

KANEL OIL & EXPORT INDUSTRIES LIMITED.

**19TH
ANNUAL REPORT**

2010-11

KANEL OIL & EXPORT INDUSTRIES LIMITED.

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

NINETEENTH ANNUAL GENERAL MEETING PROGRAMME

DATE : 30TH SEPTMEBER, 2011
DAY : FRIDAY
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.

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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

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:- koeil@yahoo.com

NOTICE

NOTICE is hereby given to the Members of the Kanel Oil & Export Industries Limited that the 19th Annual General Meeting of the Company will be held on Friday 30th September, 2011 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 31/03/2011, 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 Vinodchandra Kalidas 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
KANEL OIL & EXPORT INDUSTIERS LTD.**

PLACE: Ahmadabad

SD/-

DATE: 1st September, 2011

**(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 29/09/2011 to 30/09/2011 (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. Vinodchandra Kalidas Pandya
Age	68
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.	Dharti Proteins Limited

**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 ORDER OF THE BOARD OF DIRECTOR OF
KANEL OIL & EXPORT INDUSTRIES LTD.**

PLACE: Ahmedabad

SD/-

DATE: 1st September, 2011

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

DIRECTORS' REPORT

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

Dear Shareholders,

Your Directors have pleasure herewith the 19th Audited Report together the audited statement of accounts of the year ended on 31st March, 2011.

FINANCIAL HIGHLIGHTS

During the financial year period from 1st April, 2010 to 31st March, 2011 of financial year 2010-11 the financial operational result of the company is as follows:

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2011	FOR THE YEAR ENDED ON 31/03/2010
Sales Income	NIL	NIL
Other Income	4,85,64,787	4,63,559
Increase / (Decrease) in stock	NIL	NIL
Total Income	4,85,64,787	4,63,559
Total Expenditure	42,82,945	47,85,887
Profit / (Loss) before Tax	4,42,81,842	(43,22,328)
Net Profit from Sale of Fixed Assets	NIL	24,164
Provision for Tax	NIL	NIL
Taxes for Earlier periods	NIL	NIL
Prior Period Extra Ordinary Items (Net)	10,043	90,465
Net Profit / (Loss) after tax	4,42,71,799	44,36,957
Previous Year Debit Balance	(45,53,54,911)	(45,09,17,954)
Balance Carried to B/S	(41,10,83,112)	(45,53,54,911)

STATUS ON BIFR APPLICATION :

The company's net worth is completely eroded. The company's is in the preparing a revival and rehabilitation as per BIFR order and submit in due course

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. The Gujarat high court has dismissed the case no 225/03 (with regards to winding up opinion that was forwarded by BIFR) in favour of company by its order dtd 17/01/2011.

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. The company has in this financial year settled the dues of SICOM by way of OTS (One time settlement) and received NO DUE CERTIFICATE from SICOM. Thus company has settled and paid off entire dues of all banks and institutions.

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 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 2011-2012 i.e. up to 31.03.2012 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. The Company has however already complied with all the clauses of the list agreement with the Bombay stock exchange, paid the penalty as demanded by the Bombay stock Exchange. The company has made an application with the Bombay stock Exchange for revocation of trading in the shares of the company , which is under active consideration

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. Dhiren K Thakkar 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 31/03/2011 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) PREPARTION 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 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 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 RETIRE-MENT BENEFITS WHILE PREPARING FINANCIAL STATEMENTS (15).

As the company's plants are not operational round the year and most of the employees are temporary or on contractual basis. Due to these reasons no provisions for retirement benefits are made.

(7)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 polity to create Deferred Tax liabilities / Assets.

(8) 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 and the same are under process.

(9) TRANSFER OF UNPAID / UNCLAIMED DIVIDEND TO INVESTORS' EDUCATION AND PROTECTION FUNDS:

This has been fully explained separately in this report elsewhere under relevant Para.

(10) NON PAYMENT OF CERTAIN DUES:

As the company is a sick unit and it has not enough funds with it so it has defaulted in depositing statutory dues towards Income Tax deducted at source, Professional Tax, Sales Tax, Income Tax and municipal Tax, However dues of provident fund have been cleared, certain municipal tax paid and the company is gradually settling the old dues. At the same time the company as soon as it recovers any amount or any surplus has decided to give top priority to this dues.

(11) Instance of Non-compliance :

The company's listing is under suspension from 03-02-2003 due to penal reason, since company has now complied with all compliances BSE has revoke suspension wide it letter ref no DCS/COMP/OT/TB/211/2010-2011 date 09-08-2011.

OTHER OBSERVATIONS:

Other observations made by the auditors are self explanatory in nature and does not require further clarifications.

FORMULATION OF AUDIT COMMITTEE IN COMPLIANCE WITH THE PROVISIONS OF SECTION 292A OF THE COMPANIES ACT 1956.

The company has formed an audit committee within the organization under the Chairmanship of Mr. Vinodchandra Pandya an independent director. The committee consists of 2 independent directors who are not in any way related or interested with the promoters or the management. The company has also appointed professionals as advisors in this committee. The terms and reference of scope of work for the committee is as per clause 49 of listing agreement on code for corporate governance. Further details are given in complete report of corporate governance in Annexure-A to this report.

Audit committee has been constituted on 8th October 2008 as under Mr. Vinodchandra Pandya Chairman, Mr. Bachubhai Patel & Mr. Dhiren K. Thakkar Member of the committee.

EMPLOYEES:

There are no employees of the company who were in receipt of the remuneration of Rs.24,00,000/- in the aggregate if employed for the year and in receipt of the Monthly remuneration of Rs.2,00,000/- in the aggregate if employed for a part of the year under review. Hence the information required under Section 217 (2A) of the Companies Act, 1956 being not applicable are not given in this report.

STATUTORY INFORMATION:

The statutory information relating to the Conservation of Energy, technology absorption, Adoption, Research and Development, Foreign Exchange Earnings and outgo required to be given as per the provisions of Section 217 (1) (e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given herewith in an Annexure A.

APPRECIATION:

Your Directors take this opportunity to acknowledge the trust reposed in your company by its Shareholders, Bankers and clients. Your Directors also keenly appreciate the dedication & commitment of all our employees, without which the continuing progress of the company would not have been possible.

**BY ORDER OF THE BOARD OF DIRECTOR
OF KANEL OIL AND EXPORT INDUSTIERS LTD.**

PLACE: Ahmedabad

SD/-

DATE: 1st September, 2011

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

ANNEXURE A TO THE DIRECTORS REPORT

INFORMATION UNDER SECTION 217(1)(e) READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF IDRECTORS) RULES 1988.

[A] CONSERVATION OF ENERGY.

(a) Power and Fuel	Current Year Ended on 31/03/2011	Previous Year Ended on 31/03/2010
(1) Electricity		
Purchase Units (KWH in Lacs)	0.00	0.00
Total Amount (Rs. in Lacs)	0.00	0.00
Average Rate per Unit	0.00	0.00
Fuel (Quantity in M.T.)		
Purchase Units (KWH in Lacs)	0.00	0.00
Total Amount (Rs. in Lacs)	0.00	0.00
Average Rate per Unit.	0.00	0.00
(b) Consumption per Unit Production.		
(1) Electricity (KWH – MT / KG)	0.00	0.00
(2) Fuel (MT – KG)	0.00	0.00

NOTES : The company had undertaken job work activity for the entire current year.

[B] RESERCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION.

(A) **RESERCH & DEVELOPMENT:** The Company is constantly making research for the purpose of Reduction of Energy Consumption, achievement of higher yields of production, minimization of wastage, reduce consumption of consumables and cost reduction.

(B) **TECHNOLOGY ABSORPTION:** There have been no major technological developments available in the Oil Industry at the stages of Solvent Extraction, Refining, and Packaging etc. However researches are being made to achieve by products and derivative products.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	Current Year Ended on 31/03/2011	(Rs. In Lacs) Previous Year Ended on 31/03/2010
Total Foreign Exchange Earned	NIL	NIL
Total Foreign Exchange Used	NIL	NIL

BY ORDER OF THE BOARD OF DIRECTOR
OF KANEL OIL AND EXPORT INDUSTIERS LTD.

SD/-

PLACE: Ahmedabad.

