

21st
Annual Report
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KANEL INDUSTRIES LIMITED

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

KANEL INDUSTRIES LIMITED

TWENTYFIRST ANNUAL GENERAL MEETING PROGRAMME

DATE : 28TH SEPTMEBER, 2013

DAY : SATURDAY

TIME : 10.00 A.M.

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

NOTE TO SHAREHOLDERS :

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies of the meeting.

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

BOARD OF DIRECTORS

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

COMPANY LAW CONSULTANT

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

BANKERS OF THE COMPANY

HDFC Bank Ltd. - Ahmedabad.
The Kalol Nagarik Sahkari Bank Ltd.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

REGISTRAR FOR DEPOSITORY OPERATIONS

SYSTEM SUPPORT SERVICES
209, Shivai Industrial Estate, 89, Andheri - Kurla Road,
Sakinaka, Andheri (E), Mumbai - 400 072.

LISTING AT

AHMEDABAD

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

CALCUTTA

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

MUMBAI

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

JAIPUR

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

REGD. OFFICE

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

FACTORY & PLANT

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

INVESTORS GRIEVANCES COMPLIANCE OFFICER

Dhiren K. Thakkar - Chairman and Managing Director,
203, 2nd Floor, Abhijeet-1. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.
Email : dhiren72@yahoo.co.in

NOTICE

NOTICE is hereby given to the Members of the Kanel Industries Limited that the **21ST Annual General Meeting** of the Company will be held on Saturday 28th September, 2013 at 10.00 A.M. at the registered office of the company at 203, Abhijeet -1, Mithakhali Six Roads, Ellisbridge, Ahmedabad – 380 006 transact the following Business.

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Audited Statement of Accounts i.e. The audited Balance Sheet as at 31/03/2013, the Profit & Loss Account for the year ended on that date and Report of the Auditor and Director thereon.
2. To Appoint a Director in place of Shri Vinodbhai K. Pandya, who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment.
3. To Appoint the Auditor for the next Financial Year to hold the office as such from the conclusion of this Annual General Meeting up to the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. Proposal for Reduction of Equity Share Capital of Company by 90%.

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

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

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

5. Proposal for Preferential Allotment of Shares.

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

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

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

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

PLACE : Ahmedabad
DATE : 2nd September, 2013

(Dhiren K. Thakkar)
Chairman & Managing Director

NOTES :

1. A Member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and on behalf of himself and on behalf of him and that a proxy need not be a member of the company.
2. Proxies in order to be effective should be duly completed in the prescribed form stamped and signed and must be deposited at the registered office of the company not less than 48 hours before the time fixed for the meeting.
3. Members are requested to bring their copy of the Annual Report of the meeting as no extra copies will be distributed at the meeting shall as a measure of economy.
4. Member desiring any information as regards accounts are requested to write to the company at-least 7 days before the meeting to enable the management to keep the information ready.
5. Members are requested to be in their seats at the meeting before the scheduled time of the commencement of the meeting to avoid interruption in the proceedings.
6. Members are requested to intimate any change in their registered addresses if any directly at the registered office of the company or to the company's registrar and share transfer agents at their address mentioned elsewhere in this report.
7. The register of members and share transfer books of the company shall remain closed from 27/09/2013 to 28/09/2013 (Both Days Inclusive).
1. **At the ensuing Annual General Meeting Mr. Vinodchandra Kalidas Pandya, will be re-appointed, the brief resume of this director is as under:**

Name	Mr. Vinodbhai K. Pandya
Age	70 yrs.
Qualification	B.A. (Economics)
Expertise in Specific Area	Administratio
Date of First Appointment on the Board of the Company	08.10.2008
Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held.	Dharti Proteins Ltd.

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

PLACE : Ahmedabad
DATE : 2nd September, 2013

(Dhiren K. Thakkar)
Chairman & Managing Director

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

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

None of the Directors are interested in the resolution.

Your Directors recommend the proposal.

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

None of the Directors are interested in the resolution.

Your Directors recommend the proposal.

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

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

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

DIRECTORS' REPORT

To,
The Member,
Kanel Industries Limited.

Dear Shareholders,

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

FINANCIAL HIGHLIGHTS :

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

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

DIVIDEND :

As your company has incur loss during the year under review and due to the accumulated losses your directors regret for their inability to declare any amount as dividend to be paid.

TRANSFER OF UNPAID/UNCLAIMED DIVIDEND :

Your company's all the 4 previous years i.e. dividends declared in year 1995, 1996, 1997 and 1998 are due for transfer thereof to investors' education and protection fund as per the provision of the section 205c of the companies act 1956. However due to huge accumulated losses since the company could not meet its liabilities towards its bankers in time, the bankers are not co operating and so company will make representation of this fact to Registrar of the companies, Securities and exchange board of India. At the highest authorities of bankers, Reserve bank of India. In this situation the audit of the unclaimed unpaid dividend accounts could not be conducted and completed.

The company had received more than 2000 investor complaints for non payment of dividend or not revalidation of the dividend warrants of the investors. However due to non co operation of the bankers, the company could not resolve such complaints. Even the company's efforts to surrender of the original dividend warrants and in lieu of such dividend warrants requests for issue of demand draft in favor of investor concerned are not accepted by the bankers. In view of the above stated reasons the company could not make compliance with the provision of section 205c of the companies act 1956. Company however has almost solved most of the complaints related to non receipt of dividend warrants.

SHARE CAPITAL DURING THE YEAR :

During the year under review your directors have not issued any equity or preference share to any persons. There has been no change in the issued, subscribed and paid up capital of the company during the year under review.

BUY BACK OF SHARES :

Your Director had not declared or announced or completed any procedure for buy back of its own shares during the year under review as per the provision of the section 77A, 77AA, and 77B of the companies' act 1956. Further no buy back of the share if any announced in earlier years are still pending for implementation.

YEAR UNDER REVIEW :

During the year under review your company was engaged in the business of hedging future options of commodity market. The company has made efforts to put his plants.

NON OPERATION OF NARODA PLANT :

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

However, now the company is in advance stages of negotiating a proposal with few industrial groups to make operational the Naroda Plant of the company for the manufacturing, refining and packaging of the Castor oil on lease/rent basis /job basis as well as company's own operation may also kick start simultaneously at Naroda Unit. Upon finalization the plant is expected to add the revenue to the company in cash from which the company will be able to meet not only administrative and operational expenses but generate surplus. In addition due to plant being made operational and its maintenance will be done by tenant, the plant will become renovated, upgraded and will be operational which will increase its life.

SEGMENTWISE REPORTING AS-17 :

The company is operating only in one segment of manufacturing of oil and sale of oil and it's by product de-oiled cakes. Hence no separate segment wise accounting is required and given herewith.

PROVISION FOR DEFERRED TAX LIABILITIES / ASSETS AS-22 AND NON PROVISION OF INCOME TAX LIABILITIES.

The Company had huge accumulated and unabsorbed financial losses. The company's total net worth had been eroded. In view of this the management has thought it fit and prudent not to make provision for deferred tax assets which if created would appear as intangible assets which could never be realized in future. The company is applying to sought various reliefs for allowing carry forward losses by making an application again with BIFR in the proposed DRS (Draft rehabilitation scheme). Company is taking various legal opinion with respect to assessment of exact income tax liabilities after the writing off the bank liabilities and has taken a view of providing the same after complete due diligence of past income tax returns filed by the legal experts with past case laws. The management is trying hard for revival and rehabilitation of the company, in fact it has already succeeded in settling the huge bank debts and is further negotiating with big industrial house to implement rehabilitation process by restarting operations at the Naroda unit of the company, but until the matter is finalized positively, the company has not accounted for deferred tax liability.

