

20th
Annual Report

2 0 1 1 - 2 0 1 2

KANEL INDUSTRIES LIMITED

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

KANEL INDUSTRIES LIMITED

TWENTIETH ANNUAL GENERAL MEETING PROGRAMME

DATE : 29TH SEPTMEBER, 2012

DAY : SATURDAY

TIME : 10.00 A.M.

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

NOTE TO SHAREHOLDERS :

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

CONTENTS	Page No.
[1] Board of Directors and Other Information	1
[2] Notice	2
[3] Directors' Report	5
[4] Auditors' Report	21
[5] Balance Sheet	28
[6] Profit & Loss Account	29
[7] Schedules to the Balance Sheet & Profit Loss Account	30
[8] Notes to the Accounts	36
[9] Cash Flow Statement pursuant to Clause 32 of Listing Agreement	39

BOARD OF DIRECTORS

DHIREN K. THAKKAR	Chairman and Managing Director
KIRITBHAI CHHAGANBHAI PATEL	Additional Director
VINODBHAI K. PANDYA	Independent Director
ADITYA YOGESHBHAI PATEL	Additional Director
YOGESHKUMAR RAJNIKANT PATEL	Additional Director

COMPANY LAW CONSULTANT

M/s Kamlesh M. Shah & Co.,
Company Secretaries,
801- A, Mahalay Building, Opp. Hotel President, Off. C.G. Road, Ahmedabad-380009.

BANKERS OF THE COMPANY

HDFC Bank Ltd. - Ahmedabad.
The Bhuj Mercantile Co. Op. Bank Ltd. - Ahmedabad.
The Kalol Nagarik Sahkari Bank Ltd.

STATUTORY AUDITORS

Shah Dinesh Dahyalal & Associates
Chartered Accountants
Ahmedabad.

REGISTRAR FOR DEPOSITORY OPERATIONS

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

LISTING AT**AHMEDABAD**

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

CALCUTTA

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

MUMBAI

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

JAIPUR

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

REGD. OFFICE

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

FACTORY & PLANT

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

INVESTORS GRIEVANCES COMPLIANCE OFFICER

Dhiren K. Thakkar - Chairman and Managing Director,
203, 2nd Floor, Abhijeet-1, Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.
Email : dhlrenthakkar72@gmail.com

NOTICE

NOTICE is hereby given to the Members of the **KANEL INDUSTRIES LIMITED** that the **20th Annual General Meeting** of the Company will be held on **Saturday 29th September, 2012** at **10.00 A.M.** at the registered office of the company at **203, Abhijeet -1, Mithakhali Six Roads, Ellisbridge, Ahmedabad - 380 006** transact the following Business.

ORDINARY BUSINESS :

1. To receive, consider, approve and adopt the Audited Statement of Accounts i.e. The audited Balance Sheet as at 31/03/2012, the Profit & Loss Account for the year ended on that date and Report of the Auditor and Director thereon.
2. To Appoint a Director in place of Shri Dhiren K. Thakkar, who retires by rotation at this Annual General Meeting and being eligible offers himself for re-appointment.
3. To Appoint the Auditor for the next Financial Year to hold the office as such from the conclusion of this Annual General Meeting up to the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

1. 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 260 of the Companies Act 1956 read with relevant provisions of the Companies Act 1956, Mr. KIRITBHAI CHHAGANBHAI PATEL, who was appointed by the Board as an Additional Director and who holds the office as such only up to the date of this Annual General Meeting, however he is eligible for appointment as Director and the company has received requests in writing along with requisite deposits from some of the members proposing his candidature as Director, and as Mr. KIRITBHAI CHHAGANBHAI PATEL has given his consent to act as Director of the Company if so appointed at the Annual General Meeting be and is hereby appointed as Director of the Company whose term of office shall be liable to determination for retirement by rotation.
2. 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 260 of the Companies Act 1956 read with relevant provisions of the Companies Act 1956, Mr. ADITYA YOGESHBHAI PATEL who was appointed by the Board as an Additional Director and who holds the office as such only up to the date of this Annual General Meeting, however he is eligible for appointment as Director and the company has received requests in writing along with requisite deposits from some of the members proposing his candidature as Director, and as Mr. ADITYA YOGESHBHAI PATEL has given his consent to act as Director of the Company if so appointed at the Annual General Meeting be and is hereby appointed as Director of the Company whose term of office shall be liable to determination for retirement by rotation.
3. 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 260 of the Companies Act 1956 read with relevant provisions of the Companies Act 1956, Mr. YOGESHKUMAR RAJNIKANT PATEL who was appointed by the Board as an Additional Director and who holds the office as such only up to the date of this Annual General Meeting, however he is eligible for appointment as Director and the company has received requests in writing along with requisite deposits from some of the members proposing his candidature as Director, and as Mr. YOGESHKUMAR RAJNIKANT PATEL has given his consent to act as Director of the Company if so appointed at the Annual General Meeting be and is hereby appointed as Director of the Company whose term of office shall be liable to determination for retirement by rotation.

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

PLACE : Ahmedabad
DATE : 1st September, 2012

(Dhiren K. Thakkar)
Chairman & Managing Director

NOTES :

1. A Member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and on behalf of himself and on behalf of him and that a proxy need not be a member of the company.
2. Proxies in order to be effective should be duly completed in the prescribed form stamped and signed and must be deposited at the registered office of the company not less than 48 hours before the time fixed for the meeting.
3. Members are requested to bring their copy of the Annual Report of the meeting as no extra copies will be distributed at the meeting shall as a measure of economy.
4. Member desiring any information as regards accounts are requested to write to the company at-least 7 days before the meeting to enable the management to keep the information ready.
5. Members are requested to be in their seats at the meeting before the scheduled time of the commencement of the meeting to avoid interruption in the proceedings.
6. Members are requested to intimate any change in their registered addresses if any directly at the registered office of the company or to the company's registrar and share transfer agents at their address mentioned elsewhere in this report.
7. The register of members and share transfer books of the company shall remain closed from 28/09/2012 to 29/09/2012 (Both Days Inclusive).
1. **At the ensuing Annual General Meeting Mr. Dhiren K. Thakkar, will be re-appointed, the brief resume of this director is as under :**

Name	Mr. Dhiren K. Thakkar
Age	40 yrs.
Qualification	BSC
Expertise in Specific Area	Agro based commodities
Date of First Appointment on the Board of the Company	06.06.1994
Name(s) of the other companies in which Directorship held and Committee Membership/Chairmanship held.	Devika Proteins Ltd.

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

**PLACE : Ahmedabad
DATE : 1st September, 2012**

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

AN EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT 1956 TO THE ORDINARY RESOLUTIONS PROPOSED AND MENTIONED AS SPECIAL BUSINESS IN THE NOTICE CONVENING THE 20TH ANNUAL GENERAL MEETING FOR THE COMPANY.

ITEM NO. 4, 5 & 6 :- APPOINTMENT OF DIRECTORS

The Members are aware that the Company is a Public Limited Company having its shares listed on the Stock Exchange at Ahmedabad, Calcutta, Jaipur and Mumbai. Further its Paid Up Share Capital is also more than Rs. 5 Crores. As per requirements of provisions of section 292A of the Companies Act 1956 the Company is required to appoint an Audit Committee within the Company as per provisions of that section. Further the Clause 49 of the Listing relating to Corporate Governance also requires that every company having listed its shares on stock exchange must have 50% members of its Board of Directors as Independent Director.

Considering above provisions and also make legal compliances the Company had in its Board meeting held on 16th April, 2012 appointed Mr. KIRITBHAI CHHAGANBHAI PATEL, Mr. ADITYA YOGESHBHAI PATEL and Mr. YOGESHKUMAR RAJNIKANT PATEL as an Independent Directors. However as they were appointed as Additional Directors as per provisions of section 260 of the Companies Act 1956, they hold office as such only up to the date of ensuing Annual General Meeting. However, they are eligible for appointment as Director and as they have given their consent to act as director of the company if so appointed also the company has received requests from some of the members along with deposits proposing their candidature as director of the company, it is now proposed to regularize the appointment of all these three directors.

Mr. KIRITBHAI CHHAGANBHAI PATEL is a renowned share and stock brokers of Ahmedabad Stock Exchange. He is a commerce graduate and has very good financial resources and contacts to bring required funds both long term and short term for the company and its business.

Mr. ADITYA YOGESHBHAI PATEL, is Legal Consultant to many corporate houses in Ahmedabad. He is giving corporate legal advice to many corporate particularly to listed companies on various legal compliances to be made under Companies Act, Stock Exchange listing Agreement, SEBI Rules, Regulations and various other corporate laws. He has more than 15 years experience of working in Ahmedabad Stock exchange as Manager.