DATE: 1st September, 2011

(Dhiren K. Thakkar)
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Your Directors have pleasure in presenting the Management Discussion and Analysis report for the year ended on 31st March 2011.

a. INDUSTRY STRUCTURE, DEVELOPMENT

The agro commodity sector is a key sector for country like India, it being an agricultural dependent country. The government's various policy is helping the agriculture sector growth and the government is determined to take it forward as its is an established fact that if our country has to grow a GDP rate of 8.5% and more, the major contribution has to come from agriculture sector.

b. OPPORTUNITES, THREATS AND RISKS

The agro industry is showing healthy signs of growth. Even though the fluctuation of the raw material price put pressure on the profitability the demand of edible oil is well growing due to increase in population as well as increase in per capital income of the citizens of India. Being an agro sector insufficient and irregularity of monsoon after the availability of timely raw material.

c. SEGMENTWISE PERFORMANCE:

The company operations are broad bifurcated into two segments. Manufacturing and Trading.

d. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY:

The company has adequate internal control system commensurate with the size. The committee reviews the implementation of management policies to ensure that transaction has been accurately recorded and promptly reported.

e. OUTLOOK:

It is expected that demand agro commodities and edible oil is to consistently grow with the increasing population and per capital growth in income. There can be cost cutting on all the luxuries, but company's products, specifically edible oil being item of daily consumption, the demand will keep on growing as even in worse time consumption of food items of daily requirement doesn't go down.

f. HUMAN RESOURCES & INDUSTRIAL RELATION:

The company has harmonious Industrial relation. There is continuous emphasis on development of human resources through training. The issues pertaining to workers are resolved in harmonious and cordial manner.

CORPORATE GOVERNANCE REPORT**(1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

The company's continued endeavor is to achieve good governance, by way of constant efforts whereby ensuring the transparency, accountability and responsibility in our dealing with employees, shareholders, consumers and community at large. The Board of Directors represents the interest of the company by way of providing necessary guidance and strategic vision to the company.

(2) BOARD OF DIRECTORS

The composition of the Board, Category of Directors and Number of Directorship & Membership / Chairmanship of Committees in other Companies are as under:

Name of Director	Category	Remuneration received during the year under review	No. Of Outside Directorship (s) Held		No. Of Outside Committee Position Held	
			Public	Private	Member	Chairman
Mr. Dhiren K Thakkar	Chairman & Managing Director	NIL	1	4	2	NIL
Mr. Vinodchandra K. Pandya	Independent Director	NIL	1	NIL	2	2
Mr. Bachubhai K. Patel	Independent Director	NIL	1	NIL	2	NIL

The code stipulates that the Company shall have an optimum combination of Executive & Non-executive Director with not less than 50 % of Board of Directors comprising of Non-executive Directors. The number of independent Directors would depend on whether the Chairman is executive or non-executive. In case of non-executive chairman, at least 1/3 of Board should comprise of independent directors and in case of Executive Chairman, at least 1/2 of the Board should comprise of independent directors.

The Company has been complying with both the provisions towards number of non-executive directors as well as Independent Directors.

Number of Board Meetings:

During the year under review, 6 Board Meeting were held on, 30th April, 2010, 31st July, 2010, 27th August, 2010, 8th October 2010, 31st Oct, 2010 and 31st January, 2011

Directors Attendance Record

Name of Director	Category	Board Meeting attended during the year	Whether last AGM attended
Mr. Dhiren K Thakkar	Chairman & Managing Director	6	Yes
Mr. Bachubhai K. Patel	Independent Director	6	Yes
Mr. Vinodchandra K Pandya	Independent Director	6	Yes

None of the Directors of the Company are members of more than Ten Committees of Board or the Chairman of more than Five Committees across all Companies in which they are Directors.

The details of other Committee Chairmanship and Membership held by the Directors of the Company as at 31st March 2011 are given below:

Name of the Director	Chairman of Committee	Member of Committee
Mr. Dhiren K Thakkar	Nil	2
Mr. Vinodchandra K Pandya	2	Nil
Mr. Bachubhai K. Patel	Nil	2

Only two committees, namely, Audit Committee and Shareholder/Investor Grievance Committee have been considered as per Clause 49 of the Listing Agreement.

(3) AUDIT COMMITTEE

The Board of Directors of the Company has constituted an Audit Committee. The terms of reference to the Audit Committee cover the matters specified under Clause 49 of the Listing Agreement as well as Section 292 A of the Companies Act 1956.

Presently, the committee consists of 3 Directors; all directors are majority of them being independent. The committees met 6 times during the year under review on 30th April, 2010, 31st July, 2010, 27th August, 2010, 8th October 2010, 31st Oct, 2010 and 31st January, 2011

The terms of reference of the Audit Committee include, overseeing of the Company's financial reporting process, recommending the appointment and removal of the external auditors, fixation of the audit fees with management, the annual financial statements, the adequacy of internal control systems, internal audit function, reviewing the company's financial and risk management policies, review of the expenses vis-à-vis budget, report on compliances with statutory requirements, reviewing compliances as regards the Company's Whistle Blower Policy etc. The audit committee reviews the adequacy of internal control systems etc. as mentioned in the scope and powers of the Audit Committee in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The minutes of the Audit Committee are circulated to the Board, discussed and taken note of at the Board Meeting.

The attendance record of the members at the meeting is as under.

Name of Director	No. Of Meeting Attended
Mr. Vinodchandra Pandya	6
Mr. Bachubhai Patel	6
Mr. Dhiren K. Thakkar	6

(4) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Board of Directors of Company has constituted Shareholders / Investors Grievance Committee. Presently, the Committee consists of 3 Directors & Chairman of the Committee is non-executive director. The Committee met 2 times during the year under review on The committees met 6 times during the year under review on 30th April, 2010, 31st July, 2010, 27th August, 2010, 8th October 2010, 31st Oct, 2010 and 31st January, 2011. The attendance record of the members at the meeting is as under:

Name of Director	No. of Meeting Attended
Mr. Vinodchandra Pandya	6
Mr. Bachubhai Patel	6
Mr. Dhiren K. Thakkar	6

In order to facilitate prompt and efficient services to the Shareholders, for transactions in connections with transfer, transmission, dematerialization etc. Company has appointed M/S System Support Services as Registrar & Share Transfer Agent as per the circular issued by the SEBI.

The Company has not received any complaints during the year.

(5) EMUNERATION COMMITTEE AND POLICY:

The Board of Directors has constituted a Remuneration Committee, to determine the remuneration payable to the Managing Director & Executive Directors taking into account their qualification, experience, contribution and the prevailing levels of remuneration in companies of corresponding size & nature. Presently the Company is not paying any remuneration to any of its directors.

The Details of payment of Directors during the year are given below:

Name	Sitting Fees for attending Board Meeting & Committee Meeting * Rs.
Mr. Dhiren K Thakkar	Rs. Nil
Mr. Vinodchandra K Pandya	Rs. Nil
Mr. Bachubhai K. Patel	Rs. Nil

* The company has not paid sitting fees in the financial year 2010-2011 to any of the non - executive directors.

(6) GENERAL BODY MEETING

(a) Details of last three Annual General Meeting are as under:

1. September 30, 2010. 203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad – 380 006.
2. September 30, 2009. 203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad – 380 006.
3. September 30, 2008. 203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad – 380 006.

(b) Postal Ballot:

During the year no resolution was put through postal ballot and neither during the current year any resolution is proposed to be conducted through postal ballot.

(c) Special Resolution:

Financial Year	Date of Meeting	No. of Special Resolution passed
2009-2010	30.9.2010	Nil
2008-2009	30.9.2009	Yes
2007-2008	30.9.2008	Nil

(7) DISCLOSURES

- a) Disclosure on materially significant related party transaction i.e. transaction of the Company of the material nature, with the promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

As per Note 14 of Schedule 19 – Notes on Accounts.

- b) Details of non-compliance by the company, penalties and strictures imposed on the Company by stock Exchange or SEBI or other authority on any matter related to capital markets during last three years:

Nil

c) Code of Conduct

The Board has laid down a code of conduct for all the Board Members and senior Management of the company. All the Board Members and Senior Management Personnel have affirmed compliance with the Code on an annual basis.

d) Whistle Blower Policy

The Company does not have any Whistle Blower Policy as of now but no personnel are being denied any access to the Audit Committee.

e) Secretarial Audit

A qualified practicing Company Secretary has carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

f) Details of Companies with mandatory requirements and adoption of the non - mandatory requirements of this clause :

The Company has complied with all the mandatory requirements. As regards the non - mandatory requirements they are complied with to the maximum extent.

g) CEO CERTIFICATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFD certification.

(8) MEANS OF COMMUNICATION

Half yearly report sent to each household of shareholders.	No,
Quarterly Results	No,
Any website where displayed	We are in the process of developing on company's website
Newspaper in which results are normally published in	—
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

Pursuant to the requirement of Clause 47 (F) of the Listing Agreement, the company has also created email address for making investor's grievance directly i.e. koeil@yahoo.com.

As per Clause 41 of Listing Agreement of Stock Exchanges the Quarterly (un-audited provisional) and Annual Audited Financial Results of the Company are sent to the Stock Exchanges immediately after the Board approves them. The results are published in accordance with the provisions of Listing Agreement with Stock Exchanges.

DIRECTORS PRESENT AT THE LAST ANNUAL GENERAL MEETING DATED SEPTEMBER 30, 2010.

