

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2011.

[1] FINANCIAL RESULTS:

The financial results for the year are as under:

[Rupees in Lacs]

| | Year Ended 31.03.2011 | Year Ended 31.03.2010 |
|--|--------------------------|--------------------------|
| Sales and other Income | 5410.47 | 2707.88 |
| Profit before depreciation | 498.34 | 172.14 |
| Less: Depreciation | 66.77 | 65.23 |
| Profit of the year | 431.57 | 106.91 |
| Less: Provision for taxation | 189.22 | 40.56 |
| Profit after taxation | 242.35 | 66.35 |
| Balance Brought forward from previous year | 514.21 | 447.86 |
| Balance carried to Balance Sheet | 756.56 | 514.21 |

[2] DIRECTORS:

Shri Kiritkumar Pathak and Shri Ajit 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 year ended 31st March, 2011, 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 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 as at 31st March, 2011 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 31st March, 2011 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 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 the Bank of Baroda 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.

On behalf of the Board of Directors

Date: 30 May, 2011

Registered Office :

Plot No.43/1, Village: Nulpura,

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

Dist. Panchmahals, Gujarat

sd.

[Ajay Desai]

Executive Director

sd.

[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 Year | Previous Year |
|-----------------------------------|---|-----------------|------------------|
| [Rupees in Lacs] | | | |
| [iv] Total foreign exchange used | : | 26.27 | 18.25 |
| [v] Total foreign exchange earned | : | 401.00 | 335.36 |

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 the 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 | | |
| [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 | : | Nil |

- | | | | |
|-----|--|---|-----|
| 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 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 31st March 2011.

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 April, 2010 to 31st March, 2011 :

| Name of the Director | Status |
|--------------------------|------------------------------------|
| Shri Kirit Kumar Pathak | Chairman Non-Executive Director |
| Shri Ajay Desai | Executive Director |
| Shri Ajay Parikh | Executive Director |
| Shri Ameet Parikh | Professional Director |
| Shri Hardip Singh Bubber | Non-Executive Independent Director |
| Shri Ajit Singh Bubber | Non-Executive Independent Director |

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 April, 2010 to 31st March, 2011 the Board of Directors met Seven times on the following dates :

| Sr.No | Date | Board Strength | No. of Directors present |
|-------|----------------------|----------------|--------------------------|
| 1. | 29th May, 2010 | 6 | 5 |
| 2. | 26th July, 2010 | 6 | 4 |
| 3. | 27th September, 2010 | 6 | 2 |
| 4. | 27th October, 2010 | 6 | 5 |
| 5. | 31st January, 2011 | 6 | 4 |
| 6. | 20th February, 2011 | 6 | 3 |
| 7. | 04th March, 2011 | 6 | 3 |

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 31st March, 2011 | No. of Memberships in other Board Committees as on 31st March, 2011 |
|--------------------------|---------------------------|--------------------------------|---|--|---|
| Shri Kirit Kumar Pathak | 7 | 1 | Absent | 1 | -- |
| Shri Ajay Desai | 7 | 7 | Present | 2 | 1 |
| Shri Ajay Parikh | 7 | 7 | Present | 2 | 1 |
| Shri Ameet Parikh | 7 | 3 | Absent | 1 | 2 |
| Shri Hardip Singh Bubber | 7 | 4 | Absent | -- | 2 |
| Shri Ajit Singh Bubber | 7 | 4 | Absent | -- | 3 |

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 Directors of the Board as per section 292 A of the Companies Act, 1956:

| | Name of Director | Status |
|---|------------------------|------------------------------------|
| 1 | Shri Ajit Singh Bubber | Non-Executive Independent Director |
| 2 | Shri Ajay Desai | Executive Director |
| 3 | Shri Ameet Parikh | Professional Director |

* Audit committee meeting was held on 29th May, 2010 and 27th October, 2010 during the year ended 31st March, 2011.

[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 Hardip Singh Bubber | Non-Executive Independent Director |
| 2 | Shri Ajit Singh Bubber | Non-Executive Independent Director |
| 3 | Shri Ameet Parikh | Professional 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 Executive Directors and Company Secretary

iv. Details of remuneration paid to the Executive Directors during the year ended 31st March, 2011:

a. Executive Directors:

| Name of the Director | Salary | Perquisites | Total |
|-----------------------------|---------------|--------------------|--------------|
| Shri Ajay Desai | 28,86,000 | 1,13,678 | 29,99,678 |
| Shri Ajay Parikh | 29,34,500 | 65,311 | 29,99,811 |

Terms of Contract :

| Name of the Director | Date of Appointment | Expiry of the Contract |
|-----------------------------|----------------------------|-------------------------------|
| Shri Ajay Desai | 01st March, 2007 | 28th February, 2012 |
| Shri Ajay Parikh | 01st August, 2008 | 31st July, 2013 |

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.