RELATED PARTY TRANSACTION AS-18 :

The company has been buying raw materials and selling some of the finished products, bye products through its group/associate concern in which director are either director or any of their relatives or the directors themselves are either partners/proprietors. All these business transaction are being done at the prevailing market prices on commercial terms and condition not favorable to any of the parties. There have been no contractual obligations between any of the related parties with the company to execute or enter in to any specific business transactions. However proper disclosure has been made in the notes to the accounts schedule R.

FOREIGN EXCHANGE EARNING AND OUTGO :

During the year under review the company had not done any import/export business and the total foreign exchange earning and outgo was NIL during the year.

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

The company's shares are listed presently in Ahmedabad, Calcutta, Jaipur, and Mumbai Stock Exchange. The company has duly paid the annual listing fees up to and including the year 2012-2013 i.e. up to 31.03.2013 for the stock exchange of Mumbai. The company is not paying the annual listing fees of Calcutta and Jaipur stock exchanges since 1999-2000 onwards and for the ck industrial company and is not in a position to pay such heavy financial expenses. As the company has become a sick industrial company as per listing Ahmedabad stock exchange since

2003-04 onwards due to no trading volume recorded on the said stock exchanges. However the same is suspended on the Ahmedabad, Calcutta and Jaipur stock exchange for non payment of listing fees. Due to heavy financial losses, the company has not made provision for the annual listing fees payable to the Calcutta stock exchange, Jaipur stock exchange and Ahmedabad Stock Exchange. The Company has however already complied with all the clauses of the list agreement with the Bombay stock exchange, However the shares of the Company are currently being traded on BSE.

DEMATERIALIZATION OF SECURITIES :

SEBI has identified the securities of the company for compulsory trading in the dematerialized form w.e.f. 26th February 2001 by all investors on all the stock exchanges. In compliance with the same and to facilitate the shareholders, the company has already made arrangement to enter into the Tripartite Agreement with NSDL and CDSL. The investors are requested to take a note on the same and dematerialize their holding as early as possible. The ISIN Number allotted to your company is INE252 C 01015. Company has also appointed

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

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE :

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

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

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

ENVIRONMENT PROTECTION :

The company is consistently maintaining high standards in the control, protection and discharge of effluents as per the strict standards fixed and prescribed in the environment and pollution control regulation for the industry in which it operates.

DEPOSITS :

During the year review your company has neither invited nor accepted any public deposit or deposits from the public as defined under section 58a of the Companies Act, 1956.

DIRECTORS :

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

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the provision contained in section 217(2aa) of the Companies Act, 1956, the directors of your company confirm:

- (A) That in the preparation of the annual accounts for financial year ended on 31/03/2013 the applicable accounting standards has been followed except as explained in point no. 8 hereafter.
- (B) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affair of the company at the end of the financial year and of the profit or loss of the company for the year under review.
- (C) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company for preventing and detecting fraud and other irregularities.
- (D) That they have prepared the annual accounts on a going concern basis.

STATUTORY AUDITORS :

M/s. Shah Dinesh Dahyalal & Associates, Chartered Accountants, Ahmedabad the retiring statutory auditors on this annual general meeting as per the act. The company has received a letter from the said auditors to the effect that their appointment shall be within the limits laid down under section 224(1B) of the companies act. 1956. A resolution proposing their reappointment as the regular auditor of the company for the period from the conclusion of this annual general meeting up to the conclusion of the next annual general meeting is required to be passed. Your directors recommend passing the said resolution.

APPOINTMENT OF THE INTERNAL AUDITOR :

Due to volume of transaction substantially less and the company being a sick company the internal auditors have not been appointed for this year. However once the company resumes normal transaction volumes the internal auditors will be appointed again. At present the transaction entered in are under the direct control of management.

AUDITORS OBSERVATION :

The notes to the accounts of the company are self explanatory. However and clarification from the board of directors on the specific observation made by the Auditors in their report are as under”

(1) PREPARATION OF ACCOUNTS ON GOING CONCERN BASIS :

The auditors of the company are of the opinion that due to huge accumulated losses and complete erosion of the net worth the company, the accounts of the company is not advised to be written on a going concern basis. But as the company has now settled all its working capital dues of banks in the year 2009-10 and is in process to submit a proper draft rehabilitation scheme in order to restart the production at its Naroda unit after required capital expenditure and the management is hopeful for the revival of the company in near future, hence the company have been written books of account on going concern basis.

(2) CONFIRMATION OF ACCOUNTS PENDING :

The company has established the system of obtaining conformation of accounts from various parties. The financial transactions are numerous. Certain confirmations are pending however the auditors have obtained all the information and explanations up to their best knowledge and behalf as were necessary for their purpose of their audit, except certain non receipt of conformation of balances in respect of loans and advances, deposits and creditors and 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 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.

(7) NON PUBLISHING OF QUARTERLY RESULTS :

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

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

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

(9) 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.

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.

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
KANDEL INDUSTRIES LTD.**

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

**(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 DIRECTORS) RULES 1988.

[A] CONSERVATION OF ENERGY.

(a) Power and Fuel	Current Year Ended on 31/03/2013	Previous Year Ended on 31/03/2012
(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] RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

- (A) RESEARCH & 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 : (Rs. In Lacs)

Particulars	Current Year Ended on 31/03/2013	Previous Year Ended on 31/03/2012
Total Foreign Exchange Earned	NIL	NIL
Total Foreign Exchange Used	NIL	NIL

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

PLACE : Ahmedabad
DATE : 2nd September, 2013

(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 2013.

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 capita income of the citizens of India. Being an agro sector insufficient and irregularity of monsoon after the availability of timely raw material.

c. SEGMENTWISE PERFORMACE :

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 growing with the increasing population and per capita 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. The castor oil export from India is also growing at an average 5% to 10% annually.

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 Mr. Dhiren K Thakkar	Chairman & Managing Director	NIL	2	2	2	NIL
Mr. Vinodchandra K. Pandya	Director	NIL	1	2	NIL	NIL
Mr. Kiritbhai Patel	Director	NIL	2	NIL	NIL	NIL
Mr. Aditya Y. Patel	Director	NIL	NIL	NIL	NIL	NIL
Mr. Yogeshbhai R. Patel	Director	NIL	NIL	NIL	NIL	NIL

Number of Board Meetings :

During the year under review, 6 Board Meeting were held on, 28th April, 2012, 28th July, 2012, 1st September, 2012, 29th September, 2012, 10th October, 2012 and 17th January, 2013.

(3) 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. Dhiren K Thakkar	Chairman & Managing Director	6	Yes
* Mr. Kiritbhai C. Patel	Director	0	NO
Mr. Vinodchandra K. Pandya	Director	6	Yes
*Mr. Aditya Yogeshbhai Patel	Director	0	NO
*Mr. Yogeshbhai Rajnikant Patel	Director	0	NO

2. COMPOSITION OF VARIOUS COMMITTEES WITHIN THE ORGANISATION :**(A) AUDIT COMMITTEE :**

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Board's responsibilities your Company had constituted an Audit Committee. The Committee covers matters specified as per Clause 49 of the Listing Agreements.

The audit committee of the Board of Directors is as under:

No.	Name	Type	No. of Meeting Attended
1.	Mr. Dhiren K Thakkar	Chairman	5
2.	Mr. Kiritbhai C Patel	Member	5
3.	Mr. Aditya Y Patel	Member	0
4.	Mr. Vinodchandra K. Pandya	Member	5
5.	Mr. Yogeshbhai R Patel	Member	5

The terms of reference of the audit committee mandated by your board of Directors which is also in line with the statutory and regulatory requirement are:

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- c. Reviewing with management the annual financial statements before submission to the board.
- d. Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- f. Discussion with internal auditors on any significant findings and follow-up thereon.
- g. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- h. Discussion with external auditors before the audit commences nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- i. Reviewing the Company's financial and risk management policies.
- j. Carrying out any other function as mentioned in the terms of reference to the Audit Committee.

