

22nd
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

TWENTYSECOND ANNUAL GENERAL MEETING PROGRAMME

DATE : 29TH SEPTMEBER, 2014
DAY : MONDAY
TIME : 10.00 A.M.
VENUE : REGISTERED OFFICE OF THE COMPANY AT
203, ABHIJEET – 1, 2ND FLOOR,
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.

DISCLAIMER STATEMENT :

THIS AUDITED ANNUAL REPORT CONTAINING AUDITED BALANCE SHEET, PROFIT & LOSS ACCOUNT, SCHEDULES, NOTES TO THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31/03/2014 AND THE DOCUMENTS ATTACHED THERETO I.E REPORT OF THE AUDITORS, BOARD OF DIRECTORS, REPORT ON THE CORPORATE GOVERNANCE AND ANY OTHER ATTACHMENTS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT 1956 AS PER GENERAL CIRCULAR 08/2014 ISSUED VIDE LETTER NO. 1/19/2013-CL-V DATED 04.04.2014 AND APPLICABLE PROVISIONS OF VARIOUS SECTIONS OF COMPANIES ACT 2013 WHICH WERE MADE APPLICABLE W.E.F 12/09/2013.HOWEVER IN PREPARATION OF THIS REPORT AT SOME PLACES A REFERENCE OF VARIOUS SECTIONS OF COMPANIES ACT 2013 ARE ALSO MADE AS AN ABUNDUNT CAUTION.

CONTENTS	Page No.
1. GENERAL INFORMATION	1
2. NOTICE AND EXPLANATORY STATEMENT	2
3. DIRECTORS' REPORT	8
4. CORPORATE GOVERNANCE REPORT	13
5. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE	19
6. AUDITORS' REPORT BALANCE SHEET AND CASH FLOW STATEMENT	21
7. BALANCE SHEET	26
8. PROFIT & LOSS ACCOUNT	27
9. SCHEDULES & NOTES ON ACCOUNTS	30
10. CASH FLOW STATEMENT	39
11. ATTENDANCE & PROXY FORM	

BOARD OF DIRECTORS

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

COMPANY LAW CONSULTANT

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

BANKERS OF THE COMPANY

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

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

REGISTRAR FOR DEPOSITORY OPERATIONS

SYSTEM SUPPORT SERVICES

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

LISTING AT

AHMEDABAD

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

MUMBAI

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

CALCUTTA

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

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

Plot No. : 213/214, Phase II, GIDC, Naroda, Ahmedabad-382330

INVESTORS GRIEVANCES COMPLIANCE OFFICER

Dhiren K. Thakkar - Chairman and Managing Director,
203, 2nd Floor, Abhijeet-1. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.
Email : dhirenthakkar72@gmail.com

NOTICE

NOTICE is hereby given that the 22ND Annual General Meeting of the Members of the **KANEL INDUSTRIES LIMITED** will be held on Monday the 29th September, 2014 at 10:00 A.M. at the Registered office of the Company at 203, Abhijeet-1, 2nd floor, Mithakhali Six Roads, Ellisbridge, Ahmedabad: 380 006 to 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 31st March,2014 The Profit & Loss Account for the year ended on that date, the report of the Auditors and Directors thereon.
- 2) To reappoint a director Mr. Kiritbhai C Patel who retires by rotation and being eligible offers himself for reappointment.
- 3) To reappoint a director Mr. Yogeshkumar R. Patel who retires by rotation and being eligible offers himself for reappointment.
- 4) **To Consider and if thought fit to pass with or without modification following Resolution as an ORDINARY RESOLUTION:**

RESOLVED THAT pursuant to provisions of Section 139 (1) and other applicable provisions of the Companies Act 2013 (Corresponding provisions of Section 224(1B) of the Companies Act 1956) read with Rule 4 and 6 of the Companies (Audit and Auditors) Rules 2014 as in force, the consent of the members of the Company be and is hereby accorded to the Appointment of Shah Dinesh Dahyalal & Associates, a firm of Chartered Accountants (Proprietor firm Registration Number:120362W and CA Member No: 106871) , as Statutory Auditors of the Company for the next financial years i.e. for the financial years 2014-15 and to fix their remuneration as per section 139(2) of the Companies Act 2013.

SPECIAL BUSINESS:

- (5) To Consider and if thought fit to pass with or without modification following Resolution as an ORDINARY RESOLUTION.

To Appoint Mr. Dhiren K Thakkar (DIN 00610001) as Managing Director of the Company for a further period of 3 years

“RESOLVED THAT in accordance with the provisions of the section 196,197 and 203 read with schedule V and all the other applicable provisions of the Companies Act 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory Modification(s) or re-enactment thereof for the time being in force, approval of the Company be and is hereby accorded to the appointment of Mr. Dhiren K Thakkar (Holding Valid DIN: 00610001) as Managing Director of the Company for a further period of 3 (three) years with effect from 8st October 2014 without taking any managerial remuneration.

“RESOLVED FURTHER THAT Mr. Dhiren K Thakkar, as Managing Director of the Company shall have the substantial powers of the Management and administration of the business and affairs of the Company subject to the overall superintendence, control and direction of the Board of Directors from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

PLACE: AHMEDABAD
DATE: 31st MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.

(DHIREN K THAKKAR)
CHAIRMAN & MANAGING DIRECTOR
(DIN : 00610001)

The Register of Members of the Company will remain closed from 25/09/2014 TO 29/09/2014 (both days inclusive).

NOTES:

- 1) A Member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote and that a proxy need not be a member of the company.
- 2) Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, Trusts, etc., must be backed by appropriate resolution / authority as applicable, issued on behalf of the nominating organization.
- 3) A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- 4) The Register of members and share transfer books of the Company shall remain closed from 25/09/2014 TO 29/09/2014 (Both days inclusive) as per the provisions of section 154 of the Companies Act 1956 and the provisions of the Clause 16 of the Listing Agreement.
- 4) The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Business at the meeting, is annexed hereto.
- 5) Members desiring any information on accounts are requested to write to the company **7 days** before the meeting to enable the management to keep the information ready.
- 7) Shareholders holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agent, System Support Service Shareholders holding shares in electronic form must advise to their respective depository participants about change in address and not to company.
- 8) All shareholders are requested to dematerialize their shareholding immediately as the shares are traded compulsorily in demat segment only.
- 9) The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
- 10) All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 am to 5.00 pm) on all working days except Saturdays, up to and including the date of the Annual General Meeting of the Company.
- 11) The Notice of the Annual General Meeting and Annual Report of the Company for the year ended 31st March, 2014 is uploaded on the Company's website www.kanel.in and may be accessed by the members.
- 12) Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company / Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2013-14 is being sent in the permitted mode.
- 13) Electronic copy of the Notice of the Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company / Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Notice of the Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.
- 14) Instructions for e-voting:
In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 read with clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote at the 22nd Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services provided by Central Depository Services (India) Limited (CDSL):

In case of members receiving e-mail:

- (i) Log on to the e-voting website www.evotingindia.com
- (ii) Click on "Shareholders" tab.
- (iii) Now, select the "COMPANY NAME" i.e. KANEL INDUSTRIES LIMITED from the drop down menu and click on "SUBMIT"
- (iv) Now Enter your User ID:
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company. (6 Digit Alpha-Numeric)
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN*	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. • In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. E.g. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN Field.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Detailsfor	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut-off date in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> i.e. The KANEL INDUSTRIES LIMITED, on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporate.
 - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favor of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- In case of members receiving the physical copy:
Please follow all steps from sr. no. (i) to sr. no. (xvii) above to cast vote.

General Instructions:

- a. **The voting period begins on 26th September 2014 at 9.00 a.m. and ends on 26th September, 2014 at 6.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of (record date) of 20th August 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. The EVSN Number for e-voting generated on the website www.evotingindia.com is 140728017.**
- b. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.
- c. Mr. Kamlesh M. Shah, Practicing Company Secretary, (Membership No. A8356 and COP No. 2072) (Address: 801-A, Mahalay Complex, Opp: Hotel President, B/h. Fairdeal House, Swastik Cross Roads, Navrangpura, Ahmedabad: 380 009, Gujarat, India, has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- d. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favor or against, if any, forthwith to the Chairman of the Company.
- e. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.kanel.in and on the website of CDSL within two(2) days of passing of the resolutions at the AGM of the Company and communicated to the ASE and BSE Limited.

INFORMATION ABOUT THE DIRECTORS WHO ARE PROPOSED TO BE APPOINTED/ RE-APPOINTED AT THE 22nd ANNUAL GENERAL MEETING AS PER CLAUSE 49 OF THE LISTING AGREEMENT FORMING PART OF THE NOTICE CONVENING THE ANNUAL GENERAL MEETING OF THE COMPANY.

