

AXTEL INDUSTRIES LIMITED

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**12TH ANNUAL REPORT
2002-2003**

AXTEL INDUSTRIES LIMITED

TWELFTH ANNUAL REPORT 2002-2003

BOARD OF DIRECTORS : Shri Kirit Pathak, Chairman
Shri Ajay Desai, Executive Director
Shri Ajay Parikh, Executive Director
Shri Nalin Parikh, Director
Shri Hardip Singh Bubber, Director
Shri Ajit Singh Bubber, Director

AUDITORS : V. K. SHASTRI & CO.,
Chartered Accountants
Baroda

BANKERS : State Bank of India

**REGISTERED OFFICE
& WORKS** : Plot No. 43/1, Village Nurpura,
P.O. Baska, Taluka HALOL - 389 350,
Dist: Panchmahals, Gujarat.

AXTEL INDUSTRIES LIMITED

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of AXTEL INDUSTRIES LIMITED will be held at 11.00 a.m. on **Friday, the 05th March, 2004** at the Registered Office of the Company situated at Plot No. 43/1, Village Nurpura, P.O. Baska, Tal. Halol – 389 350, Dist. Panchmahals, Gujarat to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 30th September 2003 and the Profit & Loss Account of the Company for the year ended on that day together with the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Hardip Singh Bubber, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Kirit Pathak, who retires by rotation and being eligible offers himself for reappointment.
4. To Reappoint the Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if though fit, to pass with or without modification, the following resolution as a Special Resolution:

"RESOLVED that the Board of Directors of the Company be and is hereby authorized to delist the equity shares of the company from The Vadodara Stock Exchange Limited pursuant to Securities and Exchange Board of India's [SEBI] Guidelines for voluntary delisting of securities from the Stock Exchanges and listing agreement with stock exchange.

By the Order of the Board of Directors
Ajay Desai
Executive Director

Dated : 27th December, 2003

Place : Registered Office :

Plot No.43/1, Village: Nurpura,
P.O. Baska, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat

NOTES:

- [1] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- [2] Members should notify change in the address, if any, specifying full address in block letters with pin code of the post office.
- [3] Members seeking further information on the accounts or any other matter contained in the notice are requested to write to the Company at least 7 days before the meeting, so that relevant information can be kept ready at the meeting.
- [4] The register of members and share transfer book will remain closed from Friday, the 27th February, 2004 to Friday, the 05th March, 2004 [both days inclusive].
- [5] Members attending the meeting are requested to bring their copy of the Annual Report.
- [6] Explanatory statement setting out all material facts concerning the special business as required under section 173 [2] of the Companies Act, 1956 is annexed hereto.

Explanatory Statement in respect of the special business pursuant to section 173 [2] of the Companies Act, 1956:

Item No.5

Equity shares of your Company were listed at Mumbai, Vadodara and Ahmedabad Stock Exchanges in 1993. As the Company's equity shares were not traded at Ahmedabad Stock Exchange, your company had made application to the Ahmedabad Stock Exchange for delisting of equity shares in 1998 pursuant to special resolution passed at the annual general meeting held in 1998, but the said stock exchange has not delisted shares of our Company inspite of continuous correspondence. The equity shares of your company are not traded at Vadodara Stock Exchange. Therefore, pursuant to SEBI's guidelines for voluntary delisting of securities, your Board has considered to delist equity shares from Vadodara Stock Exchange. However, listing of equity shares of your Company at Mumbai Stock Exchange will continue.

Your Board recommend this resolution as a special resolution.

None of the Directors is interested in the above resolution.

By the Order of the Board of Directors
Ajay Desai
 Executive Director

Dated : 27th December, 2003

Place : Registered Office :

Plot No.43/1, Village: Narpura,
 P.O. Baska, Tal. Halol - 389 350
 Dist. Panchmahals, Gujarat

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 2003.

[1] FINANCIAL RESULTS:

The financial results for the year are as under:

	[Rupees in Lacs]	
	Year Ended 30.09.2003	Year Ended 30.09.2002
Sales and other Income	633.77	643.78
Profit before depreciation, writing off	59.22	108.22
Preliminary & Share issue expenses		
Less: Depreciation	30.80	77.67
preliminary & share issue expenses	0.87	5.46
Profit [+] / Loss [-] of the year	27.55	25.09
Add: Excess provision for Income Tax written back	1.54	Nil
Less: Provision for taxation	Nil	3.83
Provision for deferred tax	10.18	Nil
Profit [+] / Loss [-] after taxation	18.91	21.26
Balance Brought forward from previous year	[-] 80.27	[-] 205.28
Add: Transferred from Deferred Tax Assets	Nil	103.75
Balance carried to Balance Sheet	[-] 61.36	[-] 80.27

[2] DIRECTORS:

Shri Hardip Singh Bubber and Shri Kirit Pathak, Directors of the Company, retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for reappointment.

[3] DIRECTORS' RESPONSIBILITY STATEMENT: Your Board states that:

1. in the preparation of the annual accounts for the year ended on 30th September, 2003, the applicable accounting standards had been followed and there had been no material departures from the said standards except mentioned in notes to the account.
2. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th September, 2003 and of the profit of the Company for the year ended on that day.
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting statement in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the director had prepared the annual account for the year ended on 30th September, 2003 on a going concern basis.