Mr. YOGESHKUMAR RAJNIKANT PATEL, is an investor. He is a man of reputation amongst the Social circle and society in Ahmedabad. He has rich administrative experience of 20 years and he is also a businessman. His business acumen ship will add to the business prosperity of the company in future.

Looking to the individual personal qualities of the above said directors, and also looking to the requirements of various laws, listing agreement etc. your directors recommend to pass necessary resolution for their appointment as proposed in the notice convening the meeting.

Except Mr. KIRITBHAI CHHAGANBHAI PATEL, Mr. ADITYA YOGESHBHAI PATEL and Mr. YOGESHKUMAR RAJNIKANT PATEL, no other director of the company may be deemed to be concerned or interested in the proposed resolution.

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

PLACE : Ahmedabad
DATE : 1st September, 2012

(Dhiren K. Thakkar)
Chairman & Managing Director

DIRECTORS' REPORT

To,
The Member,
Kanel Industries Limited.

Dear Shareholders,

Your Directors have pleasure herewith the 20th Audited Report together the audited statement of accounts of the year ended on 31st March, 2012.

FINANCIAL HIGHLIGHTS :

During the financial year period from 1st April, 2011 to 31st March, 2012 of financial year 2011-12 the financial operational result of the company is as follows :

PARTICULARS	FOR THE YEAR ENDED ON 31/03/2012	FOR THE YEAR ENDED ON 31/03/2011
Sales Income	19,88,454.00	NIL
Other Income	16,55,917.00	4,85,64,787.00
Increase / (Decrease) in stock	NIL	NIL
Total Income	36,44,371.00	4,85,64,787.00
Total Expenditure	60,38,276.00	42,82,945.00
Profit / (Loss) before Tax	(23,93,905.00)	4,42,81,842.00
Net Profit from Sale of Fixed Assets	NIL	NIL
Provision for Tax	NIL	NIL
Taxes for Earlier periods	NIL	NIL
Prior Period Extra Ordinary Items (Net)	NIL	10,043.00
Net Profit / (Loss) after tax	(23,93,905.00)	4,42,71,799.00
Previous Year Debit Balance	(41,10,83,113.00)	(45,53,54,912.00)
Balance Carried to B/S	(41,34,77,018.00)	(41,10,83,113.00)

STATUS ON BIFR APPLICATION :

The company's net worth is completely eroded. The company is in the process of preparing a revival and rehabilitation scheme as per BIFR order.

DIVIDEND :

As your company has incurred 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. 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, Ahmedabad]. However due to huge accumulated losses since the company could not meet its liabilities towards its bankers in time, the bankers are not co operating and so company will make representation of this fact to Registrar of the companies, Securities and exchange board of India. At the highest authorities of bankers, Reserve bank of India. In this situation the audit of the unclaimed unpaid dividend accounts could not be conducted and completed.

The company had received more than 2000 investor complaints for non payment of dividend or not revalidation of the dividend warrants of the investors. However due to non co operation of the bankers, the company could not

resolve such complaints. Even the company's efforts to surrender of the original dividend warrants and in lieu of such dividend warrants requests for issue of demand draft in favor of investor concerned are not accepted by the bankers. In view of the above stated reasons the company could not make compliance with the provision of section 205c of the companies act 1956. Company however has almost solved most of the complaints related to non receipt of dividend warrants.

SHARE CAPITAL DURING THE YEAR :

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

BUY BACK OF SHARES :

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

YEAR UNDER REVIEW :

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

NON OPERATION OF NARODA PLANT :

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

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

SEGMENTWISE REPORTING AS-17 :

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

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

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

RELATED PARTY TRANSACTION AS-18

The company has been buying raw materials and selling some of the finished products, bye products through its group/associate concern in which director are either director or any of their relatives or the directors themselves are either partners/proprietors. All these business transaction are being done at the prevailing market prices on commercial terms and condition not favorable to any of the parties. There have been no contractual obligations between any of the related parties with the company to execute or enter in to any specific business transactions. However proper disclosure has been made in the notes to the accounts Point No. 20.

FOREIGN EXCHANGE EARNING AND OUTGO :

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

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

The company's shares are listed presently in Ahmedabad, Calcutta, Jaipur, and Mumbai Stock Exchange. The company has duly paid the annual listing fees up to and including the year 2011-2012 i.e. up to 31.03.2012 for the stock exchange of Mumbai. The company is not paying the annual listing fees of Calcutta and Jaipur stock exchanges since 1999-2000 onwards and for the industrial company and is not in a position to pay such heavy financial expenses. As the company has become a sick industrial company as per listing Ahmedabad stock exchange since 2003-04 onwards due to no trading volume recorded on the said stock exchanges. Further the company is also agreement norms the shares of the company suspended for trading on all the stock exchange. However the same is suspended on the Ahmedabad, Calcutta and Jaipur stock exchange for non payment of listing fees. Due to heavy financial losses, the company has not made provision for the annual listing fees payable to the Calcutta stock exchange, Jaipur stock exchange and Ahmedabad Stock Exchange. The Company has however already complied with all the clauses of the list agreement with the Bombay stock exchange, paid the penalty as demanded by the Bombay stock Exchange. The company has made an application with the Bombay stock Exchange for revocation of trading in the shares of the company , which is under active consideration

DEMATERIALIZATION OF SECURITIES :

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

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

COMPLIANCE TO CODE OF CORPORATE GOVERNANCE :

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

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

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

ENVIRONMENT PROTECTION :

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

DEPOSITS :

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

DIRECTORS :

Mr. Dhiren K Thakkar retires by rotation at the ensuing Annual General Meeting and being eligible offers him self for re-appointment. Your Directors recommends his re-appointment. Mr. BACHUBHAI KACHARDAS PATEL filed his resignation on 01/08/2012. Mr. KIRITBHAI CHHAGANBHAI PATEL, Mr. ADITYA YOGESHBHAI PATEL and Mr. YOGESHKUMAR RAJNIKANT PATEL were appointed as Additional Directors of the Company w.e.f 16/04/2012. They all hold office as such director only up to the date of the ensuing AGM. However being eligible, it is proposed to appoint all of them as Independent Non Executive Directors on the Board. Complete details of each of the directors are given elsewhere in this report. Your directors recommend to appoint all of them by passing requisite resolutions as proposed in the Notice so that the company could make compliance with the Listing Agreement. Mr. Bachubhai Patel resigned on 01/08/2012 and form-32 was filed in ROC on 13/08/2012 vide SRN No. B45303096. Except the above, there is no change in the constitution of the Board of Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- (A) That in the preparation of the annual accounts, as far as possible and except to the extent if any accounting standards mentioned by the auditors in their report as not complied with, all other applicable accounting standards had been followed along with proper explanation relating to material departures; except as explained in point no. 8 hereafter.
- (B) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review.
- (C) That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company for preventing and detecting fraud and other irregularities.
- (D) That they have prepared the annual accounts on a going concern basis.

STATUTORY AUDITORS :

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

APPOINTMENT OF THE INTERNAL AUDITOR :

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

AUDITORS OBSERVATION :

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

(1) PREPARATION OF ACCOUNTS ON GOING CONCERN BASIS :

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

(2) CONFIRMATION OF ACCOUNTS PENDING :

The company has established the system of obtaining confirmation of accounts from various parties. The financial transactions are numerous. Certain confirmations are pending however the auditors have obtained all the information and explanations up to their best knowledge and belief as were necessary for their purpose of their audit, except certain non receipt of confirmation of balances in respect of loans and advances, deposits and creditors and from banks and financial institutions. This in fact does not affect financial statements.

(3) NON OPERATIONAL NARODA PLANT :

The Naroda plant has been non operational since last many years due to lack of working capital and some minor changes in technology and other reasons. However the company has received proposals from one big industrial house to take the plant on lease/ rental basis for manufacture of Castor oil as well as the company is in process to prepare the draft rehabilitation scheme by which the company will restart the production at its Naroda unit henceforth after required capital expenditure. The proposals are under active consideration and if upon finalization it will not only add the revenue to the company but also recondition the plant., its life, its value, upgrade certain technology, replace certain parts etc. Hence the market value of old plant & machineries

could be on lower side, the market value of land and building will offset the losses, so it is the view of the management to show the plant and machinery at a part of fixed assets in the balance sheet and not to written off the assets.

(4) NON PROVISION OF SALES TAX LIABILITIES :

The company has made a review application for assessment order under the Sales Tax act. The company is hopeful of remedial favorable assessment orders. Once the liabilities are crystallized, it will make necessary arrangement for its payment and make necessary provision in the books of account.