Particulars	Mr. Kiritkumar C Patel
Director Identification Number.	00048004
Date of Birth.	18/08/1945
Age.	69 years old
Educational Qualification.	B.Com
Experience (No. of Years)	30 years
Business field in which Experience.	He has vast experience in Business Construction. He is providing the service of Non Executive Director in many other Companies.
Date of Appointment as Director in the Company.	16/04/2012
Directorship held in any other Company.	Kadam Exports Private Limited
Member of any Committees of the Directors in the Company.	Audit Committee
Member of any committees of the Directors in other Companies with names of the Company.	N.A.
Member of any Trade Association/ Charitable Organization/NGOs etc.	N.A.
Particulars	Mr. Dhiren K Thakkar
Director Identification Number.	00610001
Date of Birth.	26/06/1972
Age.	42 years old
Educational Qualification.	B.Sc
Experience (No. of Years)	15 years
Business field in which Experience.	He has vast experience in Business of Trading of Agro production and Edible Oil. He is looking after the business since last 20 years. He has the experience of 15 years in this field of trading of agro Commodities as well as marketing and trading of Edible Oil.
Date of Appointment as Director in the Company.	06/06/1994
Directorship held in any other Company.	<ul style="list-style-type: none"> ● Dharti Protein Limited ● T J R Sons Limited ● Shakti Nutraceuticals Private Limited
Member of any Committees of the Directors in the Company	Audit Committee
Member of any committees of the Directors in other Companies with names of the Company.	N.A.
Member of any Trade Association/ Charitable Organization/NGOs etc.	N.A.
Particulars	Mr. Yogeshkumar R Patel
Director Identification Number.	05260810
Date of Birth.	04/07/1967
Age.	47 years old
Educational Qualification.	Graduate
Experience (No. of Years)	15 years
Business field in which Experience.	He has vast experience in Business of Trading of Agro production and as well as in construction field.
Date of Appointment as Director in the Company.	16/04/2012
Directorship held in any other Company.	N.A.
Member of any Committees of the Directors in the Company.	Audit Committee
Member of any committees of the Directors in other Companies with names of the Company.	N.A.
Member of any Trade Association/ Charitable Organization/ NGOs etc.	N.A.

**ANNEXURE TO NOTICE CONVENING OF THE 22ND ANNUAL GENERAL MEETING OF
KANEL INDUSTRIES SLIMITED
STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013
(Corresponding Section 173(2) of the Companies Act 1956)**

The following statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

REAPPOINTMENT OF MR. DHIREN K THAKKAR (DIRECTOR IDENTIFICATION NUMBER: 00610001) AS THE MANAGING DIRECTOR OF THE COMPANY FOR A FURTHER PERIOD OF 3 YEARS.

Mr. Dhiren K Thakkar (Holding a valid Director Identification Number: 00610001) is currently also a Managing Director of the Company. His previous term of office as Managing Director of the Company comes to expire on 8th October, 2013. He is due for reappointment as the Managing Director for another term.

As per provisions of section 196 of the Companies Act 2013 (Read with the relevant rules of the companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 read with schedule V of the Companies Act 2013 requires every public Company having paid share capital of Rs.5 Crores or more and every listed companies, to have a Managing Director or Whole Time Director or a Manager.

Accordingly, as the Company's current paid up share capital of the Company is Rs.184,124,400, it is compulsorily required to have a full time Managing Director within the company. Mr. Dhiren K Thakkar, is working as Managing Director of the Company Since last 5 Years. His working is satisfactory and he is discharging his duties as the managing director within time. Under his leadership, the company is making all legal and procedural compliances of stock exchanges, Registrar of Companies, Income Tax, Sales Tax and other corporate laws in time. Mr. Dhiren K Thakkar is also taking due care in the Management of the business of the Company. Currently he is actively involved in the implementation of the company's Edible Oil project. In fact, with his active involvement in all the legal cases, now the company has started to manufacture the Edible Oil.

Considering the current financial position and economic conditions of the country, inflationary trends, the financial position of the company, the projects being undertaken by the company, Mr. Dhiren K Thakkar will not take any Managerial Remuneration from the Company.

Directors recommend to pass necessary resolution for his reappointment as the Managing Director of the Company without any managerial Remuneration.

Except the above disclosure of the nature of interest, no other directors of the company or any of their relatives have either director or indirect interest or concern in the proposed resolution.

Statutory Information as per requirement of Part – II of Schedule V of Companies Act, 2013

I. General Information

- 1) Nature of Industry : Trading of Edible Oil
- 2) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.
The company is already earning from Trading of Edible Oil.
- 3) Financial performance based on given indicators Company has income from operations of Rs. 86215954.00.
- 4) Foreign investment or collaborations, if any: There is no foreign investment or collaborations.

II. Information about the appointee:

- 1) Background details : Mr Dhiren K Thakkar is appointed is Director on 08/10/2013 has served as Non Executive Managing Director as five Years and appointed as Managing Director for the further period of Three year.
- 2) Past remuneration : N.A.
- 3) Recognition or awards : N.A.
- 4) Job profile and his suitability: Mr. Dhiren K Thakkar is looking after day to day business and affairs of the company. His rich experience of 15 years in the management of the business and affairs of the company and project implementation work will benefit the company in the long run.
- 5) Remuneration proposed : No Remuneration due to weak financials of the company.
- 6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin) : The company's paid up capital is of Rs. 18412440/-. He is eligible for remuneration up to Rs. 42 lacs per annum as per part A of section II of Part II of Schedule V of the Companies Act, 2013. However looking to company's financial performance the board has approved and proposed not to make any payment of managerial remuneration at present instead of his eligible limit. The company's current financial position and status is not comparable with industries norms.
- 7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. : N.A.

III. Other information

- 1) Reasons of loss: Due to unavailability of sufficient working capital in the company
- 2) Steps taken or proposed to be taken for improvement: Steps are being taken to restart the manufacturing activity at the company's Naroda unit by promoters by bringing in funds for working capital.

IV. Disclosures

Except the above disclosure of the nature of interest, no other directors of the company or any of their relatives have either director or indirect interest or concern in the proposed resolution.

PLACE: AHMEDABAD

DATE: 31ST MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.
(DHIREN K THAKKAR)
CHAIRMAN & MANAGING DIRECTOR
(DIN : 00610001)

DIRECTORS' REPORT

Your Directors are pleased to submit herewith their report together with the audited statement of accounts for the 22ND financial year ended 31st March, 2014.

[Amount in Rs.]

PARTICULARS	2013-14	2012-13
Income from Operation	86215954.00	NIL
Other Income	290252.00	1698293.00
Increase/ (Decrease) in stock	NIL	NIL
Total Income	86506206.00	1698293.00
Total Expenditure	88687758.00	5173589.00
Profit/ (Loss) before Tax	(2181552.00)	(3475296.00)
Provision for Tax	NIL	NIL
Taxws for Earlier periods	NIL	NIL
Prior Period Extra Ordinary Items (Net)	NIL	NIL
Net Profit / (Loss) after Tax	(2181552.00)	(3475296.00)
Previous Year Debit Balance	(416952314.00)	(413477018.00)
Balance Carried to B/S	(419133866.00)	(416952314.00)

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 STRUCTURE:

During the year under review there were no changes in the Authorized, Issued, Subscribed and Paid up Share Capital Structure of the Company.

BUY BACK OF EQUITY SHARES:

The Company had not made any Buy Back of its paid up equity shares during the year in terms of section 77A, 77AA and 77B of the Companies Act 1956. Hence no specific disclosure is required to be made in this report

YEAR UNDER REVIEW:

During the year under review the Company has made total loss of Rs.21,80,916/- (Previous Year of Rs. 34,75,296/-) from business.

DEMATERIALISATION OF SECURITIES:

Your Company's Equity shares are admitted in the System of Dematerialization by both the Depositories namely NSDL and CDSL. The Company has signed tripartite Agreement through Registrar and Share Transfer Agent System Support Service. The Investors are advised to take advantage of timely dematerialization of their securities. The ISIN allotted to your Company is INE 248C01013. Total Share dematerialized up to 31st March 2014 were 11380604 which constitute 61.81% of total capital. Your Directors request all the shareholders to dematerialize their shareholding in the company as early as possible.

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE:

The Complete Report on Corporate Governance is given as ANNEXURE-A to this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and perceptions on existing business, future outlook of the industry, future expansion and diversification plans of the Company and future course of action for the development of the Company are fully explained in a separate para in Corporate Governance Report.

DEPOSITS

During the year under review your company has neither invited nor accepted any public deposit as defined under Section 58A of the Companies Act-1956.

DIRECTORS

Mr. Kiritbhai C Patel and Mr. Yogeshkumar R. Patel shall retire by rotation at the ensuing Annual General Meeting as per provisions of Law. He eligible for reappointment and have offered themselves for directorship of the company. Your directors recommend for their reappointment.

MANAGING DIRECTOR

Mr. Dhiren K Thakkar, the Managing Director is due for reappointment as Managing Director for a further period of 3 years. The Remuneration Committee and the Board of Directors of the Company has approved his appointment as Managing Director for a further period of 3 years w.e.f. 8th October 2013 without any managerial Remuneration. An Ordinary Resolution is required to be passed for approval of his reappointment for the next 3 years. Your directors recommend to pass necessary resolution as mentioned in the notice for the Annual General Meeting.