1. Shri Dhiren K. Thakkar Chairman & Managing Director
2. Shri Bachubhai K. Patel Independent Director
3. Shri Vinodbhai K. Pandya Independent Director

OTHER DETAILS :

BOOK CLOSURE DATE	: September 29, 2011 To September 30, 2011. (Both days inclusive)
REGISTRAR AND SHARE TRANSFER AGENT	: System Support Services 209, Shivai Industrial Estate, 89, Andheri – Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072.
ISIN NUMBER OF THE COMPANY	: INE 252 C 01015.
Audited Balance Sheet as on 31/03/2011 Signed by Directors & Auditors on Dividend Payment Programme	1 st September, 2011 : No Dividend is recommend for the year
DEMATRIALSATION OF SECURITIES	: Total Demat Shares 5438308 Representing 29.54% of total Equity Shares 12974132 Shares held in physical from Representing 70.46% of total Equity Shares.
DETAILED PROGRAMME OF THE 19 TH ANNUAL GENERAL MEETING	: Date: 30 th September, 2011 Day : Friday Time: 10.00 A.M. Venue: 203, 2 nd Floor, Abhijeet – 1, Mithakhali Six Roads, Ahmedabad – 380 006

LISTING DETAILS

: Equity Shares of the Company are Listed on following exchanges

The Stock Exchange, Ahmedabad.
The Stock Exchange, Mumbai
The Stock Exchange, Calcutta
The Stock Exchange, Jaipur

STOCK EXCHANGE CODE

: ASE Code: 29590
BSE Code: 500236

Market Quotations and Number of Shares traded during the financial year ended on 31/03/2011

The trading platform of the Stock Exchange Ahmedabad, Calcutta & Jaipur was inactive during the year. The Trading in stock of the company is suspended by the stock exchange Mumbai.. However the BSE listing committee has revoked suspension from trading in shares of the company, vide its letter ref no DCS/COMP/OT/TB/211/2010/2011 Dated 9th August 2011. Hence, no price of stocks and trading volume are available and hence not given herewith.

As the company's shares are not forming part of any index of Stock Exchange, No Index wise price movement of shares are given herewith as the same is irrelevant.

CATEGORY WISE HOLDING OF SHARES (AS ON 31/03/11)

Category	No. of shares held	% of Holding
Promoters / Directors / PACs	4718770	25.628
Body Corporate shareholders	1738218	9.440
Public Shareholders	11952852	64.917
NIRs / FII's / OCBs etc	2600	0.014
Total	18412440	100.000

Distribution of Shareholding as on 31st March 2011 was as under:

Holding of nominal value of Rs. (No. of Shares)	No. of Share Holders	%	No. of Shares	%
Up to 5000	25411	93.40	3,92,74,110	21.33
5001 to 10000	1290	4.74	1,02,52,500	5.57
10001 to 20000	291	1.07	43,58,000	2.37
20001 to 30000	56	0.21	14,04,100	0.76
30001 to 40000	35	0.13	12,69,000	0.69
40001 to 50000	24	0.09	10,97,000	0.60
50001 to 100000	31	0.11	21,38,990	1.15
100000 & Above	69	0.25	12,43,30,700	67.53
Total	27207	100.00	18,41,24,400	100.00

**ANNUAL DECLARATION BY director PURSUANT TO CLAUSE 49 (i) (d) (ii) OF THE
LISTING AGREEMENT**

I Dhiren K Thakkar As the Director of Kanel Oil and Export Industries limited as required by Clause 49 (i) (d) (ii) of the Listing Agreement, I, Dhiren K Thakkar As the Director, hereby declare that all the Board Members and the Senior Management personnel of the Company have affirmed Compliance with the Company's Code of Business Conduct and Ethics, for the Financial Year 2010-2011

**BY ORDER OF THE BOARD OF DIRECTOR OF
KANEL OIL & EXPORT INDUSTIERS LTD.**

Date: 1st September, 2011

DHIREN K. THAKKAR

Place: Ahmadabad

CHAIRMAN & MANAGING DIRECTOR

CEO / CFO CERTIFICATE

I, Dhiren K Thakkar as the Director of Kanel Oil and Export Industries Limited to the best of our knowledge and belief certify that:

I have reviewed the balance sheet and profit and loss account and all its schedules and notes to accounts, as well as the cash flow statement.

Based on my knowledge, information and belief, these statements do not contain any untrue statement of a material fact or omit to state a material fact that might be misleading with respect to the statements made.

Based on my knowledge, information and belief, the financial statements and other financial information included in this report present a true and fair view of the company's affairs for the period presented in this report and are in compliance with the existing accounting standards, applicable laws and regulations and full explanation has been given for any material departure in compliance of Accounting Standards.

To the best of my knowledge, information and belief, no transactions entered into by the company during the year are fraudulent, illegal or volatile of the Company's Code of Conduct.

I am responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting.

I have disclosed, based on their most recent evaluation, wherever applicable, to the Company's Auditors and the Audit Committee of the Company's Board of Directors all significant deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps taken or proposed to be to rectify the deficiencies;

I have indicated to the Auditors and the Audit Committee:

- a) Significant changes in the Company's internal control over the financial reporting during the year;
- b) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements
- c) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control system over financial reporting.

Date: 1st September, 2011

Place: Ahmedabad

DHIREN K. THAKKAR

CHAIRMAN & MANAGING DIRECTOR

Shah Dinesh Dahyalal & Associates Chartered Accountants

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kanel Oil and Export Industries limited

We have examined the compliance of the conditions of corporate governance by Kanel Oil and Export Industries limited for the year ended on 31st March, 2011 as stipulated in clause 49 of the listing agreement of the said company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the Compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the management we certify that the company has complied with the conditions of the listing agreement as stipulated by the above mentioned Listing agreement. *But however during the year no Company Secretary and hence the constitution of the audit committee and other committees as required by Clause 49 of the Listing agreement is subject to this fact.* We state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by Investors/ Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness, with which the management has conducted the affairs of the company,

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Date: 1st September, 2011
Place: Ahmedabad.

(Mr. Shah Dinesh D.)

PRORIETOR
M.SHIP NO. 106871

**AUDITORS' REPORT TO THE MEMBERS OF
KANEL OIL & EXPORT INDUSTRIES LIMITED**

- 01 We have audited the attached Balance Sheet of Kanel Oil & Export Industries Ltd. As at March 31, 2011, Profit & Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 02 We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 03 As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
- 04 Further to our comments in the Annexure referred to above, we comment that:
- a. The winding-up opinion forwarded by BIFR to the honorable Gujarat High-Court and registered as Case No. 225/03. The matter has been disposed off by the honorable high court by order dtd.17/01/2011.
 - b. Delhi High Court has remanded back the company to BIFR in its pending appeal on 19th January, 2010 and there after in the next hearing held on 29/04/2010, after Financial Year end and as per the order of the Honorable Delhi High-court, BIFR had appointed IDBI as OA to inspect the unit and submit the report thereon. Status report from the IDBI is awaited.
 - c. *The company has not complied with the requirements under clause 49 of the listing agreement with SEBI on Corporate Governance. In absence of management's report on Corporate Governance, we have not certified the same.*
 - d. *Dividend declared in year 1995, 1996, 1997 and 1998 and remained unclaimed are due for transfer to Investors Education and Protection Fund under the provisions of Sec 205C of the Companies Act, 1956. It has been informed by the management that details for unclaimed dividend are not provided by the nominated bank, SBS , Industrial finance Branch, Ellisbridge, Ahmedabad. In absence of proper records and supporting evidences, we could not quantify the amount not transferred as required by the law and its compliance.*

- e. *Granting Loans of Rs.13.64 Lacs [including Rs. 6.14 lacs to sister concerns] in the earlier years, which are interest free and without any repayment terms, and outstanding as at the year end amounting to Rs.13.64 Lacs [Previous year Rs. 13.64 Lacs] , which in our opinion, are prejudicial to the interest of the Company.*
- f. *The Company has taken inter corporate loan of Rs 49.15 Lacs and unsecured loans from related parties/firms of Rs. 4.68 lacs during the financial year under audit. The Closing Balance at the year end are Rs. 628.64 Lacs in case of inter corporate loans and Rs.103.52 lacs for related parties and firms.*

Out of total Inter Corporate Loans as above, the Company has taken Mortgage Loan of Rs. 5 Crore from Adani Enterprises Ltd. We are not provided any formal Loan Agreement copy except Mortgage Deed. No interest is provided on such Loans. we are unable to comment upon non provision of interest, repayment schedule etc. in absence of any formal agreement with the companies and parties.

