

AXTEL INDUSTRIES LIMITED

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16TH ANNUAL REPORT 2006-2008

**For the period from 01-10-2006 to 31-03-2008
(18 Months)**

AXTEL INDUSTRIES LIMITED

SIXTEENTH ANNUAL REPORT 2006-2008

For the period from 01-10-2006 to 31-03-2008 [18 Months]

BOARD OF DIRECTORS : Shri Kirit Kumar 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 Sixteenth Annual General Meeting of the members of AXTEL INDUSTRIES LIMITED will be held at 11.00 a.m. on Monday, the 07th July, 2008 at the Registered Office of the Company situated at Plot No. 43/1, Village Narpura, 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 31st March, 2008 and the Profit & Loss Account of the Company for the period ended on that day together with the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Kirit Kumar Pathak, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Hardip Singh Bubber, 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 thought fit, to pass with or without modification, the following resolutions as Special Resolutions:

"RESOLVED that pursuant to section 269, 198, 309, and other provisions applicable, if any and schedule XIII of the Companies Act, 1956 consent of the members of the Company be and is hereby given for the re-appointment of Shri Ajay N Parikh as Executive Director of the Company for a period of five years with effect from the 01st August, 2008 on the terms and conditions as detailed hereunder, with a liberty to the Board of Directors of the Company to modify the said terms and conditions within the limits prescribed/which may be prescribed in schedule XIII of the Companies Act, 1956 and any amendment thereof from time to time:

[i] Salary:

Not exceeding Rs.2,50,000 [Rupees Two Lac Fifty Thousand Only] per month [including perquisites and other allowance, if any].

[ii] Perquisites and other allowances:

Perquisites and other allowances shall also be allowed in addition to salary. However, total managerial remuneration by way of salary, perquisites and other allowances shall not exceed the overall limit of Rs.30,00,000 per annum.

[iii] Contribution to provident fund, superannuation fund and annuity fund will not be included in the computation of the ceiling on managerial remuneration to the extent these either singly or put together are not taxable under the Income-Tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.

[iv] Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

[v] Provision of car with driver for use on Company's business and telephone at residence will not be considered as perquisites/remuneration. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual appointee concerned.

COMMISSION:

Remuneration by way of commission may also be allowed in addition to salary, perquisites and allowance or in

lieu thereof, based on the net profits of the Company in a particular year. However, it will be subject to the overall ceilings laid down in section 198 and section 309.

"RESOLVED FURTHER THAT, where in any financial year, during the currency of tenure of Shri Ajay Parikh as Executive Director, the Company has no profit or its profits are inadequate, it may pay him minimum remuneration by way of salary, perquisites and allowances not exceeding the limits specified above.

RESOLVED FURTHER THAT remuneration payable as above is fixed for a period of 3 years [i.e. from 01st August, 2008 to 31st July, 2011] and thereafter total remuneration not exceeding Rs.2,00,000 per month and not exceeding Rs.24,00,000 per annum will be paid to Shri Ajay Parikh unless a special resolution is passed at the general meeting of the Company for payment of remuneration as mentioned in para 1 [B] of section II in part II of schedule XIII of the Companies Act, 1956.

6. To consider and if thought fit, to pass with or without modification, the following resolutions as Special Resolutions:

"RESOLVED that pursuant to section 198, 310 and other provisions applicable, if any and schedule XIII of the Companies Act, 1956 consent of the members of the company is accorded to increase remuneration of Shri Ajay Parikh, Executive Director of the Company with effect from the 1st April, 2008 within the limits prescribed hereunder from time to time:

[i] Salary:

Not exceeding Rs.2,50,000/- [Rupees Two Lac Fifty Thousand Only] per month [including perquisites and other allowance, if any]

[ii] Perquisites and other allowances:

Perquisites and other allowances shall also be allowed in addition to salary. However, total managerial remuneration by way of salary, perquisites and other allowances shall not exceed the overall limit of Rs.30,00,000/- per annum.

[iii] Contribution to provident fund, superannuation fund and annuity fund will not be included in the computation of the ceiling on managerial remuneration to the extent these either singly or put together are not taxable under the Income-Tax Act. Gratuity payable should not exceed half a month's salary for each completed year of service.

[iv] Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

[v] Provision of car with driver for use on Company's business and telephone at residence will not be considered as perquisites/remuneration. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the individual appointee concerned.