(C) ROLE AND RESPONSIBILITY OF AUDIT COMMITTEE :

The Audit Committee oversees the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fixation of their remuneration, to review and discuss with the Auditors about internal control systems, the scope of auditor including the observation of the Auditors, adequacy of the internal audit system, major accounting policies, practices and entries, compliance with accounting policies, practices and entries, compliance with accounting standards and Listing Agreement entered in to with the Stock exchanges and other legal requirements concerning financial Auditors any significant finding there on, to review the Quarterly, Half Yearly and Annual Financial statement before they are submitted to the Board of Directors.

The Committee also meets the operating management personal and reviews the operations, new initiatives and performance of the business units. Minutes of the Audit Committee meeting are circulated to the Member of the Board, discussed and taken note of.

Other duties include review of factory operations, cost control method, systems, inventory management systems, production programs, logistic management for movement of goods, disposal of scrap and non usable goods and materials, their accounts, legal and corporate taxation compliances etc.

(3) INVESTOR GRIVANCE COMMITTEE :

(A) TERMS OF REFERENCE :

To look into the complaints, if any and redress the same expeditiously. Beside, the committee approves allotment, transfer & Transmission of shares, Debentures any new certificates on split \ consolidation \ renewal etc. as may be referred to it by the Committee. In addition the committee also looks in to the stock exchange listing agreement compliances and also the shareholder and general public interest information through proper media and stock exchanges from time to time.

(B) FORMATION :

Your Company had constituted Shareholders/Investor's Grievance Committee as required under Clause 49 of the Listing Agreement.

The Committee consists 3 members. Shri Vinodchandra K. Pandya is a Chairman and Shri Kishor Bhatt Shri Alpesh K. Patel and Shri Bachubhai K. Patel are members of the Committee. The Committee resolves complaints like transfer of shares, non receipt of Annual Reports etc. as received from the Investors and provide information to the Board of Directors of the Company.

During the year the Committee held 12 meeting (Last Saturday of every month) The Attendance of Members at the Meeting was as follows :

No.	Name	Type	No. of Meeting Attended
1.	Shri Dhiren K Thakkar	Chairman	12
2.	Shri Aditya Y Patel	Member	12
3.	Shri Yogesh R. Patel	Member	1

(4) GENERAL BODY MEETING :

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

1.	September 29, 2012	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	10 AM.
2.	September 30, 2011	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	10 AM.
3.	September 30, 2010	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	11 AM.

(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
2011-2012	29.09.2012	3
2010-2011	30.9.2011	1
2009-2010	30.9.2010	1
2008-2009	30.9.2009	4

(5) 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 No. 20 - 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.

(6) MEANS OF COMMUNICATION :

Half yearly report sent to each household of shareholders.	No
Quarterly Results	Available at the website of the Company
Any website where displayed	All the Quarterly Result and other information of the Company are available at the website of the Company i.e. www.kanel.in
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 29, 2012.

1. Shri Dhiren K. Thakkar Chairman & Managing Director
2. Shri Vinodbhai K. Pandya Director

OTHER DETAILS :

BOOK CLOSURE DATE	: September 27, 2013 To September 28, 2013 (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	31/03/2013
Signed by Directors & Auditors on	2nd September, 2013
Dividend Payment Programme	: No Dividend is recommend for the year
DEMATERIALISATION OF SECURITIES	: Total Demat Shares 7945408 Representing 43.15% of total Equity Shares 10467032 Shares held in physical from Representing 56.85% of total Equity Shares.
DETAILED PROGRAMME OF THE 20 TH ANNUAL GENERAL MEETING Day	: 28th September, 2013 Saturday 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 31/03/2013

Company : KANEL OIL & EXPORT INDUSTRIES LTD. 500236

Period : Apr 2012 to Mar 2013

Month	Open	High	Low	Close	No. of Shares	No. of Trades	Total Turnover	Deliverable Quantity	% Deli. Qty to Traded Qty	* Spread	
										H-L	C-O
Apr 12	3.67	4.82	2.95	4.76	9,11,556	266	31,88,684	9,11,556	100.00	1.87	1.09
May 12	4.94	5.78	4.10	4.10	3,49,054	301	18,16,830	3,49,054	100.00	1.68	-0.84
Jun 12	4.02	4.24	3.10	3.10	9,103	66	31,706	9,103	100.00	1.14	-0.92
Jul 12	3.16	3.36	2.66	2.70	23,814	134	73,678	23,814	100.00	0.70	-0.46
Aug 12	2.57	2.64	2.05	2.05	19,661	65	48,304	19,661	100.00	0.59	-0.52
Sep 12	1.95	2.32	1.82	2.15	15,369	65	31,773	15,369	100.00	0.50	0.20
Oct 12	2.20	2.92	1.95	2.40	36,343	148	87,105	36,343	100.00	0.97	0.20
Nov 12	2.39	2.40	1.86	1.86	11,031	60	23,404	11,031	100.00	0.54	-0.53
Dec 12	1.86	2.20	1.52	2.01	18,815	51	33,210	18,815	100.00	0.68	0.15
Jan 13	2.10	3.02	1.88	2.75	26,814	109	63,975	26,814	100.00	1.14	0.65
Feb 13	2.86	3.40	2.81	3.09	17,833	68	54,616	17,833	100.00	0.59	0.23
Mar 13	2.94	4.02	2.94	3.89	4,042	26	13,785	4,042	100.00	1.08	0.95

* Spread

H-L : High-Low

C-O : Close-Open

CATEGORY WISE HOLDING OF SHARES (AS ON 31/03/2013)

Category	No. of shares held	% of Holding
Promoters / Directors / PACs	4122644	22.39
Body Corporate shareholders	1685109	9.15
Public Shareholders	12599137	68.43
NIRs / FIIs / OCBs etc	5550	0.03
Total	18412440	100.000

Distribution of Shareholding as on 31st March 2013 was as under :

Holding of nominal value of Rs. (No. of Shares)	No. of Share Holders	%	No. of Shares	%
Up to 5000	23986	89.51	4693811	25.49
5001 to 10000	1887	7.04	1519997	8.26
10001 to 20000	517	1.92	788256	4.28
20001 to 30000	128	0.48	324476	1.76
30001 to 40000	68	0.25	245747	1.33
40001 to 50000	57	0.21	265005	1.44
50001 to 100000	78	0.29	566019	3.07
100000 & Above	76	0.28	10009129	54.36
Total	26797	100.00	18412440	100.00

**COMPLIANCE WITH THE CODE OF CONDUCT FOR BOARD OF DIRECTORS AND
KEY MANAGEMENT PERSONNEL**

To,
The Members,
Kanel Industries Limited
Ahmedabad.

I, Dhiren K. Thakkar, Chairman of the Company, hereby certify that all the Board Members and Senior Management Personnel of the Company have affirmed their compliance with the Code of Conduct in accordance with Clause-49.I.D of the Listing Agreement entered into with Stock Exchange.

As required by Clause 49 of the Listing Agreement, Certificate of Compliance with the Corporate Governance Requirements by the Company issued by Auditors is given as an annexure to the Directors' Report.

We further confirm that during the year, none of the Directors or any of the Key managerial persons had done any trading in shares of the Company in the secondary market. Further the company had not made any allotment of shares to any Directors or any of the key managerial personnel during the year.