- g. *Company has not made provision for doubtful Debtors of Rs 112.28 Lacs and advance recoverable in Cash or in Kind of Rs. 13.64 lacs, to that extent, Current Assets and current years profit have been overstated and accumulated losses have been understated.*
- h. *The Company has not filed I Tax Return for the F Y 2009-10, in absence of proper records to arrive at Income Tax liability or its status, we are unable to comment upon the Non provision of Income tax and its liabilities for earlier years as well as the year under audit.*
- i. *The Company has not deducted TDS from Professional fees paid / credited on sum of Rs.667060/- during the financial year under audit. TDS for earlier years are also not deducted and paid during the year under Audit.*
- j. *Internal Control system needs to be strengthen for recovery of outstanding dues and high cash transactions*
- k. *Bank Balance certificate or Bank Statements for various banks including No lien accounts with banks showing total balance of Rs. 90.41 Lacs are not available with the company. Management is of opinion that banks are not providing such required bank statements or certificates hence all accounts are carried forward showing bank balance. It is also not clarified that whether these bank balances in No-lien accounts are receivable by the company since all respective banks debts have been settled under OTS in earlier years. In absence of such documents and clarifications, we could not comment upon the genuineness of balance with banks and as per our opinion, current assets are over valued to the extent of this amount.[Read with Notes No.5]*

1. *In addition to our observation in clause (a) to (l) above, the Naroda Unit has been inoperative since last fourteen years. There is no Trading or Manufacturing activities during the year under audit. The majority Financial indicators and operating indicators remained negative and to the date of Audit report and in absence of formal developments for financial support, there is substantial doubt that it will be able to continue as a going concern even though the books of accounts of the Company has been prepared on the assumption of a Going Concern basis. In this situation, adjustments may be required to the recorded assets amounts at current value and classification of liabilities is required. The financial statements do not disclose this fact.*

05 Further to our comments in the annexure referred to in paragraph 3 above, we report as follows:

- a. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit *except certain non receipt of confirmation of balances in respect of loans and Advances, Deposits, Debtors and Creditors, Banks and Financial Institutions. [Read with Notes No.6] and certain documents and records in relation areas of non-compliance as mentioned in para (a) to (m) above.*
- b. In our opinion proper books of accounts as required by the law have been kept by the Company so far as appears from our examination of the books of accounts.
- c. The Balance sheet, Profit and Loss Accounts and the Cash Flow statements dealt with by this report are in agreement with the books of accounts.

In our opinion, Balance Sheet, Profit and Loss accounts and Cash Flow statements have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except non compliance are as follows.

- 1 *Company has not complied with AS 15 – Accounting for Retirement benefits while preparing financial statements [Read with note no. G]*
- 2 *The Company has not published Audited / un-audited quarterly results during the year under audit.*
- 3 *The Company has not complied with AS 28, introduced w.e.f. 1st April, 2004 while preparing the financial statements. The Management have not assessed technically the Plant and Machineries at Naroda Unit to decide about its impairment or carrying Value. The carrying amount of the assets was not reviewed for indication of impairment of assets on basis of internal / external factors. Plant at Naroda Division has been inoperative for fourteen years. Plant & Machinery of book value of Rs.28.67 lacs has not been written off to the extent to come down to its carry value. Loss for the year has been under stated to the extent of book value of plant and machinery balance not written off.*
- 4 *Entries for Deferred Tax Assets / Deferred Tax Liabilities are not passed in the books of accounts, in absence of proper working and database from the management, we could not quantify the non provision for DTA /DTL.*

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the schedules and notes there on and give the information required by the Companies Act, 1956 in the manner so required and subject to

On the basis of written representation received from the Directors as on March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of the Section 274 of the Companies Act, 1956.

In our opinion, subject to the omission of the information dealt with in the report and all our remarks above, The financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011,
- In the case of Profit and Loss Account, of the Profit for the year ended on that date and
- In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For,

SHAH DINESH DAHYALAL & ASSOCIATES
Chartered Accountants

Shah Dinesh D.
Proprietor

MEMBERSHIP NO. 106871

FIRM REGISTRATION NO. 120362W

Place : Ahmedabad

Date : 01/09/2011

**ANNEXURE TO THE AUDITORS' REPORT
OF KANEL OIL & EXPORT INDUSTRIES LTD.
ANNEXURE**

Referred to in paragraph 3 of our report of even date.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) During the year, fixed assets of the Company have been physically verified by the Management and no material discrepancies were noticed. The management decided to implement program of regular physical verification of all fixed assets at least once in a two year, which in our opinion, is reasonable, having regard to the size of Company and the nature of the Fixed Assets.

(c) *During the year under audit, the company has not sold substantial part of the fixed assets but Naroda Unit is inoperative since last many years and in a situation of majority negative financial as well as operational indicators, the going concern concept is affected [read with point no. 4(m) of our main audit report]*
 2. (a) There is no commercial transaction of sales or purchase and there were no opening stock, hence this clause No. (a), (b) and (c) are not applicable.
 3. (I) In respect of Loans Secured or Un-secured granted by the company to companies , firms or other parties covered in register maintained U/S 301 of the Companies Act, 1956, according to the information and explanation given to us

(a) During the year, the company has not granted any loans to any parties referred above, however, *at the year end, the outstanding balance of such loans granted in earlier years, amounted to Rs. 6.14 Lacs and maximum balance outstanding during the year amounted to Rs. 6.14 Lacs.*

(b) *Above referred loans are interest free and does not carry any other terms and conditions and as such the Loans, in our opinion, are prejudicial to the interest of the company.*

(c) *During the year, there have been no recovery towards interest and principal. In absence of any other terms, we are unable to comment on the regularity of repayment of principal and payment of interest.*

(d) Based on our observation of the loans account over the years and according to the information available to us, we are of the opinion that *the entire loan amount is overdue.*
- We further state that the steps taken by the management for recovery of principal amount with interest if any, need to be intensified.
- (e)The Company has taken Unsecured loans from parties covered in the register maintained U/s 301 of the Companies Act., 1956. Details are as follows.

Sr. No.	Name of Party / Person	Relation ship With Company	Amount Rs.	Year End Balance	Mode of Receipt
01	T.J.R. Sons Ltd.	Group Co.	5493100	9039810 Cr.	Cheque & Journal entries
02	Dhiren K Thakkar	Director	467500	2792132 Cr	Cheque

(f) Above referred loans are interest free and does not carry any other terms and conditions, in our opinion, they are not prejudicial to the interest of the company.

(g) During the year, there have been a repayment towards principal. No interest is provided on any loan account. In absence of proper loan agreement and any other terms and conditions on which loan taken, we are unable to comment on the regularity of repayment of principal and payment of interest.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company, the nature of its business and taking into consideration of overall business volume during the year with regard to manufacturing activities, purchases of raw materials, inventory, fixed assets and with regard to the business activities. On basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures *except the high cash transactions during the year, high Cash on Hand on many dates and at the end of year, balance confirmation from parties, Banks, ESIC / PF departments, non verification of Fixed Assets periodically and very slow debtors recovery. Internal controls should be strengthen in such sensitive area.*
5. (a) *Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 have been not so entered.*
- (b) *There are no transactions [other than as reported under paragraph 3 (I)(a) and para 5 above]which are in excess of Rs. 5 Lacs in respect of any party, subject to our inability to express our opinion as mentioned in para 4 (d) of our main Audit Report.*
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from public with in the meaning of Sec. 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 made there under.
7. The company has no Internal Audit system during the year under Audit.

8. According to the information and explanation given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for any of the products of the company.
9. (a) According to the information and explanations given to us, *the Company has not been regular* in depositing undisputed statutory dues towards Employees' State Insurance, TDS, Professional Tax, Sales Tax, Income Tax and Municipal Tax during the Financial Year and of earlier years outstanding balance.

The undisputed dues which are outstanding for more than six months as at the Balance Sheet date from the date they became payable were as follows.

SR. NO.	NATURE OF DUE	AMOUNT OUTSTANDING AS ON 31/03/2011 [Rs. In Lacs] For more than 6 months due already And
01	Income Tax	* 98.10
02	TDS Payable	1.05
03	Sales Tax	17.53
04	E.S.I.C.	0.56
05	FBT tax	0.06
06	Professional Tax	0.34

[TDS is not deducted during the year at the time of payment or credit to the parties and not paid to the Cent. Govt. such details are not included in above figures. ESI and Professional Tax are not paid during the year under audit and the company is not providing for interest accrued on above all amounts payable. In absence of required statutory records to ascertain the total amount relating to Interest thereon, the above amount does not includes the interest and penalty portion. In absence of Sales Tax Return copy and non filing of Sales tax Returns for the F Y 2007-08 and onwards and in absence of formal details and documents relating to present status, we cant quantify the liabilities relating to tax as well as of Interest and penalty also.]

* Amount due as per demand notice served by the Income Tax department is Rs.136.37 Lacs for the various assessment years. It was explained by the management that difference is not reconciled and not provided in books of account.

