

KANEL OIL & EXPORT INDUSTRIES LIMITED.

**18TH
ANNUAL REPORT**

● 2009-10 ●

KANEL OIL & EXPORT INDUSTRIES LIMITED.

Regd. Office : 203, 2nd Floor, Abhijeet – 1, Mithakhali Six Roads,
Ellisbridge, Ahmedabad – 380 006.

EIGHTEENTH ANNUAL GENERAL MEETING PROGRAMME**DATE** : 30TH SEPTMEBER, 2010**DAY** : THURSDAY**TIME** : 11.00 A.M.**VENUE** : T.J.R. 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 of the meeting.

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BOARD OF DIRECTORS

Shri Dhiren K. Thakkar
Shri Bachubhai K. Patel
Shri Vinodbhai K. Pandya

Chairman and Managing Director
Independent Director
Independent Director

COMPANY LAW CONSULTANT

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

BANKERS OF THE COMPANY

Kotak Mahindra Bank Ltd.
HDFC Bank Ltd. – Ahmedabad.
The Bhuj Mercantile Co. Op. Bank Ltd. – Ahmedabad.
The Kalol Nagarik Sahkari Bank Ltd.

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**

Ahmedabad Stock Exchange Ltd.
Kamdhenu Complex
Nr. Panjrapole
Ambawadi, Ahmedabad – 380 015

CALCUTTA

Calcutta Stock Exchange Ltd.
7, Lyon Range,
Calcutta – 700 001.

MUMBAI

Bombay Stock Exchange Ltd.
25th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai – 400 001.

JAIPUR

Jaipur Stock Exchange Ltd.
Stock Exchange Building,
JLN Marg, Malviya Nagar,
Jaipur – 302 017.

KANEL OIL & EXPORT INDUSTRIES LIMITED.

Regd. Office :

203, 2nd Floor, Abhijeet – 1, Mithakhali Six Roads,
Ellisbridge, Ahmedabad – 380 006.

FACTORY & PLANT

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

INVESTORS GRIEVANCES COMPLIANCE OFFICER:

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

Email : - dhiren72@yahoo.co.in

NOTICE

NOTICE is hereby given to the Members of the Kanel Oil & Export Industries Limited that the 18th Annual General Meeting of the Company will be held on Thursday 30th September, 2010 at 11.00 A.M. at the T.J.R. House, Opp. Sushrusha Hospital, Off. C. G. Road, Navrangpura, Ahmedabad – 380 009 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 31/03/2010, 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 Vinodbhai K. Pandya, 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.

SPECIAL BUSINESS :

4. To consider and, if thought fit, to pass the following resolution with or without modification(s), if any, as Special Resolution:

"RESOLVED THAT in accordance with the all applicable provisions of the Companies Act, 1956 and subject to the provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 ("Delisting Guidelines") and all applicable laws, rules, regulations, notifications, clarifications and guidelines and subject to such other statutory and / or contractual approvals, permissions, consents and sanctions as may be required from any relevant authority including the Stock Exchanges where the Equity Shares of the Company are listed being complied with by the Company, and / or their associates and / or any person acting in concert, the consent of the members of the Company is hereby accorded to the Board of Directors (which term shall include any Committee constituted/ to be constituted by the Board of Directors) to seek voluntary delisting of equity shares of the Company, without opting for public offer to shareholders from Ahmedabad, Calcutta & Jaipur Stock Exchange.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take all the requisite, incidental, consequential and necessary steps to implement the foregoing resolution and to do and perform all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, desirable or appropriate in the best interest of the Company, to settle any question, query, doubt or difficulty that may arise in regard to voluntary delisting of equity shares of the Company, and to execute/ publish all such notice (s), applications, deeds, agreements, documents, papers, undertakings/ bonds and writings as may be necessary or required for giving effect to this resolution."

BY ORDER OF THE BOARD OF DIRECTOR OF
KANELOIL & EXPORT INDUSTRIES LTD.