The above Report was adopted by the Board at their meeting held on 2nd September, 2013.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : 02/09/2013
Place : Ahmedabad

DHIREN K. THAKKAR
CHAIRMAN & MANAGING DIRECTOR

CEO / CFO CERTIFICATE

I, Dhiren K Thakkar as the Director of Kanel 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 violative 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.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : 02/09/2013
Place : Ahmedabad

VINOD PANDYA
DIRECTOR

DHIREN K. THAKKAR
CHAIRMAN & MANAGING DIRECTOR

**PRACTISING COMPANY SECRETARY'S REPORT ON
COMPLIANCE OF CORPORATE GOVERNANCE**

To
The Members of
KANEL INDUSTRIES LIMITED,
Ahmadabad.

We have read the Report of Directors on Corporate Governance and have examined the relevant records relating to compliance of conditions of Corporate Governance by the Kanel Industries Limited for the year ended 31st March, 2013, as stipulated in Clause 49 of the Listing Agreement executed by Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations give to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

We State that no investors complaints are pending for a period exceeding for 30 days against the Company as per the records maintained by the Share Transfer and Investors Grievance Committee.

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

Date : 02/09/2013
Place : Ahmedabad

For Kamlesh. M. Shah & Co.,
Practicing Company Secretary,
SD/-

(Kamlesh. M. Shah)
Proprietor
ACS : 8356, COP : 2072

INDEPENDENT AUDITORS REPORT

TO,
THE MEMBERS OF
KANEL INDUSTRIES LIMITED

Report on the Financial Statements :

We have audited the accompanying financial statements of KANEL INDUSTRIES LTD , (“the company”) which comprise the Balance Sheet as at 31/03/2013, and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements :

Management is responsible for the preparation of these financial statements that give a true and fair view of financial position, financial performance and cash flow of the company in accordance with the accounting standards referred to in sub –section (3C) of section 211 of the Companies Act 1956 (“the Act”) The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility :

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from misstatements.

An Audit involves performing procedure to obtain audit evidence about the amounts and disclosure in the financial statements. The procedure selected depend upon auditor’s judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion :

In our opinion and to the best of our information and according to the explanations given to us and subject to the omission of the information dealt with in the report and all our remarks below, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in case of the Balance Sheet, of the state of affairs of the Company as at 31/03/2013;
- (b) in case of Profit and Loss Account, of the Loss for the year ended on that date; and
- (c) in the case of Cash Flow statement, of the cash flow for the year ended on that date

Report on Other Legal and Regulatory Requirements :

1. As required by the Companies (Auditor’s Report) Order,2003(“the order”) issued by Central Government of India in terms of sub-section (4A) of section 227 of the Act, We give in the Annexure a statements on the matters specified in paragraphs 4 and 5 of the order.
2. Further to our comments in the Annexure referred to above, we comment that:
 - a. Delhi High Court has remanded back the company to BIFR in its pending appeal on 19th January, 2010 and thereafter in the next hearing held on 29/04/2010, 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. The last date of hearing on 29/8/2013 the honorable BIFR has directed the company to revise and resubmit with OA, the DRS, with cutoff date as 31/03/2013 . As informed by the management, the company is under the process of submitting revised DRS to OA as directed by the honorable BIFR.
 - b. 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, SBI [Previously SBS], Industrial finance Branch, Ellisbridge, Ahmedabad and SBI [Previously SBS Isanpur Branch, 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.

- c. The Company has taken inter corporate loan of Rs 36.40 Lacs [Rs. 17.91 lacs through havala entries] and unsecured loans from related parties/firms of Rs. 17.54 lacs during the financial year under audit. The Closing Balance at the yearend are Rs. 754.68 Lacs in case of inter corporate loans and Rs.122.68 lacs for related parties and firms. No interest provided on loan accounts. In absence of formal agreement, we could not comment and could not quantify the non provision of interest.

Out of total Inter Corporate Loans as above, the Company has taken Mortgage Loan of Rs. 5 Crore from Adani Enterprises Ltd in previous years. 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 company and related documents and information.

- d. Company has not made provision for doubtful Debtors of Rs 95.93 Lacs, to that extent, Current Assets have been overstated and current years Losses and accumulated losses have been understated [read with clause 'g' below].
- e. Amount payable to 4 parties Rs. 33.84 lacs have been transferred to Jagjivandas Liladhar & Sons, one of the debtors of the Company. Management explained that on instruction of above parties, debt of the company have been transferred. No confirmation from any of the parties available, consequently, Unsecured loans has been undervalued by Rs. 11.60 lacs, Current liabilities have been undervalued by Rs.22.24 lacs and Sundry Debtors have been undervalued by Rs. 33.84 lacs.
- f. Amount receivable from one of the party Rs. 15.77 lacs transferred to group company, TJR Sons Ltd for which no confirmation from the respective party available, to the extent, Unsecured loan and sundry debtors have been undervalued.
- g. The Company has not filed I Tax Return for the F Y 2008-09 onwards. Proper records are not made available to us for verification. In this situation, 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.
- h. The Company has not deducted TDS from Professional fees paid / credited on sum of Rs.282500/- during the financial year under audit.
- i. Internal Control system needs to be strengthen for recovery of outstanding dues, high cash transactions and high cash on hand on balance sheet date.
- j. Bank Balance certificate or Bank Statements for various banks including No lien accounts with banks showing total balance of Rs. 89.30 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 overvalued to the extent of this amount and to the extent losses are under valued. [Read with Notes No.5]
- k. In addition to our observation in clause (a) to (j) above, the Naroda Unit has been inoperative since last many 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.

Further to our comments in the annexure referred to in paragraph 2 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 (l) 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.
 - d. 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.
 - i. The Company has not published Audited / un-audited quarterly results during the year under audit.
 - ii. 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 decided 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 sixteen years. Plant & Machinery of book value of Rs.21.23 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.
 - iii. The Company has not complied with AS 22, Accounting for Taxes on Income. The company failed to file Income Tax Returns for the F Y 2008-09 onwards. In absence proper documents and records , we could not quantify the Income Tax liability for which provision not made. Deferred Tax Assets / Deferred Tax Liabilities are not provided for 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. [Read with Notes "1(H)"]
 - e. On the basis of written representation received from the Directors as on March 31, 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of the Section 274 of the Companies Act, 1956.

For, SHAH DINESH DAHYALAL & ASSOCIATES
Chartered Accountants
FIRM REGISTRATION NO. 120362W

Shah Dinesh D.
Proprietor
MEMBERSHIP NO. 106871

Place : Ahmedabad
Date : 02/09/2013

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

The annexure referred to in our report to the member of KANEL INDUSTRIES LTD ('the company') for the year ended on 31st March, 2013, we report that;

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 not been physically verified by the Management. 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, present business operations and the nature of the Fixed Assets. In absence of physical verification report, we could not comment on material discrepancy in fixed assets of the company.
 - (c) During the year under audit, the company has not disposed off 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. 2(l) of our main audit report]
2. During the year under Audit, there is no Trading or Manufacturing activities hence requirement of clause (a)(b) and (c) are not applicable.
3. (l) 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 hence clause (b),(c) and (d) are not applicable.
 - (e) The Company has taken Unsecured loans from 2 parties covered in the register maintained U/s 301 of the Companies Act., 1956. The maximum amount involved during the year was Rs. 50,44,044/-.
 - (f) In absence of proper loan agreement, we could not comment on the interest provided or not. Management explained that Above referred loans are interest free, in our opinion, they are not prejudicial to the interest of the company.
 - (g) During the year, there had 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 and very slow debtors recovery. Internal controls should be strengthened 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 (l)(a) and para 3(l)(e) 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 2 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 with regards to the deposit accepted from public.

