

21st
Annual Report
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KANEL INDUSTRIES LIMITED

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

KANEL INDUSTRIES LIMITED

TWENTYFIRST ANNUAL GENERAL MEETING PROGRAMME

DATE : 28TH SEPTMEBER, 2013

DAY : SATURDAY

TIME : 10.00 A.M.

VENUE : REGISTERED OFFICE OF THE COMPANY AT
203, 2ND FLOOR, ABHIJEET – 1,
MITHAKHALI SIX ROADS, ELLISBRIDGE,
AHMEDABAD – 380 006.

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.

CONTENTS	Page No.
[1] Board of Directors and Other Information	1
[2] Notice	2
[3] Directors' Report	5
[4] Corporate Governance Report	12
[4] Auditors' Report.....	20
[5] Balance Sheet.....	26
[6] Profit & Loss Account	27
[7] Schedules to the Balance Sheet & Profit Loss Account	28
[8] Notes to the Accounts	33
[9] Cash Flow Statement pursuant to Clause 32 of Listing Agreement	39
[11] Auditors Report to Cash Flow Statement	40

BOARD OF DIRECTORS

Shri Dhiren K. Thakkar	Chairman and Managing Director
Shri Vinodbhai K. Pandya	Director
Shri Kiritbhai C. Patel	Director
Shri Aditya Y. Patel	Director
Shri Yogesh R Patel	Director

COMPANY LAW CONSULTANT

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

BANKERS OF THE COMPANY

HDFC 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.

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 Industries Limited that the **21ST Annual General Meeting** of the Company will be held on Saturday 28th September, 2013 at 10.00 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 31/03/2013, 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. Proposal for Reduction of Equity Share Capital of Company by 90%.

The company has been declared as a sick industrial company by Board for Industrial and Financial Reconstruction (hereinafter referred to as "BIFR"). BIFR has directed the company to submit a proposal for revival based on which a scheme for rehabilitation and revival of the company may be sanctioned. The BIFR guidelines for formulation of rehabilitation proposal prescribe a maximum revival period of 7 years i.e. the period in which the accumulated losses of the company shall be wiped off. Owing to large amount of accumulated losses it shall be difficult to wipe off the same from Operating profits, therefore the company proposes to reduce the paid-up share capital of the company by 90% by reduction of paid-up capital on each Equity Share and consolidation of 10 partly paid equity shares into 1 equity share as part of its proposal for revival of the company. The reduction of Equity shall take place by exercise of powers and jurisdiction vested with BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985, in and as part of Sanction of a Scheme for revival of the company based on the proposal submitted by the company. In view of the above, it is proposed to accord the consent of Equity Shareholders subject to Sanction of Scheme by BIFR for reduction of Equity Share Capital of the company by 90%, by way following resolution, which is proposed to be passed as a Special Resolution:

"RESOLVED THAT subject to the approval of BIFR by way of Sanction of Scheme in exercise of powers under Section 18 of Sick Industrial Companies Act, 1985, the consent of shareholders be and are hereby granted to reduction of paid up Equity Share Capital of the company by 90% and consolidation of 10 partly paid equity shares into one fully paid equity share of Rs. 10/- each.

RESOLVED FURTHER THAT Mr. Dhiren Thakkar, Director of the company be and is hereby authorized to submit and Draft Rehabilitation Proposal inter-alia incorporating proposal for reduction of Equity Share Capital of the Company before the BIFR and take such other steps as may be necessary from time to time for sanction and implementation of same under supervision of BIFR."

5. Proposal for Preferential Allotment of Shares.

The Draft Proposal for rehabilitation of the company formulated by the BIFR envisages further promoter contribution of Rs. 150 lacs towards cost of scheme for revival of the company. The promoters and their associates over the years have extended assistance to the company by way of unsecured loans, aggregate amount outstanding as on 31-3-2013 in respect of which is 291.16 Lacs. It is proposed that after reduction of Equity Share Capital, the company shall allot Equity Shares at par value by way of preferential allotment in respect and discharge of the unsecured loans of the promoters and their associates and any further contribution made by them under the Rehabilitation Scheme to be Sanctioned by BIFR, subject to the company meeting the guidelines of stock exchanges/ SEBI in respect of minimum public holding. Sec 81 (1A) of the Companies Act, 1956, requires the consent of shareholders of the company by way of special resolution for making preferential allotment of shares. In view of the above, it is proposed to accord the consent of Equity Shareholders subject to Sanction of Scheme by BIFR for preferential allotment of Equity shares, against the share of promoters and their associates and any fresh promoters contribution brought in by the promoters in pursuance of revival scheme to be sanctioned by the BIFR, which is proposed to be passed as a Special Resolution:

“RESOLVED THAT subject Section 81 (1A) of the Companies Act, 1956 and approval of BIFR by way of Sanction of Scheme in exercise of powers under Section 18 of Sick Industrial Companies Act, 1985, the consent of shareholders be and are hereby granted to preferential allotment of Equity Shares of the company at par value against and in discharge of the unsecured loan and any further contribution which is brought in by the promoters and their associates in pursuance of the rehabilitation scheme to be sanctioned by the BIFR, subject to maintenance of minimum public shareholding as may be required by the stock exchanges and SEBI.

RESOLVED FURTHER THAT Mr. Dhiren Thakkar, Director of the company be and is hereby authorized to submit and Draft Rehabilitation Proposal inter-alia incorporating proposal for preferential allotment of Equity Shares as above in the proposal for revival to be submitted before the BIFR and take such other steps as may be necessary from time to time for sanction and implementation of same under supervision of BIFR.”

BY ORDER OF THE BOARD OF DIRECTOR OF
KANEL INDUSTRIES LTD.

PLACE : Ahmedabad
DATE : 2nd September, 2013

(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 27/09/2013 to 28/09/2013 (Both Days Inclusive).
1. **At the ensuing Annual General Meeting Mr. Vinodchandra Kalidas Pandya, will be re-appointed, the brief resume of this director is as under:**

Name	Mr. Vinodbhai K. Pandya
Age	70 yrs.
Qualification	B.A. (Economics)
Expertise in Specific Area	Administratio
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.	Dharti Proteins Ltd.

BY ORDER OF THE BOARD OF DIRECTOR OF
KANEL INDUSTRIES LTD.

PLACE : Ahmedabad
DATE : 2nd September, 2013

(Dhiren K. Thakkar)
Chairman & Managing Director

AN EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT 1956 TO THE ORDINARY RESOLUTIONS PROPOSED AND MENTIONED AS SPECIAL BUSINESS IN THE NOTICE CONVENING THE 21ST ANNUAL GENERAL MEETING FOR THE COMPANY.

1. The company has been declared as a sick industrial company by Board for Industrial and Financial Reconstruction (BIFR). BIFR has directed the company to submit a proposal for revival based on which a scheme for rehabilitation and revival of the company may be sanctioned. The BIFR guidelines for formulation of rehabilitation proposal prescribe a maximum revival period of 7 years i.e. the period in which the accumulated losses of the company shall be wiped off. Owing to large amount of accumulated losses it shall be difficult to wipe off the same from Operating profits, therefore the company proposes to reduce the paid-up share capital of the company by 90% by reduction of paid-up capital on each Equity Share and consolidation of 10 partly paid equity shares into 1 equity share as part of its proposal for revival of the company. This will help the company in improving its net worth position and assist in its early revival.

None of the Directors are interested in the resolution.

Your Directors recommend the proposal.

2. The Draft Proposal for rehabilitation of the company formulated by the BIFR envisages further promoter contribution of Rs. 150 lacs towards cost of scheme for revival of the company. The promoters and their associates over the years have extended assistance to the company by way of unsecured loans, aggregate amount outstanding as on 31-3-2013 in respect of which is 291.16. It is proposed that after reduction of Equity Share Capital, the company shall allot Equity Shares at par value by way of preferential allotment in respect and discharge of the unsecured loans of the promoters and their associates and any further contribution made by them under the Rehabilitation Scheme to be Sanctioned by BIFR, subject to the company meeting the guidelines of stock exchanges/ SEBI in respect of minimum public holding. Sec 81 (1A) of the Companies Act, 1956, requires the consent of shareholders of the company by way of special resolution for making preferential allotment of shares.