- (b) According to the information and explanation given to us by the management of the Company, there are no dues of Sales Tax and Income Tax which have not been deposited on account of any dispute except as mentioned in clause "a" above and as mentioned below.. *We further reports that quantum of liability towards TDS payment is not worked out since the Company has not complied with the provisions of Income Tax Act to the extent and no amount provided for. Below details does not includes such liability. We are further informed that during the F Y 2010-11, Management informed that there were no further Income Tax Order, Notice or other developments during the year under audit and there were no further developments in cases pending with Sales tax authority.*

SR.	NATURE OF DUES	AMOUNT [Rs. In Lacs]	FORUM WHERE DISPUTE IS PENDING
01	Sales Tax	274.63	The Matter is remanded back to Asst. Comm. Of Sales tax. [A Y 1998-99]
02	Sales Tax	245.92	Pending with the Appellate tribunal of Sales Tax [A.Y. 1997-98]
03	Sales Tax	24.30	Appeal Pending with Jt. Commercial Tax Commissioner, Appeal Division-1 [AY 1999-2000]
04	Sales Tax	6.14	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [AY 2000-01]
05	Sales Tax	2.88	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [AY 2000-01]
06	Municipal Tax	12.62	Ahmedabad Municipal Corporation [dues upto October, 2004]

[above details are based on records made available to us for the verification only.]

10. In our opinion, the accumulated losses of the Company have exceeded fifty percent of the net worth as at the end of the financial year 2010-11. The Company has incurred Cash Losses of Rs. 1.42 Crores during the financial year under audit and the company had incurred cash losses of Rs. 1.58 lacs the immediately preceding financial year.

In our opinion and according to the information and explanation given to us, we are of the opinion that the Company repaid its dues under OTS and got no due certificate from the parties. Further *the Company has taken secured Loans from the Company of Rs. 5 Crore in June, 2008. There is no repayment towards principal or Interest. Management had not provided us copy of agreement containing terms and conditions for repayment and interest charges. In absence of the same, we could not comment on repayment schedule or default status.*

11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion, the Company is not a chit fund, nidhi, mutual benefit fund of society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable the Company.
13. In our opinion, the Company is not dealing in or trading in shares, securities, debenture and other investments. During the year under audit, the company has done transactions with Commodity market for Castor and there is NIL position on 31st March, 2011.

14. In our opinion and according to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year as per the information given by the management and available records made available for our verification.
15. In our opinion, no term loans were availed by the Company during the financial year except unsecured loans taken from directors related firms and their relatives as reported in Point No. 3(e).
16. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment and No long-term funds have been used to finance short-term assets except core (permanent) working capital during the year under Audit.
17. Based on our examination of records and information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
18. During the year covered by our audit report, the company has not issued any debentures.
19. The Company has not raised any money by public issue during the year.
20. according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For,

SHAH DINESH DAHYALAL & ASSOCIATES
Chartered Accountants

Shah Dinesh D.
Proprietor

MEMBERSHIP NO. 106871
FIRM REGISTRATION NO. 120362W

Place : Ahmedabad
Date : 01/09/2011

KANEL OIL & EXPORT INDUSTRIES LTD.

BALANCE SHEET AS AT 31.03.2011

PARTICULARS	SCH NO.	AS AT 31 ST MARCH - 2011	AS AT 31 ST MARCH - 2010
I. SOURCES OF FUNDS:			
1. SHARE HOLDERS' FUND:			
(a) Share Capital	A	184,124,400	184,124,400
(b) Reserves & Surplus	B	194,859,100	194,859,100
2. LOAN FUNDS:			
(a) Secured Loans	C	50,000,000	103,890,884
(b) Unsecured Loans	D	23,216,075	17,844,993
TOTAL		452,199,575	500,719,377
II. APPLICATION OF FUNDS:			
1. FIXED ASSETS:			
(a) Gross Block	E	51,619,895	51,596,895
(b) Less: Depreciation		36,634,687	35,307,358
Net Block		14,985,208	16,289,537
2. INVESTMENTS	F	20,000	20,000
3. CURRENT ASSETS, LOANS & ADVANCES:			
(a) Inventories	G	-	-
(b) Sundry Debtors	H	43,803,038	44,203,038
(c) Cash & Bank Balances	I	9,313,018	9,221,723
(d) Loans & Advances	J	4,560,720	4,604,720
(A)		57,676,776	58,029,481
Less: Current Liabilities & Provisions:			
(a) Current Liabilities (B)	K	31,565,521	28,974,552
NET CURRENT ASSETS (A-B)		26,111,255	29,054,929
4. PROFIT & LOSS A/C		411,083,112	455,354,911
TOTAL		452,199,575	500,719,377
Significant Accounting Policies and Notes Forming integral part to Accounts	S		

As per our report of even date

For and On behalf of

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Shah Dinesh D.
[Proprietor]
M.No. 106871
Firm Regi. No. 120362W
Place : Ahmedabad
Date : 01.09.2011

For and on behalf of the Board of Directors of
Kanel Oil & Export Industries Ltd.

Dhiren Thakkar Vinodbhai Pandya
(Managing Director) (Director)

Place : Ahmedabad
Date : 01.09.2011

KANEL OIL & EXPORT INDUSTRIES LTD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
ON 31 ST MARCH 2011

PARTICULARS	SCH. NO.	FOR THE YEAR ENDED 31 ST MARCH - 2011	FOR THE YEAR ENDED 31 ST MARCH - 2010
<u>I. INCOME</u>			
SALES	L	-	-
OTHER INCOME	M	48,564,787	463,559
INCREASE/(DECREASE) IN STOCK	N	-	-
		48,564,787	463,559
<u>II. EXPENDITURE</u>			
PROCESSING & OTHER EXPENSES	O	23,177	2,028
ADMINISTRATIVE EXPENSES	P	2,891,979	3,241,234
FINANCIAL CHARGES	Q	40,460	29,668
DEPRECIATION		1,327,329	1,512,957
TOTAL....		4,282,945	4,785,887
III. PROFIT/(LOSS) BEFORE TAX		44,281,842	4,322,328
Add :- Net Profit [Loss] from Sales of Fixed Assets	R	-	24,164
IV. PROVISION FOR TAX		-	-
TAXES FOR THE EARLIER PERIODS		-	-
		44,281,842	4,346,492
V. PRIOR PERIOD/EXTRA ORDINARY ITEMS (NET)		10,043	90,465
VI. PROFIT/(LOSS) AFTER TAX		44,271,799	4,436,957
VII. LAST YEAR DEBIT BALANCE		- 455,354,911	- 450,917,954
		- 411,083,112	- 455,354,911
<u>APPROPRIATION:</u>			
VIII. DEBIT BALANCE CARRIED TO BALANCE SHEET		- 411,083,112	- 455,354,911
Significant Accounting Policies and Notes Forming integral parts to Accounts	S		

As per our report of even date

For and On behalf of

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Shah Dinesh D.

[Proprietor]

M.No. 106871

Firm Regi. No. 120362W

Place : Ahmedabad

Date : 01.09.2011

For and on behalf of the Board of Directors of
Kanel Oil & Export Industries Ltd.Dhiren Thakkar Vinodbhai Pandya
(Managing Director) (Director)

Place : Ahmedabad

Date : 01.09.2011

KANDEL OIL & EXPORT INDUSTRIES LTD.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : (A) SHARE CAPITAL		
AUTHORISED SHARE CAPITAL		
2,00,00,000 equity shares of Rs.10/- each Fully Paid	200,000,000	200,000,000
ISSUED SUBSCRIBED AND PAID UP SHARE CAPITAL		
1,84,12,440 Equity Shares of Rs. 10/- each Fully Paid up	184,124,400	184,124,400
	184,124,400	184,124,400
SCHEDULE: (B) RESERVES & SURPLUS		
General Reserve	8,500,000	8,500,000
Share Premium	177,000,000	177,000,000
Capital Reserve	9,359,100	9,359,100
	194,859,100	194,859,100
SCHEDULE : (C) SECURED LOANS *		
SICOM Ltd. 1	-	30,000,000
Adani Enterprises Ltd 2	50,000,000	50,000,000
Interest Accrued and Due But not Paid	-	23,890,884
	50,000,000	103,890,884
SCHEDULE : (D) UNSECURED LOANS *		
Overdraft		
Kotak Mahindra Bank Ltd.	-	11,518
Deposits form Directors, Relatives & Related Firms		
TJR Finance Ltd.	2,664,500	2,664,500
Dhiren K Thakkar	2,792,132	2,324,632
Hitesh K Thakkar	59,633	59,633
TJR Sons Ltd.	9,039,810	4,124,710
Kanaiyalal J Thakkar HUF	7,500,000	7,500,000
Intercorporation Loan from		
Aaryavart Commodities P. Ltd.	-	-
Vishal Export Overseas Ltd.	1,160,000	1,160,000
	23,216,075	17,844,993

Note No. 1

NIL [Secured by way of pledge shares of promoters and their friend and relatives including personal gaurantee of two directors of the company.]

In absence of sanction letters of the above secured loans, the above information has been complied on the basis of the details available.