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 as well as 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.	NATURE OF DUE	AMOUNT OUTSTANDING AS ON 31/03/2013 [Rs. In Lacs] For more than 6 months And already due
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 Central Government 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 Assessment order/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 are unable to quantify the liabilities relating to tax as well as of Interest and penalty thereon]

* 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 by the management that during the F Y 2012-13, 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 Income tax and Sales tax authority.

SR. NO.	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	10.95	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 2012-13. The Company has incurred Cash Losses of Rs. 1.08 crores during the financial year under audit and the company had incurred cash losses of Rs. 1.38 Crores the immediately preceding financial year.
11. We are of the opinion that banking dues have been settled under OTS in earlier years and the company has generally not defaulted in repayment of dues to bank or financial institutions in year under audit. Further we report that the Company has taken secured Loans from the Company of Rs. 5 Crore in earlier year. 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.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. 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.
14. 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 agriculture products and there are Nil position pending on 31st March, 2013.
15. 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.
16. In our opinion, no term loans were availed by the Company during the financial year except unsecured loans taken from directors and related firms and their relatives as reported in Point No. 3(e).
17. 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.
18. 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.
19. During the year covered by our audit report, the company has not issued any debentures.
20. The Company has not raised any money by public issue during the year.
21. 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
FIRM REGISTRATION NO. 120362W

Shah Dinesh D.
Proprietor
MEMBERSHIP NO. 106871

Place : Ahmedabad
Date : 02/09/2013

BALANCE SHEET AS AT 31 March, 2013*In (Rupees)*

Particulars	Note No.	AS AT 31 March, 2013	AS AT 31 March, 2012
I. EQUITY AND LIABILITIES :			
1. Shareholders' Funds		-37968813.91	-34493517.81
(a) Share Capital	1	184124400.00	184124400.00
(b) Reserves and Surplus	23	-222093213.91	-218617917.81
2. Non-Current Liabilities		50000000.00	50000000.00
(a) Long-Term Borrowings	3	50000000.00	50000000.00
3. Current Liabilities		53776445.13	57624724.13
(a) Short-Term Borrowings	4	29965852.75	31506228.00
(b) Trade Payables	5	10152971.13	10838410.37
(c) Other Current Liabilities	6	1893907.00	3516371.51
(d) Short-Term Provisions	7	11763714.25	11763714.25
TOTAL		65807631.22	73131206.32
II. ASSETS :			
1. Non-Current Assets :		16925913.81	17752871.69
(a) Fixed Assets	8	12773957.46	13808750.04
(i) Tangible Assets		12773957.46	13808750.04
(b) Non-Current Investments	9	20000.00	20000.00
(c) Long-Term Loans and Advances	10	3448386.79	3101039.77
2. Current Assets :		49565286.97	56201416.51
(a) Trade receivables	11	38624844.70	45220171.70
(b) Cash and Cash Equivalents	12	10901240.87	9578188.16
(c) Short-Term Loans and Advances	13	39201.40	1403056.65
TOTAL		65807631.22	73131206.32

Significant Accounting Policies A

Notes on Financial Statements 1 to 31

The Notes referred to above form an integral part of the Balance Sheet

As per our report of even date

Shah Dinesh Dahyalal & Associates
Chartered AccountantsShah Dinesh D.
Proprietor
Firm Regi. No. 120362W, M. No.: 106871Place : Ahmedabad
Date : 02/09/2013

For and on behalf of the Board

Kanel Industries Limited

Managing Director Director

Place : Ahmedabad
Date : 02/09/2013

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 March, 2013

		<i>In (Rupees)</i>	
Particulars	Note No.	1-APR-2012 TO 31-MAR-2013	1-APR-2011 TO 31-MAR-2012
I. Revenue from Operations	14	0.00	1988454.00
II. Other Income	15	1698293.00	1623992.00
III. TOTAL REVENUE (I + II)		<u>1698293.00</u>	<u>3612446.00</u>
IV. EXPENSES:			
Purchases of Stock-in-Trade	16	0.00	1791400.00
Employee Benefit Expenses	17	250000.00	289000.00
Depreciation and Amortization Expenses		1034793.00	1176458.00
Other Expenses	18	3888797.00	2749493.00
TOTAL EXPENSES		<u>5173590.00</u>	<u>6006351.00</u>
V. Profit before Exceptional and Extraordinary Items and Tax (III-IV)		-3475296.00	-2393905.00
VI. Exceptional Items		--	--
VII. Profit before Extraordinary Items and Tax		<u>-3475296.00</u>	<u>-2393905.00</u>
VIII. Extraordinary Items		--	--
IX. Profit Before Tax		-3475296.00	-2393905.00
X. Tax Expense		--	--
Current Tax			
Deferred Tax			
XI. Profit/(Loss) for the period from Continuing Operations (IX-X)		<u>-3475296.00</u>	<u>-2393905.00</u>
XII. Profit/(Loss) from Discontinuing Operations		--	--
XIII. Tax Expense of Discontinuing Operations		--	--
XIV. Profit/(Loss) from Discontinuing Operations (after tax) (XII-XIII)		--	--
XV. Profit (Loss) for the Period (XI+XIV)		<u>-3475296.00</u>	<u>-2393905.00</u>
XVI. Earnings per Equity Share			
- Basic		--	--
- Diluted		--	--
Significant Accounting Policies	A		
Notes on Financial Statements	1 to 31		

The Notes referred to above form an integral part of the Balance Sheet

As per our report of even date

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Shah Dinesh D.
Proprietor
Firm Regi. No. 120362W, M. No.: 106871

Place : Ahmedabad
Date : 02/09/2013

For and on behalf of the Board

Kanel Industries Limited

Managing Director Director

Place : Ahmedabad
Date : 02/09/2013

NOTES NO. 1 - SIGNIFICANT ACCOUNTING POLICIES :**(A) METHOD OF ACCOUNTING :**

- i) The accounts are prepared on historical cost basis and on the principles of a going concern.
- 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 :

- (i) Tangible Fixed Assets acquired by the company are reported at acquisition value, with deduction for accumulated depreciation [other than "freehold land " where no depreciation is charged]. The acquisition value includes purchase price, inward freight, duties, taxes and incidental expenses related to acquisition and installation and allocable pre-operative expenditure.
- (ii) Intangible Fixed Assets: there is no intangible fixed assets.
- (iii) There is no Capital work in progress during the year under audit.

(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. Revenue / Income and Cost / Expenditure are accounted for on accrual basis
- ii. Vataav / Kasar income are recognised due to writing off long outstanding dormant accounts under managements' decision.
- iii. Rent Income recognised on accrual basis.
- iv. Interest Income others accounted on basis of TDS credited in our account on basis of form 26AS though respective deposits with Uttar Gujarat Vij Co. Ltd have been transferred to other parties on transfer of plants in previous years.

(G) RETIREMENT BENEFITS :

- 1) The company has terminated its permanent staff due to close down of manufacturing activities of the company and decided to appoint one or two assistant on retainership salary basis. Gratuity and other ex-gratia benefits are not accounted at this stage.
- 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 :

Current Tax provision not done by the company. Management is arranging to file all income tax pending returns and at that time current tax provision will be workout.

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) PROVISIONS & CONTINGENCIES :

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligations, in respect of which reliable estimate can be made. These are reviewed at each balance sheet and adjusted to reflect the current best estimate. Contingent liabilities are not recognised but are disclosed in the notes to the Financial Statements to the extent of details available. A contingent Assets is neither recognised nor disclosed.

(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.

(K) CASH FLOW STATEMENT :

Cash Flow are reported using the indirect method, whereby profit (loss) before tax is adjusted for the effect of transactions of a non-cash nature and any income due to writing-off liabilities of the company and any expenses due to provision for bad debts have been considered as extra ordinary item.

Cash and Cash equivalents presented in the Cash flow statement consist of cash on hand and demand deposits with bank and balance with dormant bank accounts [read with Notes no 5].

