

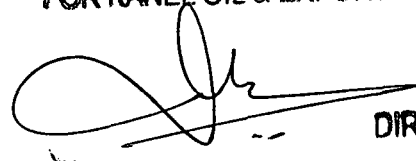
KANEL OIL & EXPORT INDUSTRIES LIMITED

16TH ANNUAL REPORT

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2007-08

FOR KANEL OIL & EXPORT IND. LTD.


DIRECTOR

KANEL OIL & EXPORT INDUSTRIES LTD.

Regd. Office : 203, 2nd Floor, Abhijeet I, Mithakhali Six Roads,
Ellisbridge, Ahmedabad: 380 006.

KANEL OIL & EXPORT INDUSTRIES LTD.**SIXTEENTH ANNUAL GENERAL MEETING PROGRAMME**

DATE : 30TH SEPTEMBER, 2008

DAY : TUESDAY

TIME : 11.00 A.M.

VENUE : REGISTERED OFFICE OF THE COMPANY AT
203,2ND FLOOR, ABHIJEET-I
MITHAKHALI SIX ROADS,
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.

CONTENTS**Page No.**

[1]. Board of Directors and Other Information	2
[2]. Notice	4
[3]. Directors' Report	5
[4]. Auditors' Report	15
[5]. Balance Sheet	20
[6]. Profit & Loss Account	21
[7]. Schedules to the Balance Sheet & Profit Loss Account	22
[8]. Notes to the Accounts	26
[9]. Balance Sheet Abstract & Company's General Business Profile	33
[10]. Cash Flow Statement pursuant to Clause 32 of the Listing Agreement	35
[11]. Auditors Report to Cash Flow Statement	36
[12]. Attendance Sheet & Proxy Form	37

16th Annual Report

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. – Mumbai.
HDFC Bank Ltd. – Ahmedabad.
The Bhuj Mercantile Co. Op. Bank Ltd. – Ahmedabad.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

REGISTRAR FOR DEPOSITORY OPERATIONS.

SYSTEM SUPPORT SERVICES

209, Shivai Industrial Estate,
89, Andheri – Kurla Road,
Sakinaka, Andheri (E),
Mumbai – 400 072.

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

KANEL OIL & EXPORT INDUSTRIES LIMITED.

REGISTERED OFFICE

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

KANEL OIL & EXPORT INDUSTRIES LTD.

FACTORY & PLANT

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

INVESTORS GRIEVANCES COMPLIANCE OFFICER:

Hitesh K. Thakkar
Chairman and Managing Director,
203, 2nd Floor, Abhijeet – 1.
Mithakhali Six Roads,
Ellisbridge, Ahmedabad – 380 006.

Email : - heet_thakkar@hotmail.com

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16th Annual Report**NOTICE**

NOTICE is hereby given to the Members of the Kanel Oil & Export Industries Limited that the 16th Annual General Meeting of the Company will be held on Tuesday 30th September, 2008 at 11.00 A.M. at the registered office of the company at 203, Abhijeet -1, Mithakhali Six Roads, 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 31/03/2008, the Profit & Loss Account for the year ended on that date and Report of the Auditor and Director 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 Auditor for the next Financial Year to hold the office as such from the conclusion of this Annual General Meeting up to the next Annual General Meeting and to fix their remuneration.

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

Place: Ahmedabad

SD/-

Date : 27/08/2008

**(Hitesh K. 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 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. Member 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 the 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 29/09/2008 to 30/09/2008 (Both Days Inclusive).

KANEL OIL & EXPORT INDUSTRIES LTD.**DIRECTORS' REPORT**

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

Dear Shareholders,

Your Directors have pleasure herewith the 16th audited report together the audited statement of accounts of the year ended on 31st march, 2008.

FINANCIAL HIGHLIGHTS.

During the financial year period from 1st April, 2007 to 31st March, 2008 of financial year 2006-07 the financial operational result of the company is as follows:

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2008	FOR THE YEAR ENDED ON 31/03/2007
Sales Income	3,24,96,188	2,62,93,231
Other Income	1,87,52,106	2,82,236
Increase / (Decrease) in stock	(91,14,460)	91,14,460
Total Income	4,21,33,834	3,56,89,927
Total Expenditure	3,99,98,203	5,27,66,188
Profit / (Loss) before Tax	21,35,631	(1,70,76,261)
Net Profit from Sale of Fixed Assets	1,13,72,642	NIL
Provision for Tax	NIL	NIL
Taxes for Earlier periods	NIL	NIL
Prior Period Extra Ordinary Items (Net)	43,047	31,332
Net Profit / (Loss) after tax	1,34,65,226	(1,71,07,593)
Previous Year Debit Balance	(124,11,80,524)	(122,40,72,931)
Balance Carried to B/S	(122,77,15,298)	(124,11,80,524)