Note No. 2

Secured by way of a charges on present immovable properties of the company at Office premise House and Abhijeet - 1 and Plot No. 213, 214/2 and 214/3 GIDC, Naroda, Ahmedabad and Im Properties of Promoter, Director and relatives of Director.

In absence of sanction letters of the above secured loans, the above information has been complied basis of the details available.

KANEL OIL AND EXPORT INDUSTRIES LIMITED

SCHEDULE : (E) FIXED ASSETS

Particulars of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2010	Addition During the year	Deductions During the year	As on 31.03.2011	Up to 31.03.2010	Provided For the Year	Adjustment for Ded./Sales	As on 31.03.2011	As at 31.03.2011	As at 31.03.2010
LAND	3,797,183	-	-	3,797,183	-	-	-	-	3,797,183	3,797,183
FACTORY BUILDING	17,777,122	-	-	17,777,122	12,043,933	573,319	-	12,617,252	5,159,870	6,370,210
OFFICE BLDG. (NARODA)	1,125,000	-	-	1,125,000	576,536	27,423	-	603,959	521,041	577,331
OFFICE BLDG.	3,283,230	-	-	3,283,230	1,333,814	97,471	-	1,431,285	1,851,945	2,052,017
ELECTRIC INSTALLATION	-	-	-	-	-	-	-	-	-	1,181
OFFICE EQUIPMENT	1,365,812	23,000	-	1,388,812	1,171,538	32,512	-	1,204,050	184,762	279,499
PLANT & MACHINERY	17,984,436	-	-	17,984,436	14,654,505	463,194	-	15,117,699	2,866,737	3,867,965
FURNITURE & FIXTURE	6,264,112	-	-	6,264,112	5,527,032	133,410	-	5,660,442	603,670	899,975
TOTAL	1,596,895	-	-	51,619,895	35,307,358	1,327,329		36,634,687	14,985,208	16,289,537
Previous Year Figures	1,684,570	-	87,676	51,596,895	33,839,211	1,512,957	-	35,307,358	16,289,537	17,845,361

PARTICULARS	AS AT 31-Mar-11	AS AT 31-Mar-10
	MARCH - 2011	MARCH - 2010
SCHEDULE : (F) INVESTMENTS		
Investment in Government Securities - (At Cost)		
National Saving Certificates(Lying with Government departments)	15,000	15,000
Ahmedabad Comm. Exchange Ltd. - Shares	5,000	5,000
	20,000	20,000
SCHEDULE : (G) INVENTORIES		
(As taken, valued and certified by the Management)		
1. Raw material, Finished Goods & Others	-	-
	-	-
SCHEDULE : (H) SUNDRY DEBTORS		
(Unsecured and Considered good unless otherwise stated and certified by the Management)		
(I) Debts outstanding for a period exceeding six months	43,803,038	44,203,038
(ii) Other Debts	-	-
	43,803,038	44,203,038
SCHEDULE : (I) CASH & BANK BALANCES		
1. Cash on hand	253,223	60,480
2. Bank balances with Scheduled Banks (In Current Accounts, F.D. Account and No lien Accounts)	9,059,795	9,161,243
	9,313,018	9,221,723
SCHEDULE : (J) LOANS & ADVANCES		
(Unsecured, and considered good unless otherwise stated)		
1. Deposits with Government Departments & others	610,162	609,163
2. Income tax , T.D.S. and Sales Tax	2,174,754	2,174,754
3. Advances Recoverable in cash or in Kind or for the value to be re	1,775,804	1,820,803
4. Advance Given to Creditors	-	-
	4,560,720	4,604,720

KANEL OIL & EXPORT INDUSTRIES LTD.

PARTICULARS	AS AT 31-Mar-11	AS AT 31-Mar-10
SCHEDULE : (K) CURRENT LIABILITIES		
Creditors for Goods capital goods and expenses	14,139,896	15,448,927
Advance Received from Debtors	5,593,411	1,693,411
Advance Payable in Cash or Kind	68,500	68,500
Statutory Dues	11,757,918	11,757,918
Provisions	5,796	5,796
	31,565,521	28,974,552

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON
31ST MARCH, 2011**

PARTICULARS	FOR THE YEAR ENDED 31 ST MARCH - 2011	FOR THE YEAR ENDED 31 ST MARCH - 2010
SCHEDULE : (L) SALES		
	-	-
	-	-
SCHEDULE: (M) OTHER INCOME		
Kasar / Vatav & Other income	48,561,585	463,559
Interest received	3,202	-
	48,564,787	463,559
SCHEDULE : (N) INCREASE/(DECREASE) IN STOCK OF FINISHED GOODS		
Opening stock of Finished goods and others	-	-
Closing stock of Finished goods and others	-	-
	-	-
SCHEDULE : (O) PROCESSING & DIRECT EXPENSES		
Direct Expenses	12,200	-
Power, Fuel and Electricals	10,977	2,028
	23,177	2,028

KANEL OIL & EXPORT INDUSTRIES LTD.

PARTICULARS	FOR THE YEAR ENDED 31 ST MARCH - 2011	FOR THE YEAR ENDED 31 ST MARCH - 2010
<u>SCHEDULE : (P) ADMINISTRATIVE EXPENSES</u>		
Electricity exps.	60,615	40,179
Stationery & Printing	94,446	172,038
Postage, Telephone & Telegram	128,339	126,226
Travelling and Conveyance	100,825	920
Auditors Remuneration	51,000	51,000
Legal and Professional Fees	618,560	313,320
Advertisement Expenses	689	2,400
Salary & Wages [Office]	302,400	286,600
Miscellaneous Expenses.	313,116	179,344
Maintainance & Repairs	2011 2010 77,090 5,005	5,005
- Building Repairs	0	0
- Machinery Repairs	0	0
- Others	77,090	5,005
Loss on future option trasactions	800,642	642,270
Rates,Duties & Taxes including others	44,257	223,069
Penalty	300,000	5,500
Water charges	-	218,000
N.A. Assessment Charges	-	175,363
Settlement Charges	-	800,000
	2,891,979	3,241,234
<u>SCHEDULE : (Q) FINANCIAL CHARGES</u>		
Bank charges and other Financial Charges	40,460	29,668
	40,460	29,668
<u>SCHEDULE: (R) PROFIT or LOSS FROM SALE OF FIXED ASSETS:</u>		
Profit on Sale of Fixed Assets	-	24,164
Loss on Sales of Fixed Assets	-	-
NET PROFIT.....	-	24,164

SCHEDULE – S : NOTES FORMING PART TO ACCOUNTS**1. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES****(A) METHOD OF ACCOUNTING**

- i) The Financial Statement are prepared under historical cost convention and on accrual basis.
- ii) The company generally follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis except specified below
 - (a) Liability of Sales Tax, Income tax for pending assessments.
 - (b) Employees Benefit in respect of Gratuity, Leave Encashment and Bonus.

(B) FIXED ASSETS

Fixed Assets are accounted at cost inclusive of inward freight, duties, taxes and incidental expenses related to acquisition and installation and allocable pre-operative expenditure.

(C) DEPRECIATION

Depreciation has been provided on the assets at written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. Depreciation on Plant & Machinery at Naroda unit has been provided for normal Wear & tear though it has been inoperative throughout the year.

(D) INVESTMENTS

All the investments are current investments and valued at purchase cost.

(E) INVENTORIES

There are no closing stock of Finished Goods, Raw Material and any WIP at year end.

(F) REVENUE RECOGNITION

- i. Vatav / Kasar income are recognised on settlement of Account due to earlier years differences.
- ii. Other Income is accounted on accrual basis.

(G) RETIREMENT BENEFITS

- 1) Gratuity and other ex-gratia benefits are accounted on cash basis and hence no provision for accrued gratuity has been made.
- 2) Company has no Leave encashment scheme as a part of retirement benefits scheme. The employees of the company are entitled to en cash their un availed leave accrued during course of their employment in accordance with the company's rules and regulations. The same are accounted in the books of accounts as and when claimed.

(H) TAXATION

Deferred tax assets arising on account of brought forward business losses including unabsorbed depreciation are recognised only when there is virtual certainty supported by convincing evidence that such assets will be realised. Deferred tax assets arising on temporary timing difference are recognised only if there is reasonable certainty of realisation.

(I) CONTINGENT LIABILITIES

All contingent liabilities are disclosed to the extent of details available.

(J) PROVISION FOR BAD AND DOUBTFUL DEBTS

Provision for bad and doubtful debt has been made as per management's option and their decision, if any.

