

13th ANNUAL REPORT

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KANEL OIL & EXPORT INDUSTRIES LTD.

2004- 2005

KANEL OIL & EXPORT INDUSTRIES LIMITED

THIRTEENTH ANNUAL GENERAL MEETING PROGRAMME

DATE	:	30TH SEPTEMBER, 2005
DAY	:	FRIDAY
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 Hitesh 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. Kamlesh 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, Ahmedabad.
Central Bank of India, Gandhi Road, Ahmedabad.
The Bhuj Mercantile Co.-Op. Bank Ltd., Mithakhali Br., Ahmedabad

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

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 : Mehasana.

INVESTORS GRIEVANCES COMPLIANCE OFFICER

Mrs. Darshita T. Shah.
Company Secretary,
104/A Sarita Govind Plaza,
Judge's Bungalow Road
Bodakdev, Ahmedabad - 380 015.

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NOTICE

NOTICE is hereby given to the Members of Kanel Oil & Export Industries Ltd., that the 13th Annual General Meeting of the Members of the Company will be held on Friday the 30th September, 2005 at 9.00 A.M. at TJR House, Opp. Sushri sha 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 31/03/05, the Profit & Loss Account for the period ended on that date and the Report of the Auditors and Directors thereon.
2. To Appoint a director in place of Shri Dhiren K. Thakkar who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.
3. To Appoint the auditors for the next financial year to hold the office as such from the conclusion of this Annual General Meeting upto the conclusion of next the 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 : 05/09/2005

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

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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 desiring any information as regards accounts are requested to write to the company at least 7 days before the meeting to enable the management to keep the information ready.
4. Members are requested to intimate any change in their registered addressees if any directly at the Registered Office of the Company or to the Company's Registered and Share Transfer Agents at their address mentioned elsewhere in this report.
5. The Register of Members and Share Transfer Books of the Company Shall remain Closed from 21/09/2005 to 30/09/2005 (Both Days Inclusive).

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 13th Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2005.

FINANCIAL HIGHLIGHTS

During the year 2004-2005 the Financial operational results of the Company are as follows :-

Particulars	For the year Ended on 31st March, 2005	(Amount in Rs.) For the year Ended on 31st March, 2004
Sales	14,29,486	10,22,26,352
Other Income	16,464	1,49,18,060
Increase/Decrease in Stock	(71,540)	(10,16,790)
Total Turnover	13,74,410	11,61,27,622
Total Expenditure	65,87,172	12,26,58,180
Profit(Loss) before Dep. & Tax	(52,12,762)	(65,30,558)
Provision for Depreciation	1,17,11,632	1,36,45,624
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	(1,69,24,394)	(2,01,76,182)
Prior Period Extra Ordinary Adjustment	10,495	2,07,359
Net Profit/Loss for the year	(1,69,34,889)	(2,03,83,541)
Previous Year Balance	(118,89,20,720)	(116,85,37,179)
Balance Carried to Balance Sheet	(120,58,55,609)	(118,89,20,720)

The Company's net worth 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 23rd May, 2003. The Company's appeal in AAIFR against this order has also been dismissed. The company is in process of moving a writ petition against this order in the High Court. The company's has been declared and renewed as a relief undertaking by the State Government of Gujarat under The Bombay Relief Undertaking act 1958 for the period from 15/05/05 till 14/05/06.

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.

TRANSFER OF UNPAID/UNCLAIMED DIVIDEND :

Your Company's Dividend Declared in the year 1994, 1995, 1996 and 1997 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

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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 investor's 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 Director 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.14.29 Lacs against Rs.1022.26 Lacs in the previous year. Other Income include the Income from Job work charges. Your company has suffered a net operational loss of Rs.52.12 as against Rs.65.30 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 through the Plant has become old it being a fixed assets having good realisable value and machinery in condition where production can be taken with certain maintenance, 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 one segment of manufacturing of the Castor Oil and sale of Castor Oil and its By product De-oiled Cakes. Hence no separate Segment wise Accounting is required and give herewith.

PROVISION FOR DEFERRED TAX LIABILITIES/ASSETS AS - 22

The Company has huge accumulated unabsorbed financial losses and the financial losses for the year under review. The Company's total net worth has been eroded. In view of this the management has thought it fit and prudent not to make provision for Deferred Tax Assets 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.

FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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STATUS ON BIFR APPLICATION

The Company's net worth 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. The Company's appeal filed in AAIFR against this order has been dismissed. The company is in process of filing a writ petition against the order of AAIFR in the High Court. The Company's another reference filed with BIFR and registered as Case no.159/03 has become in fructuous vide BIFR order dtd. 26/04/2005. The company has preferred an appeal with AAIFR against this order and next hearing for the same is fixed on 21/09/05.

INFORMATION PURSUANT TO THE LISTING AGREEMENT AND SEBI CIRCULAR NO. SMDRP/CIR-14 DATED APRIL 29 TH, 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 2005-2006 i.e. up to 31.03.2006 for the Stock exchanges of Mumbai. The Company is not paying the Annual Listing Fees of Calcutta and Jaipur Stock Exchange since 1999-2000 onwards due to no Trading Volume recorded on the said stock exchange. The listing fees of Ahmedabad Stock exchange is pending since 2003-04. 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 at The Stock Exchanges at Ahmedabad. The trading is suspended at the Mumbai, Calcutta and Jaipur Stock Exchanges. Due to continues 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 from 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 enter into the Tri-party 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 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. The Company's Appeal before the AAIFR against this order of BIFR has been dismissed. The company is in process of filing a writ petition against this order in the High Court.