COMMISSION:

Remuneration by way of commission may also be allowed in addition to salary, perquisites and allowance or in lieu thereof, based on the net profits of the Company in a particular year. However, it will be subject to the overall ceilings laid down in section 198 and section 309.

"RESOLVED FURTHER THAT, where in any financial year, during the currency of tenure of Shri Ajay Parikh as Executive Director, the Company has no profit or its profits are inadequate, it may pay him minimum remuneration by way of salary, perquisites and allowances not exceeding the limits specified above

7. To consider and if thought fit, to pass with or without modification, the following resolutions as Special Resolutions:

"RESERVED THAT Authorised share capital of the Company be and is hereby increased from Rs.9 Crores to Rs. Rs.10 Crores and the Memorandum and Articles of Association be altered / amended accordingly.

"RESOLVED FURTHER THAT pursuant to section 16 and other provisions applicable, if any, of the Companies

Act, 1956 clause V of the Memorandum of Association be and is hereby substituted as under :

V The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore Only) Equity Shares of Rs.10 (Rupees Ten Only) each.

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

"RESOLVED that pursuant to section 31 and other provisions applicable, if any, of the Companies Act, 1956 article 3 of the Articles of Association be and is hereby amended as under :

3. The Authorised Share Capital of the Company is Rs.10,00,00,000 (Rupees Ten Crores Only) divided into 1,00,00,000 (One Crore Only) Equity Shares of Rs.10 (Rupees Ten Only) each with powers to increase or reduce the Share Capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred or such other rights, privileges or conditions as may be determined in accordance with the regulations of the Company and to vary, modify, abrogate any such rights, privileges or conditions in such manner as may be provided by regulations of the Company and consolidate or sub-divide the shares and issue shares of higher or lower denomination.

By the Order of the Board of Directors

Ajay Desai

Executive Director

Dated : 15th May, 2008

Place : Registered Office :

Plot No.43/1, Village: Nurpura,

P.O. Baska, Tal. Halol - 389 350

Dist. Panchmahals, Gujarat

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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 Tuesday, the 01st July, 2008 to Monday, the 07th July, 2008 [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 u/s 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

Shri Ajay Parikh was re-appointed as Executive Director of the Company with effect from the 01st August, 2003 as per the resolution passed by the members of the Company at the annual general meeting of the Company held on 17th March, 2003. He is looking after the production and design activities of the Company.

The information required as per para 1 [B] [IV] of section II of para II of schedule XIII is furnished hereunder:

1. General Information:

- i. Nature of Industry : Engineering industry manufacturing food processing plant, machinery and equipment and dairy machinery since 1993.
- ii. Financial Performance : The Company's net profit after taxation is Rs.142.10 lacs for the period ended 31st March, 2008.
- iii. Export Performance : The Company has made export of Rs.797.28 lacs during the period ended 31st March, 2008.

ii) Information about Shri Ajay Parikh, Appointee :

Shri Ajay Parikh is B.E. [Mech.] having experience of 25 years. He is looking after production and design department of the Company. He was paid total remuneration of Rs.44,76,914 for the 18 months period ended 31st March, 2008.

The Remuneration Committee of the Company has recommended remuneration as mentioned in the proposed resolution.

Comparative remuneration figure with respect to industry is not available. However, proposed remuneration payable to Shri Ajay Parikh is low comparing his efforts and responsibility as Executive Director of the Company.

Shri Ajay Parikh has no pecuniary relationship directly or indirectly with the Company as managerial personnel except remuneration as Executive Director drawn by him and dividend on equity shares, declared if any, by the Company for his shareholding in the Company.

iii) Other Information :

The Company has improved financial performance during the period ended 31st March, 2008, and made a profit of Rs142.10 lacs. The Company has taken various steps to increase its sales and profit. As the Company is manufacturing tailor made plants / machinery it is very difficult to give expected production and profits in measurable terms.

iv) Disclosures:

Other disclosures have been mentioned in the Board of Directors' report under the heading "Corporate Governance" attached to the annual report.

None of the Directors except Shri Ajay Parikh for drawing his remuneration and Shri Nalin Parikh, Director being a relative of Shri Ajay Parikh, is interested in these resolutions.

This explanatory statement together with the accompanying notice may also be considered as an abstract of terms of the contract and memorandum under section 302 of the Companies Act, 1956.