2.**NOTES ON ACCOUNTS**

1. The figures of the previous year have been regrouped, rearranged and changed wherever necessary so as to make them comparable with the current year.
2. The information's / details are as per the books maintained and determined and information compiled and furnished on the computer.
3. Management have broadly reviewed the data on the basis of compiling details and information and have test checked wherever considered necessary the books and / or the details / information compiled in the company and also on the computer.
4. In the absence of complete information in respect of each SSI Registered creditors, outstanding as on 31.03.2011, the details of aggregate amount due to Small Scale industrial undertakings outstanding as on 31-3-2011 are not given.
5. Account copy of current accounts, except HDFC bank, Kalol Nagrik Sahkari Bank Ltd., The Bhuj Mercantile Co. Op. Bank Ltd. C.A. No. 80766 and Kotak Mahindra Bank Ltd. , all the bankers are not available for reconciliation as statements are not given to the company by all bankers. Management have written letters to the above banks requesting them for submission of latest bank statements directly to the Auditor but they have not received any account copy. Balance with No lien deposit account with banks does not reconcile with total transactions of Company.
6. Account confirmations in respect of some of the accounts of Sundry Debtors, Creditors, Loans and Advances and some of the banks and financial institution have not been received and they are subject to confirmations and reconciliations. The management is of the opinion that adjustments, if any, arising out of such reconciliation would not be material effecting current Year financial statements.
7. The company has not provided for listing fees of Jaipur, Calcutta and Ahmedabad Stock Exchange. The company has not paid listing fees of Ahmedabad Stock Exchange since 2003-04.
8. Certain documents, registers, etc. including fixed assets register were seized during the search operations as on 5th October, 2001. Such registers were not made available except fixed assets register prepared by management separately to us for inspections, usual verifications and periodical updation.
9. In absence of sufficient non-executive/ professional directors, company could not comply with report on corporate governance and audit committee u/s 292A of the Companies Act, 1956 has not been formed.

10. The management is in the process to start commercial activities and will implement the stringent remedial actions for the recovery of outstanding dues, optimum utilisation of cash management, interdivision cash transfer, maintenance and updating of proper stock records, stringent controls over production, receipt and dispatch of stock, direct settlement of debtors/creditors through journal entry and improving overall profitability and adequate capacity utilisation of the factories.
11. The company had deposited the amount of dividend declared in preceding years with SBS Isanpur Branch and SBS IFC Branch. As per the amendments made in the Companies Act, 1956 the amount of unclaimed dividend has to be transferred to special fund called Investor Protection and Education Fund from the date on which the unclaimed dividend has been transferred to a special bank account. Company has no information about the balance of unclaimed dividend with Bank. In absence of the above information, management is unable to comment about status of unclaimed dividend amount or its transfer to Investor Protection and Education Fund. Since dividend declared in year 1995, 1996, 1997 and 1998 are due from Transfer U/s. 205C of Company's Act, 1956. The company has received several complaints for revalidation of dividend cheques but in absence of banker's cheque and details of unclaimed dividend, management is unable to solve their complaints.
12. Company is preparing for filing Income tax Return for the F Y 2008-09 and remaining all years shortly and till that the company have not made provision for income tax in the books of accounts.
13. Contingent liabilities not provided for in the books of accounts are as under:
- (i) The company has a various matter for different assessment year and pending with different forum of sales tax authority. Total demand of Rs. 553.87 lacs for which the appeals are pending at various forum of sales tax department as details given below.

A.Y.	Order Dt.	Amount (Rs. In Lacs)	Forum where dispute is pending
1997-98	14/07/03	245.92	Appeal pending with applet tribunal.
1998-99	16/02/06	274.63	Matter reminded back to Assistant commissioner of sales tax for fresh order.
1999-00	31/03/05	24.30	Appeal pending with joint Commercial tax commissioner, Appeal division 1 Ahmedabad.
2000-01	08/12/05	6.14	Under reassessment order dtd. 08/12/2005 by commissioner of Sales Tax. Appeal pending with Joint commercial tax commissioner Appeal division 1 Ahmedabad.
2000-01	05/03/05	2.88	Appeal pending with joint commercial tax commissioner appeal division a Ahmedabad.

- (ii) Company has filed "Vandha Arjee" against Municipal Tax and interest bills for several previous years. The matters are under litigation with authorities.
- (iii) Details of Claims lodged against the company, not acknowledged as debts : Such amount is not ascertainable by the company.
- (iv) Liabilities on account of Suspension of Trading activities on Stock Exchange can not be quantified.
14. The Company could not do any commercial activities of Sales, Purchase or Manufacturing or processing during the year hence reporting requirements under Segment as required by AS-17 on Segment Reporting are not applicable.
15. The company has huge accumulated losses resulting into Deferred Tax Asset. As a prudent policy, the said Deferred Tax Asset has not been recognised due to virtual uncertainties about realisation of profits in the forthcoming years in accordance with Accounting Standard-22.
16. The information required to be disclosed in accordance with AS 18 is as follows :

RELATED PARTY TRANSACTION

PARTICULARS	KEY MANAGEMENT PERSONNEL	ASSOCIATED FIRM	TOTAL
SALES	0 (0)	0 (0)	0 (0)
PURCHASE	0 (0)	0 (0)	0 (0)
RECEIPT	467500 (0)	5493100 (2913500)	5960600 (2913500)
PAYMENTS	0 (0)	578000 (2007500)	578000 (2007500)
ADVANCE PAID	0 (0)	0 (0)	0 (0)
SALARY	0 (0)	0 (0)	0 (0)
INCOME	0 (0)	0 (0)	0 (0)
CLOSING BALANCE			
DEBIT	0 (0)	613855 (613855)	613855 (613855)
CREDIT	2792132 (2324632)	17433467 (12518367)	20225599 (14842999)

KEY MANAGEMENT:

1. Dhiren K. Thakkar
2. Bachubhai K Patel
3. Vinodbhai K Pandya

ASSOCIATED FIRMS

1. Devika Proteins Limited
2. T. J. R. SONS Limited.
3. T. J. R. Finance Limited.
4. Devika Roadlines Private Limited

• **Notes :**

a. Company does not maintain separate accounts for purchase and sales of goods or advances to related party. Net account after adjustment of purchase and sale has been shown as Advances paid and received, if any.

b. Above details includes only related party transactions during the year.

• **Above transactions does not include the following transactions:**

☐ Company's Naroda division is closed since long time. Company has provided depreciation of Rs. 12.04 lacs due to normal wear and tear for assets.

18. Earnings per share (EPS)

Sr. No.	Particulars	Year ended 31 st March, 2011	Year ended 31 st March, 2010
1	Net Profit [loss] (Rs. In crores)	4.44	[0.44]
2	Weighted Average Number of Shares	18412440	18412440
3	Basic/ Diluted EPS (Rs.) (on nominal value of Rs. 10 per share)	2.40	NIL

19. In the opinion of the Board of Direct or the Current Assets, Loans and Advances are approximately of the value stated, if realized in normal courses of business.

20. Amount due from companies under the same management from Directors/Director's relatives are as follows:

NAME	MAXIMUM BALANCE	CLOSING BALANCE
1. Devika Proteins Limited	Rs. 5729157 (Cr.)	Rs. 5729157 (Cr.)
2. Devika Roadlines Pvt. Limited	Rs. 613855 (Dr.)	Rs. 613855 (Dr.)
3. Kanaiyalal J. Thakkar HUF	Rs. 7500000 (Cr.)	Rs. 7500000 (Cr.)
4. TJR Finance Ltd.	Rs. 2664500 (Cr.)	Rs. 2664500 (Cr.)
5. Dhiren K Thakkar	Rs. 2792132 (Cr)	Rs. 2792132 (Cr)
6. TJR Sons Ltd	Rs. 9039810 (Cr)	Rs. 9039810 (Cr)
7. Hitesh K Thakkar	Rs. 59633 (Cr)	Rs. 59633 (Cr)

21. Wherever external evidence in the form of bills, invoice, debit notes, credit notes, etc are not made available, and Management have relied upon the internal vouchers prepared and authenticated by Directors/ Authorised officers of the company and entry passed in the accounts maintained by the company.

22. PAYMENT TO STATUTORY AUDITORS :

	CURRENT YEAR	PREVIOUS YEAR
(a) Audit Fees	51000 ----- 51000 =====	51000 ----- 51000 =====
23. Value of Import on CIF basis:		
Raw Material	NIL	NIL
Finished Goods	NIL	NIL
24. Stores and spares consumed		
Imported	NIL	NIL
Indigenous	NIL	NIL
25. Expenditure in Foreign Currency		
Travelling	NIL	NIL
Miscellaneous	NIL	NIL
26. Earning in Foreign Exchange.		
FOB value of Exports of Goods	NIL	NIL
27. Remittance made on account of Dividend	NIL	NIL
28. (A) Managerial Remuneration to Managing Director/Director		
1) Salary and allowance	NIL	NIL
2) Contribution to P.F	NIL	NIL
3) Commission	NIL	NIL

(B) Computation of Net profit in accordance with section 349 of Companies Act, 1956 are not required as director's were not paid commission on the basis of net profit.