DISCLOSURE AS PER COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULE, 2014

- i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year:

Total Remuneration expenses:	Rs. 216,000/-
Managerial Remuneration Expenses:	Rs. Nil/-
Other employees Remuneration:	Rs. 216,000/-
- ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

No remuneration is increased during the year for any of the Key Managerial Personnel, CFO, CEO, CS or Manager.
- iii) The percentage increase in the median remuneration of employees in the financial year

During the year there was no increase in remuneration of any employees during the financial year.
- iv) The number of permanent employees on the rolls of company; 1 (One)*

* However there are several other employees who are contractual and not permanent.
- v) The explanation on the relationship between average increase in remuneration and company performance; NOT APPLICABLE as there was no increase in remuneration of any employee during the year.
- vi) Comparison of the remuneration of the Key managerial personnel against the performance of the company;

The KMP i.e. Managing Director is not paid any managerial Remuneration. Hence, his remuneration is not comparable inter company, intra company or inter industry as a whole.
- vii) Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;

Closing Market Price of shares of Company as on 31/03/2013 : Rs.4.08/-
Closing Market Price of shares of Company as on 31/03/2014 : Rs.14.25/-
- viii) Average percentile increase made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;

NOT APPLICABLE as there was no increase in Remuneration of any employees of the company or the Managerial Personnel of the Company.
- ix) Comparison of the each remuneration of the key managerial personnel against the performance of the company;

Not Comparable.
- x) The key parameters for any variable component of remuneration availed by the directors;

NOT APPLICABLE.

- xi) The ratio of the remuneration of the highest paid director to the of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and No employee is receiving remuneration in excess or higher than the remuneration of Director or Key Managerial Personnel.
- xii) Affirmation that the remuneration is as per the remuneration policy of the company.

All remuneration of the Employees and directors are decided by Nomination & Remuneration Committee and by the Board of Directors within the organization.

Directors' Responsibility STATEMENT

Pursuant to the provision contained in Section 134(5) of the Companies Act 2013 (Corresponding Section 217(2AA) of the Companies Act, 1956), the Directors of your Company confirm:

- A. That in the preparation of the annual accounts, as far as possible and except the Accounting Standards which are mentioned by the Auditors in their Report and the Notes to the Accounts separately, the applicable accounting standards has been followed and no material departure has been made from the same;
- 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 that period;
- 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.
- E. The Directors, in the case of Listed Company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operative effectively.
- F. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DECLARATION AS TO INDEPENDENT DIRECTORS: (Pursuant to Provisions of section 149(6) OF the Companies Act 2013).

All the Independent Directors of the Company do hereby declare that:

- (1) All the Independent Directors of the Company are neither Managing Director, nor a Whole Time Director nor a Manager or a Nominee Director.
- (2) All the Independent Directors in the opinion of the Board, are persons of integrity and possesses relevant expertise and experience.
- (3) Who are or were not a Promoter of the Company or its Holding or subsidiary or associate company.
- (4) Who are or were not related to promoters or directors in the company, its holding, subsidiary or associate company.
- (5) Who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company or their promoters or directors, during the two immediately preceding financial years or during the current financial year.
- (6) None of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary, or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lacs rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year,
- (7) Who neither himself, nor any of his relatives,
- (a) Holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of three financial years immediately preceding the financial year in which ilhe is proposed to be appointed.
- (b) Is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial years in which he is proposed to be appointed of
- (i) A firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; OR
- (ii) Any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent, or more of the gross turnover of such firm;
- (iii) Holds together with his relatives two per cent, or more of the total voting power of the company; OR

- (iv) Is a Chief Executive or director, by whatever name called, or any non-profit organization that receives twenty five per cent or more of its receipts from the Company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; OR
- (v) Who possesses such other qualifications as may be prescribed.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates, Present Statutory Auditors of the company have given their letter of consent and confirmation under section 141(1) the Companies Act 1956 for reappointment as Statutory Auditors of the Company. The Board has now proposed to appoint the Statutory Auditors for a period of 1 year as per requirements of section 139 (1) of the Companies Act 2013 read with Companies (Audit and Auditors) Rules 2014. Necessary Resolution for their appointment as the Statutory Auditors and fixing their remuneration is proposed to be passed at the Annual General Meeting.

INTERNAL AUDITORS

The company is in process of appointing an independent Chartered Accountant to act as an Internal Auditor as per suggestion of auditors in order to strengthen the internal control system for the Company.

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 ongoing 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 including statement of secured Loan received from Adani Enterprise Limited. 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 policy to create Deferred Tax liabilities / Assets.

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

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

8) 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 off 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 these dues.

9) BANK STATEMENT OF NO LIEN ACCOUNT:

Company had deposited Rs. 89.30 lacs as per BIFR directive in the No Lien A/C with the 4 consortium Banks. This amount was meant for rehabilitation of the Company. However in spite of the numerous communication by auditors of the Company with the Banks for providing stake of money deposited along with statements, the Banks have not responded. In absence of the response from bank, the Company has been helpless and unable to reconcile these no lien accounts.

Formation of Audit Committee in Compliance to Section 292 A of the Companies Act, 1956 AND CLAUSE 49 OF THE LISTING AGREEMENT ON CORPORATE GOVERNANCE:

In Compliance with the provisions of Section 292A of the Companies Act 1956 your company has formed an Audit Committee within the Organization consisting of 3 independent directors. An Internal Auditors have been appointed as Advisors in their professional capacity on this committee. The area of operations and functional responsibilities assigned to the committee are as per the guidelines provided in Clause 49 of the Listing Agreement for implementation of code of corporate governance. The Committee meets at least once in a quarter and gives its report of each meeting to the Board for its approval, record and information purposes. The detail of powers, responsibilities and system of functioning of this committee is given in report on Corporate Governance forming part of this report.

EMPLOYEES

There are no employees of the company who were in receipt of the remuneration of Rs.24,00,000/- annually 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 and hence not given in this report.

STATUTORY INFORMATION

The Information required to be disclosed in the report of the Board of Directors 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 regarding the conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to the company hence are not given herewith. There were no foreign Exchange earnings or outgo during the year.

MATERIAL CHANGES

Except the information given in this report, no material changes have taken place after completion of the financial year up to the date of this report which may have substantial effect on business and finances of the company.

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.

PLACE: AHMEDABAD

DATE: 31st MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.

(DHIREN K THAKKAR)
CHAIRMAN & MANAGING DIRECTOR
(DIN : 00610001)

REPORT ON CORPORATE GOVERNANCE 2013-14**Company's Philosophy on Code of Corporate Governance**

The Corporate Governance policies followed by your Company are aimed at ensuring transparency in all dealings and in the functioning of the management and the Board. These policies seek to focus on enhancement of long term shareholder value without compromising on integrity, social obligations and regulatory compliances. The Company operates within accepted standards of propriety, fair play and justice and aims at creating a culture of openness in relationship between itself and its stake – holders.

Board of Directors:

As on 31st March 2014, the composition of the Board of Directors is shown as below. The Chairman is a non-executive Director and hence the composition of Independent Director is more than 50% comprising of non-executive independent directors.

BOARD MEETINGS:

During the year under review, 5 Board Meetings were held on 1st May, 2013, 30th July, 2013, 2nd September, 2013; 28th September, 2013; 28th October, 2013; 22nd January, 2014. The details of the attendance of the directors in the board meeting along with number of meeting held during their tenure are given below.

Name & Designation	Category	No. of Board Meeting Attended	Attendance at Last AGM (28/09/2013)	No. of Other Director-ship	Membership in the committee of other companies	
					Member-ship	Chair-manship
Dhiren K Thakkar Chairman & MD	Promoter Director	5	Yes	3	2	Nil
Kiritbhai C Patel	Director	3	Yes	2	Nil	Nil
Aditya Y Patel	Director	5	Yes	0	Nil	Nil
Vinodchandra Pandya	Director	3	Yes	3	Nil	2
Yogesh R Patel	Director	4	Yes	0	Nil	Nil

COMPOSITION OF COMMITTEES :

- A. Audit Committee:** Brief description of the terms of reference for a qualified and independent audit committee has been set up by the board. The terms of reference of the Audit Committee include;
- Review of quarterly and half yearly financial results with the management and the statutory auditors;
 - Review with the management and statutory auditors of the annual financial statements before submission to the Board;
 - Review with the management, statutory auditors and the internal auditors about the nature and scope of audits and of the adequacy of internal control system;
 - Consideration of the reports of the internal auditors and discussion about their findings with the management and suggesting corrective actions wherever necessary;
 - Review of the financial report process and disclosure of financial information;
 - Review of the adequacy of the internal audit function;
 - Look into the reasons for any substantial defaults in payments to the depositors, shareholders, creditors, if any;
 - Recommending the appointment and removal of External Auditors, fixation of audit fees and approval for payment for any other services;
 - Authority to investigate into any matter covered by section 292A of the Company Act, 1956;
 - Reviewing the Company's financial and risk management policies;

COMPOSITION, NAME OF MEMBERS AND CHAIRMAN :

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

FUNCTIONS OF AUDIT COMMITTEE :

The Audit Committee is headed by Mr. Vinodchandra K Pandya as Chairman and includes other directors namely Mr. Kiritbhai C Patel, Mr. Aditya Y Patel, Mr. Dhiren K Thakkar, Mr. Yogeshbhai R Patel. The Committee is regularly giving feed back on daily financial and accounting position of the company to the Board. The Committee meets at least once in every quarter and prepare its minutes on the proceedings and business discussed, transacted. All committee Reports and minutes are placed before the Board in all its meetings for information, guidance, directions and taking the same on record. Other functions, powers, duties etc. of the committee are defined taking in to account the legal provisions of the Listing Agreement and the same are kept flexible to be decided by the Board from time to time.