Item No.6

Remuneration of Shri Ajay Parikh was increased with effect from the 01st April, 2005 to 31st March, 2008 as per the resolution passed by the members of the Company at the annual general meeting of the Company held on 28th March, 2005. He is looking after the production and design activities of the Company. Looking to the responsibilities shouldered by Shri Ajay Parikh, remuneration committee of the Company has recommended to obtain consent of the members to enhance his remuneration as per details given in the resolution at item no.6 for the period from 01.04.2008 to 31st July, 2008.

The information required as per para 1 [B] [IV] of section II of para II of schedule XIII is furnished hereunder:

1. General Information:

- i. Nature of Industry : Engineering industry manufacturing food processing plant, machinery and equipment and dairy machinery since 1993.
- ii. Financial Performance : The Company's net profit after taxation is Rs.142.10 lacs for the period ended 31st March, 2008.
- iii. Export Performance: The Company has made export of Rs.797.28 lacs during the period ended 31st March, 2008.

v) Information about Shri Ajay Parikh, Appointee :

Shri Ajay Parikh is B.E. [Mech.] having experience of 25 years. He is looking after production and design department of the Company. He was paid total remuneration of Rs.44,76,914 for the 18 months period ended 31st March, 2008.

The Remuneration Committee of the Company has recommended remuneration as mentioned in the proposed resolution.

Comparative remuneration figure with respect to industry is not available. However, proposed remuneration payable to Shri Ajay Parikh is low comparing his efforts and responsibility as Executive Director of the Company.

Shri Ajay Parikh has no pecuniary relationship directly or indirectly with the Company as managerial personnel except remuneration as Executive Director drawn by him and dividend on equity shares, declared if any, by the Company for his shareholding in the Company.

vi) Other Information :

The Company has improved financial performance during the period ended 31st March, 2008, and made a profit

of Rs.142.10 lacs. The Company has taken various steps to increase its sales and profit. As the Company is manufacturing tailor made plants / machinery it is very difficult to give expected production and profits in measurable terms.

vii) Disclosures:

Other disclosures have been mentioned in the Board of Directors' report under the heading "Corporate Governance" attached to the annual report.

None of the Directors except Shri Ajay Parikh for drawing his remuneration and Shri Nalin Parikh, Director being a relative of Shri Ajay Parikh, is interested in these resolutions.

This explanatory statement together with the accompanying notice may also be considered as an abstract of terms of the contract and memorandum under section 302 of the Companies Act, 1956.

Item No. 7 & 8.

The members of the Company have passed special resolution at the extra ordinary general meeting held on 04th January, 2007 to allot equity shares / warrants in exchange of equity shares to the promoters and relative / associates of the promoters and accordingly the board has allotted 20,00,000 warrants of Rs.10 each on 18th January, 2007 to be exchanged for equity shares within the period of 18 months and accordingly shares capital will be increased by Rs.2 Crores in exchange of warrants. Therefore, your board proposed to increase authorised capital of the Company from Rs.9 Crores to Rs10 Crores and accordingly alteration / amendment of capital clause in the memorandum and articles of association.

None of the Directors is interested in these resolutions.



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

Dated : 15th May, 2008

Place : Registered Office :

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

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Sixteenth Annual Report together with the Audited Statement of Accounts for the period ended 31st March, 2008.

[1] FINANCIAL RESULTS:

The financial results for the year are as under:

	[Rupees in Lacs]	
	Period Ended 31.03.2008 (18 Months)	Year Ended 30.09.2006 (12 Months)
Sales and other Income	3260.60	2274.36
Profit before depreciation	286.33	193.84
Less: Depreciation	57.80	27.59
Profit of the year	228.53	166.25
Less: Provision for taxation & FBT	82.29	1.39
Provision for deferred tax	4.14	86.66
Profit after taxation	142.10	78.20
Balance Brought forward from previous year	114.15	35.95
Balance carried to Balance Sheet	256.25	114.15

[2] DIRECTORS:

Shri Kirit Kumar Pathak and Shri Hardip Singh Bubber, 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 period ended 31st March, 2008, 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 31st March, 2008 and of the profit of the Company for the period 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 period ended 31st March, 2008 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 is given in Annexure – A attached herewith.

[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-B attached herewith.

[9] ACKNOWLEDGEMENT:

The Board of Directors gratefully acknowledge the assistance and co-operation received from the 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 : 15th May, 2008

Place : Registered Office :

Plot No.43/1, Village: Nulpura,

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