

14th Annual Report



KANEL Oil & Export Industries Limited

2005-2006

KANEL Oil & Export Industries Limited

COMPANY REGISTRATION NO: 04-17024 DATE OF 29/01/1992
NOMINAL SHARE CAPITAL: RS.20,00,00,000/- INCORP:

FOURTEENTH ANNUAL GENERAL MEETING PROGRAMME.

DATE 30TH SEPTEMBER, 2006
DAY SATURDAY
TIME 11.00 A.M.
VENUE REGISTERED OFFICE OF THE COMPANY AT
203,2ND FLOOR, ABHIJEET-I
MITHAKHALI SIX ROAD CIRCLE,
ELLISBRIDGE,
AHMEDABAD- 380006

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 Hitesh K. Thakkar.
Shri Dhiren K. Thakkar.
Shri Umesh Khese.

Chairman and Managing Director
Director
Director

COMPANY LAW CONSULTANT

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

BANKERS OF THE COMPANY

Kotak Mahindra Bank Ltd., Kalina, Santacruz(E), Mumbai.
State Bank of Bikaner & Jaipur, C.G.Road, Ahmedabad.
State Bank of Patiala, Ashram Road, Ahmedabad.
Dena Bank, Ashram Road Branch, Ahmedabad.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

REGISTRAR FOR DEPOSITORY OPERATIONS.

SHAREPRO SERVICES
Satam Industrial 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

REGISTERED OFFICE

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

KANEL Oil & Export Industries Limited

FACTORIES & PLANTS

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

213/214, Naroda GIDC Estate,
Naroda,
Dist : Ahmedabad.

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

INVESTORS GRIEVANCES COMPLIANCE OFFICER:

Hitesh. K. Thakkar
Chairman And Managing Director,
203,2nd Floor, Abhijeet-I,
Ellisbridge,
Ahmedabad : 380 006.

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REGISTERED OFFICE : 203, 2ND FLOOR, ABHIJEET-I, MITHAKHALI SIX ROAD CIRCLE, ELLISBRIDGE, AHMEDABAD: 380 006.

NOTICE

NOTICE is hereby given to the Members of the Kanel Oil & Export Industries Limited that the 14th Annual General Meeting of the members of the Company will be held on Saturday the 30th September, 2006 at 11.00 A.M. at the Registered Office of the Company at 203, 2nd Floor, Abhijeet-I, Mithakhali Six Road Circle, Ellisbridge, Ahmedabad: 380 006 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 31/3/2006, 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 Hitesh. 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 up to 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 an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of section 293(1) (d) of the Companies Act 1956 the consent of the Company be and is hereby accorded and the Board of Directors are hereby authorized to Borrow a sum of money for the purpose of the business of the Company which may exceed the paid up share capital and free reserves of the company (i.e. reserves not set apart for meeting with any specific liabilities), provided that any such borrowed money shall not at any exceed an amount of Rs.500 Crores.

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

RESOLVED THAT pursuant to the provisions of section 293(1)(a) of the Companies Act 1956 and the relevant provisions if any of the Companies Act 1956 and also subject necessary approvals from the existing lenders, bankers, financial institutions, the consent of the members of the company be and is hereby accorded and the Board of Directors of the Company are hereby authorized to create a charge/ mortgage either first or second or parri passu with any of the existing charge holders or any type of charge/ mortgage/ lien or any type of securities on all or any specific assets of the company whether existing or future, whether fixed or moveable, tangible or intangible, in transit or fixed or stored or lying anywhere from time to time in favour any person, persons, society, body corporate, banks, co operative banks, financial institution, local or foreign lenders, or any type of lenders who may agree to lend money to the company at any time for the purpose of business of the company or for its revival or for the purpose of meeting with the company's existing debt liabilities if any of the company.

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

SD/

(Hitesh K. Thakkar)

Chairman & Managing Director.

Place : Ahmedabad

Date : 02/09/2006

KANEL Oil & Export Industries 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 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 bring their copy of the Annual Report to the meeting as no extra copies will be distributed at the meeting shall as a measure of economy.
- (4) Members desiring any information as regards accounts are requested to write to the company atleast 7 days before the meeting to enable the management to keep the information ready.
- (5) Members are requested to be in their seats at the meeting before the scheduled time of commencement of the Meeting to avoid interruption in the proceedings.
- (6) 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.
- (7) The Register of Members and Share Transfer Books of the Company shall remain Closed from 29/09/2006 to 30/09/2006 (Both Days Inclusive).