(5) INTEREST FREE LOANS AND ADVANCES :

The Company had given certain loans and advances to number of parties as interest free looking to the then prevailing business interests of the Company. The Company has been receiving good business orders from some of such parties still to date. So it is provided to such parties' interest free and upon such terms and conditions as decided by both the parties. The Management is trying to recover the same either in cash or in kind and is doing the business with these parties. Other amount has been received by the company against cash or in kind. Hence no provisions as Bad loans and advances have been made. The company is hopeful for its recovery of its outstanding amount and it is trying commercially to recover the loan. For further details refer to the Point no. 3(e) of the Annexure to the Auditors Report.

(6) NON COMPLIANCE WITH THE ACCOUNTING STANDARD FOR RETIRE-MENT BENEFITS WHILE PREPARING FINANCIAL STATEMENTS (15).

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

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

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

(8) NON PUBLISHING OF QUARTERLY RESULTS :

The company could not declare un-audited / audited results due to certain administrative problems but your management has taken care to publish result and the same are under process.

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

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

(10) NON PAYMENT OF CERTAIN DUES :

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

(11) INSTANCE OF NON-COMPLIANCE :

Listing was under suspension from 03-02-2003 due to penal reason, since the Company has now complied with all compliances BSE has revoked suspension vide it letter ref no DCS/COMP/OT/TB/211/2010-2011 date 09-08-2011. The company's shares are currently being traded on BSE.

OTHER OBSERVATIONS :

The Company has not Complied with Accounting Standard-28, introduced w.e.f. 1st April, 2004 while preparing the financial statements. The Management has not assessed technically the Plant and Machineries at Naroda unit to decide about its impairment or carrying value. The carrying amount of the assets was not reviewed for indication of impairment of assets on basis of internal/external factors. Plant at Naroda Division has been inoperative for fourteen years. Plant and Machinery of book value of 25.14 Lacs has not been written off to the extent to come down to its carry value. Loss for the year has been understated to the extent of the book value of plant and machinery balance not written off.

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

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

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

Audit committee has been constituted on 8th October 2008 as under

Mr. Vinodchandra Pandya Chairman, Mr. Kiritbhai Patel & Mr. Dhiren K. Thakkar Member of the committee

EMPLOYEES :

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

STATUTORY INFORMATION :

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

APPRECIATION :

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

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

PLACE : Ahmedabad
DATE : 1st September, 2012

(Dhiren K. Thakkar)
Chairman & Managing Director

ANNEXURE A TO THE DIRECTORS REPORT

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

[A] CONSERVATION OF ENERGY.

(a) Power and Fuel	Current Year Ended on 31/03/2012	Previous Year Ended on 31/03/2011
(1) Electricity		
Purchase Units (KWH in Lacs)	0.00	0.00
Total Amount (Rs. In Lacs)	0.00	0.00
Average Rate per Unit	0.00	0.00
Fuel (Quantity in M.T.)		
Purchase Units (KWH in Lacs)	0.00	0.00
Total Amount (Rs. In Lacs)	0.00	0.00
Average Rate per Unit.	0.00	0.00
(b) Consumption per Unit Production.		
(1) Electricity (KWH – MT / KG)	0.00	0.00
(2) Fuel (MT – KG)	0.00	0.00

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

[B] RESERCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

- (A) RESERCH & DEVELOPMENT :** The Company is constantly making research for the purpose of Reduction of Energy Consumption, achievement of higher yields of production, minimization of wastage, reduce consumption of consumables and cost reduction.
- (B) TECHNOLOGY ABSORPTION :** There have been no major technological developments available in the Oil Industry at the stages of Solvent Extraction, Refining, and Packaging etc. However researches are being made to achieve by products and derivative products.

FOREIGN EXCHANGE EARNINGS AND OUTGO :*(Rs. In Lacs)*

Particulars	Current Year Ended on 31/03/2012	Previous Year Ended on 31/03/2011
Total Foreign Exchange Earned	NIL	NIL
Total Foreign Exchange Used	NIL	NIL

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

PLACE : Ahmedabad
DATE : 1st September, 2012

(Dhiren K. Thakkar)
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Your Directors have pleasure in presenting the Management Discussion and Analysis report for the year ended on 31st March 2012.

a. INDUSTRY STRUCTURE, DEVELOPMENT :

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

b. OPPORTUNITIES, THREATS AND RISKS :

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

c. SEGMENTWISE PERFORMANCE :

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

d. INTERNAL CONTROL SYSTEM & THEIR ADEQUACY :

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

e. OUTLOOK :

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

f. HUMAN RESOURCES & INDUSTRIAL RELATION :

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

CORPORATE GOVERNANCE REPORT

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

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

(2) BOARD OF DIRECTORS :

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

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

*Mr. Bachubhai K. Patel resigned on 01/08/2012.

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

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

Number of Board Meetings :

During the year under review, 6 Board Meeting were held on, 30th April, 2011, 31st July, 2011, 27th August, 2011, 01st September, 2011, 8th October 2011, 31st Oct, 2011 and 31st January, 2012

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. Kiritbhai C. Patel	Additional Director	0	NO
Mr. Vinodchandra K Pandya	Independent Director	6	Yes
*Mr. Aditya Yogeshbhai Patel	Additional Director	0	NO
*Mr. Yogeshbhai Rajnikant Patel	Additional Director	0	NO
Mr. Bachubhai K. Patel (resigned on 01/08/2012)	Independent Director	6	Yes

*Date of Appointment 16/04/2012

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

The details of other Committee Chairmanship and Membership held by the Directors of the Company as at 31st March 2012 are given below :

Name of the Director	Chairman of Committee	Member of Committee
Mr. Dhiren K Thakkar	Nil	2
Mr. Vinodchandra K Pandya	2	Nil
Mr. Kiritbhai C. Patel	Nil	2
Mr. Aditya Y. Patel	Nil	Nil
Mr. Yogeshbhai R. Patel	Nil	Nil

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

3) AUDIT COMMITTEE :

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

Presently, the committee consists of 3 Directors; all directors are majority of them being independent. The committees met 6 times during the year under review on 30th April, 2011, 31st July, 2011, 27th August, 2011, 8th October 2011, 31st October, 2011 and 31st January, 2012

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

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

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

Name of Director	No. Of Meeting Attended
Mr. Vinodchandra Pandya	6
Mr. Kiritbhai C. Patel	0
Mr. Dhiren K. Thakkar	6
Mr. Aditya Y. Patel	0
Mr. Yogeshbhai R. Patel	0
Mr. Bachubhai K. Patel(resigned on 01/08/2012)	6

4) SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE :

The Board of Directors of Company has constituted Shareholders / Investors Grievance Committee. Presently, the Committee consists of 3 Directors & Chairman of the Committee is non-executive director. The Committee met 2 times during the year under review on The committees met 6 times during the year under review on 30th April, 2011, 31st July, 2011, 27th August, 2011, 8th October 2011, 31st Oct, 2011 and 31st January, 2012. The attendance record of the members at the meeting is as under:

Name of Director	No. of Meeting Attended
Mr. Vinodchandra Pandya	6
Mr. Dhiren K. Thakkar	6
Mr. Aditya Y. Patel	0
Mr. Yogeshbhai R. Patel	0
Mr. Bachubhai K. Patel(resigned on 01/08/2012)	6

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

The Company has not received any complaints during the year.

5) REMUNERATION COMMITTEE AND POLICY :

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

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

Name	Sitting Fees for attending Board Meeting & Committee Meeting * (in Rs.)
Mr. Dhiren K Thakkar	Rs. Nil
Mr. Vinodchandra K Pandya	Rs. Nil
Mr. Kiritbhai C. Patel	Rs. Nil
Mr. Aditya Y. Patel	Rs. Nil
Mr. Yogeshbhai R. Patel	Rs. Nil
Mr. Bachubhai K. Patel(resigned on 01/08/2012)	Rs. Nil

* The company has not paid sitting fees in the financial year 2011-2012 to any of the non - executive directors.

6) GENERAL BODY MEETING :

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

1.	September 30, 2011	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	10 AM.
2.	September 30, 2010	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	11 AM.
3.	September 30, 2009	203-Abhijeet -1, Nr. Mithakhali Six Roads, Ellisbridge, Ahmedabad-380 006.	1PM.

(b) **Postal Ballot :**

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

(c) **Special Resolution :**

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

7) DISCLOSURES :

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

As per Note No. 20 - Notes on Accounts.

