reasons The Life of the Assets of the Naroda Plant is Depreciating at higher rate due to closure. Even though the Plant has become obsolescence it being a fixed assets and the Books of accounts are showing its Depreciated value, the present market value of the plant as per valuation of government approved valuer being not available, the company has continued to show the same as Fixed Assets of the Company in the Books of Accounts.

SEGMENTWISE REPORTING AS 18

The Company is operating only in one segment of manufacturing of the Castor Oil and sale of Castor Oil and its By product Decoiled Cakes. Hence no separate Segment wise Accounting is required and given herewith.

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PROVISION FOR DEFERRED TAX LIABILITIES / ASSETS AS - 22

The Company has huge accumulated unabsorbed financial losses and the unabsorbed financial losses. The Company's total networth has been eroded. In view of this the management has thought it fit and prudent not to make provision for Deferred Tax Assets which if created would appear as intangible assets which could never be realized in future. Hence due to these reasons the company could not make compliance with the Accounting Standard AS-22 being Accounting for Deferred Tax Liabilities / Assets for the year under review.

RELATED PARTY TRANSACTION AS - 17

The Company has been buying raw materials and selling some of the finished products, bye products through its Group / Associate concerns in which Directors are either Directors or any of their relatives or the directors themselves are either partners / proprietors. All these business transactions are being done at the prevailing market prices on commercial terms and conditions not favourable to any of the parties. There has been no contractual obligations between any of the related parties with the company to execute or enter in to any specific business transactions. However proper disclosure have been made in the notes to the Accounts Schedule R.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review the company had not done any import / export business and the total foreign exchange earnings and outgo was NIL during the year.

STATUS ON BIFR APPLICATION

The Company's networth has been completely errored. The Company's application to BIFR for Revival and Rehabilitation has been rejected and BIFR has confirmed its prima facie opinion of winding up of the Company under section 20(1) of SICA Act through its Order dated 23rd May, 2003. However the Company has already made an appeal in AAIFR against this order.

INFORMATION PURSUANT TO THE LISTING AGREEMENT AND SEBI CIRCULAR NO. SMDRP/CIR-14 DATED APRIL 29TH, 1998.

The Company's shares are at present Listed on Ahmedabad, Calcutta, Jaipur and Mumbai Stock Exchanges. The Company has provided for the annual listing fees up to and including the year 2004-2005 i.e. upto 31.03.2005 for the Stock exchanges of Ahmedabad and Mumbai. The Company is no paying the Annual Listing Fees of Calcutta and Jaipur Stock Exchanges since 1999-2000 onwards due to no Trading Volume recorded on the said stock exchanges. Further the Company is also sick due to no Trading Volume recorded on the said stock exchanges. Further the Company is also sick industrial company and is not in a position to pay such heavy financial expenses. The Shares of the Company are freely tradable on The Stock Exchanges at Ahmedabad and Mumbai. However the same is suspended on the Calcutta and Jaipur Stock Exchange. Due to heavy financial losses, the company has not made provisions for the Annual Listing Fees payable to The Calcutta Stock Exchange and Jaipur Stock Exchange.

DEMATERIALISATION OF SECURITIES

SEBI has identified the securities of the Company for compulsory trading in the Dematerialised form w.e.f. 26th February 2001 by all investors on all the Stock Exchanges. In compliance with the same and to facilitate the shareholders, the Company has already made arrangements to entere into the Tripatry Agreement with NSDL and CDSL. The investors are requested to take a note of the same and dematerialise their holdings as early as possible. The ISIN Number allotted to your company is INE 252 C 01015.

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE

Your Company is a Sick Industrial Company. It had approached the BIFR/AAIFR and had already submitted the Draft Revival Scheme of to Operating Agency IDBI for its revival. However BIFR has on 23rd May, 2003 made an order rejecting application of the Company forming a prima facie opinion under section 20 (1) of SICA that the Company be wound up. However the Company has filed an Appeal before the AAIFR against thir order of BIFR.

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Due to this reason the no independent professional persons are forthcoming to join the Board of Directors of the Company at this stage. However the Directors are in process to appoint them at the earliest.

The Chairman of the Company is Executive Managing Director, the other Director Mr. Hitesh K. Thakkar is also an Executive Managing Director. There is only one Director Mr. Dhiren K. Thakkar who is a non Executive but he is also not an independent director. Due to these reasons the constitution of the present Board is not in compliance with the provisions of Section 292A and also as per clause 49 of the Listing Agreement.