AN EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT 1956 TO THE RESOLUTIONS MENTIONED UNDER THE SPECIAL BUSINESS OF THE NOTICE CONVENING 14TH ANNUAL GENERAL MEETING OF THE COMPANY ON SATURDAY THE 30TH SEPTEMBER 2006 AT THE REGISTERED OFFICE OF THE COMPANY.

ITEM NO: 4 & 5: POWER TO THE BOARD TO BORROW FUNDS AND TO CREATE CHARGE/ MORTGAGE ON THE ASSETS OF THE COMPANY.

The Members are aware that the Company is a SICK Industrial Company. It is constantly facing financial crunch even to meet with its day to day business needs. The business volume has reduced and the company is not able to generate enough cash flow for the purpose of meeting its statutory liabilities, its dues to banks, financial institutions.

The Management of the Company are negotiating with many banks, financial institutions, foreign partners, other business partners to join with the company and lend the money to the company so that it can meet with its liabilities. Such lenders are asking for securities, or some of them have asked to settle the dues of bankers/ institutions at one time settlement scheme. But at the same time they need some securities for the money they plan to lend to us.

In order to avail the above financial facilities it is necessary to authorize the board and the company must also be authorized under the provisions of section 293(1)(a) and 293(1)(d) of the companies act to borrow funds and create charges on the assets of the company.

The fresh borrowing, charges, mortgages if any shall always be subject to the approval of the company's existing bankers/ financial institutions as per the respective loan agreements.

None of the directors of the company may be deemed to be concerned or interested in the proposed resolution.

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

Place : Ahmedabad
Date : 02/09/2006

SD/
(Hitesh K. Thakkar)
Chairman & Managing Director.

14th Annual Report**DIRECTORS' REPORT**

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

Dear Shareholders,

Your Directors have pleasure in presenting herewith the 14th Audited Report together with the Audited Statement of Accounts of the Company for the period ended on 31st March, 2006.

FINANCIAL HIGHLIGHTS.

During the period from 1st April 2005 to 31st March, 2006 of Financial year 2005-06 the Financial operational results of the Company is as follows :

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2006	FOR THE YEAR ENDED ON 31/03/2005
Sales Income	23,51,15,240	14,29,486
Other Income.	5,18,994	16,464
Increase/(Decrease) in stock	NIL	(71,540)
Total Income.	23,56,34,234	13,74,410
Total Expenditure.	25,36,91,158	1,82,98,804
Profit/(Loss) before Tax.	(1,80,56,924)	(1,69,24,394)
Prior Period Extra Ordinary Items (Net)	1,60,398	10,495
Net Profit/(Loss) after tax	(1,82,17,322)	(1,69,34,889)
Previous Year Debit Balance.	(120,58,55,609)	(118,89,20,720)
Balance Carried to B/S	(122,40,72,931)	(120,58,55,609)

STATUS ON BIFR APPLICATION:

The Company's net worth has been completely erroded. 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. The Company's appeal in AAIFR against this order was rejected on 18/05/2006. The Company had filed an appeal against this order in AAIFR on 28/07/2005 vide case No. 67/2005.

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.

DEBT RESTRUCTURING & REHABILITATION DEVELOPMENT

Kotak Mahindra Bank Ltd has taken over the debt of State Bank of Saurashtra & your directors are pleased to inform you that KMBL is providing further working capital to your company for revival & rehabilitation.

TRANSFER OF UNPAID/UNCLAIMED DIVIDEND:

Your Company's all the 4 previous years i.e. dividends declared in the year 1994,1995,1996 and 1997 are due for transfer thereof to Investors' 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

KANEL Oil & Export Industries Limited

The Company has received more than 2000 investor 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, 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 favor 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 year under review your company was engaged in the business of Job work basis at its Karan nagar and Meda Adraj plants and also worked in future options of commodity market. Total sales income during the year was Rs.23,51,15,240 (Previous Year Rs.14,29,486). Other Income of Rs. 5,18,994 (Previous year Rs. 16,464) includes Income from sales of shares of Rs. 4,57,236.