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

Nil

- c) **Code of Conduct :**
The Board has laid down a code of conduct for all the Board Members and senior Management of the company. All the Board Members and Senior Management Personnel have affirmed compliance with the Code on an annual basis.
- d) **Whistle Blower Policy :**
The Company does not have any Whistle Blower Policy as of now but no personnel are being denied any access to the Audit Committee.
- e) **Secretarial Audit :**
A qualified practicing Company Secretary has carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.
- f) **Details of Companies with mandatory requirements and adoption of the non -mandatory requirements of this clause :**
The Company has complied with all the mandatory requirements. As regards the non - mandatory requirements they are complied with to the maximum extent.
- g) **CEO CERTIFICATION :**
As provided under Clause 49 of the Listing Agreement with the Stock Exchanges the Managing Director of the Company has certified to the Board in compliance with the Clause 49 (V) regarding CEO/CFD certification.

8) **MEANS OF COMMUNICATION :**

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

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

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

DIRECTORS PRESENT AT THE LAST ANNUAL GENERAL MEETING DATED SEPTEMBER 30, 2011.

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

OTHER DETAILS :

BOOK CLOSURE DATE	: September 28, 2012 To September 29, 2012 (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	31/03/2012
Signed by Directors & Auditors on	1 ST September, 2012
Dividend Payment Programme	: No Dividend is recommend for the year

DEMATERIALISATION OF SECURITIES	: Total Demat Shares 7510438 Representing 40.79% of total Equity Shares 10902002 Shares held in physical form Representing 59.21% of total Equity Shares.
DETAILED PROGRAMME OF THE 20 TH ANNUAL GENERAL MEETING Day	: Date: 29 th September, 2012 : Saturday Time : 10.00 A.M. Venue : 203, 2 nd Floor, Abhijeet - 1, Mithakhali Six Roads, Ahmedabad - 380 006.
LISTING DETAILS	: Equity Shares of the Company are Listed on following exchanges The Stock Exchange, Ahmedabad The Stock Exchange, Mumbai The Stock Exchange, Calcutta The Stock Exchange, Jaipur
STOCK EXCHANGE CODE	: ASE Code : 29590 BSE Code : 500236

Market Quotations and Number of Shares traded during the financial year ended on 31/03/2012

The trading platform of the Stock Exchange Ahmedabad, Calcutta & Jaipur was inactive during the year. The Trading in stock of the company was suspended by the stock exchange Mumbai. However the BSE listing committee has revoked suspension from trading in shares of the company, vide its letter ref no DCS/COMP/OT/TB/211/2010/2011 Dated 9th August 2011. Price of stocks and trading volume are available herewith.:

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

Company : KANEL OIL & EXPORT INDUSTRIES LTD. 500236

Period : Apr 2011 to Oct 2012

Month	Open	High	Low	Close	No. of Shares	No. of Trades	Total Turnover	Delive- rable Quantity	% Deli. Qty to Traded Qty	* Spread	
										H-L	C-O
Oct 11	45.00	45.00	7.05	11.31	16,195	200	2,12,999	16,195	100.00	37.95	-33.69
Nov 11	10.75	10.75	4.29	4.29	4,654	59	33,893	4,654	100.00	6.46	-6.46
Dec 11	4.25	4.45	2.49	3.00	19,230	106	62,249	19,230	100.00	1.96	-1.25
Jan 12	3.00	4.80	2.87	4.20	31,091	150	1,15,583	31,091	100.00	1.93	1.20
Feb 12	4.21	4.96	3.40	3.40	40,456	163	1,76,216	40,456	100.00	1.56	-0.81
Mar 12	3.24	4.71	3.24	3.85	7,30,124	342	31,71,907	7,30,124	100.00	1.47	0.61
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	2.48	35,632	140	85,398	35,632	100.00	0.97	0.28

* Spread

H-L : High-Low

C-O : Close-Open

CATEGORY WISE HOLDING OF SHARES (AS ON 31/03/2012)

Category	No. of shares held	% of Holding
Promoters / Directors / PACs	4870090	26.45
Body Corporate shareholders	1003478	5.45
Public Shareholders	12538872	68.10
NIRs / FII's / OCBs etc	0000000	0.00
Total	18412440	100.000

Distribution of Shareholding as on 31st March 2012 was as under :

Holding of nominal value of Rs. (No. of Shares)	No. of Share Holders	%	No. of Shares	%
Up to 5000	24166	89.56	4742046	25.76
5001 to 10000	1900	7.04	1534551	8.33
10001 to 20000	519	1.92	789014	4.29
20001 to 30000	124	0.47	313197	1.70
30001 to 40000	66	0.24	237989	1.29
40001 to 50000	61	0.23	283929	1.54
50001 to 100000	74	0.27	533217	2.90
100000 & Above	73	0.27	9978497	54.19
Total	26983	100.00	18412440	100.00

**ANNUAL DECLARATION BY DIRECTOR PURSUANT
TO CLAUSE 49 (I) (D) (II) OF THE LISTING AGREEMENT**

I Dhiren K Thakkar As the Director of Kanel Industries limited as required by Clause 49 (i) (d) (ii) of the Listing Agreement, I, Dhiren K Thakkar As the Director, hereby declare that all the Board Members and the Senior Management personnel of the Company have affirmed Compliance with the Company's Code of Business Conduct and Ethics, for the Financial Year 2011-2012.

PLACE : Ahmedabad
DATE : 1st September, 2012

(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 volatile of the Company's Code of Conduct.

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

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

I have indicated to the Auditors and the Audit Committee:

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

Date : 1st September, 2012

Place : Ahmedabad

**DHIREN K. THAKKAR
CHAIRMAN & MANAGING DIRECTOR**

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kanel Industries Limited

We have examined the compliance of the conditions of corporate governance by Kanel Industries Limited for the year ended on 31st March, 2012 as stipulated in clause 49 of the listing agreement of the said company with Stock Exchanges.

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

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

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

Shah Dinesh Dahyalal & Associates
Chartered Accountants

Date : 1st September, 2012
Place : Ahmedabad

(Mr. Shah Dinesh D.)
PRORIETOR
M.SHIP No.: 106871

**AUDITORS' REPORT TO THE MEMBERS OF
KANEL INDUSTRIES LIMITED**

01. We have audited the attached Balance Sheet of Kanel Industries Limited As at March 31, 2012, Profit & Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
02. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
03. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) (Amendment) order 2004, Issued by the Central Govt of India in terms of Sub Sec (4A) of Sec 227 of Companies Act, 1956, we give, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
04. Further to our comments in the Annexure referred to above, we comment that :
 - a. Delhi High Court has remanded back the company to BIFR in its pending appeal on 19th January, 2010 and there after in the next hearing held on 29/04/2010, 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. As informed by the management, the company is under the process of submitting a DRS to BIFR as directed.
 - b. The company has not complied with the requirements under clause 49 of the listing agreement with SEBI on Corporate Governance. In absence of management's report on Corporate Governance, we have not certified the same.
 - c. 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.
 - d. Granting Loans of Rs.13.64 Lacs [including Rs. 6.14 lacs to sister concerns] in the earlier years, which are interest free and without any repayment terms, and outstanding as at the year end amounting to Rs.13.64 Lacs [Previous year Rs. 13.64 Lacs] , which in our opinion, are prejudicial to the interest of the Company.
 - e. The Company has taken inter corporate loan of Rs 63.65 Lacs and unsecured loans from related parties/firms of Rs. 3.07 lacs during the financial year under audit. The Closing Balance at the year end are Rs. 664.89 Lacs in case of inter corporate loans and Rs.106.59 lacs for related parties and firms.

Out of total Inter Corporate Loans as above, the Company has taken Mortgage Loan of Rs. 5 Crore from Adani Enterprises Ltd. We are not provided any formal Loan Agreement copy except Mortgage Deed. No interest is provided on such Loans. we are unable to comment upon non provision of interest, repayment schedule etc. in absence of any formal agreement with the company and related documents and information.
 - f. Company has not made provision for doubtful Debtors of Rs 112.28 Lacs and advance recoverable in Cash or in Kind of Rs. 13.64 lacs, to that extent, Current Assets and current years profit have been overstated and accumulated losses have been understated.