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.

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.

INSURANCE AND PROTECTION OF ASSETS

Due to inadequate financial resources the company could not get its all properties and assets fully insured. However insurance of its present fixed assets charged with the secured creditors have been insurance by them.

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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 Dhiren K. Thakkar had retired by rotation at the 13th Annual General Meeting. However being eligible he was reappointment 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 31/03/2005 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 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.

STATUTORY AUDITORS

M/s. Dinesh Dhayalal.Shah, Chartered Accountants, Ahmedabad the retiring Statutory Auditors hold office of the Auditors up to the date of this 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(1-B) of the Companies Act. A resolution proposing their appointment as the regular Auditors of the company for the period from the conclusion of the Annual General Meeting up to the conclusion of the next Annual General Meeting is required to be passed. Your directors recommend to pass the said resolution.

APPOINTMENT OF INTERNAL AUDITORS

Due to volume of transactions substantially less and the company being a sick company the internal Auditors have not been appointed for this year. However once the company resumes normal transaction volumes the internal Auditors will be appointed again. At present the transactions entered in are under the Direct control of management.

AUDITORS OBSERVATION

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

(1) ORDER OF BIFR AND COMPANY'S APPLICATION IN AAIFR : Para 3 (a)

Note (a) to Para 3 of the Auditors Report on company's application to BIFR and its status is self-explanatory and does not require further clarification.

(2) NOTICE UNDER SECTION 13(2) OF THE SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT 2002 : Para 3 (b)

Note (b) to Para 3 of Auditors Report is self-explanatory and odes not require further clarification.

(3) NON OPERATIONAL NARODA PLANT AND MEDA ADRAJ PLANT NOTE NO 3 (c) :

The Naroda Plant has been non operational since last 8 years due to old in production technology and other reasons. Plant and machinery has not been operated for the last eight years in the division still it has the good realisable value at present in the market and so it is the view of the management to show the Plant and machinery at a part of Fixed Assets in the Balance Sheet and not to write off the assets.

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AS the Company is a sick and it has no liquidity the company could not run its Meda Adraj plant also. The Management is of the opinion that considering the size of the plant, unless the company receives sizeable order for job work it is not advisable to start the plant economically and hence the plant could not function much during the year.

In view of the same and also considering the bright future for Indian castor oil industry the management has drawn the accounts on going concern basis.

Necessary adjustment entries if any required as suggested by auditors will not have much material effects on the financial statements of the company.

(4) NON PAYMENTS OF CERTAIN DUES : Para 3 (d)

As the company is sick unit it does not have enough liquidity funds with it so it has been delaying in depositing statutory dues towards Provident Fund, Employees State Insurance, Income Tax deducted at source, Professional Tax, Sales Tax, Income Tax and Municipal Tax. But the company as soon as it recovers and any surplus amount is available it deposits with the separate account maintained for this purpose but there is delay in depositing the amount towards this dues. Further certain bills of professional and contractors are not finalised as the works allocated to them are not fully done.

(5) PENDING CONFIRMATION OF ACCOUNTS Para 4 (a)

As the company is a sick company. Some of the creditors, debtors, and other parties are not submitting their confirmation statements in time to the company. However the management is in process of obtaining the same. Total amount involved in such transactions not substantially material.

(6) NON COMPLIANCE WITH ACCOUNTING STANDARDS PARA 4 (D) :

(a) AS - 18 RELATED PARTY TRANSACTIONS :

The Company is making all transactions at prevailing market rates with all parties including the related parties. The details of transactions with related parties are separately shown in notes to accounts in full details. There are no contractual terms with any of the parties.

(b) AS 15 ACCOUNTING FOR RETIREMENT BENEFITS :

Fully explained in para 4 above.

(c) AS 25 INTERIM FINANCIAL REPORTING :

The company is regularly publishing unaudited financial results in news papers and submitting them to stock exchanges.

(d) AS 22 ACCOUNTING FOR TAXES :

The Company has accumulated losses. In view of the same the management is of the opinion that there will be no tax liabilities on company in near future. In view of the same no provisions for tax have been made at the time of preparing and publishing quarterly results. This fact has already been declared in the results declared and published.

(e) AS 28 NON PROVISION OF BED-NON USE ASSETS

The Company's assets of Naroda road plant, Meda Adraj and Karannagar divisions have market value. However due to non-availability of expert opinion on market value of assets, the company has not made provision for non-use assets and as such the Book value is being carried and shown in the Balance Sheet.

(7) INTEREST FREE LOANS AND ADVANCES : Para 5(I)

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 has been receiving good business orders from some of such parties still to date. So it is continued to provide to such parties interest free and upon such terms and conditions as decided by both the parties. The Management is trying to recover the same either in cash or in kind and is doing the business with these parties. Other amount has been received by the company against cash or kind. Hence no provision as Bad loans and advances have been made. The company is hopeful for its recovery of its outstanding amount and it is trying commercially to recover the loan.