[4] REPORT ON CORPORATE GOVERNANCE:

A detailed report on Corporate Governance as required under clause 49 of the Listing Agreement with the Stock Exchange has been included separately in the Annual Report.

[5] AUDITORS:

M/s. V.K. Shastri & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

The Company has obtained a certificate under section 224 [1B] of the Companies Act, 1956 from the Auditors to the effect that, their appointment, if made would be within the limits prescribed in the said section.

[6] AUDITORS' REPORT:

The observations of the Auditors are explained, wherever necessary, in an appropriate notes to the Audited Statement of Accounts.

[7] PARTICULARS OF EMPLOYEES:

Information in accordance with the provisions of Section 217 [2A] of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules, 1975 are Nil

[8] PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE INCOME AND OUTGO:

Information in accordance with the provision of Section 217 [1] [e] of the Companies Act, 1956 read with the Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange income and outgo is given in Annexure-A attached herewith.

[9] ACKNOWLEDGEMENT:

The Board of Directors gratefully acknowledge the assistance and co-operation received from State Bank of India and all other statutory and non-statutory agencies for their co- operation.

The Board of Directors also wish to place on record their gratitude and appreciation to the members for their trust and confidence shown in the Company.

The Board of Directors would like to especially thank all the employees of the Company for their dedication and loyalty.

Dated : 27st December, 2003
Place : Registered Office :
Plot No.43/1, Village: Narpura,
P.O. Baska, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat

By the Order of the Board of Directors
Ajay Desai
Executive Director

Ajay Parikh
Executive Director

ANNEXURE - A

Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange Income and Outgo

1. Particulars regarding conservation of energy, power and fuel consumption	:	Not Applicable		
2. Particulars regarding technology absorption	:	As per Form B given hereunder		
3. Foreign exchange earning and outgo				
[i] Activities relating to exports	:	Sale of food processing plants & machinery		
[ii] Initiatives taken to increase export	:	The Directors visit clients abroad several times and the Company expects to receive several export orders from time to time.		
[iii] Development of new export markets for products and services and export plans	:	Not Applicable		
			Current	Previous
			Year	Year
[Rupees in Lacs]				
[iv] Total foreign exchange used	:	5.22		6.02
[v] Total foreign exchange earned	:	55.67		255.52

FORM B

[A] Form for disclosure of particulars with respect to technology absorption.

Research and development (R&D)

1. Specific areas in which R&D was carried out by Company : Nil
2. Benefits derived as a result of the above R&D : Nil
3. Future plan of action : Nil
4. Expenditure on R & D : Nil
 - [a] Capital : Nil
 - [b] Recurring : Nil
 - [c] Total : Nil
 - [d] Total R & D expenditure as a percentage of total turnover : Nil

[B] Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : Nil
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. : Nil
3. In case of imported technology [imported during the last 5 years reckoned from the beginning of the financial year], following information may be furnished. : Nil

[a] Technology imported

- [b] Year of import
- [c] Has the technology been fully absorbed?
- [d] If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.

REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Code introduced by Securities and Exchange Board of India ["SEBI"] as adopted by incorporating a new clause no. 49 in the Listing Agreement of the Stock Exchange and also by applicable provision of the Companies [Amendments] Act, 2000, has been implemented by the Company effective from 01st April, 2002.

The Company has taken necessary steps to comply with all the requirement of the guidelines on Corporate Governance as would be applicable to it.

1. Board of Directors as on 30th September, 2003.

The Board comprised of six Directors, of whom two were Executive Directors and four were Non-Executive Directors. The Chairman of the Board was a Non-Executive Director.

A. Composition of the Board for the period from 01st October, 2002 to 30th September, 2003 :

Name of the Director	Status
Shri Kirit Pathak	Chairman
Shri Ajay Desai	Non-Executive Director
Shri Ajay Parikh	Executive Director
Shri Nalin Parikh	Executive Director
Shri Hardip Singh Bubber	Non-Executive Director
Shri Ajit Singh Bubber	Non-Executive Independent Director
Shri Manoj Gambhirwala	Non-Executive Independent Director
	Non-Executive Director
	[ceased to be a Director w.e.f. 17.03.2003]

B. Board Meeting :

The meeting of the Board of Directors are scheduled well in advance. The notice convening the meeting and the detailed agenda is sent at least seven days in advance to all the Directors. The Board meets at least once a quarter to review the quarterly performance and financial results.

i. Number of Board Meeting :

During the year from 01st October, 2002 to 30th September, 2003 the Board of Directors met six times on the following dates :

Sr.No	Date	Board Strength	No. of Directors present
1	30th November, 2002	7	5
2	27th December, 2002	7	5
3	29th January, 2003	7	5
4	30th April, 2003	6	4
5	30th July, 2003	6	4
6	27th September, 2003	6	5

ii. Attendance of Directors :

Name of the Directors	No of Board Meetings held	No. of Board Meetings attended	attendance at the last annual general meeting	No. of Directorship in the other Boards as on 30th Sept., 2003	No. of Memberships in other Board Committees as on 30th Sept.2003
Shri Kirit Pathak	6	3	Absent	1	—
Shri Ajay Desai	6	6	Present	3	1
Shri Ajay Parikh	6	6	Present	1	1
Shri Nalin Parikh	6	3	Present	—	2
Shri Manoj Gambhirwala	6	—	Absent	—	—
Shri Hardip Singh Bubber	6	5	Absent	—	2
Shri Ajit Singh Bubber	6	5	Absent	—	3

Note:

Shri Kirit Pathak is N.R.I. Director.