- g. The Company has not filed I Tax Return for the F Y 2008-09 onwards. Proper records are not made available to us for verification. In this situation, we are unable to comment upon the Non provision of Income tax and its liabilities for earlier years as well as the year under audit.
 - h. The Company has not deducted TDS from Professional fees paid / credited on sum of Rs.308500/- during the financial year under audit. TDS for earlier years are also not deducted and paid during the year under Audit.
 - i. Internal Control system needs to be strengthen for recovery of outstanding dues and high cash transactions
 - j. Bank Balance certificate or Bank Statements for various banks including No lien accounts with banks showing total balance of Rs. 89.30 Lacs are not available with the company. Management is of opinion that banks are not providing such required bank statements or certificates hence all accounts are carried forward showing bank balance. It is also not clarified that whether these bank balances in No-lien accounts are receivable by the company since all respective banks debts have been settled under OTS in earlier years. In absence of such documents and clarifications, we could not comment upon the genuineness of balance with banks and as per our opinion, current assets are over valued to the extent of this amount.[Read with Notes No.5]
 - k. In addition to our observation in clause (a) to (j) above, the Naroda Unit has been inoperative since last fifteen years. There is no material Trading or Manufacturing activities during the year under audit. The majority Financial indicators and operating indicators remained negative and to the date of Audit report and in absence of formal developments for financial support, there is substantial doubt that it will be able to continue as a going concern even though the books of accounts of the Company has been prepared on the assumption of a Going Concern basis. In this situation, adjustments may be required to the recorded assets amounts at current value and classification of liabilities is required. The financial statements do not disclose this fact.
05. Further to our comments in the annexure referred to in paragraph 4 above, we report as follows:
- a. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit except certain non receipt of confirmation of balances in respect of loans and Advances, Deposits, Debtors and Creditors, Banks and Financial Institutions. [Read with Notes No.6] and certain documents and records in relation areas of non-compliance as mentioned in para (a) to (j) above.
 - b. In our opinion proper books of accounts as required by the law have been kept by the Company so far as appears from our examination of the books of accounts.
 - c. The Balance sheet, Profit and Loss Accounts and the Cash Flow statements dealt with by this report are in agreement with the books of accounts.
 - d. In our opinion, Balance Sheet, Profit and Loss accounts and Cash Flow statements have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except non compliance are as follows.
 - 1. Company has not complied with AS 15 – Accounting for Retirement benefits while preparing financial statements [Read with note no. G]
 - 2. The Company has not published Audited / un-audited quarterly results during the year under audit.
 - 3. The Company has not complied with AS 28, introduced w.e.f. 1st April, 2004 while preparing the financial statements. The Management have not assessed technically the Plant and Machineries at Naroda Unit to decided about its impairment or carrying Value. The carrying amount of the assets was not reviewed for indication of impairment of assets on basis of internal / external factors. Plant at Naroda Division has been inoperative for fourteen years. Plant & Machinery of book value of Rs.25.14 lacs has not been written off to the extent to come down to its carry value. Loss for the year has been under stated to the extent of book value of plant and machinery balance not written off.
 - 4. The Company has not complied with AS 22 , Accounting for Taxes on Income. The company failed to file Income Tax Returns for the F Y 2008-09 onwards. In absence proper documents and records,

we could not quantify the Income Tax liability for which provision not made. Deferred Tax Assets / Deferred Tax Liabilities are not provided for in the books of accounts, in absence of proper working and database from the management. we could not quantify the non provision for DTA /DTL. [Read with Notes "H"]

- e. On the basis of written representation received from the Directors as on March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of the Section 274 of the Companies Act, 1956.
- f. In our opinion, subject to the omission of the information dealt with in the report and all our remarks above, The financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012,
 - In the case of Profit and Loss Account, of the Loss for the year ended on that date and
 - In the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For SHAH DINESH DAHYALAL & ASSOCIATES
Chartered Accountants

Shah Dinesh D.
Proprietor
MEMBERSHIP NO. 106871
FIRM REGISTRATION NO. 120362W

Date : 01/09/2012
Place : Ahmedabad

**ANNEXURE TO THE AUDITORS' REPORT
OF KANEL INDUSTRIES LIMITED**

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

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) During the year, fixed assets of the Company have not been physically verified by the Management. The management decided to implement programme 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. 4(k) of our main audit report]
2. (a) The Inventory have been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) The procedure of the 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. The discrepancies noticed on physical verification were not material and these have been properly dealt with in the books of account.
3. (i) In respect of Loans Secured or Un-secured granted by the company to companies , firms or other parties covered in register maintained U/S 301 of the Companies Act, 1956, according to the information and explanation given to us
- (a) During the year, the company has not granted any loans to any parties referred above, however, at the year end, the outstanding balance of such loans granted in earlier years, amounted to Rs. 6.14 Lacs and maximum balance outstanding during the year amounted to Rs. 6.14 Lacs.
- (b) Above referred loans are interest free and does not carry any other terms and conditions and as such the Loans, in our opinion, are prejudicial to the interest of the company.
- (c) During the year, there have been no recovery towards interest and principal. In absence of any other terms, we are unable to comment on the regularity of repayment of principal and payment of interest.
- (d) Based on our observation of the loans account over the years and according to the information available to us, we are of the opinion that the entire loan amount is overdue.

We further state that the steps taken by the management for recovery of principal amount with interest if any, need to be intensified.

- (e) The Company has taken Unsecured loans from parties covered in the register maintained U/s 301 of the Companies Act., 1956. Details are as follows.

Sr. No.	Name of Party/Person	Relationship With Company	Amount Rs.	Year End Balance	Mode of Receipt
01	T.J.R. Sons Ltd.	Group Co.	638400	9678210 Cr.	Cheque
02	Dhiren K Thakkar	Director	467500	2792132 Cr	Cheque
03	Devika Proteins Ltd.	Group Co.	1460000	1340000 Cr	Cheque
04	TJR Finance Ltd.	Group Co.	4266600	5471100 Cr	Cheque

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

- (g) During the year, there have been a repayment towards principal. No interest is provided on any loan account. In absence of proper loan agreement and any other terms and conditions on which loan taken, we are unable to comment on the regularity of repayment of principal and payment of interest.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company, the nature of its business and taking into consideration of overall business volume during the year with regard to manufacturing activities, purchases of raw materials, inventory, fixed assets and with regard to the business activities. On basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures except the high cash transactions during the year, high Cash on Hand on many dates and at the end of year, balance confirmation from parties, Banks, ESIC / PF departments and very slow debtors recovery. Internal controls should be strengthen in such sensitive area.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transaction that need to be entered into the register maintained under section 301 have been not so entered.
- (b) There are no transactions [other than as reported under paragraph 3 (l)(a) and para 3(l)(e) above] which are in excess of Rs. 5 Lacs in respect of any party, subject to our inability to express our opinion as mentioned in para 4 of our main Audit Report.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit from public with in the meaning of Sec. 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 made there under.
7. The company has no Internal Audit system during the year under Audit.
8. According to the information and explanation given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, for any of the products of the company.
9. (a) According to the information and explanations given to us, the Company has not been regular in depositing undisputed statutory dues towards Employees' State Insurance, TDS, Professional Tax, Sales Tax, Income Tax and Municipal Tax during the Financial Year as well as of earlier years outstanding balance.

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

SR.	NATURE OF DUE	AMOUNT OUTSTANDING AS ON 31/03/2010 [Rs. In Lacs] For more than 6 months And already due
01	Income Tax	* 98.10
02	TDS Payable	1.05
03	Sales Tax	17.53
04	E.S.I.C.	0.56
05	FBT tax	0.06
06	Professional Tax	0.34

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

- * Amount due as per demand notice served by the Income Tax department is Rs.136.37 Lacs for the various assessment years. It was explained by the management that difference is not reconciled and not provided in books of account.
- (b) According to the information and explanation given to us by the management of the Company, there are no dues of Sales Tax and Income Tax which have not been deposited on account of any dispute except as mentioned in clause "a" above and as mentioned below. We further reports that quantum of liability towards TDS payment is not worked out since the Company has not complied with the provisions of Income Tax Act to the extent and no amount provided for. Below details does not includes such liability. We are further informed that during the F Y 2010-11, Management informed that there were no further Income Tax Order, Notice or other developments during the year under audit and there were no further developments in cases pending with Income tax and Sales tax authority.