Hence, no Committees could be formed as per requirements of the Law due to non availability of non executive independent directors. However the company has appointed M/s. Mahesh K. Trivedi, Chartered Accountants, an independent Professional as Internal Auditors. They are submitting their reports regularly on a quarterly basis. These reports are laid before each meeting of the Board of Directors and necessary corrective actions as suggested in the Internal Auditors' report are being taken and proper compliance has been intimated to the Internal Auditors.

ENVIRONMENT PROTECTION

The Company is consistently maintaining high standards in the control, protection and discharge of effluents as per the strict standards fixed and prescribed in the environment and pollution control regulation.

DEPOSITS

During the year under review your company has neither invited nor accepted any public deposit or deposits from the public as defined under Section 58A of the Companies Act-1956.

DIRECTORS

Shri Hitesh K. Thakkar had retired by rotation at the 12th Annual General Meeting. However being eligible he was reappointed at the said Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provision contained in Section 217(2AA) of the Companies Act, 1956, the Directors of your Company confirm :

- (A) That in the preparation of the annual accounts for the financial year ended on 31/03/2004 the applicable accounting standards have been followed.
- (B) That they 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 affair of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- (C) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities; and
- (D) That they have prepared the annual accounts on a going concern basis.

STATUTUORY AUDITORS

M/s. Dinesh D. Shah, Chartered Accountants, Ahmedabad the retiring Statutory Auditors hold office of the Auditors up to the date of this Adjourned Annual General Meeting as per the provision of the Act. The Company has received a letter from the said Auditors to the effect that their appointment shall be within the limits laid down under Section 224(B)

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of the Companies Act. A resolution proposing their appointment as the regular Auditors of the company for the period from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting is required to be passed. Your directors recommend to pass the said resolution.

APPOINTEMENT OF INTERNAL AUDITORS

In order to make proper compliance with the provisions the Companies Act 1956 as well as code of Corporate governance the Company had appointed M/s. Mahesh K. Trivedi Chartered Accountants as Internal Auditors. They are regularly submitting their reports to the Board of Directors of the Company. They have agreed to be reappointed as the Internal Auditors for the next term. Your directors have renewed their term of office for the next year.

AUDITORS OBSERVATION

The Notes to the Accounts of the Company are self explanatory. However the explanation and clarifications from the Board of Directors on the specific observations made by the Auditors in their report are as under :

(1) PREPAIRATION OF ACCOUNTS ON GOING CONCERN BASIS

The Auditors of the Company are of the opinion that due to huge accumulated losses and complete erosion of the networth of the company the accounts of the Company is not advised to be written on a going concern basis. But as the company has not disposed off any of its fixed assets, Plant & Machineries. The company can do the production on job charge basis and the company's application to AAIFR is at the final stage of disposal, the management is hopeful of company's revival after declaration as sick unit by AAIFR, hence the accounts are prepared on going concern basis.

(2) CONFIRMATION OF ACCOUNTS PENDING

Auditors have obtained all the information and explanations upto their best knowledge and belief as were necessary for their purpose of their audit except certain non receipt of confirmation of balances in respect of Loan & Advances, Deposits and Creditors from banks and Financial Institutions. The Auditors and the Company have approached the consortium banks for statements but since Company being NPA and matters being sub-judice bankers are not providing the same.

(3) PROVINSIONING OF THE BAD AND DOUBTFUL DEBTS

The Company has already written off Rs.52.62 Lacs as Bad Debts which are doubtful of recovery. Auditors have identified this amount as Rs.4.95 Crores and Rs.6.14 Lacs of Loans and Advances which were required to be written off. In the opinion of the management the Company has made sufficient provision in the Books of Accounts on this Account. Any recovery of Bad debts of the Previous Year are properly accounted for prior year adjustment accounts.

(4) NON OPERATIONAL NARODA PLANT

The Naroda Plant has been non operational since last 7 years due to obsolescence in production technology and other reasons. Plant & Machinery has not been operated for the last 7 years in the division still it has the realizable value of Rs. 98.22 Lacs at present in the market and so it is the view of the management to show the Plant & Machinery as a part of Fixed Assets in the Balance Sheet and not written of the assets.

(5) INTEREST FREE LOANS AND ADVANCES

The Company had given certain loans and advances to number of parties as interest free looking to the then prevailing business interests of the Company. The Company had been receiving good business orders from some