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2013

In (Rupees)

Particulars	AS AT 31 March, 2013		AS AT 31 March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
1. SHARE CAPITAL :				
1.1 AUTHORIZED, ISSUED, SUBSCRIBED AND PAIDUP SHARE CAPITAL :				
Authorised Share Capital :				
Equity Shares of Rs. 10.00 each	20000000	200000000.00	20000000	200000000.00
Total	20000000	200000000.00	20000000	200000000.00
Issued Share Capital :				
Equity Shares of Rs. 10.00 each	18412440	184124400.00	18412440	184124400.00
Total	18412440	184124400.00	18412440	184124400.00
Subscribed and fully paid :				
Equity Shares of ? 10.00 each	18412440	184124400.00	18412440	184124400.00
Total	18412440	184124400.00	18412440	184124400.00
TOTAL	18412440	184124400.00	18412440	184124400.00
Particulars	AS AT 31 March, 2013		AS AT 31 March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
1.2 RECONCILIATION OF SHARE CAPITAL :				
Equity Shares (Face Value Rs. 10.00)				
Shares outstanding at the beginning of the year	18412440	184124400.00	18412440	184124400.00
Shares Issued during the year				
Shares bought back during the year				
Shares outstanding at the end of the year	18412440	184124400.00	18412440	184124400.00
Particulars	AS AT 31 March, 2013		AS AT 31 March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
1.3 SHARES IN THE COMPANY HELD BY OTHER COMPANY :				
Equity Shares :				
Devika Protiens Ltd, Associate	432600	4326000.00	432700	4327000.00
TJR Finance Limited, Associate	233100	2331000.00	233600	2336000.00
TJR Sons Limited, Associate	51504	515040.00	799100	7991000.00
Particulars	AS AT 31 March, 2013		AS AT 31 March, 2012	
	No. of Shares	% of Holding	No. of Shares	% of Holding
1.4 SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE :				
Hiteshbhai K Thakkar	1024710	5.57 %	1024710	5.57 %

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2013

In (Rupees)

Particulars	AS AT 31-MAR-2013	AS AT 31-MAR-2012
2. RESERVES AND SURPLUS :		
Other Reserves	194859100.00	194859100.00
Opening balance	194859100.00	194859100.00
Closing balance	194859100.00	194859100.00
Surplus	-416952313.91	-413477017.81
Opening Balance	-413477017.81	-411083112.86
(+) Net profit/(Net loss) for the Current Year	-3475296.10	-2393904.95
(+) Profit & Loss A/c (2012-13)	3475296.10	
(-) Profit & Loss A/c (2011-12)		2393904.95
Closing balance	-416952313.91	-413477017.81
TOTAL	-222093213.91	-218617917.81
3. LONG-TERM BORROWINGS :		
Secured	50000000.00	50000000.00
Other Loans and Advances		
- Adani Enterprises Ltd.	50000000.00	50000000.00
TOTAL	50000000.00	50000000.00
4. SHORT-TERM BORROWINGS :		
Unsecured	29965852.75	31506228.00
Loans repayable on demand	850000.00	4417286.00
From banks		142758.00
Bank OD A/c		142758.00
From other parties	850000.00	4274528.00
Jayesh Jagdishbhai Dutt		1000000.00
Kadam Exports Pvt. Ltd.	850000.00	1139528.00
Shah Himatlal Manchharam		975000.00
Vishal Export Overseas Ltd.		1160000.00
Loans and advances from related parties	29115852.75	27088942.00
Devika Protines Ltd (Loan A/c)		1340000.00
Dhiren K. Thakkar	4768332.00	3099632.00
Kanaiyalal J Thakkar (H U F)	7500000.00	7500000.00
T.J.R. Finance Ltd.	5471100.00	5471100.00
TJR Sons Ltd.	11376420.75	9678210.00
TOTAL	29965852.75	31506228.00
5. TRADE PAYABLES :		
Others	10152971	10838410
TOTAL	10152971	10838410

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2013

In (Rupees)

Particulars	AS AT 31-MAR-2013	AS AT 31-MAR-2012
6. OTHER CURRENT LIABILITIES :		
Other Payables	1893907	3516372
TOTAL	1893907	3516372
7. SHORT-TERM PROVISIONS :		
Others	11763714	11763714
TOTAL	11763714	11763714

8. FIXED ASSETS :

Particulars of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As on 01.04.12	Addition During the year	Deductions During the year	As on 31.03.13	Up to 31.03.12	Provided For the Year	Adjustment for Ded./ Sales	As on 31.03.13	As at 31.03.13	As at 31.03.12
LAND	3797183	0	0	3797183	0	0	0	0	3797183	3797183
FACTORY BUILDING	17777122	0	0	17777122	13134652	465519	0	13600171	4176951	4642470
OFFICE BLDG. (NARODA)	1125000	0	0	1125000	630082	24814	0	654896	470104	494918
OFFICE BLDG.	3283230	0	0	3283230	1524136	88196	0	1612332	1670898	1759094
OFFICE EQUIPMENT	1388812		0	1388812	1234714	22503	0	1257217	131595	154098
PLANT & MACHINERY	17984436	0	0	17984436	15517555	344083	0	15861638	2122798	2466881
FURNITURE & FIXTURE	6264112	0	0	6264112	5770006	89678	0	5859684	404428	494106
TOTAL	51619895	0	0	51619895	37811145	1034793	0	38845938	12773957	13808750
Pr. Year Figures	51619895	0	0	51619895	36634687	1176458	0	37811145	13808750	14985208

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2013

In (Rupees)

Particulars	AS AT 31-MAR-2013	AS AT 31-MAR-2012
9. NON-CURRENT INVESTMENTS :		
Trade Investments	15000.00	15000.00
Investments in government or trust securities National Savings Certificate		
Other Investments	5000.00	5000.00
Investments in equity instruments Ahmedabad Comm. Exch. Ltd. - Shares		
TOTAL	20000.00	20000.00
10. LONG-TERM LOANS AND ADVANCES :		
Security Deposits	912915.00	926286.00
Secured, considered good	0.00	30000.00
Unsecured, considered good	912915.00	896286.00
Balances with Government Authorities	2260472.00	2174754.00
Unsecured, considered good	2260472.00	2174754.00
Other loans and advances	275000.00	0.00
Unsecured, considered good	275000.00	0.00
TOTAL	3448387.00	3101040.00

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2013

Particulars	<i>In (Rupees)</i>	
	AS AT 31-MAR-2013	AS AT 31-MAR-2012
11. TRADE RECEIVABLES :		
Outstanding for more than 6 months from the due date	38624845.00	45220172.00
Unsecured, considered good	29031494.00	32415188.00
Unsecured, considered doubtful	9593351.00	12804984.00
TOTAL	38624845.00	45220172.00
12. CASH & CASH EQUIVALENTS :		
Balances with banks	1004037.00	43956.00
Earmarked Balances	1004037.00	43955.00
Cash on hand	966994.00	604023.00
Others	8930210.00	8930210.00
TOTAL	10901241.00	9578188.00

12.1 REPATRIATION RESTRICTION :**Balance with Bank :**

Earmarked balance for which bank statements are available,
OTHERS are balance with various banks / No-Lien bank accts
where no bank statement / cert are available.