B. INVESTOR GRIEVANCE COMMITTEE :

No.	Name	Designation
1.	Mr. Vinodchandra Pandya	Chairman
2.	Mr. Aditya Y Patel	Member
3.	Mr. Yogesh R Patel	Member

FUNCTIONS OF INVESTORS SERVICE COMMITTEE :

This Committee looks in to all aspects and business related to shares and retail investors. The Committee also looks after the Dematerialization process of equity shares.

The Committee is also empowered to keep complete records of Shareholders, Statutory Registers relating to Shares and securities, maintaining of the complete records of Share Demated, Investors Grievances, complaints received from investors and also from various agencies.

The Committee has also appointed Mr. Kamlesh. M. Shah Company secretary to look after the legal cases and problems relating to the investors, shares etc.

The Committee meets every month to approve all the cases of shares demate, transfer, issue of duplicate and resolution of investors complaints, submission of information to various statutory authorities like NSDL/ CDSL, SEBI, Stock Exchanges, Registrar of Companies periodically and from time to time.

Other functions, roles, duties, powers etc. have been clearly defined in line with the Clause 49 of the Listing Agreement and are kept flexible for modification by the Board from time to time.

C. REMUNERATION COMMITTEE :

The Company has only one Managing Director Mr. Dhiren K Thakkar. He was not withdrawing any Managerial Remuneration from the Company. However, now the Company has framed within the company a Remuneration Committee which is the same as the Audit Committee. There was only one meeting held during the year of the remuneration committee on 31st May, 2014. The Committee had reviewed the proposal for re-appointment of Mr. Dhiren K Thakkar as Managing Director of the Company for a further period of 3 years. The Committee, had after considering the financial position of the company, the current economic conditions of the country, inflationary trends, the past performance of Mr. Dhiren K Thakkar as Managing Director, and all other relevant parameters, had recommended for his re-appointment as Managing Director for a further period of 3 years without any managerial remuneration. The Board has recommended to pass necessary resolution at the General Meeting in this regard by the members.

During the year the Company has not offered any Stock Options or provided any finance to purchase any such stock options or offered ESOP Scheme to any of its Directors or the employees.

Number of Board and Committees Meetings Held During the Year :

NAME OF COMMITTEE	NO. OF MEETING HELD	Dates of Board Meeting/ Committee Meetings
Board	5	1st May, 2013, 30th July, 2013 2nd September, 2013; 28th September, 2013; 28th October, 2013; 22nd January, 2014
Audit Committee of Board	4	1st May, 2013, 30th July, 2013 28th October, 2013; 22nd January, 2014
Investors Grievance Committee	12	27th April, 2013; 21st May, 2013; 29th June, 2013; 25th July, 2013; 28th August, 2013; 26th September, 2013; 30th October, 2013; 29th November, 2013; 27th December, 2013; 22nd January, 2014; 26th February, 2014; 20th March, 2014

ATTENDANCE OF THE DIRECTORS IN VARIOUS MEETINGS :

S.No.	Name of Director	Board Meeting	ACB Meeting	IGCB Meeting
1	Mr. Dhiren K Thakkar	5	4	12
2	Mr. Vinodchandra K Pandya	3	4	-
3	Mr. Aditya Y Patel	5	0	10
4	Mr. Kiritbhai C Patel	3	2	-
5	Mr. Yogeshbhai R Patel	4	4	9

Details of Annual General Meeting Held During the Last 4 Financial Years :

S.No.	Date of AGM	Day	Time	Venue
1	30/09/2010	Thursday	11.00AM	203, 2nd floor, Abhijeet-1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006
2	30/09/2011	Friday	10.00AM	203, 2nd floor, Abhijeet-1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006
3	29/09/2012	Saturday	10.00AM	203, 2nd floor, Abhijeet-1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006
4	28/09/2013	Saturday	10.00AM	203, 2nd floor, Abhijeet-1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006

PASSING OF THE RESOLUTION BY POSTAL BALLOT SYSTEM:

The Company had not passed any resolution by means of Postal Ballot since the last Annual General Meeting. The Company has not proposed to pass any resolution in this Annual General Meeting which is to be passed by means of Postal Ballot system.

MANAGEMENT DISCUSSION AND ANALYSIS**A) PRESENT STRENGTH OF THE COMPANY:**

The company has tied up with a 50 years old strong edible oil brand 'DHARTI BRAND' for branding of various edible oils. Various Edible oils under this strong, old brand will be packed and distributed from the company's Naroda unit. The Edible oil business is company's core business and demand of edible oils is growing in India @ of 10 percent per annum and infact the demand of branded edible oils is growing even faster with the government having started taking actions to ban sale of edible oils in loose and implementation of its order for allowing sale of edible oils in packed format only under the packaging act.

B) FUTURE OUTLOOK:

The Company will soon start its manufacturing activity too at the Naroda unit and start manufacturing edible oils.

DISCLOSURES**A) MATERIALLY RELATED PARTY TRANSACTION:**

During the financial year 2013-14 there was no transactions for sell/purchase of goods or services of material nature with its promoters, the directors and the management, their subsidiaries or relatives, etc., which may have potential conflict with the interest of the company at large. However details of transactions with related parties are given in note (B) Notes of Accounts Schedule No. – 19 given by auditors as per Accounting Standard 18.

B) DETAILS OF NON-COMPLIANCE

During the year, the Company had not made any default in statutory compliances with the Registrar of Companies, Stock Exchanges, SEBI or any other authorities for filing and submission of yearly, half yearly or quarterly information. Any information which are event based are submitted within the statutory time limits as per provisions of relevant rules and regulations or law to appropriate authorities.

MEANS OF COMMUNICATIONS:**ESTABLISHMENT OF INTERNAL MANAGEMENT INFORMATION SYSTEM:**

The Company has established the Management information system whereby any problem requiring policy decisions are being intimated to Audit Committee for redressal or amendments in the policy and procedures. The progress reports are being maintained regularly. All the Investors' grievances or share department related queries are addressed to the Compliance officer who in turn put the same before the Investors' Grievances Committee.

INFORMATION SYSTEM BETWEEN COMMITTEES AND THE BOARD

Both Audit Committee and Investors' Grievances Committees receive periodical regular information from the concerned functional heads, after resolutions of all the problems communicate back the same to functional heads for further communications. The progress report and minutes of all meetings held of both the committees are being placed before the Board for information and taking the same on records.

INFORMATION SYSTEM BETWEEN THE COMPANY AND INVESTORS

The Company is regularly taking on record the un audited financial results on quarterly basis as per requirements of the Clause 41 of the listing Agreement and the same are published. The Material information relating to the business of the Company are being intimated to the Stock Exchange who in turn publish the same in their official bulletin. The Audited Financial Balance Sheet is being dispatched to every shareholder in time at their registered addresses.

STATUTORY COMPLIANCES MADE AND RETURNS ETC., FILED

The Company has duly complied with the provisions of the Companies Act 1956, all the provisions of the Listing Agreement. The Company has also filed various unaudited financial results, Balance sheets, Income Tax returns and other statutory returns with all the authorities in time. There are no defaults as on date in any such compliances and no legal action of any nature has been taken against the company or its officers/ directors

DEMATERIALSATION OF SHARES AND LIQUIDITY:

The Company has entered into Triparty Agreement with both Depository namely National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). Now the Shareholders have the option to hold their share either in physical form or in Demat form. However as per SEBI circular hereby advise all its shareholders to dematerialize their holding at the earliest. Total Shares dematerialized up to 31/03/2014 is 11380604 shares.

SHARE TRANSFER SYSTEM :

The share transfer system in physical form is processed and the Share Certificates are returned within a period of 15 days from the date of receipt. At the end of the year, there were no complaints pending with the company related to Transfer of shares.

NAME AND ADDRESS OF THE COMPLIANCE OFFICER:

Mr. Vinodchandra K Pandya
Director
203, Abhijeet-1, 2nd Floor,
Mithakhali Six Roads, Ellisbridge,
Ahmedabad – 380 007.

STATUS OF LISTING / TRADING OF SHARES :

The Company's Equity Shares are at present listed and are freely traded on the Stock Exchange at Ahmedabad and Mumbai. The details of the Trading code are as under:

Name of Stock Exchange	: Trading Code
Ahmedabad Stock Exchange (ASE)	: 29590
Mumbai Stock Exchange (BSE)	: 500236

MARKET PRICE DATA – HIGH, LOW DURING EACH MONTH IN LAST FINANCIAL YEAR :

(MARKET PRICE IN RS.)