SR. NO.	NATURE OF DUES	AMOUNT [Rs. In Lacs]	FORUM WHERE DISPUTE IS PENDING
01	Sales Tax	274.63	The Matter is remanded back to Asst. Comm. of Sales Tax. [A Y 1998-99]
02	Sales Tax	245.92	Pending with the Appellate tribunal of sales Tax [A.Y. 1997-98]
03	Sales Tax	24.30	Appeal Pending with Jt. Commercial Tax Commissioner, Appeal Division-1 [AY 1999-2000]
04	Sales Tax	6.14	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [AY 2000-01]
05	Sales Tax	2.88	Appeal pending with Jt. Commercial Tax Commissioner, Appeal Divi.-1 [AY 2000-01]
06	Municipal Tax	10.95	Ahmedabad Municipal Corporation [dues upto October, 2004]

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

10. In our opinion, the accumulated losses of the Company have exceeded fifty percent of the net worth as at the end of the financial year 2011-12. The Company has incurred Cash Losses of Rs. 1.38 Crores during the financial year under audit and the company had incurred cash losses of Rs. 1.42 Crores the immediately preceding financial year.
- In our opinion and according to the information and explanation given to us, we are of the opinion that the Company repaid its dues under OTS and got no due certificate from the parties. Further the Company has taken secured Loans from the Company of Rs. 5 Crore in 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.
11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. In our opinion, the Company is not a chit fund, nidhi, mutual benefit fund of society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable the Company.
13. In our opinion, the Company is not dealing in or trading in shares, securities, debenture and other investments. During the year under audit, the company has done transactions with Commodity market for Castor and there are 6 lot position pending on 31st March, 2012.
14. In our opinion and according to information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year as per the information given by the management and available records made available for our verification.
15. In our opinion, no term loans were availed by the Company during the financial year except unsecured loans taken from directors related firms and their relatives as reported in Point No. 3(e).

16. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment and No long-term funds have been used to finance short-term assets except core (permanent) working capital during the year under Audit.
17. Based on our examination of records and information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
18. During the year covered by our audit report, the company has not issued any debentures.
19. The Company has not raised any money by public issue during the year.
20. according to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For SHAH DINESH DAHYALAL & ASSOCIATES
Chartered Accountants**

**Shah Dinesh D.
Proprietor
MEMBERSHIP NO. 106871
FIRM REGISTRATION NO. 120362W**

**Date : 01/09/2012
Place : Ahmedabad**

BALANCE SHEET AS AT 31 March, 2012

In (Rupees)

Particulars	Note No.	AS AT 31 March, 2012	AS AT 31 March, 2011
I. EQUITY AND LIABILITIES :			
1. Shareholders' Funds		-34493517.81	-32099612.86
(a) Share Capital	2	184124400.00	184124400.00
(b) Reserves and Surplus	3	-218617917.81	-216224012.86
2. Non-Current Liabilities		50000000.00	50000000.00
(a) Long-Term Borrowings	4	50000000.00	50000000.00
3. Current Liabilities		57624724.13	54781596.78
(a) Short-Term Borrowings	5	31506228.00	24131442.00
(b) Trade Payables	6	10679121.13	13708438.13
(c) Other Current Liabilities	7	3616027.49	5178002.40
(d) Short-Term Provisions	8	11823347.51	11763714.25
TOTAL		73131206.32	72681983.92
II. ASSETS :			
1. Non-Current Assets :		16925913.81	17752871.69
(a) Fixed Assets	9	13808750.19	14985207.92
(i) Tangible Assets		13808750.04	14985207.92
(b) Non-Current Investments	10	20000.00	20000.00
(c) Long-Term Loans and Advances	11	3097163.77	2747663.77
2. Current Assets :		56205292.51	54929112.23
(a) Trade receivables	12	45220171.70	43803037.70
(b) Cash and Cash Equivalents	13	9578188.16	9313017.88
(c) Short-Term Loans and Advances	14	1406932.65	1813056.65
TOTAL		73131206.32	72681983.92

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

As per our report of even date

For and on behalf of the Board of Directors

For and on behalf of Shah Dinesh Dahyalal & Associates
Chartered Accountants

Kanel Industries Limited

Shah Dinesh Dahyalal
[Proprietor]
M. No. 106871
Firm Regi. No. 120362W

Mg. Director Director

Place : Ahmedabad
Date : 01/09/2012

Place : Ahmedabad
Date : 01/09/2012

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 March, 2012

		<i>In (Rupees)</i>	
Particulars	Note No.	1-APR-2011 TO 31-MAR-2012	1-APR-2010 TO 31-MAR-2011
I. Revenue from Operations	15	1988454.00	0.00
II. Other Income	16	1655917.15	48564787.29
III. TOTAL REVENUE (I + II)		3644371.15	48564787.29
IV. EXPENSES :			
Purchases of Stock-in-Trade	17	1791400.00	0.00
Employee Benefit Expenses	18	289000.00	302400.00
Finance Cost	19	0.00	40460.00
Depreciation and Amortization Expenses		1176457.88	1327329.15
Other Expenses	20	2781418.22	2612756.00
TOTAL EXPENSES		6038276.10	4282945.15
V. Profit before Exceptional and Extraordinary Items and Tax (III-IV)		-2393904.95	44281842.14
VI. Exceptional Items		--	--
VII Profit before Extraordinary Items and Tax		-2393904.95	44281842.14
VIII. Extraordinary Items		--	10043.00
IX. Profit Before Tax		-2393904.95	44271799.14
X. Tax Expense		--	--
Current Tax			
Deferred Tax			
XI. Profit/(Loss) for the period from Continuing Operations(IX-X)		-2393904.95	44271799.14
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)		-2393904.95	44271799.14
XVI. Earnings per Equity Share			
- Basic		--	--
- Diluted		--	--

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

As per our report of even date

For and on behalf of Shah Dinesh Dahyalal & Associates
Chartered Accountants

Shah Dinesh Dahyalal
[Proprietor]
M. No. 106871
Firm Regi. No. 120362W

Place : Ahmedabad
Date : 01/09/2012

For and on behalf of the Board of Directors

Kanel Industries Limited

Mg. Director Director

Place : Ahmedabad
Date : 01/09/2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE**NOTES NO." 1 " SIGNIFICANT ACCOUNTING POLICIES :****(A) METHOD OF ACCOUNTING :**

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

(B) FIXED ASSETS :

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

(C) DEPRECIATION :

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

(D) INVESTMENTS :

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

(E) INVENTORIES :

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

(F) REVENUE RECOGNITION :

- i. Revenue / Income and Cost / Expenditure are accounted for on accrual basis
- ii. Revenue from sales of goods is recognised on transfer of all significant risk and rewards of ownership to the buyer
- ii. Vatav / Kasar income are recognised due to writing off long outstanding dormant accounts under managements' decision.

(G) RETIREMENT BENEFITS :

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

(H) TAXATION :

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

(I) CONTINGENT LIABILITIES :

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

(J) PROVISION FOR BAD AND DOUBTFUL DEBTS :

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

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2012

In (Rupees)

Particulars	AS AT 31 March, 2012		AS AT 31 March, 2011	
	No. of Shares	Amount	No. of Shares	Amount
2. SHARE CAPITAL :				
2.1 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL :				
Authorised Share Capital :				
Equity Shares of Rs. 10.00 each	20000000	200000000.00	20000000	200000000.00
Total	20000000	200000000.00	20000000	200000000.00
Issued Share Capital :				
Equity Shares of Rs. 10.00 each	18412440	184124400.00	18412440	184124400.00
Total	18412440	184124400.00	18412440	184124400.00
Subscribed and fully paid :				
Equity Shares of ? 10.00 each	18412440	184124400.00	18412440	184124400.00
Total	18412440	184124400.00	18412440	184124400.00
TOTAL	18412440	184124400.00	18412440	184124400.00

Particulars	AS AT 31 March, 2012		AS AT 31 March, 2011	
	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, 2012		AS AT 31 March, 2011	
	No. of Shares	Amount	No. of Shares	Amount
2.3 SHARES IN THE COMPANY HELD BY OTHER COMPANY :				
Equity Shares :				
Devika Protiens Ltd, Associate.	432700	10.00	432700	10.00
TJR Finance Limited, Associate.	233600	10.00	799100	10.00
TJR Sons Limited, Associate.	799100	10.00	234300	10.00

Particulars	AS AT 31 March, 2012		AS AT 31 March, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
2.4 SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE :				
Hiteshbhai K Thakkar	1024710	5.57 %	1024710	5.57 %

Notes : The company has a only one class of shares referred to as Equity Shares having par value of Rs. 10 per share. Each holder of Equity Shares is entitled to one vote per share.