29. Company has reduced its staff at the plant, division and Head Office. Company has engaged persons on retainer basis at Head office from March, 2003. Company has not provided for ESI Contribution.

(B) RAW MATERIAL CONSUMED

Sr.No.	PRODUCT	UNIT	CURRENT YEAR		PREVIOUS YEAR	
			Quantity	Amount	Quantity	Amount
	Total...					

(C) PURCHASE OF RAW MATERIAL & FINISHED GOODS

Sr.No.	PRODUCT	CURRENT YEAR		PREVIOUS YEAR	
		Qty.(MT)	Amount(Rs)	Qty.(MT)	Amount(Rs)
	Total...				

(D) SALES OF RAW MATERIAL, FINISHED GOODS, JOB WORK & OTHER INCOME

Sr.No.	PRODUCT	CURRENT YEAR		PREVIOUS YEAR	
		Qty.(MT)	Amount(Rs)	Qty.(MT)	Amount(Rs)
	Total...				

(E) CLOSING STOCK OF RAW MATERIAL, FINISHED GOODS & CONSUMABLES

Sr.No.	PRODUCT	CURRENT YEAR		PREVIOUS YEAR	
		Qty.(MT)	Amount(Rs)	Qty.(MT)	Amount(Rs)
Nil					
	Total...				

(F) SHORTAGE

Sr.No.	PRODUCT	UNIT	CURRENT YEAR	PREVIOUS YEAR
			31.03.2011	31.03.2010
Nil				

32. STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT 2000 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE.

I. Registration Details

Registration No. 17024 State Code No. 04

Balance Sheet Date 31. 03. 2011
Date Month Year

II. Capital raised during the year (Amount In Rs. Lacs)

Public Issue Nil Right Issue Nil

Bonus Issue Nil Private Placement Nil

III. Position of Mobilisation and Deployment of (Amount in Rs. Lacs)

Total Liabilities	4521.99	Total Assets	4521.99
Sources of Funds			
Paid-up Capital	1841.24	Reserve & Surplus	1948.59
Secured Loans	5.00	Unsecured Loans	2.32

Application of Funds

Net Fixed Assets	149.85	Investments	0.20
Net Current Assets	2.61	Misc. Expenditure	NIL
Accumulated Losses	4110.83		

IV. Performance of Company (Amount in Rs. Lacs)

Turnover	NIL	Total Expenditure	42.83
Profit/[Loss] before Tax	442.82	Profit after Tax	442.72

Profit on extra ordinary event NIL Net profit\Loss after extraordinary event 442.72

Dividend Rate (%) Nil

V. Generic Names of Three Principal Products/Services of Company

ITEM CODE NO. : N.A.

PRODUCT DESCRIPTION : N.A.

The statements of significant accounting policies and the notes numbered 2 to 32 from an integral part of the year ended 31st March 2011

Signature to Schedule A to S

As per our report of even date
For and on behalf of
Shah Dinesh Dahyalal & Associates
Chartered Accountants

For and on behalf of the Board of Directors
Kanel Oil & Export Industries Ltd.

Shah Dinesh Dahyalal
[Proprietor]
M. No. 106871
Firm Regi. No. 120362W
Place : Ahmedabad
Date : 01/09/2011

Dhiren Thakkar **Vinod K Pandya**
Director **Director**
Place : Ahmedabad
Date : 01/09/2011

19TH ANNUAL REPORT

**CASH FLOW STATEMENT, ANNEXURE TO BALANCE SHEET
FOR THE YEAR ENDED ON 31-03-2011
(PERSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)**

	31.03.2011	31.03.2010
	Rs.	Rs.
1, Profit before Tax and extraordinary items	44281842	(4322328)
Adjustments for :		
a) Depreciation	1,327,329	1,512,957
b) Financial Charges	40,460	29,668
c) Interest Received	(3,202)	0
d) Income from Kasar - Vatav & other income	(48,561,585)	(463559)
OPERATING PROFIT [Loss] BEFORE WORKING CAPITAL CHANGES	(2915156)	(3243262)
Adjustment for :		
a) Trade and Other Receivables	444000	124999
b) Inventories	0	0
c) Trade Payable & Other Liabilities	2590969	472014
CASH GENERATED FROM OPERATIONS	119813	(2646249)
Income Tax Paid	0	0
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	119813	(2646249)
Extra Ordinary Items	48,551,542	90465
NET CASH FLOW FROM OPERATING ACTIVITIESA	48671355	(2555784)
2. CASH FLOW FROM INVESTMENT ACTIVITIES		
a) Purchase of Fixed Assets	(23000)	0
b) Sale of Fixed Assets	0	18700
c) Fresh Investment	0	(5000)
NET CASH USED IN INVESTING ACTIVITIES.....B	(23000)	13700
3. CASH FLOW FROM FINANCIAL ACTIVITIES		
a)(Decrease)Increase in Long Term Borrowing (Net)	(53890884)	0
b)(Decrease)Increase in Unsecure loan	5371082	699518
c) Interest Paid	(40460)	
d) Interest received	3,202	0
NET CASH USED IN INVESTMENT ACTIVITIES.....C	(48557060)	699518
NET INCREASE(DECREASE) IN CASH (A+B+C)	91295	(1842566)
Opening Balance of Cash & Cash Equivalents	9,221,723	10,811,327
Closing Balance of Cash & Cash Equivalents	9,313,018	8,968,761

Note: Figures for the previous year have been regrouped/restated wherever material

Place : Ahmedabad.

For and On Behalf of the Board of Directors of
Kanel Oil & Export Industries Limited.

Date : 01.09-2011

Dhiren Thakkar Vinodbhai Pandya
(Director) (Director)

Notes :

* The closing cash and cash equivalents as at 31-3-2011 of Rs. 89,68,761/- includes Rs 830209 /- with banks in No lien deposit accounts. Balance in Nollen deposit account shall not be freely available with the bank.

SHAH DINESH DAHYALAL & ASSOCIATES
CHARTERED ACCOUNTANTS

Dinesh D Shah
B. Com., FCA , DISA [ICAI]

Office : 713, Loha Bhavan, Opp. Old High-Court lane, Income Tax, Ahmedabad
Contact No. : Cell 9426355848, [o] 079-27540062, 66305480

AUDITOR'S CERTIFICATE

To,
Board of Directors,
Kanel Oil & Export Ind. Ltd.
203, Abhijeet - 1,
Nr. Mithakhali Six Roads,
Ellisbridge,
Ahmedabad - 6.

We have examined the above Cash Flow Statement of Kanel Oil & Export Industries Limited for the year ended on 31st March, 2011. The statements has been prepared by the company in accordance with the requirements of the Listing agreement's clause 32 with the Stock Exchange and is based on and is in agreement with the corresponding Profit & Loss account and Balance Sheet of the company covered by our report on 1st September, 2011 to the members of the company.

As per our report attached of even date,
For Shah Dhiesh Dahyalal Shah & Associate.
Chartered Accountants

Dinesh D Shah
(Proprietor)

Place : Ahmedabad
Date : 01.09.2011

Kanel Oil & Export Industries Limited

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

ATTENDANCE SHEET

I Shri/Smt _____ of _____ Being a member / proxy of KANEL OIL & EXPORT INDUSTRIES LIMITED do hereby record my presence at the 19th Annual General Meeting of the member of the Company to be held on Friday the 30th September, 2011 at 10.00 A.M. at Registered Office Of the Company at 203, 2nd Floor, Abhijeet I, Mithakhali Six Roads, Ellisbridge, Ahmedabad: 380 006.

FOLIO NO / CLIENT I.D.	
D.P. ID.	
D.P. NAME	
NAME OF SHAREHOLDER	
NUMBER OF SHARE HELD	

Date :

Place :

(Signature of the Member/ Proxy attending the Meeting)

Kanel Oil & Export Industries Limited

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

PROXY FORM

FOLIO NO / CLIENT I.D.	
D.P. ID.	
D.P. NAME	
NAME OF SHAREHOLDER	
NUMBER OF SHARE HELD	

I Shri/Smt _____ being a member of KANEL OIL & EXPORT INDUSTRIES LIMITED, holding _____ Shares in the Company do hereby appointed Shri _____ of _____ or falling him Shri _____ of _____ to remain present at the 19th Annual General Meeting of the Company to be held on Friday the 30th September, 2011 at 10.00 A.M. at Registered Office Of the Company at 203, 2nd Floor, Abhijeet I, Mithakhali Six Roads, Ellisbridge, Ahmedabad - 380 006. or at any adjournment thereof and to vote for and on my behalf if poll is granted.

Date :

Place :

Affix Rs. 1/-
revenue
stamp

(Signature of the member appointing a proxy)

Proxy form duly stamped, signed and completed in all respect should be deposited 48 hours before the time fixed for the meeting at the registered office of the company.

Book - Post
PRINTED MATTER

If undelivered please return to :

KANEL OIL & EXPORT INDUSTRIES LIMITED.

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