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	Deliverable Quantity	% Deli. Qty to Traded Quantity	Spread	
										High-Low	Close-Open
Apr-13	4.08	5.38	3.69	5.38	3488	28	14169	3488	100	1.69	1.3
May-13	5.23	5.23	4.97	4.97	400	3	2040	400	100	0.26	-0.26
Jun-13	5.2	5.39	4.21	4.21	33731	9	151281	33731	100	1.18	-0.99
Jul-13	4	4.2	3.11	3.11	3271	10	12239	3271	100	1.09	-0.89
Aug-13	3.26	4.4	3.26	3.8	2327	14	9280	2327	100	1.14	0.54
Sep-13	3.62	4.45	2.96	4.45	1733	16	5779	1733	100	1.49	0.83
Oct-13	4.44	4.44	3.81	3.81	4345	26	18513	4345	100	0.63	-0.63
Nov-13	3.62	3.62	2.09	2.41	26216	52	68171	26216	100	1.53	-1.21
Dec-13	2.29	4.52	2.18	4.52	55844	129	194252	55844	100	2.34	2.23
Jan-14	4.74	9.61	4.7	9.38	724458	1210	5303926	724458	100	4.91	4.64
Feb-14	9.7	16.9	9.3	15.36	878103	5232	12509542	878103	100	7.6	5.66
Mar-14	15.9	17.5	13.8	14.25	419085	4210	6506533	419085	100	3.7	-1.65

Note : (1) The Face Value of equity shares of the company is Re. 1/- per share. As the Company's share are not included in any Index of the Stock Exchange, the effect of price movement of shares of the company viz a viz general index of the industry are not given.

CATEGORY WISE HOLDING OF SHARES AS ON 31/03/2014 :

Category	Shares %	Percentage of Holding
Promoters	3806701	2.76%
Bodies Corporate	1640895	08.91%
Public (Indian)	12958894	70.38%
NRI	5950	00.03%
Total	18412440	100.00%

Distribution of Shareholding as on 31/03/2014 :

Description		Holder (S)		Holding (s)	
From	To	Folios	%	Shares	%
Less than	500	23722	89.649	462001	25.092
501	1000	1836	06.939	1479914	08.038
1001	5000	741	02.800	1559777	08.472
5001	10000	83	00.314	591579	03.212
10001	above	79	00.298	10161169	55.186

OTHER DETAILS :

REGISTERED OFFICE : 203, Abhijeet-1, Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006

BOOK CLOSURE DATES : 25th September 2014 to 29th September 2014 (Both days inclusive)

REGISTRAR AND SHARE TRANSFER AGENT : System Support Service
: 209, Shivai Ind. Estate, 89, Andheri Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072

ISIN NUMBER OF THE COMPANY : INE 252 C 01015

Declaration by the Managing Director on Code of Conduct as required by Clause 49.1.(D) (ii).

This is to declare that the company has received affirmations of compliance with applicable Code of Conduct from the Directors and Senior Management personnel of the company in respect of the financial year 2013-14.

PLACE: AHMEDABAD
DATE: 31st MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.

(DHIREN K THAKKAR)
CHAIRMAN & MANAGING DIRECTOR
(DIN : 00610001)

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

To,
The Members,
Dharti Proteins Limited,
Ahmedabad.

I, Dhiren K Thakkar, Managing Director 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-49.1.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 31st May 2014.

PLACE: AHMEDABAD
DATE: 31st MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.

(DHIREN K THAKKAR)
CHAIRMAN & MANAGING DIRECTOR
(DIN : 00610001)

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER OF THE COMPANY**

We, Dhiren K Thakkar, Chairman of the Board of Directors and Audit Committee of Kanel Industries Limited, do hereby certify that:

- (a) We have reviewed the financial statement and the cash flow Statement for the year and to the best of our knowledge and belief;
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.
 - (ii) These statements together present a true and fair view of the Company affairs and are in compliance with existing accounting standards, applicable laws, and regulations.
- (b) As per the best of our knowledge and belief, no transactions entered into by Kanel Industries Limited during the year which is fraudulent, illegal or volatile of the company's Code of Conduct.
- (c) We are responsible for establishing and maintaining internal controls for financial reporting in Kanel Industries Limited and we have evaluated the effectiveness of the internal control system of the company pertaining to financial reporting. We have disclosed to the auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the audit Committee:
 - (i) Significant changes in internal controls over financial reporting during the year.
 - (ii) Significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements.
 - (iii) Instance of Significant fraud of which we have become aware and the involvement therein, if any, of the management of an employee having a significant role in the Company internal control system.
- (e) We affirm that we have not denied any personal access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any.)
- (f) We further declare that all Board Members and senior management have affirmed compliance with the code of conduct for the current year.

PLACE: AHMEDABAD
DATE: 31st MAY, 2014

BY ORDER OF THE BOARD OF DIRECTORS
OF KANEL INDUSTRIES LIMITED.

VINODCHANDRA PANDYA (DHIREN K THAKKAR)
CHAIRMAN OF AUDIT COMMITTEE MANAGING DIRECTOR
(DIN : 00610001)

AUDITORS' REPORT ON COMPLIANCE WITH CODE OF THE CORPORATE GOVERNANCE

To
The Members of
Kanel Industries Limited

We have examined the relevant records for the year ended March 31, 2014 relating to the Compliance with the requirement of corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges.

On the basis of our review and according to the information and explanations given to us by the company, we state that in our opinion and to the best of our knowledge, the Company has complied with the mandatory requirements as contained in the Listing Agreement with the Stock Exchanges and as per Section 292A of the Companies Act 1956.

Date : 31st May 2014
Place : Ahmedabad

For Shah Dinesh Dahyalal & associates
Chartered Accountants,

(Dinesh D Shah)
Proprietor
M No.: 106871
Firm No.: 120362W

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF KANEL INDUSTRIES LTD

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 31/03/2014, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements :

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956 ("the Act") read with the General Circular No. 15/2013 dated 13th September, 2013. This 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 disclosures in the financial statements. The procedures 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 the aforesaid 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 31/03/2014;
- (b) in case of Statement of Profit and Loss , of the Loss of the Company 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"), as amended, 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. In the last date of hearing on 29/08/2013, the honorable BIFR has directed the company to revise and resubmit with OA, the DRS, with cutoff date as 31/03/2013. The Company had submitted the revised DRS to OA as directed by the Honorable BIFR but in the hearing on 27/03/2014 due to late submission by OA (IDBI) with respect to certain query of the BIFR, the BIFR dismissed the company's reference. However the Company is filling an appeal with AAIFR against the order of 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 4.91 Lacs [unsecured] and unsecured loans from related parties/firms of Rs. NIL and from Non Related person Rs.15 lacs unsecured loan during the financial year under audit. The Closing Balance at the year end are Rs. 681.77 Lacs in case of inter corporate loans and Rs.107.68 lacs for related parties and firms and from key management person and Rs.15 lacs from other parties. No interest provided on loan accounts. In absence of formal agreement or supporting other documents, we could not comment and could not quantify the non provision of interest thereon.
- Out of total Inter Corporate Loans as above, the Company has taken Mortgage Loan of Rs. 5 Crore from Adani Enterprises Ltd in earlier years. We are not provided any formal Loan Agreement copy except Mortgage Deed which does not contain any repayment terms and interest rate. 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. Account confirmation copy is not available for our verification.**
- d. Company has not made provision for doubtful Debtors of Rs 95.93 Lacs, for the debtors outstanding for the long time, to that extent, Current Assets have been overstated and current years Losses and accumulated losses have been understated.
- e. The Company has violated provisions of Income Tax Act, 1961 by non filing Income Tax Returns from FY 2008-09 onwards. Proper records are not made available to us for our verification and to compute Income Tax and related statutory liabilities. In this situation, we are unable to comment upon the non provision of statutory liabilities for current year as well as for the earlier years.
- f. The Company has not deducted TDS from Professional fees paid / credited on sum of Rs. 405000/- during the financial year under audit.
- g. The Company has violated provisions of Sec 383A of the Companies Act., 1956 by non appointing full time company secretary.
- h. We have not received report on Corporate Governance as required by Clause 41 of the listing agreement for our verification.
- 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 as bank balance. It is also not clarified that whether these bank balances in No-lien accounts are receivable by the company or adjusted against bank loans settled under OTS in earlier years 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.26]**

In addition to our observation in clause (a) to (j) above, the Naroda Unit has been inoperative since last many years. There is Trading activities during the year under audit but 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.27] and certain documents and records in relation to areas of non-compliance as mentioned in para (a) to (i) 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, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of accounts.
- d. In our opinion, Balance Sheet, the Statement of Profit and Loss and Cash Flow statements complied with the Accounting Standards referred to in Sub Sec 3C of Sec 211 of the Act read with General Circular 15/2013 dated 13/09/2013 of the Ministry of Corporate Affairs in respect of Sec 133 of the Companies Act. 2013.
 - (i) **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 in operative for Seventeen years. Plant & Machinery of book value of Rs.18.27 lacs less residual value 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.**
 - (ii) **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 DTL or disclosures regarding DTA.[Read with Notes "2(e) of Main Audit Report and read with note no. 35"]**
- e. On the basis of written representation received from the Directors as on March 31, 2014 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014 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

Place : Ahmedabad
Date : 31/05/2014

Shah Dinesh D.
Proprietor
MEMBERSHIP NO.: 106871

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, 2014, 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(i) of our main audit report]**
2. (a) According to the information and explanation given to us, inventories have been physically verified by the management during the year. In our opinion the frequency of verification is reasonable having regard to the size of the company and the nature of its business.
(b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) The Company is maintaining proper records of inventory. As there is no Inventory on balance sheet date, question of material discrepancies on physical verification between the physical stocks and the book records does not arise.
3. 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 granted loans of Rs.7.30 lacs [Rs. Nil in previous year] to related party and closing balance on balance sheet date Rs.NIL [Rs. NIL in previous year] and maximum balance outstanding during the year amounted to Rs. 7.30 Lacs [Rs. NIL in previous year]
(b) Above referred loans are interest free and does not carry any other terms and conditions and as such the Loans, in our opinion, are prejudicial to the interest of the company.
(c) During the year, Principal amount granted was received by the company. No interest charged to the party. There is no question of regularity of repayment of interest.
4. (a) The Company has taken Unsecured loans from 1 related party covered in the register maintained U/s 301 of the Companies Act., 1956. The maximum amount involved during the year was Rs.491500.
(b) 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.
(c) 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.
5. 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 trading activities, 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, implementation of verification schedule of fixed assets. Internal controls should be strengthened in such sensitive area.