No Remuneration committee meeting was held during the year.

[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 |

No Shareholders / Investors' Grievances Committee Meeting was held during the year ended 31st March, 2011 as there was no major complaint from shareholders/investors.

3. 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 |
|------------|---------------------------|-------------|
| 16th AGM | Monday, 07th July, 2008 | 11.00 a.m. |
| 17th AGM | Monday, 24th August, 2009 | 11.00 a.m. |
| 18th AGM | Monday, 30th August, 2010 | 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.

4. 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 :
- a. Managerial Remuneration is paid to Shri Ajay Desai, Executive Director and Shri Ajay Parikh, Executive Director.
- b. Details of non-compliance by the Company, penalties, stricture imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. : NO

5. Means of Communication :

- [A] Quarterly / Half Yearly Financial Results of the Company are forwarded to the Stock Exchange, Mumbai, where the shares of the Company are listed. Further, the same are published in English and Gujarati News Papers.

Half yearly reports are not sent to each household of shareholders as the results of the Company are published in the newspapers.

- [B] Company has not made any presentations to any Institutional Investors / Analyst during the period.
- [C] All items required to be covered in the Management Discussion & Analysis have been included in the Directors' Report to the Members.
- [D] Company has its own website and all the vital information relating to the Company and its products is displayed on the website.

Addrees of the website : www.axtelindia.com

6. General Shareholder Information :

- [A] Annual General Meeting : 19th Annual General Meeting
Day and Date : Monday, 19th September, 2011
Time : 11.00 a.m.
Venue : Plot No. 43/1, Village Nurpura,
P.O. Baska, Tal. HALOL – 389 350,
Dist. Panchmahals, Gujarat
- [B] Financial Calender : i. 19th Annual General Meeting
[01st April, 2010 to : on Monday, 19th September, 2011
31st March, 2011] : ii. 1st Quarterly Result - July, 2011
: 2nd Quarterly Result – October, 2011
: 3rd Quarterly Result – January, 2012
: 4th Quarterly Result – April, 2012
or audited result in the month of
May, 2012
- [C] Registered Office : Plot No. 43/1, Village Nurpura,
P.O. Baska, Tal. HALOL – 389 350
Dist. Panchmahals, Gujarat
Tel. : [02676] 247900
Fax : [02676] 247125
- [D] Listing on Stock Exchnages : The Stock Exchange, Mumbai

Phiroze Jeebhoy Towers,
Dalal Street, Mumbai – 400 023
Tel : [022] 22721234, 22721233
Fax : [022] 22723719

[E] Stock Code :

The Stock Exchange, Mumbai : 23850

ISIN for equity shares of the Company : INE 767C01012

Listing fee for the year 2011 – 2012 has been paid to The Stock Exchange, Mumbai.

[F] Market price data :

The equity shares of the Company were traded at The Stock Exchange, Mumbai at price between Rs.9.31 to Rs.16.21 per share during last one year.

[G] Dematerialization of share and liquidity

As on 31st March, 2011, 46.94% of the Company's total shares representing 46,93,655 shares were held in dematerialized form and the balance 53.06% representing 53,06,145 shares were held in paper form.

[H] Address of Registrars and Share transfer agent :

Link Intime Registry Private Limited,
B - 102 - 103, Shangrila Complex,
First Floor, Near Radhakrishna Char Rasta,
Akota, BARODA - 390 020

[I] Share Transfer System :

The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares in physical mode which are lodged for transfer are processed and returned to the shareholders within the stipulated time by the share transfer agent Link Intime Registry Private Limited, Baroda

[J] Distribution of shareholding as on 31st March, 2011 :

| Category | No. of Shares | Percent |
|---|------------------|---------------|
| Promoter Group [including NRI Director] | 52,69,241 | 52.69 |
| NRI / OCB | 4,11,848 | 4.12 |
| Bodies Corporate | 3,12,491 | 3.13 |
| Others | 40,06,220 | 40.06 |
| Total | 99,99,800 | 100.00 |