

CORPORATE GOVERNANCE REPORT

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

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

(2) BOARD OF DIRECTORS :

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

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

Number of Board Meetings :

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

(3) DIRECTORS ATTENDANCE RECORD :

Name of Director	Category	Board Meeting attended during the year	Whether last AGM attended
Mr. Dhiren K Thakkar	Chairman & Managing Director	6	Yes
Mr. Dhiren K Thakkar	Chairman & Managing Director	6	Yes
* Mr. Kiritbhai C. Patel	Director	0	NO
Mr. Vinodchandra K. Pandya	Director	6	Yes
*Mr. Aditya Yogeshbhai Patel	Director	0	NO
*Mr. Yogeshbhai Rajnikant Patel	Director	0	NO

2. COMPOSITION OF VARIOUS COMMITTEES WITHIN THE ORGANISATION :

(A) AUDIT COMMITTEE :

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

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

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

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

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

(C) **ROLE AND RESPONSIBILITY OF AUDIT COMMITTEE :**

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

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

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

(3) **INVESTOR GRIEVANCE COMMITTEE :**

(A) **TERMS OF REFERENCE :**

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

(B) **FORMATION :**

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

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

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

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

(4) **GENERAL BODY MEETING :**

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

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

(b) **Postal Ballot :**

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

(c) **Special Resolution :**

Financial Year	Date of Meeting	No. of Special Resolution passed
2011-2012	29.09.2012	3
2010-2011	30.9.2011	1
2009-2010	30.9.2010	1
2008-2009	30.9.2009	4

(5) **DISCLOSURES :**

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

As per Note No. 20 - Notes on Accounts.

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

Nil

- c) **Code of Conduct :**

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

- d) **Whistle Blower Policy :**

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

- e) **Secretarial Audit :**

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

- f) Details of Companies with mandatory requirements and adoption of the non -mandatory requirements of this clause :
The Company has complied with all the mandatory requirements. As regards the non - mandatory requirements they are complied with to the maximum extent.
- g) CEO CERTIFICATION :
As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFD certification.

(6) MEANS OF COMMUNICATION :

Half yearly report sent to each household of shareholders.	No
Quarterly Results	Available at the website of the Company
Any website where displayed	All the Quarterly Result and other information of the Company are available at the website of the Company i.e. www.kanel.in
Newspaper in which results are normally published in	--
Whether Management Discussion and Analysis is a part of the Annual Report	Yes

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

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

DIRECTORS PRESENT AT THE LAST ANNUAL GENERAL MEETING DATED SEPTMBER 29, 2012.

- Shri Dhiren K. Thakkar Chairman & Managing Director
- Shri Vinodbhai K. Pandya Director

OTHER DETAILS :

BOOK CLOSURE DATE : September 27, 2013 To September 28,2013 (Both days inclusive)
REGISTRAR AND SHARE TRANSFER AGENT : System Support Services
209, Shivai Industrial Estate, 89, Andheri - Kurla Road,
Sakinaka, Andheri (E), Mumbai - 400 072.

ISIN NUMBER OF THE COMPANY : INE 252 C 01015.

Audited Balance Sheet as on 31/03/2013

Signed by Directors & Auditors on 2nd September, 2013

Dividend Payment Programme : No Dividend is recommend for the year

DEMATERIALSATION OF SECURITIES : Total Demat Shares 7945408
Representing 43.15% of total Equity Shares 10467032
Shares held in physical from Representing 56.85% of total
Equity Shares.

DETAILED PROGRAMME OF THE : 28th September, 2013

20TH ANNUAL GENERAL MEETING Day : Saturday

Time : 10.00 A.M.

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

LISTING DETAILS

: Equity Shares of the Company are Listed on following exchanges
The Stock Exchange, Ahmedabad
The Stock Exchange, Mumbai
The Stock Exchange, Calcutta
The Stock Exchange, Jaipur

KANEL INDUSTRIES LIMITED
21ST ANNUAL REPORT 2012-2013

STOCK EXCHANGE CODE

: ASE Code : 29590

BSE Code : 500236

Market Quotations and Number of Shares traded during the financial year ended on 31/03/2013

Company : KANEL OIL & EXPORT INDUSTRIES LTD. 500236

Period : Apr 2012 to Mar 2013

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

* Spread

H-L : High-Low

C-O : Close-Open

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

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

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

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

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

To,
The Members,
Kanel Industries Limited
Ahmedabad.

I, Dhiren K. Thakkar, Chairman of the Company, hereby certify that all the Board Members and Senior Management Personnel of the Company have **affirmed** their compliance with the Code of Conduct in accordance with Clause-49.1.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 2nd September, 2013.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : **02/09/2013**
Place : Ahmedabad

DHIREN K. THAKKAR
CHAIRMAN & MANAGING DIRECTOR

CEO | CFO CERTIFICATE

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

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

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

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

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

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

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

I have indicated to the Auditors and the Audit Committee:

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Date : 02/09/2013
Place : Ahmedabad

VINOD PANDYA
DIRECTOR

DHIREN K. THAKKAR
CHAIRMAN & MANAGING DIRECTOR

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

To
The Members of
KANEL INDUSTRIES LIMITED,
Ahmadabad.

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

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

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

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

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

Date : **02/09/2013**
Place : Ahmedabad

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

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