2. Committees of Directors :

Non-Executive Directors, including the Chairman, provide guidance to operating management on policy matters as well as in the monitoring actions of operating management. This involvement is formalized through constitution of designated committees of the Board. The Committees are intended to provide regular exchange of information and ideas between the Non-executive Directors and the operating management.

The Board has accordingly formed Committees which comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and other applicable provisions of the Companies [Amendment] Act, 2000.

[A] Audit Committee :

Audit Committee comprises of the following Executive Director and Non-Executive Director of the Board as per section 292 A of the Companies Act, 1956:

	Name of Director	Status
1.	Shri Nalin Parikh	Non-Executive Director
2.	Shri Ajit Singh Bubber	Non-Executive Independent Director
3.	Shri Ajay Desai	Executive Director

Audit committee meeting was held on 27th December, 2002 and 30th April, 2003 during the year ended 30th September, 2003.

[B] Remuneration Committee :

- i. Remuneration Committee comprises of the following Non-Executive Directors and Non-Executive Independent Directors of the Board :

	Name of Director	Status
1.	Shri Nalin Parikh	Non-Executive Director
2.	Shri Hardip Singh Bubber	Non-Executive Independent Director
3.	Shri Ajit Singh Bubber	Non-Executive Independent Director

- ii. Remuneration Policy :

The Company follows a market linked remuneration policy, which is aimed at enabling the Company to attract and retain the best talent. The Company does not have an Employee Stock Option Policy.

- iii. Broad Terms of reference of the Remuneration Committee :

- To recommend and review remuneration package of Executive Directors and Company Secretary of the Company.
- To present report to the Board on remuneration package of Directors and Company Secretary.

- iv. Details of remuneration paid to the Executive Directors during the year ended 30th September, 2003 :

a. Executive Directors:

Name of the Director	Salary	Perquisites	Total
Shri Ajay Desai	11,40,000	3,10,725	14,50,725
Shri Ajay Parikh	13,80,000	48,840	14,28,840

Terms of Contract :

Name of the Director	Date of Appointment	Expiry of the Contract
Shri Ajay Desai	01 st March, 2002	28 th February, 2007
Shri Ajay Parikh	01 st August, 2003	31 st July, 2008

The above Executive Directors are required to give 3 months notice period for resignation as Executive Director. If before expiry of service contract, their tenure of office of the Executive Directors is determined, they will be entitled compensation as per section 318 of the Companies Act.

b. Non-Executive Directors :

No sitting fee is paid to Non-Executive Directors.

Remuneration committee meeting was held on 27th December, 2002.

[C] Shareholders/Investors' Grievances Committee :

This committee, comprises of the following Executive Director and Non-Executive Independent Directors, reviewing shareholders' complaints and resolution thereof.

Name of Director	Status
1. Shri Ajay Parikh	Executive Director
2. Shri Hardip Singh Bubber	Non-Executive Independent Director
3. Shri Ajit Singh Bubber	Non-Executive Independent Director

Shareholders / Investors' Grievances Committee Meeting was held on 27th December, 2002 during the year ended 30th September, 2003 as the Company did not receive any letter of major grievances from the shareholders / investors.

4. General Body Meetings :

The last three Annual General Meetings [AGMs] of the Company were held on the following dates and time at Plot No. 43/1, Village Narpura, Post Baska, Taluka Halol – 389 350, Dist. Panchmahals, Gujarat :-

[A] Details of last three AGMs held :

AGM	Day and Date	Time
09th AGM	Monday, 12th March, 2001	11.00 a.m.
10th AGM	Monday, 25th February, 2002	11.00 a.m.
11th AGM	Monday, 17th March, 2003	11.00 a.m.

[B] Whether special resolutions were put through postal ballot last year ? NO

Generally, all the resolutions in the General Body Meetings are passed through show of hands.

[C] Details of resolutions passed through Postal Ballot : NIL**[D] Area proposed to be conducted through postal ballot and procedure ?**

The Company proposes to pass resolution of General Body Meetings through postal ballot paper and follow the procedure given under the Companies Act.

5. Disclosure :

[A] Disclosures on materially significant related party transactions i.e. Transaction of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large :

- Managerial Remuneration is paid to Shri Ajay Desai, Executive Director and Shri Ajay Parikh, Executive Director.
- The Company has hired residential accommodation owned by Mrs. Kavita Desai, a relative of Mr. Ajay Desai.
- The company has sold its products / done job work / collected charges to / from the companies in which some of the Directors are interested as under, for which necessary approval of the Central Government u/s 297 of