Due to depreciation of Rs. 94,62,129 (Previous Year Rs.1,17,11,632) your Company has suffered a net operational loss of Rs.1,80,56,924 (Previous Year Rs.1,69,24,394). 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 obsolesce 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 Asset of the Company in the Books of Accounts.

SEGMENTWISE REPORTING AS - 17 :

The Company is operating only in one segment of manufacturing of the Castor Oil and sale of Castor Oil and it's by product De-oiled Cakes. Hence no separate Segment wise Accounting is required and given herewith.

PROVISION FOR DEFERRED TAX LIABILITIES/ASSETS AS-22:

The Company has huge accumulated unabsorbed financial losses. 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 which if created would appear as intangible asset 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 TRANSACTIONS AS - 18 :

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 favorable to any of the parties. There has been no contractual obligation between any of the related parties with the company to execute or enter in to any specific business transactions. However proper disclosure has been made in the notes to the Accounts Schedule R.

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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.

INFORMATION PURSUANT TO THE LISTING AGREEMENT AND SEBI CIRCULAR NO.SMDRP/CIR-14/98 DATED APRIL 29TH, 1998.

The Company's shares are at present Listed on Ahmedabad, Calcutta, Jaipur and Mumbai Stock Exchanges. The Company has duly paid the annual listing fees up to and including the year 2005-2006 i.e. up to 31.03.2005 for the stock exchanges of Mumbai. The Company is not paying the Annual Listing Fees of Calcutta and Jaipur Stock Exchanges since 1999-2000 onwards and for the Ahmedabad Stock Exchange since 2003-04 onwards 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 Mumbai. However the same is suspended on The Ahmedabad, 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.

DEMATERIALIZATION OF SECURITIES:

SEBI has identified the securities of the Company for compulsory trading in the Dematerialized 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 enter into the Tripartite Agreement with NSDL and CDSL. The Investors are requested to take a note of the same and dematerialize 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.

Due to this reason 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. One such director Mr.Umesh. Khese who is a chartered accountant has already been appointed as Independent Non Executive director.

The Chairman of the Company is Executive Managing Director, the other Director Dhiren. K. Thakkar who is a non Executive Director 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 regulations for the industry in which it operates.

INSURANCE AND PROTECTION OF ASSETS:

Due to inadequate financial resources the company could not get its all properties and assets fully insured. However it has taken insurances of its presently operational assets like Plant & Machineries, Stocks of all kinds at Meda Adraj and Karannagar units. Some times due to short distance of transport the goods in transit are not insured. However its storage at all places is fully insured. All the insurance policies are taken from approved Nationalized Insurance Companies. The assets like Buildings, Godowns, workshop buildings which are likely to be less affected are not insured. All other assets like vehicles and tangible movable assets are properly insured against all available commercial risks like fire, flood, earthquake and other extraneous perils.

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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 Hitesh. K. Thakkar shall retire by rotation at the ensuing Annual General Meeting. However being eligible for reappointment and as he has proposed to be appointed as Director, your directors recommend to pass the said resolution.

During the year Mr.Kanaiyalal. J. Thakkar, Chairman and Managing Director had expired on 15th June 2006. He was the main promoter director and back-bone for the company. He had rich experience in running of a castor oil industrial unit successfully. The Company had benefited from his rich experience during his tenure as director with the Company. The Board take on record his devotion and sincere efforts for the development of the company.

In a casual vacancy caused by his resignation, the Board had immediately on 18th June 2006 appointed Mr.Umesh. Khese as Director of the Company. He is a Chartered Accountant by profession and has rich experience of more than 14 years. His association with the company as Non Executive Independent Director will benefit the company to professionalize the business activities of the company.

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 31/3/2006 the applicable accounting standards has 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.

STATUTORY AUDITORS

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

APPOINTMENT OF INTERNAL AUDITOR.

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 explanations and clarifications from the Board of Directors on the specific observations made by the Auditors in their report are as under:

(1) PREPARATION 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 net worth of the company the accounts of the Company is not advised to be written on a going