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2012

In (Rupees)

Particulars	AS AT 31-MAR-2012	AS AT 31-MAR-2011
3. RESERVES AND SURPLUS :		
Other Reserves	194859100.00	194859100.00
Opening balance	194859100.00	194859100.00
Closing balance	194859100.00	194859100.00
Surplus	-413251857.81	-411083112.86
Opening Balance	-411083112.86	-455354911.51
(+) Net profit/(Net loss) for the Current Year	-2393904.95	44271798.65
(+) Profit & Loss A/c (2011-12)	0.00	2168744.95
(-) Profit & Loss A/c (2010-11)	-2393904.95	-44271798.65
Closing balance	-413477017.81	-411083112.86
TOTAL	-218617917.81	-216224012.86
4. LONG-TERM BORROWINGS :		
Secured	50000000.00	50000000.00
Other Loans and Advances		
- Adani Enterprises Ltd.	50000000.00	50000000.00
TOTAL	50000000.00	50000000.00

Notes :**Adani Enterprises Ltd.**

Secured by : Immovable Properties of the Company

Terms of Repayment : Not Available

Period of default : Not Available [Read with clause 4(e) of Main Audit Report

Loan from Adani Enterprises Ltd. is secured by way of a charges on present immovable properties of the company at office premises at TJR House and Abhijeet - 1 and Plot No. 213, 214/2 and 214/3 GIDC, Naroda, Ahmedabad and immovable properties of promoters, directors and relatives of directors.

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

Particulars	AS AT 31-MAR-2012	AS AT 31-MAR-2011
5. SHORT-TERM BORROWINGS :		
Unsecured	31506228.00	24131442.00
(A) Loans repayable on demand	4417286.00	2135000.00
(1) From banks	142758.00	0.00
Bank OD A/c	142758.00	
(2) From other parties	4274528.00	2135000.00
Jayesh Jagdishbhai Dutt	1000000.00	
Kadam Exports Pvt. Ltd.	1139528.00	
Shah Himatlal Manchharam	975000.00	975000.00
Vishal Export Overseas Ltd.	1160000.00	1160000.00

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2012

In (Rupees)

Particulars	AS AT 31-MAR-2012	AS AT 31-MAR-2011
5. SHORT-TERM BORROWINGS : (CONTD.....)		
(B) Loans and advances from related parties	27088942.00	21996442.00
Devika Protines Ltd (Loan A/c)		
Dhiren K. Thakkar	3099632.00	2792132.00
Kanaiyalal J Thakkar (H U F)	7500000.00	7500000.00
T.J.R. Finance Ltd.	5471100.00	2664500.00
TJR Sons Ltd.	9678210.00	9039810.00
TOTAL	31506228.00	24131442.00
6. TRADE PAYABLES :		
Others	10679121.13	13708438.13
TOTAL	10679121.13	13708438.13

Notes : In the absence of complete information relating to dues of Micro, Small and Medium Enterprise we have grouped all creditors under the head Trade Payable with Others.

7. OTHER CURRENT LIABILITIES :

Other Payables	3616027.49	5178002.40
TOTAL	3616027.49	5178002.40

8. SHORT-TERM PROVISIONS :**Provision for Employee Benefits :**

Salary and Reimbursements	59633.26	0.00
Others	11763714.25	11763714.25
TOTAL	11823347.51	11763714.25

9. FIXED ASSETS :

Particulars of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on 01.04.11	Addition During the year	Deductions During the year	As on 31.03.12	Up to 31.03.11	Provided For the Year	Adjustment for Ded./ Sales	As on 31.03.12	As at 31.03.12	As at 31.03.11	
LAND	3797183	0	0	3797183	0	0	0	0	3797183	3797183	
FACTORY BUILDING	17777122	0	0	17777122	12617252	517400	0	13134652	4642470	5159870	
OFFICE BLDG.											
(NARODA)	1125000	0	0	1125000	603959	26123	0	630082	494918	521041	
OFFICE BLDG.	3283230	0	0	3283230	1431285	92851	0	1524136	1759094	1851945	
OFFICE EQUIPMENT	1388812		0	1388812	1204050	30664	0	1234714	154098	184762	
PLANT &											
MACHINERY	17984436	0	0	17984436	15117699	399856	0	15517555	2466881	2866737	
FURNITURE &											
FIXTURE	6264112	0	0	6264112	5660442	109564	0	5770006	494106	603670	
TOTAL	51619895	0	0	51619895	36634687	1176458	0	37811145	13808750	14985208	
Previous Year	51596895	0	0	51619895	35307358	1327329	0	36634687	14985208	16289537	

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2012

In (Rupees)

Particulars	AS AT 31-MAR-2012	AS AT 31-MAR-2011
<u>10.1 NON-CURRENT INVESTMENTS :</u>		
Trade Investments	15000.00	15000.00
Investment property		
Investments in equity instruments		
Investments in preference shares		
Investments in government or trust securities		
National Savings Certificate	15000.00	15000.00
Investments in debentures or bonds		
Investments in mutual funds		
Investments in partnership firms		
Other non-current investments		
Other Investments	5000.00	5000.00
Investment property		
Investments in equity instruments		
Ahmedabad Comm. Exch. Ltd. - Shares	5000.00	5000.00
Investments in preference shares		
Investments in government or trust securities		
Investments in debentures or bonds		
Investments in mutual funds		
Investments in partnership firms		
Other non-current investments		
Less : Provision for diminution in the value of investments		
TOTAL	20000.00	20000.00
<u>11. LONG-TERM LOANS AND ADVANCES :</u>		
Security Deposits	922409.68	572909.68
Unsecured, considered good	922409.68	572909.68
Balances with Government Authorities	2174754.09	2174754.09
Unsecured, considered good	2174754.09	2174754.09
TOTAL	3097163.77	2747663.77
<u>12. TRADE RECEIVABLES :</u>		
Outstanding for less than 6 months from the due date	1577134.00	0.00
Unsecured, considered good	1577134.00	0.00
Outstanding for more than 6 months from the due date	43643037.70	43803037.70
Unsecured, considered good	32415188.00	32575188.00
Unsecured, considered doubtful	11227849.70	11227849.70
TOTAL	45220171.70	43803037.70
<u>13. CASH AND CASH EQUIVALENTS :</u>		
Balances with banks	43955.73	129585.45
Earmarked Balances	43955.73	121984.33
Cash on hand	604022.91	253222.91
Others	8930209.52	8930209.52
TOTAL	9578188.16	9313017.88

Notes : Ear marked balance with the bank reflects the Bank where Bank Balance Certificate or Bank Statement are available. Where as Others reflects the balance of which Bank Balance Certificate or Bank Statements are not available for the various banks including No lien Accounts with the banks showing the total balance of Rs. 89.30 Lacs. [Read with Notes No. 5].

NOTES TO AND FORMING PART OF BALANCE SHEET AS AT 31-MAR-2012

Particulars	<i>In (Rupees)</i>	
	AS AT 31-MAR-2012	AS AT 31-MAR-2011
14. SHORT-TERM LOANS AND ADVANCES :		
Loans and Advances to Related Parties	613855.25	613855.25
Unsecured, considered doubtful	613855.25	613855.25
Other Loans and Advances	793077.40	1199201.40
Unsecured, considered good	5824.40	411948.40
Unsecured, considered doubtful	787253.00	787253.00
TOTAL	1406932.65	1813056.65

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

Particulars	<i>In (Rupees)</i>	
	1-MAR-2011 TO 31-MAR-2012	1-MAR-2010 TO 31-MAR-2011
15. REVENUE FROM OPERATIONS :		
Sale of Products	1988454.00	0.00
TOTAL	1988454.00	0.00
16. OTHER INCOME :		
Other Non-Operating Income	1655917.15	48564787.29
TOTAL	1655917.15	48564787.29
17. PURCHASES OF STOCK-IN-TRADE :		
Purchase of Cloth	1791400.00	0.00
TOTAL	1791400.00	0.00
Broad Heads of Materials Purchased		
Suits 1791400.00	0.00	
TOTAL	1791400.00	0.00
18. EMPLOYEE BENEFIT EXPENSES :		
Salaries and Wages	289000.00	302400.00
TOTAL	289000.00	302400.00
19. FINANCE COST :		
Interest Expenses	0.00	40460.00
TOTAL	0.00	40460.00

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

Particulars	1-MAR-2011 TO 31-MAR-2012	1-MAR-2010 TO 31-MAR-2011
<i>In (Rupees)</i>		
20. OTHER EXPENSES :		
Payment to Auditors :		
As Auditor	100000.00	51000.00
Prior period items	413999.00	10043.00
Power and fuel	53496.00	71592.00
Repairs to buildings	72524.00	77090.00
Rates and taxes (excluding taxes on income)	52300.00	44257.00
Miscellaneous expenses	644239.22	2426283.49
Panelty	1236360.00	0.00
Professional Fees	208500.00	0.00
TOTAL	2781418.22	2680265.49

NOTES TO THE FINANCIAL STATEMENTS :

NOTES NO. "21"