13. SHORT-TERM LOANS AND ADVANCES :

Other Loans and Advances	39201.00	1403057.00
Unsecured, considered good	1948.00	1948.00
Unsecured, considered doubtful	37253.00	1401108.00
TOTAL	39201.00	1403057.00

**NOTES TO AND FORMING PART OF STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31-MAR-2013**

Particulars	<i>In (Rupees)</i>	
	1-APR-2012 TO 31-MAR-2013	1-APR-2011 TO 31-MAR-2012
14. REVENUE FROM OPERATIONS :		
Sale of Products	0.00	1988454.00
TOTAL	0.00	1988454.00
15. OTHER INCOME :		
Interest Income	47978.00	0.00
Other Non-Operating Income	1650315.00	1623992.00
TOTAL	1698293.00	1623992.00

**NOTES TO AND FORMING PART OF STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31-MAR-2012**

In (Rupees)

Particulars	1-APR-2012 TO 31-MAR-2013	1-APR-2011 TO 31-MAR-2012
16. PURCHASES OF STOCK-IN-TRADE :		
Purchase of Cloth	0.00	1791400.00
TOTAL	0.00	1791400.00
Broad Heads of Materials Purchased		
Suits	0.00	1791400.00
TOTAL	0.00	1791400.00
17. EMPLOYEE BENEFIT EXPENSES :		
Salaries and Wages	250000.00	289000.00
TOTAL	250000.00	289000.00
18. OTHER EXPENSES :		
Payment to Auditors	90000.00	100000.00
As Auditor	90000.00	100000.00
Prior period items	4201.00	413999.00
Power and fuel	49814.00	53496.00
Repairs to buildings	18840.00	72524.00
Rates and taxes (excluding taxes on income)	55325.00	52300.00
Miscellaneous expenses	3670617.00	2057174.00
Total	3888797.00	2749493.00

Notes : Miscellaneous exps includes Rs. 2384499/- bad debt written off and loss on Future Option Rs. 223005

NOTES TO THE FINANCIAL STATEMENTS :

NOTES NO. "19"

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 31.03.2013, the details of aggregate amount due to Small Scale industrial undertakings outstanding as on 31-3-2013 are not given.
5. Bank Account statement / balance certificate of Denabank [No lien A/c], SBI [previously SBBJ (No lien A/c) 2.5%, previously SBBJ (No lien A/c)10%, previously SBS (No lien A/c) 10% are not available for our verification. Management informed that 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 the same are not received. 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.
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 start 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. Company's Naroda division is closed since long time. Company has provided depreciation of Rs. 3.44 lacs due to normal wear and tear for assets.
17. **Earnings per share (EPS) :**

Sr. No.	Particulars	Year ended 31 st March, 2013	Year ended 31 st March, 2012
1.	Net Profit [loss] (Rs. In Lacs)	(-)37.25	(-)23.93
2.	Weighted Average Number of Shares	18412440	18412440
3.	Basic/ Diluted EPS (Rs.) (on nominal value of Rs. 10 per share)	NIL	NIL

18. In the opinion of the Board of Director the Current Assets, Loans and Advances are approximately of the value stated, if realized in normal courses of business.
19. **Amount due from companies and due to companies under the same management from Directors/ Director's relatives are as follows:**

No.	Name of Party	Maximum Balance	Closing Balance
01	Devika Proteins Ltd	13.40 Lacs	Nil
02	Devika Road Lines Pvt Ltd	05.00 Lacs	Nil
03	Kanaiyalal J Thakkar HUF	75.00 Lacs	75.00 Lacs
04	TJR Finance Ltd	54.71 Lacs	54.71 Lacs
05	Dhiren K Thakkar	09.30 Lacs	47.68 Lacs
06	TJR sons Ltd	16.05 Lacs	113.76 Lacs
07	Hitesh K Thakkar	0.60 Lacs	Nil
08	Devika Proteins Ltd	75.20 Lacs	75.20 Lacs

20. **Related Party transactions :**

No.	Nature of Relationship	Name of Related Parties
1.	Associate Companies/Enterprise	Devika Protines Ltd. T.J.R. Finance Ltd. TJR Sons Ltd. Devika Road Lines Pvt Ltd
2.	Key Management Person	Dhiren K Thakkar Hitesh K Thakkar Kiritbhai Chhaganbhai Patel Aditya Yogeshbhai Patel Yogeshkumar R Patel
3.	Relative of key management person	Kanaiyalal J Thakkar (HUF)

Nature of Transactions	Associate Companies/ Enterprise		Key Management Personnel & Relatives of such Personnel		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
(A) Volume Of Transactions						
1) Sales Of Goods	Nil	Nil	Nil	Nil	Nil	Nil
2) Goods Purchased	Nil	Nil	Nil	Nil	Nil	Nil
3) Capital Goods Produced	Nil	Nil	Nil	Nil	Nil	Nil
4) Capital Goods Sales	Nil	Nil	Nil	Nil	Nil	Nil
5) Loan Taken/Granted						
(ii) Devika Protines Ltd.(Loan A/c)						
Loan Taken	Nil	1460000	-	-	Nil	1460000
Loan repaid	1340000	120000	-	-	1340000	120000
Balance at 31st March	Nil	1340000	-	-	Nil	1340000
Balance at 1st April	1340000	Nil	-	-	1340000	Nil
(iii) Dhiren K. Thakkar						
Loan Taken	-	-	1753700	307500	1753700	307500
Loan repaid	-	-	85000	Nil	85000	Nil
Balance at 31st March	-	-	4768332	3099632	4768332	3099632
Balance at 1st April	-	-	3099632	2792132	3099632	2792132
(iv) Hitesh K. Thakkar						
Loan Taken	-	-	Nil	Nil	Nil	Nil
Loan repaid	-	-	59633	Nil	59633	Nil
Balance at 31st March	-	-	Nil	59633	Nil	59633
Balance at 1st April	-	-	59633	59633	59633	59633
(v) Kanaiyalal J Thakkar (HUF)						
Loan Taken	-	-	Nil	Nil	Nil	Nil
Loan repaid	-	-	Nil	Nil	Nil	Nil
Balance at 31st March	-	-	7500000	7500000	7500000	7500000
Balance at 1st April	-	-	7500000	7500000	7500000	7500000
(vi) Devika Roadlines Pvt. Ltd.						
Loan Taken	186145	Nil	-	-	186145	Nil
Loan repaid	800000	Nil	-	-	800000	Nil
Balance at 31st March	Nil	613855	-	-	Nil	613855
Balance at 1st April	613855	613855	-	-	613855	613855
(vii) T.J.R. Finance Ltd.						
Loan Taken	Nil	4266600	-	-	Nil	4266600
Loan repaid	Nil	1460000	-	-	Nil	1460000
Balance at 31st March	5471100	5471100	-	-	5471100	5471100
Balance at 1st April	5471100	2664500	-	-	5471100	2664500

Nature of Transactions	Associate Companies/ Enterprise		Key Management Personnel & Relatives of such Personnel		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
(viii) TJR Sons Ltd.						
Loan Taken	3290345	638400	-	-	3290345	638400
Loan repaid	1592134	Nil	-	-	1592134	Nil
Balance at 31st March	11376421	9678210	-	-	11376421	9678210
Balance at 1st April	9678210	9039810	-	-	9678210	9039810
6) Managerial Remuneration	Nil	Nil	Nil	Nil	Nil	Nil
7) Dividend Paid	Nil	Nil	Nil	Nil	Nil	Nil
8) Interest Expenses	Nil	Nil	Nil	Nil	Nil	Nil
9) Interest Income	Nil	Nil	Nil	Nil	Nil	Nil
10) Corporate Gurantee Given						
By Company	Nil	Nil	Nil	Nil	Nil	Nil
11) Equity Contribution	Nil	Nil	Nil	Nil	Nil	Nil
12) Salary to Key						
Management Personnel	Nil	Nil	Nil	Nil	Nil	Nil
(C) Balance at the end of the period						
1) Current Liabilities	7520557	7520557	-	-	7520557	7520557

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 :

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
(a) Audit Fees [As Statutory Auditr]	90000	100000
	90000	100000