PLACE: Ahmedabad

SD/-

DATE: 1st September, 2010

(Dhiren K. 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 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 of 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 at-least 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 29/09/2010 to 30/09/2010 (Both Days Inclusive).
1. At the ensuing Annual General Meeting Mr. Vinodchandra Pandya, and Mr. Bachubhai Patel will be re-appointed, the brief resume of this director is as under:

Name	Vinodchandra Pandya
Age	66 years
Qualification	B. A. (Economics)
Expertise in Specific Area	Administration
Date of First Appointment on the Board of the Company	08-10-2008
Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held.	Refer to Report on Corporate Governance.

Name	Bachubhai K. Patel
Age	53 years
Qualification	12th
Expertise in Specific Area	Agri Commodities Trading
Date of First Appointment on the Board of the Company	08-10-2008
Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held.	Refer to Report on Corporate Governance.

**EXPLANATORY STATEMENT
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

As per Delisting Guidelines prior approval of the Shareholders of the Company is required by passing of a Special Resolution.

It is now proposed to seek voluntary delisting of equity shares from the Ahmedabad, Calcutta, & Jaipur Stock Exchange.

The Board recommends the resolution for approval by the members.

None of the Directors of the Company is in any way concerned or interested in the proposed amendments to the memorandum and articles of association of the company.

By the Order of the Board of Directors
For Kanel Oil & Export Industries Limited

Place: Ahmedabad
Date : 1st September, 2010

Dhiren K Thakkar
Chairman & Managing Director

DIRECTORS' REPORT

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

Dear Shareholders,

Your Directors have pleasure herewith the 18th audited report together the audited statement of accounts of the year ended on 31st March, 2010.

FINANCIAL HIGHLIGHTS

During the financial year period from 1st April, 2009 to 31st March, 2010 of financial year 2009-10 the financial operational result of the company is as follows:

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2010	FOR THE YEAR ENDED ON 31/03/2009
Sales Income	NIL	NIL
Other Income	4,63,559	74,91,57,611
Increase / (Decrease) in stock	NIL	NIL
Total Income	4,63,559	74,91,57,611
Total Expenditure	47,85,887	2,11,62,359
Profit / (Loss) before Tax	(43,22,328)	72,79,95,252
Net Profit from Sale of Fixed Assets	24,164	4,86,99,443
Provision for Tax	NIL	NIL
Taxes for Earlier periods	NIL	NIL
Prior Period Extra Ordinary Items (Net)	90,465	76,426
Net Profit / (Loss) after tax	(44,36,957)	77,67,71,121
Previous Year Debit Balance	(45,09,17,954)	(122,77,15,298)
Balance Carried to B/S	(45,53,54,911)	(45,09,17,954)

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.67/2003 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 and Delhi High Court having remanded company's case back to BIFR the company has appealed the honorable court to dismiss the same.

The company's network is completely eroded. The company is preparing a DRS (Draft rehabilitation scheme) to be submitted with BIFR in its case no. 78/2001 which is under consideration by BIFR as per the order of the honourable Delhi High Court. The company has withdrawn its appeal no. 67/05 from AAIFR as it has become infructuous, after the order passed by the honourable Delhi High Court in January - 2010.

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. The company is preparing DRS (Draft rehabilitation scheme) to be submitted with BIFR, for various concessions.

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 hedging future options of commodity market. The company has made efforts to put his plants.

NON OPERATION OF NARODA PLANT:

The company's Naroda plant is not in use since 1998-99 due to inadequate financial resources, Even though the plant has become old , the company has proposed plans of capital expenditure for repairs and renovation and subsequently to restart the production activity at the unit and thereby the company has continued to show the same as fixed assets of the company in the books of accounts.

However, now the company is negotiating proposal with 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 AND NON PROVISION OF INCOME TAX LIABILITIES.

The Company had huge accumulated and unabsorbed financial losses. The company's 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. The company has sought various relief for allowing carry forward losses by making an application again with BIFR in the proposed DRS (Draft rehabilitation scheme). Company is taking various legal opinion with respect to assessment of exact income tax liabilities after the writing off the bank liabilities and has taken a view of providing the same after complete due diligence of past income tax returns filed by the legal experts with past case laws. The management is trying hard for revival and rehabilitation of the company, in fact it has already succeeded in settling the huge bank debts and is further negotiating with big industrial house to implement rehabilitation process by restarting operations at the Naroda unit of the company, but until the matter is finalized positively, the company has not accounted for deferred tax liability.