STATUS ON BIFR APPLICATION:

The company's net worth is completely eroded. The company's application to BIFR for revival and rehabilitation has been rejected and BIFR has confirmed its prime facie opinion of winding up of the company. The company's appeal in AAIFR against this order was rejected on 18/05/2005. The company had filed a reference vide case no. 159/2003, which had become in fructuous by order dated -26/04/2005 on the ground of prima facie opinion of BIFR. Against this order the company has filed an appeal with AAIFR on 28/07/2005 vide case no.67/200 for the second reference. Final hearing is awaited and the decision of the AAIFR is still pending.

STATUS OF CASES WITH DRT AND GUJARAT HIGH COURT

The secured lenders have withdrawn all recovery suits filed against the company since their debts have been settled by way of OTS in the financial year 2008-09. BIFR's Application with the Gujarat High Court with regards to winding up is pending but now due to the recent development of debt being paid off the company is in the process of urging the honorable court to dismiss the same.

DEBT RESTRUCTURING & REHABILITATION DEVELOPMENT

Kotak Mahindra Bank Ltd had taken over the debt of State Bank of Saurashtra. The debt of Dena Bank, SBBJ and SBP were taken over by ARCIL. Your directors are pleased to inform you that the company has settled all its debt with the KMBL (Debt of SBS was taken over by KMBL) & ARCIL (Debt of Dena, SBBJ & SBP was taken over by ARCIL) by the way of OTS and obtained No Due Certificates from them in the financial year 2008-09. Further the company has plans of restarting its operations at Naroda Unit as a part of rehabilitation.

16th Annual Report**DIVIDEND**

As your company has not to earn much 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 all the 4 previous years i.e. dividends declared in year 1995, 1996, 1997 and 1998 are due for transfer thereof to investors' education and protection fund as per the provision of the 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 and so company has made representation of this fact to Registrar of the 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 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 draft in favor of investor concerned are not accepted by the bankers. In view of the above stated reasons the company could not make compliance with the provision 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 share 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 provision of the section 77A, 77AA, and 77B of the companies act 1956. Further no buy back of the share 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 manufacture, sale of edible oils and also of business of hedging future options of commodity market. Total sales income during the year was **Rs. 3,24,96,188/-** (previous year Rs.2,62,93,231) other income of **Rs.1,87,52,106/-** (P.Y. Rs. 2,82,236/-) due to lower level operation of the plants (i.e. below the break even point) the company had made a cash operational loss of **Rs. 4,25,26,312/-**

After making provision for depreciation of **Rs. 67,38,617/-** your company has suffered a 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, up gradation of the said plant. Even though the plant has become obsolesce it being a fixed assets and 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 he same as fixed assets of the company in the books of accounts.

However, now the company has received proposals from a big industrial group to make operational the Naroda Plant of the company for the manufacture, refining and packaging of the castor oil on lease/rent basis /job basis as well as company's own operation may also kick start simultaneously at Naroda Unit. If the deal is finalized the plant is expected to add the revenue to the company in cash from which will be able to meet with the cash administrative and operational exp. In addition due to plant being made operational and its maintenance will be done by tenant, the plant will become renovated, upgraded and will be operational which will increase its life.

SEGMENTWISE REPORTING AS-17

The company is operating only in one segment of manufacturing of oil and sale of 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 had huge accumulated and unabsorbed financial lossess. The companies total net worth had 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. Even though the management is trying hard for revival and rehabilitation of the company and negotiating with big industrial house, but until the matter is finalized positively, the company has not accounted for deferred tax liability.

RELATED PARTY TRANSACTION AS-18

The company has been buying raw materials and selling some of the finished products, by products through its group/associate concern in which director are either director or any of their relatives or the directors themselves are either partners/proprietors. All these business transaction are being done at the prevailing market prices on commercial terms and condition not favorable to any of the parties. There have 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.

FOREIGN EXCHANGE EARNING 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.