6. (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 so entered, if required.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the companies act, 1956 and exceeding the value of Rs. Five lacs have been so entered if required.
7. **On the basis of information and explanations given to us company has accepted deposit in violation during the year from the public, within in violation of section 58A and 58AA of the companies act 1956 and companies (Acceptance of deposits) Rule 1975 with regard to acceptance and payment of deposits from public.**
8. The company has no Internal Audit system during the year under Audit.
9. 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.
10. (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, as informed by the management, 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 31/03/2014 [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 to 2012-13 and in absence of required details and documents we are unable to quantify the statutory liabilities relating to tax as well as of Interest and penalty there on].

Amount due as per demand notice served by the Income Tax department is Rs.136.37Lacs 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. Fact mentioned as below does not includes such liability. We are further informed by the management that during the F Y 2013-14, there were no further Order, Notice or other developments relating to matters pending for earlier years as well as for the year under Audit in case of Income tax and Sales tax Matter.

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 [A.Y. 1999-2000]
04	Sales Tax	6.14	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [A.Y. 2000-01]
05	Sales Tax	2.88	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [A.Y. 2000-01]
06	Municipal Tax	10.95	Ahmedabad Municipal Corporation [Dues up to October, 2004]

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

11. 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 2013-14. 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.
12. **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.**
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. 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.
15. 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, 2014
16. 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.
17. 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. 4(a).
18. 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.
19. 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.
20. During the year covered by our audit report, the company has not issued any debentures.
21. The Company has not raised any money by public issue during the year.
22. 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

Place : Ahmedabad
Date : 31/05/2014

Shah Dinesh D.
Proprietor
MEMBERSHIP NO.: 106871

BALANCE SHEET AS AT 31 March, 2014*In (Rupees)*

Particulars	Note No.	AS AT 31 March, 2014	AS AT 31 March, 2013
I. EQUITY AND LIABILITIES :			
1. Shareholders' Funds		-40149730	-37968814
(a) Share Capital	2	184124400	184124400
(b) Reserves and Surplus	3	--224274130	-222093214
2. Non-Current Liabilities		50000000	50000000
(a) Long-Term Borrowings	4	50000000	50000000
3. Current Liabilities		143122916	53776445
(a) Short-Term Borrowings	5	30445353	29965853
(b) Trade Payables	6	99646049	10078830
(c) Other Current Liabilities	7	1262294	1968048
(d) Short-Term Provisions	8	11769221	11763714
TOTAL		152973186	65807631
II. ASSETS :			
1. Non-Current Assets :		15101548	16242344
(a) Fixed Assets	9	11865525	12773957
(i) Tangible Assets		11865525	12773957
(b) Non-Current Investments	10	20000	20000
(c) Long-Term Loans and Advances	11	3216023	3448387
2. Current Assets :		137871638	49565287
(a) Trade receivables	12	128560693	38624845
(b) Cash and Cash Equivalent	13	9271744	10901241
(c) Short-Term Loans and Advances	14	39201	39201
TOTAL		152973186	65807631

As per my even report of the date

For, SHAH DINESH DAHYALAL & ASSOCIATES
CHARTERED ACCOUNTANTSDinesh D Shah
Proprietor
M. No. 106871
Firm Regi. No. 120362W

For, Kanel Industries Ltd.

Director Director

Date : 31/05/2014
Place : AhmedabadDate : 31/05/2014
Place : Ahmedabad

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 March, 2014

In (Rupees)

Particulars	Note No.	1-APR-2013 TO 31-MAR-2014	1-APR-2012 TO 31-MAR-2013
I. Revenue from Operations	15	86215954	–
II. Other Income	16	290252	677463
III. TOTAL REVENUE (I + II)		86506206.00	3612446.00
IV. EXPENSES :			
Purchases of Stock-in-Trade	17	86105828	–
Employee Benefit Expenses	18	226500	250000
Depreciation and Amortization Expenses	19	912135	1034793
Other Expenses	20	1442659	2867966
TOTAL EXPENSES		88687123.00	6006351.00
V. Profit before Exceptional and Extraordinary Items and Tax (III-IV)		-2180916	-3475296
VI. Exceptional Items		–	–
VII Profit before Extraordinary Items and Tax		-2180916	-3475296
VIII. Extraordinary Items		–	–
IX. Profit Before Tax		-2180916	-3475296
X. Tax Expense		–	–
Current Tax			
Deferred Tax			
XI. Profit/(Loss) for the period from Continuing Operations(IX-X)		-2180916	-3475296
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)		-2180916	-3475296
XVI. Earnings per Equity Share			
- Basic		–	–
- Diluted		–	–

As per my even report of the date

For, SHAH DINESH DAHYALAL & ASSOCIATES
CHARTERED ACCOUNTANTSDinesh D Shah
Proprietor
M. No. 106871
Firm Regi. No. 120362WDate : 31/05/2014
Place : Ahmedabad

For, Kanel Industries Ltd.

Director Director

Date : 31/05/2014
Place : Ahmedabad

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**(1) SIGNIFICANT ACCOUNTING POLICIES :****(A) METHOD OF ACCOUNTING :**

- (i) The Financial Statements have been prepared to comply in all material respects with the Notified Accounting Standards by The Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956. 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) USE OF ESTIMATES :

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known / materialised.

(C) 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.

(D) DEPRECIATION :

Depreciation has been provided on the assets in accordance with Section 205(2) of the Companies Act, 1956 on 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.

(E) INVESTMENTS :

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

(F) INVENTORIES :

Raw Materials and finished goods are valued at cost or net realizable value whichever is lower.

(G) REVENUE RECOGNITION :

- (i) SALES - Sales are exclusive of all the duty, forwarding charges. (ii) Dividend income are realized on cash basis. (iii) Commodities settlement income/charges recognize on settlement of dues.(iv) Interest Income from Bank Fixed Deposit accounted on cash basis. (v) Rent Income is accounted on accrual basis.

(H) RETIREMENT BENEFITS :

Gratuity, other ex-gratia benefits and leave encashment are accounted on cash basis. Provisions for Provident Fund, Super annuation, pension and ESIC are not applicable to the company as number of employees are below statutory limit.

(I) 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.

(J) 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.

(K) 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.

(L) 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 26] .

(M) IMPAIRMENT OF ASSETS :

Impairment loss is charged to the profit and loss account in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognized in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

(N) BORROWING COST :

Borrowing cost attributable to acquisition, construction or production of qualifying assets are capitalized as part of the cost of that assets, till the assets is ready for use. Other Borrowing costs are recognized as an expense in the period in which these are incurred.

(O) PRELIMINARY EXPENSES :

Preliminary expenses and Share issue expenses have been amortized over a period of years as defined in section 35D of Income Tax Act, 1961.

(P) EARNING PER SHARE :

The Basic and Diluted Earning Per Share (EPS) is computed by dividing the net profit after tax for the year by weighted average number of equity shares outstanding during the year.

NOTES ON FINANCIAL STATEMENTS

In (Rupees)

Particulars	AS AT 31 March, 2014		AS AT 31 March, 2013	
	No. of Shares	Amount	No. of Shares	Amount
2. SHARE CAPITAL:				
2.1 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

The Company has only one class of shares referred to as equity shares having a par value of Rs. 10/- . Each holder of Equity shares is entitled to one vote per share.