None of the Directors are interested in the resolution.

Your Directors recommend the proposal.

**BY ORDER OF THE BOARD OF DIRECTOR OF
KANEL INDUSTRIES LTD.**

**PLACE : Ahmedabad
DATE : 2nd September, 2013**

**(Dhiren K. Thakkar)
Chairman & Managing Director**

DIRECTORS' REPORT

To,
The Member,
Kanel Industries Limited.

Dear Shareholders,

Your Directors have pleasure herewith the 21th Audited Report together the audited statement of accounts of the year ended on 31st March, 2013.

FINANCIAL HIGHLIGHTS :

During the financial year period from 1st April, 2012 to 31st March, 2013 of financial year 2012-13 the financial operational result of the company is as follows:

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2013	FOR THE YEAR ENDED ON 31/03/2012
Sales Income	Nil	19,88,454.00
Other Income	16,98,293.00	16,55,917.00
Increase / (Decrease) in stock	Nil	Nil
Total Income	16,98,293.00	36,44,371.00
Total Expenditure	51,73,589.00	60,38,276.00
Profit / (Loss) before Tax	(34,75,296.00)	(23,93,905.00)
Provision for Tax	Nil	Nil
Taxes for Earlier periods	Nil	Nil
Prior Period Extra Ordinary Items (Net)	Nil	Nil
Net Profit / (Loss) after tax	(34,75,296.00)	(23,93,905.00)
Previous Year Debit Balance	(41,34,77,018.00)	(41,10,83,113.00)
Balance Carried to B/S	(41,69,52,314.00)	(41,34,77,018.00)

DIVIDEND :

As your company has incur loss 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 since the company could not meet its liabilities towards its bankers in time, the bankers are not co operating and so company will make 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 had 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. Company however has almost solved most of the complaints related to non receipt of dividend warrants.

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 in advance stages of negotiating a proposal with few industrial groups to make operational the Naroda Plant of the company for the manufacturing, 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. Upon finalization the plant is expected to add the revenue to the company in cash from which the company will be able to meet not only administrative and operational expenses but generate surplus. 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 is applying to sought various reliefs 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.

RELATED PARTY TRANSACTION AS-18 :

The company has been buying raw materials and selling some of the finished products, bye 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 obligations 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 2012-2013 i.e. up to 31.03.2013 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 ck 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 Ahmedabad stock exchange since

2003-04 onwards due to no trading volume recorded on the said stock exchanges. 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. The Company has however already complied with all the clauses of the list agreement with the Bombay stock exchange, However the shares of the Company are currently being traded on BSE.

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 investors 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. Company has also appointed

System Support Services– Mumbai Mumbai as RTA agent of the company.

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE :

Your company is a sick industries company. It had approached BIFR and further a DRS

(Draft rehabilitation scheme) is being prepared for submission with the BIFR for fresh consideration and will be submitted in due course

The chairman of the company is executive managing director; the constitution of the present board is in compliance with the provisions of section 292a and also as per clause 49 of the listing agreement.

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.

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 :

Mr. Vinodbhai K. Pandya retires by rotation at the ensuing Annual General Meeting and being eligible offers him self for re-appointment. Your Directors recommends his re-appointment.

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 31/03/2013 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.

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 2009-10 and is in process to submit 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 transactions 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 from 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 minor 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 upon finalization it will not only add the revenue to the company but also recondition 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. Once the liabilities are crystallized, it will make necessary arrangement for its payment and make necessary provision in the books of account.

(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 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. 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.

(6) NON COMPLIANCE WITH THE ACCOUNTING STANDARD FOR TAXATION AS 22 :

As per Accounting Standard 22 the company is required to create Deferred Tax Liability / Assets each year. However the management is of the opinion that due to huge accumulated losses and until the formal plan for revival / rehabilitation is sanctioned, it is not considered prudent policy to create Deferred Tax liabilities / Assets.

(7) NON PUBLISHING OF QUARTERLY RESULTS :

The company could not declare un-audited / audited results due to certain administrative problems but your management has taken care to publish result on the website of the Company.