1. The figures of the previous year have been regrouped, rearranged and changed wherever necessary so as to make them comparable with the current year.
2. The information's / details are as per the books maintained and determined and information compiled and furnished on the computer.
3. Management have broadly reviewed the data on the basis of compiling details and information and have test checked wherever considered necessary the books and / or the details / information compiled in the company and also on the computer.
4. In the absence of complete information in respect of each SSI Registered creditors, outstanding as on 31.03.2012, the details of aggregate amount due to Small Scale industrial undertakings outstanding as on 31-3-2012 are not given.
5. Bank Account statement / balance certificate of Dena Bank [No lien A/c], SBI [previously SBBJ (No lien A/c) 2.5%, previously SBBJ (No lien A/c) 10%, previously SBS (No lien A/c) 10% are not available for our verification. Management informed that statements are not given to the company by all bankers. Management have written letters to the above banks requesting them for submission of latest bank statements directly to the Auditor but the same are not received. Balance with No lien deposit account with banks does not reconcile with total transactions of Company.
6. Account confirmations in respect of some of the accounts of Sundry Debtors, Creditors, Loans and Advances and some of the banks and financial institution have not been received and they are subject to confirmations and reconciliations. The management is of the opinion that adjustments, if any, arising out of such reconciliation would not be material effecting current Year financial statements.
7. The company has not provided for listing fees of Jaipur, Calcutta and Ahmedabad Stock Exchange. The company has not paid listing fees of Ahmedabad Stock Exchange since 2003-04.
8. Certain documents, registers, etc. including fixed assets register were seized during the search operations as on 5th October, 2001. Such registers were not made available except fixed assets register prepared by management separately to us for inspections, usual verifications and periodical updation.
9. In absence of sufficient non-executive/ professional directors, company could not comply with report on corporate governance and audit committee u/s 292A of the Companies Act, 1956 has not been formed.

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

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

- (ii) Company has filed "Vandha Arjee" against Municipal Tax and interest bills for several previous years. The matters are under litigation with authorities.
- (iii) Details of Claims lodged against the company, not acknowledged as debts : Such amount is not ascertainable by the company.
- (iv) Liabilities on account of Suspension of Trading activities on Stock Exchange can not be quantified.
14. The Company could not do substantial commercial activities of Sales, Purchase or Manufacturing or processing during the year hence reporting requirements under Segment as required by AS-17 on Segment Reporting are not applicable.
15. The company has huge accumulated losses resulting into Deferred Tax Asset. As a prudent policy, the said Deferred Tax Asset has not been recognised due to virtual uncertainties about realisation of profits in the forthcoming years in accordance with Accounting Standard-22.
17. Company's Naroda division is closed since long time. Company has provided depreciation of Rs. 9.99 lacs due to normal wear and tear for assets.

18. Earnings per share (EPS)

Sr. No.	Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
1.	Net Profit [loss] (Rs. In crores)	(-) 23.93	4.44
2.	Weighted Average Number of Shares	18412440	18412440
3.	Basic/ Diluted EPS (Rs.) (on nominal value of Rs. 10 per share)	NIL	2.40

19. 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.

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

No.	Name of Party	Maximum Balance	Closing Balance
01.	Devika Proteins Ltd.	75.21 Lacs	75.21 Lacs Cr.
02.	Devika Road Lines Pvt. Ltd.	06.14 Lacs	06.14 Lacs Dr.
03.	Kanaiyalal J Thakkar HUF	75.00 Lacs	75.00 Lacs Cr.
04.	TJR Finance Ltd.	54.71 Lacs	54.71 Lacs Cr.
05.	Dhiren K Thakkar	31.00 Lacs	31.00 Lacs Cr.
06.	TJR Sons Ltd	96.78 Lacs	96.78 Lacs Cr.
07.	Hitesh K Thakkar	00.60 Lacs	00.60 Lacs Cr.

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

22. PAYMENT TO STATUTORY AUDITORS :

	CURRENT YEAR	PREVIOUS YEAR
(a) Audit Fees	100000	51000
	100000	51000
23. Value of Import on CIF basis:		
Raw Material	NIL	NIL
Finished Goods	NIL	NIL
24. Stores and spares consumed :		
Imported	NIL	NIL
Indigenous	NIL	NIL
25. Expenditure in Foreign Currency :		
Travelling	NIL	NIL
Miscellaneous	NIL	NIL
26. Earning in Foreign Exchange.		
FOB value of Exports of Goods	NIL	NIL
27. Remittance made on account of Dividend	NIL	NIL
28. (A) Managerial Remuneration to Managing Director/Director		
1) Salary and allowance	NIL	NIL
2) Contribution to P.F	NIL	NIL
3) Commission	NIL	NIL

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

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

30. Prior Period Expenditure :-

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

Included under the Head of Account	2011-12 (Rs.)
EXPENSES :	
01. Professional fees	410000.00
02. Other exps	3999.00

**CASH FLOW STATEMENT, ANNEXURE TO BALANCE SHEET
FOR THE YEAR ENDED ON 31-MAR-2012
(PERSUANT TO CLAUSE 32 OF THE LISTING AGREEMENT)**

In (Rupees)

Particulars	31-MAR-2012	31-MAR-2011
1. Profit before Tax and extraordinary Items	-2393905	44281842
Adjustments for :		
(a) Depreciation	1176458	1327329
(b) Financial Charges	0.00	40460
(c) Interest Received	0.00	-3202
(d) Income from Kasar - Vatav & Other Income	-1655917	-48561585
OPERATING PROFIT (LOSS) BEFORE WORKING CAPITAL CHARGES	-2873364	-2915156
Adjustment for		
(a) Trade and Other Receivables	-1360510	444000
(b) Inventories	0.00	0.00
(c) Trade Payable & Other Liabilities	-4531659	2590969
CASH GENERATED FROM OPERATION	-8765533	119813
Income Tax Paid	0.00	0.00
CASH FLOW BEFORE EXTRA ORDINARY ITEMS	-8765533	119813
Extra Ordinary Items	1655916	48551552
NET CASH FLOW FROM OPERATING ACTIVITIES - A	-7109616	48671355
2. CASH FLOW FROM INVESTMENT ACTIVITIES :		
(a) Purchase of Fixed Assets	0.00	-23000
(b) Sale of Fixed Assets	0.00	0.00
(c) Fresh Investment	0.00	0.00
NET CASH USED FORM INVESTING ACTIVITIES - B	0.00	-23000
3. CASH FLOW FROM FINANCIAL ACTIVITIES :		
(a) (Decrease) Increase in Long Term Borrowing (Net)	0.00	-53890884
(b) (Decrease) Increase in Unsecure Loan	7374786	5371082
(c) Interest Paid	0.00	-40460
(d) Interest Received	0.00	3202
NET CASH USED IN INVESTMENT ACTITIVITES - C	7374786	-48557060
NET INCREASE (DECREAS) IN CASH (A+B+C)	265170	91295
Opening Balance of Cash & Cash Equivalents	9313018	9221723
Cloasing Balance of Cash & Cash Equivalents	9578188	9313018

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

For and on behalf of the Board of Directors of
Kanel Industries Limited

Place : Ahmedabad
Date : 01/09/2012

Sd/-
Mg. Director

Sd/-
Director

Notes :

1. The closing cash and cash equivalents as at 31-3-2012 of Rs. 9578188/28 includes Rs. 8930209/- with banks in no lien deposit accounts. Balance in no lien deposit accounts shall not be freely available with the bank.

KANEL INDUSTRIES LIMITED

PROXY FORM

Registered Folio No.: _____

No of Shares held : _____

I/We _____ of _____ being Member / Members of KANEL INDUSTRIES LIMITED, hereby appoint Shri / Smt. _____ of _____ or failing him Shri / Smt. _____ of _____ as my/ our proxy to vote for me/ us and on my/ us behalf at the 20th Annual General Meeting of the Company to be held on Saturday, 29th Day of September, 2012 at 10.00 a.m.

Signed by the said _____ day of _____ 2012.

Affix
Rs. 1
Revenue
Stampe

Signature _____

Applicable to the members holding shares in electronic form.

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

✕

ATTENDANCE SLIP

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

Registered Folio No.: _____

I hereby record my presence at the 20th Annual General Meeting of the Company held at Registered Office of the Company at 203, Abhijeet-1, Mithakhali Six Roads, Ellisbridge, Ahmedabad - 380 006 on Saturday, 20th September, 2012 at 10.00 a.m.

Full Name of the Members/Proxy _____

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

Members/ Proxy Signature

Application to the members holding shares in electronic form.

NOTES :

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

If Undelivered please return to :

KANEL INDUSTRIES LIMITED

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