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

The company's shares are listed presently in Ahmedabad, Calcutta, Jaipur, and Mumbai Stock Exchange. The company has duly paid the annual listing fees up to and including the year 2007-2008 i.e. up to 31.03.2008 for the stock exchange 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. As the company has become a sick industrial company as per listing agreement norms the shares of the company suspended for trading on all the stock exchange. However the same is suspended on the Ahmedabad, Calcutta and Jaipur stock exchange for non payment of listing fees. Due to heavy financial losses, the company has not made provision for the annual listing fees payable to the Calcutta stock exchange, Jaipur stock exchange and Ahmedabad 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 arrangement to enter into the Tripartite Agreement with NSDL and CDSL. The investor are requested to take a note on the same and dematerialize their holding as early as possible. The ISIN Number allotted to your company is INE252 C 01015. Due fund crunch the company could not pay the charges of NSDL and CDSL as also the fees of the Registrar and Transfer Agents M/s. Sharepro Services (India) Private Limited as per the agreements executed with them.

But Now the company has paid of outstanding dues of NSDL, CDSL & Sharepro Services (India) P. Ltd in year 2008-09. Infect company has already paid the advance fees to NSDL and CDSL for the year 2008-09 in the year 2008-09. Company has also appointed System Support – Mumbai in place of Sharepro services -Mumbai as RTA agent of the company. The company has pending investors complaints for non conformation of the demat shares of investors. The management is trying to resolve all the issues and get the ISIN activated and convince them at least favor the company to resolve the investors complaints.

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE:

Your company is a sick industries company. It had approached the BIFR/AAIFR and had already submitted the draft revival scheme to operating agency IDBI for their revival.

Due to this reason no independent professional person 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

16th Annual Report

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 reason 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 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 i.e. plant & machineries, stocks of all kinds at Meda Adraj , Karannagar units and Naroda Unit. Some times due to short distance of transport the goods in transit are not insured. However its strong 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 all available commercial risks like fire, flood, earthquake and other extraneous perils.

DEPOSITS:

During the year 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 ensuring annual general meeting. However being eligible for reappointment and as he has proposed to be director, your directors recommend to pass the said resolution.

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 financial year ended on 31/03/2008 the applicable accounting standards has been followed except as explained in point no. 8 hereafter.
- (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.
- (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 on this annual general meeting as per 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., 1956. A resolution proposing their reappointment as the regular auditor 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.

KANEL OIL & EXPORT INDUSTRIES LTD.**APPOINTMENT OF THE INTERNAL AUDITOR:**

Due to volume of transaction 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 transaction entered in are under the direct control of management.

AUDITORS OBSERVATION:

The notes to the accounts of the company are self explanatory. However and clarification from the board of directors on the specific observation 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 the company, the accounts of the company is not advised to be written on a going concern basis. But as the company has now settled all its working capital dues of banks in the year 2008-09 and is in process to prepared a proper draft rehabilitation scheme in order to restart the production at its Naroda unit after required capital expenditure and the management is hopeful for the revival of the company in near future, hence the company have been written books of account on going concern basis.

(2) CONFIRMATION OF ACCOUNTS PENDING:

The company has established the system of obtaining conformation of accounts from various parties. The financial transaction are numerous. Certain confirmations are pending however the auditors have obtained all the information and explanations up to their best knowledge and behalf as were necessary for their purpose of their audit, except certain non receipt of conformation of balances in respect of loans and advances, deposits and creditors and form banks and financial institutions. This in fact does not affect financial statements.

(3) NON OPERATIONAL NARODA PLANT:

The Naroda plant has been non operational since last many years due to lack of working capital and some changes in technology and other reasons. However the company has received proposals from one big industrial house to take the plant on lease/ rental basis for manufacture of Castor oil as well as the company is in process to prepare the Draft rehabilitation scheme by which the company will restart the production at its Naroda unit henceforth after required capital expenditure. The proposals are under active consideration and if materialized it will not only add the revenue to the company but also revitalize the plant. Its life, its value, upgrade certain technology, replace certain parts etc. Hence the market value of old plant & machineries could be on lower side, the market value of land and building will offset the losses, 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 written off the assets.

(4) NON PROVISION OF SALES TAX LIABILITIES:

The company has made a review application for assessment order under the Sales Tax act. The company is hopeful of remedial favorable assessment orders. It is also in negotiation of settlement of dues of sales tax liabilities. Once the liabilities is crystallized, it will make necessary arrangement for its payment and make necessary provision in the books of account. The total liabilities of Rs. 80.26 lacs is assessed at very high forum of sales tax department even though the company is still making efforts to challenge these orders further in the high court, considering the actual liability of the company, hence in view of the above facts the company has not made provisions in the accounts at this stage.

(6) 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 has been receiving good business orders from some of such parties still to date. So it is provided to such parties' interest free and upon such terms and conditions as decided by both the parties Total amount which has become overdue on this account is Rs.6.14 lacs only. 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 in kind. Hence no provisions 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.