Particulars	AS AT 31 March, 2014		AS AT 31 March, 2013	
	No. of Shares	Amount	No. of Shares	Amount
2.2 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, 2014		AS AT 31 March, 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
2.3 SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE :				
HITESH KTHAKKAR	1024710	5.57 %	1024710	5.57 %
DHIREN KTHAKKAR	1743598	9.47 %	885010	4.81 %

Particulars	AS AT	
	31-MAR-2014	31-MAR-2013
3. RESERVES AND SURPLUS:		
Other Reserves	194859100	194859100
Opening balance	194859100	194859100
Closing balance	194859100	194859100
Surplus	-419133230	-416952314
Opening Balance	-416952314	-413477018
(+) Net profit/(Net loss) for the Current Year	-2180916	-3475296
(+) Profit & Loss A/c (2013-14)	2180916	0
(-) Profit & Loss A/c (2012-13)	0	3475296
Closing balance	-419133230	-416952314
TOTAL	-224274130	-222093214

NOTES ON FINANCIAL STATEMENTS

In (Rupees)

Particulars	AS AT 31-MAR-2014	AS AT 31-MAR-2013
4. LONG-TERMBORROWINGS:		
Secured	50000000.00	50000000.00
Loan from Banks :		
Inter-Corporate loans	50000000.00	50000000.00
TOTAL	50000000.00	50000000.00
Nature of Security and terms of repayment for long term secured borrowings :		
4.1 Inter Corporate Loan from Adani Enterprise Ltd of Rs. 5 Crore [Previous Year Rs. 5 Crore] is secured by Equitable mortgage of Plot No. 213, 214/2 &3 in the Naroda Industrial Estate consisting Revenue S No. 174 p & 175 / part withing the village limit of Muthia , Dist Ahmedabad. AND Unit No 101 & 102 of TJR house, Mithakhali, Ahmedabad AND office no. 203 of ABHIJIT, Mithakhali Six Roads, Ahmedabad and personal properties of Directors and their relatives.		
No repayment terms & rate of interest mentioned in mortgage deed and no other loan agreement made available to us for verification.		
Particulars	AS AT 31-MAR-2014	AS AT 31-MAR-2013
5. SHORT-TERM BORROWINGS :		
Unsecured	30445353	29965853
Loans repayable on demand	2350000	850000
From other parties		
Kadam Exports Pvt. Ltd.	850000	850000
Tushar N Shah	1500000	0
Loans and advances from related parties	28095353	29115853
Dhiren K. Thakkar	3268332	4768332
Kanaiyalal J Thakkar (H U F)	7500000	7500000
T.J.R. Finance Ltd.	5471100	5471100
TJR Sons Ltd.	11855921	11376421
TOTAL	30445353	29965853
6. TRADE PAYABLES :		
Others	99646049	10078830
TOTAL	99646049	10078830
7. OTHER CURRENT LIABILITIES :		
Other Payables	1262294	1968048
TOTAL	1262294	1968048
8. SHORT-TERM PROVISIONS :		
Others	11769221	11763714
TOTAL	11769221	11763714

9. FIXED ASSETS :

Particulars of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.13	Addition During the year	Deductions During the year	As on 31.03.14	Up to 31.03.13	Provided For the Year	Adjustment for Ded./ Sales	As on 31.03.14	As at 31.03.14	As at 31.03.13
9.1 TANGIBLE ASSETS :										
LAND	3797183	0	0	3797183	0	0	0	0	3797183	3797183
FACTORY BUILDING	17777122	0	0	17777122	13600171	417695	0	14017866	3759256	4176951
OFFICE BLDG. (NARODA)	1125000	0	0	1125000	654896	23505	0	678401	446599	470104
OFFICE BLDG.	3283230	0	0	3283230	1612332	83545	0	1695877	1587353	1670898
OFFICE EQUIPMENT	1388812	3703	0	1392515	1257217	18907	0	1276124	116391	131595
PLANT & MACHINERY	17984436	0	0	17984436	15861638	295282	0	16156920	1827516	2122798
FURNITURE & FIXTURE	6264112	0	0	6264112	5859684	73201	0	5932885	331227	404428
TOTAL	51619895	3703	0	51623598	38845938	912135	0	39758073	11865525	12773957
Previous Year Figures	51619895	0	0	51619895	37811145	1034793	0	38845938	12773957	13808750

9.2 There are no Intangible Assets and Capital Work in Progress as on Balancesheet date.

NOTES ON FINANCIAL STATEMENTS*In (Rupees)*

Particulars	AS AT 31-MAR-2014	AS AT 31-MAR-2013
10. NON-CURRENT INVESTMENTS :		
Trade Investments		
National Savings Certificate	15000	15000
Other Investments		
Ahmedabad Comm. Exch. Ltd. - Shares	5000	5000
TOTAL	20000	20000
11. LONG-TERM LOANS AND ADVANCES :		
Security Deposits	832915	912915
Secured, considered good	327715	407715
Unsecured, considered good	505200	505200
Advance Income Tax (net of provisions)	1013108	1010472
Unsecured, considered good	1013108	1010472
Balances with Government Authorities	1270000	1250000
Unsecured, considered good	1270000	1250000
Other loans and advances	100000	275000
Unsecured, considered good	100000	275000
TOTAL	3216023	3448387
12. TRADE RECEIVABLES :		
Outstanding for more than 6 months from the due date		
Unsecured, considered good	89935848	0
Outstanding for more than 6 months from the due		
Unsecured, considered doubtful	38624845	38624845
TOTAL	128560693	38624845

NOTES ON FINANCIAL STATEMENTS

In (Rupees)

Particulars	AS AT 31-MAR-2014	AS AT 31-MAR-2013
13. CASH & CASH EQUIVALENTS :		
Balances with banks	17705	1004037
Earmarked Balances	17705	1004037
Cash on hand	323829	966994
Others	8930210	8930210
TOTAL	9271744	10901241
The closing cash and cash equivalents as at 31-3-2014 of Rs.9271744 includes Rs.8930210/- with banks in no lien deposit accounts. Balance in no lien deposit accounts shall not be freely available with the bank.		
14. SHORT-TERM LOANS AND ADVANCES :		
Other Loans and Advances	39201	39201
Unsecured, considered good	1433	1433
Unsecured, considered doubtful	37768	37768
TOTAL	39201	39201
15. REVENUE FROM OPERATIONS :		
Sale of Products	86215954	0
TOTAL	86215954	0
16. OTHER INCOME :		
Interest Income	0	47978
Other Non-Operating Income	290252	629485
TOTAL	290252	677463
17. PURCHASES OF STOCK-IN-TRADE :		
Castor Seed Pur.	80940316	0
Washed Cottonseed Oil Pur.	5165512	0
TOTAL	86105828	0
Broad Heads of Materials Purchased		
Castor Seeds	80940316	0
Washed Cottonseed Oil	5165512	0
TOTAL	86105828	0
18. EMPLOYEE BENEFIT EXPENSES :		
Salaries and Wages	226500	250000
TOTAL	226500	250000
19. DEPRECIATION AND AMORTIZATION EXPENSES :		
Depreciation	912135	1034793
TOTAL	912135	1034793
20. OTHER EXPENSES :		
Payment to Auditors	90000.00	100000.00
Payment to Auditors	90000	90000
As Auditor	90000	90000
Prior period items	0	4201
Repairs to buildings	3233	18840
Rates and taxes (excluding taxes on income)	193806	55325
Miscellaneous expenses	1155620	2699600
TOTAL	1442659	2867966

21. The figures of the previous year have been regrouped, rearranged and changed wherever necessary so as to make them comparable with the current year.
22. The information's / details are as per the books maintained and determined and information compiled and furnished on the computer.
23. 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.
24. The Company has initiated the process of identifying the suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31st March, 2014, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished. In the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material and NIL.
25. Wherever external evidence in the form of bills, invoice, and debit notes, credit notes, Journal entry etc are not available. Management has relied upon the internal vouchers prepared and authenticated by the directors/ Authorized officers of the company and also entry passed in the accounts maintained by the company.
26. 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. Management trying hard to get all such required statements / certificates from the banks. 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.
27. 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.
28. The company has not provided for listing fees of Jaipur, Calcutta and Ahmedabad Stock Exchange.
29. 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.
30. 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.
31. The management is in the process to start manufacturing activities and will implement the stringent remedial actions for the recovery of outstanding dues, optimum utilisation of cash management, 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.
32. 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.
33. Company is preparing for filing Income tax Return and Sales Tax Returns for the all pending years shortly and till that the company have not made provision for income tax and sales tax upto the FY 2012-13 in the books of accounts.
34. 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.

- (i) Company has filed "VandhaArjee" against Municipal Tax and interest bills for several previous years. The matters are under litigation with authorities.
- (ii) 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.
35. 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.
36. Company's Naroda division is closed since long time. Company has provided depreciation of Rs. 2.95 lacs due to normal wear and tear for assets.
37. Earnings per share (EPS)

Sr. No.	Particulars	Year ended 31 st March, 2014	Year ended 31 st March, 2013
1	Net Profit [loss] (Rs. In Lacs)	(-)21.81	(-)34.75
2	Weighted Average Number of Shares	18412440	18412440
3	Basic/ Diluted EPS (Rs.) (on nominal value of Rs. 10 per share)	(-)0.12	(-)0.19

38. 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.