23. (a) CONSUMPTION OF RAW MATERIALS IN TERMS OF VALUE AND PERCENTAGE :

SR.	PARTICULARS	2012-13		2011-12	
		Rupees	In%	Rupees	In%
i.	Imported	Nil	Nil	Nil	Nil
ii.	Indigenous	Nil	Nil	Nil	Nil

(b) CONSUMPTION OF STORSE AND SPARESIN TERMS OF VALUE AND PERCENTAGE :

SR.	PARTICULARS	2012-13		2011-12	
		Rupees	In%	Rupees	In%
i.	Imported	Nil	Nil	Nil	Nil
ii.	Indigenous	Nil	Nil	Nil	Nil

(c) Trading Goods :

SR.	PARTICULARS	2012-13		2011-12	
		Rupees	In%	Rupees	In%
i.	Imported	Nil	Nil	Nil	Nil
ii.	Indigenous	Nil	Nil	Nil	Nil

24. Particulars of Power and fuel Cost :

SR.	PARTICULARS	2012-13	2011-12
		Rupees NIL	Rupees NIL

25. CIF value of Imports :

SR.	PARTICULARS	2012-13	2011-12
		Rupees NIL	

26. Expenditure in Foreign Currency :

SR.	PARTICULARS	2012-13	2011-12
		Rupees NIL	

27. Earning in Foreign Exchange :

SR.	PARTICULARS	2012-13	2011-12
		Rupees NIL	

28. Computation of Net profit in accordance with section 349 of Companies Act, 1956 are not required as director's were not paid commission during the year under audit.

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.

30. **Prior Period Expenditure** : Prior period expenditure / Income have been debited / Credited to the profit and loss account under the following account heads :

Included under the Head of Account 2012-13 (Rs.)

EXPENSES :

01	Custodian fees	186
02	Membership & subscription fees	4015

The statements of significant accounting policies and the notes numbered 1 to 30 from an integral part of the year ended 31st March 2013.

Signature to Schedule 1 to 30

As per our report of even date

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Shah Dinesh D.
Proprietor
Firm Regi. No. 120362W, M. No.: 106871

Place : Ahmedabad
Date : 02/09/2013

For and on behalf of the Board

Kanel Industries Limited

Managing Director Director

Place : Ahmedabad
Date : 02/09/2013

**CASH FLOW STATEMENT, ANNEXURE TO BALANCE SHEET
FOR THE YEAR ENDED ON 31-MAR-2013
(PERSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)**

In (Rupees)

Particulars	31-MAR-2013	31-MAR-2012
1. Profit before Tax and extraordinary Items	3475296.00	-2393905
Adjustments for :		
(a) Depreciation	1034793.00	1176458.00
(b) Financial Charges	0.00	0.00
(c) Interest Received	-77462.00	0.00
(d) Income from Kasar - Vatav & Other Income	-1020831.00	-1655917.00
(e) Bad debt provision	2384499.00	
OPERATING PROFIT (LOSS) BEFORE WORKING CAPITAL CHARGES	-1154297.00	-2873364.00
Adjustment for		
(a) Trade and Other Receivables	7618639.00	-1360510.00
(b) Inventories	0.00	0.00
(c) Trade Payable & Other Liabilities	-3416220.00	-4531659.00
CASH GENERATED FROM OPERATION	3048122.00	-8765533.00
Income Tax Paid	0.00	0.00
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	3048122.00	-8765533.00
Extra Ordinary Items	-2384499.00	1655917.00
NET CASH FLOW FROM OPERATING ACTIVITIES - A	1870599.00	-7109616.00
2. CASH FLOW FROM INVESTMENT ACTIVITIES :		
(a) Purchase of Fixed Assets	0.00	0.00
(b) Sale of Fixed Assets	0.00	0.00
(c) Fresh Investment	0.00	0.00
NET CASH USED FORM INVESTING ACTIVITIES - B	0.00	0.00
3. CASH FLOW FROM FINANCIAL ACTIVITIES :		
(a) (Decrease) Increase in Long Term Borrowing (Net)	-142758.00	0.00
(b) (Decrease) Increase in Unsecure Loan	482250.00	7374786.00
(c) Interest Paid	0.00	0.00
(d) Interest Received	77462.00	0.00
NET CASH USED IN INVESTMENT ACTITIVITES - C	-547546.00	7374786.00
NET INCREASE (DECREAS) IN CASH (A+B+C)	1323053.00	265170.00
Opening Balance of Cash & Cash Equivalents	9578188.00	9313018.00
Closing Balance of Cash & Cash Equivalents	10901241.00	9578188.00

- Note :**
- Figures for the previous year have been regrouped/restated wherever material.
 - All figures " - " indicates outflow.
 - The above cash flow statement has been prepared under the ' Indirect Method ' as set out in Accounting Standard 3 on Cash Flow statement" issued by the ICAI.
 - The closing cash and cash equivalents as at 31-3-2013 of Rs.10901240 includes Rs.8930209 /- with banks in no lien deposit accounts. Balance in no lien deposit accounts shall not be freely available with the bank.

As per our report of even date

Shah Dinesh Dahyalal & Associates
Chartered AccountantsShah Dinesh D.
Proprietor
Firm Regi. No. 120362W, M. No.: 106871Place : Ahmedabad
Date : 02/09/2013

For and on behalf of the Board

Kanel Industries Limited

Managing Director Director

Place : Ahmedabad
Date : 02/09/2013

AUDITOR'S CERTIFICATE

To,
Board of Directors,
Kanel Industries Limited
203, Abhijeet - 1, Nr. Mithakhali Six Roads,
Ellisbridge, Ahmedabad - 6.

We have examined the above Cash Flow Statement of Kanel Industries Limited for the year ended on 31st March, 2013.

The Statements has been prepared by the company in accordance with the requirements of the Listing Agreement's [clauses 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 report on 2nd September, 2013 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 : 02.09.2013

KANEL INDUSTRIES LIMITED

PROXY FORM

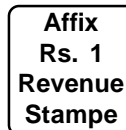
Registered Folio No.: _____

No of Shares held : _____

I/We _____ of _____ being Member / Members of KANEL INDUSTRIES LIMITED, hereby appoint Shri / Smt. _____ of _____ or failing him Shri / Smt. _____ of _____ as my/ our proxy to vote for me/ us and on my/ us behalf at the 21st Annual General Meeting of the Company to be held on Saturday, 28th Day of September, 2013 at 10.00 a.m.

Signed by the said _____ day of _____ 2013.

Signature _____



Applicable to the members holding shares in electronic form.

NOTE : The proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

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ATTENDANCE SLIP

Please complete this Attendance slip and hand it over at the entrance of the Meeting Hall. It helps us to make proper arrangements. Failures to bring this Attendance Slip create unnecessary inconvenience to you. Please write below :

Registered Folio No.: _____

I hereby record my presence at the 21st Annual General Meeting of the Company held at Registered Office of the Company at 203, Abhijeet-1, Mithakhali Six Roads, Ellisbridge, Ahmedabad - 380 006 on Saturday, 28th September, 2013 at 10.00 a.m.

Full Name of the Members/Proxy _____

(In Block Letters, to be filled in if the proxy attends instead of the Member)

Members/ Proxy Signature

Application to the members holding shares in electronic form.

NOTES :

1. Members/ Proxy holders are requested to bring their copy of the Notice with them at the Meeting.
2. Please carry with you this Attendance Slip and hand over the same duly completed, stamped signed at the space provided, at the entrance of the Meeting Hall.
3. Shareholders / Proxy holders should bring their copy of the Annual Report for the meeting.

Book Post

To

If Undelivered please return to :

KANEL INDUSTRIES LIMITED

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