39. Related Party transactions:

No.	Nature of Relationship	Name of Related Parties
1.	Associate Companies/Enterprise	TJR Sons Pvt. Ltd. Sun Retail Pvt. Ltd. TJR Finance Ltd. Kadam Exports Pvt. Ltd. Shakti Nutraceuticals Pvt. Ltd. Devika Proteins Ltd.
2	Key Management Person	Dhiren K. Thakkar Vinodchandra K. Pandya Kiritbhai Chagganbhai Patel Aditya Yogeshbhai Patel Yogeshkumar Rajnikant Patel

3	Relative of key management person	Hitesh K Thakkar Devika H Thakkar Gauri D. Thakkar Jaysheel D. Thakkar Monika H. Thakkar Neela Thakkar Gauri Thakkar
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(II) List of Transactions entered with them :

No.	Nature of Transactions	Associate	Joint Venture	Key Management Personnel (KMP)	Relatives of KMP	Others	Total
1	LOANSTAKEN						
	Balance as at 1st April	16847520.00	0.00	4768332.00	7500000.00	0.00	29115852.00
	Taken During the Year	491500.00	0.00	0.00	0.00	0.00	491500.00
	Returned During the Year	12000.00	0.00	1500000.00	0.00	0.00	1512000.00
	Balance as at 31st March	17327020.00	0.00	3268332.00	7500000.00	0.00	28095352.00
2	SUNDRY DEBTORS						
	Balance as at 1st April	29250256.00	0.00	0.00	0.00	0.00	29250256.00
	Paid During The Year	253000.00	0.00	0.00	0.00	0.00	253000.00
	Balance as at 31st March	28997256.00	0.00	0.00	0.00	0.00	28997256.00
3	LOANS/Advances						
	Balance as at 1st April	0.00	0.00	0.00	0.00	0.00	0.00
	Advances Paid during the year	760000.00	0.00	0.00	0.00	0.00	760000.00
	Advances Received During the year	760000.00	0.00	0.00	0.00	0.00	760000.00
	Balance as at 31st March	0.00	0.00	0.00	0.00	0.00	0.00
4	SUNDRY CREDITORS						
	Balance as at 31st March	91663987.00	0.00	0.00	0.00	0.00	91663987.00
5	SALES	85349316.00	0.00	0.00	0.00	0.00	85349316.00
6	OTHER INCOME	0.00	0.00	0.00	0.00	0.00	0.00
7	PURCHASES	84987333.00	0.00	0.00	0.00	0.00	84987333.00
8	EXPENDITURE	0.00	0.00	0.00	0.00	0.00	0.00
9	RENT	0.00	0.00	0.00	0.00	0.00	0.00
10	SALARY	0.00	0.00	0.00	0.00	0.00	0.00
11	INTEREST	0.00	0.00	0.00	0.00	0.00	0.00

41. 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.

42. PAYMENT TO STATUTORY AUDITORS :

CURRENT YEAR PREVIOUS YEAR

(a) Audit Fees

[As Statutory Auditors]

Rs.90000

Rs. 90000

43. 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.
44. 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.
- Figures have been regrouped and rearranged wherever found necessary so as to make them comparable with in the current year and Figures in the Balance Sheet are rounded off to the nearest of the rupee.
45. Management have broadly reviewed the basis of compiling details and information and made test checked wherever considered necessary. The books and / or the details / information compiled in the company on the computer.
46. Writing off debtors, Bad and Doubtful debts, investments, loans and advances are as per management's decision and opinion. Debtors/Creditors are accounted at the time of settlement of claims.
47. Contract remaining to executed on Capital Account not provided for Rs. Nil/- (Previous year Rs. Nil)
48. The company is operating only in one segment of trading of goods. Hence no separate Segment wise Accounting is required and given herewith.
49. Due to settlement dispute with debtor/creditor, advance given and advance taken we could not quantify closing balance at the end of year as such balances have been arrived by unilateral actions. Amount of dispute cannot be quantified. No fraud by company or on company has been initiated during the year.
50. NSC matured could not be encased as they are lying with sales tax department. Recoveries of such NSC are negligible. As per auditor these investment must be written off in absence of details.
51. We could not employ full time company secretary u/s.383A of Companies Act, 1956, due to non-availability of professional.

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

SR.	PARTICULARS	2013-14		2012-13	
		Rupees	in%	Rupees	in%
I	Imported	Nil	Nil	Nil	Nil
II	Indigenous	Nil	Nil	Nil	Nil

(b) CONSUMPTION OF STORSE AND SPARES IN TERMS OF VALUE AND PERCENTAGE :

SR.	PARTICULARS	2013-14		2012-13	
		Rupees	in%	Rupees	in%
I	Imported	Nil	Nil	Nil	Nil
II	Indigenous	Nil	Nil	Nil	Nil

(c) TRADING GOODS :

SR.	PARTICULARS	2013-14		2012-13	
		Rupees	in%	Rupees	in%
I	Imported	Nil	Nil	Nil	Nil
II	Indigenous	862.16 lacs	100	Nil	Nil

53. Particulars of Power and fuel Cos.

Sr.	PARTICULARS	2013-14	2012-13
1	Rupees	NIL	NIL

54. CIF value of Imports

Sr.	PARTICULARS	2013-14	2012-13
1.	Rupees	NIL	NIL

55. EXPENDITURE IN FOREIGN CURRENCY :

Sr.	PARTICULARS	<u>2013-14</u>	<u>2012-13</u>
1.	Rupees	NIL	NIL

56. Earning in Foreign Exchange :

Sr.	PARTICULARS	<u>2013-14</u>	<u>2012-13</u>
1.	Rupees	NIL	NIL

57. The information/details given in the Audit report are as per the books maintained and determined and information are compiled and furnished on the computer.

58. Prior Period Expenditure :-

Prior period expenditure / Income have been debited / Credited to the profit and loss account under the following account heads :

<u>Included under the Head of Account</u>	<u>2013-14 (Rs.)</u>
EXPENSES :	NIL

The statements of significant accounting policies and the notes numbered 1 to 58 form an integral part of the year ended 31st March 2014

Signature to Schedule 1 to 58

As per my even report of the date

For, SHAH DINESH DAHYALAL & ASSOCIATES
CHARTERED ACCOUNTANTS

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

Date : 31/05/2014
Place : Ahmedabad

For, Kanel Industries Ltd.

Director Director

Date : 31/05/2014
Place : Ahmedabad

**CASH FLOW STATEMENT, ANNEXURE TO BALANCE SHEET
FOR THE YEAR ENDED ON 31-MAR-2014
(PERSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)**

In (Rupees)

Particulars	31-MAR-2014	31-MAR-2013
1. Profit before Tax and extraordinary Items	2180916	-3475296
Adjustments for :		
(a) Depreciation	912135	1034793
(b) Financial Charges	0	0
(c) Interest Received	0	-1020831
(d) Income from Kasar - Vatav & Other Income	0	2384499
(e) Bad debt provision	0	2384499
OPERATING PROFIT (LOSS) BEFORE WORKING CAPITAL CHARGES	1296078	-1154297
Adjustment for		
(a) Trade and Other Receivables	-89703483	7618639
(b) Inventories	0	0
(c) Trade Payable & Other Liabilities	88866971	-3416220
CASH GENERATED FROM OPERATION	-2132590	3048122
Income Tax Paid	0	0
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	-2132590	3048122
Extra Ordinary Items	0	-2384499
Kasar Vatav account	0	1206976
NET CASH FLOW FROM OPERATING ACTIVITIES - A	-2132590	1870599
2. CASH FLOW FROM INVESTMENT ACTIVITIES :		
(a) Purchase of Fixed Assets	3703	0
(b) Sale of Fixed Assets	0	0
(c) Fresh Investment	0	0
NET CASH USED FORM INVESTING ACTIVITIES - B	3703	0
3. CASH FLOW FROM FINANCIAL ACTIVITIES :		
(a) (Decrease) Increase in Long Term Borrowing (Net)	0	-142758
(b) (Decrease) Increase in Unsecure Loan	479500	-482250
(c) Interest Paid	0	0
(d) Interest Received	27297	77462
NET CASH USED IN INVESTMENT ACTIVITIES - C	506797	-547546
NET INCREASE (DECREASE) IN CASH (A+B+C)	-1629496	1323053
Opening Balance of Cash & Cash Equivalents	10901241	9578188
Closing Balance of Cash & Cash Equivalents	9271745	10901241

- 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 Rs. Method Rs. as set out in Accounting Standard 3 on Cash Flow statement” issued by the ICAI.
 - The closing cash and cash equivalents as at 31-3-2014 of Rs.9271745 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 my even report of the date

For, SHAH DINESH DAHYALAL & ASSOCIATES
CHARTERED ACCOUNTANTSDinesh D Shah
Proprietor
M. No. 106871
Firm Regi. No. 120362WDate : 31/05/2014
Place : Ahmedabad

For, Kanel Industries Ltd.

Director Director

Date : 31/05/2014
Place : Ahmedabad

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,2014.

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 31st May, 2014 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 : 31.05.2014**

ATTENDANCE SLIP

I Shri/Smt. _____ of _____ being a member/ proxy of Kanel Industries Limited do hereby record my presence at the 22nd Annual General Meeting of the members of the Company to be held on Monday the 29th September, 2014 at 10.00 A.M. at 203, Abhijeet-I, 2nd Floor, Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006, Gujarat, India.

Name of Shareholder : _____
Ledger Folio No. : _____
D.P. NAME : _____
D.P. I.D. : _____
CLIENT I.D. : _____
Number of Shares Held : _____

Date : _____
Place : _____

(Signature of the Member/
Proxy attending the meeting)

PROXY FORM

Name of Shareholder : _____
Ledger Folio No. : _____
D.P. NAME : _____
D.P. I.D. : _____
CLIENT I.D. : _____
Number of Shares Held : _____

I Shri/Smt. _____ being a member of Kanel Industries Limited, holding _____ Shares in the company do hereby appoint Shri _____ of _____ or failing him Shri _____ of _____ or failing him Shri _____ of _____ to remain present at the 22nd Annual General Meeting of the members of the Company to be held on Monday the 29th September, 2014, at 10.00 A.M. at 203, Abhijeet-I, 2nd Floor, Mithakhali Six Roads, Ellisbridge, Ahmedabad- 380 006, Gujarat, India or at any adjournment thereof and to vote for and on my behalf if poll is granted

Date : _____
Place : _____



(Signature of the member
Appointing a Proxy)