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AXTEL INDUSTRIES LIMITED

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15TH ANNUAL REPORT
2005-2006

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AXTEL INDUSTRIES LIMITED

FIFTEENTH ANNUAL REPORT 2005-2006

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.

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Director for a period of five years w.e.f. 01st March, 2007 subject to consent of the members at the ensuing annual general meeting.

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 Perfomance : The Company's net profit after taxation is Rs.78.20 lacs for the year ended 30th September, 2006.

   iii. Export Performance : The Company has made export of Rs 1193.67 lac during the year ended 30th September, 2006.

ii) Information about Shri Ajay Desai, Appointee :

Shri Ajay Desai is B.E. [Elect.] having experience of 22 years. He is looking after administration and marketing department of the Company. He was paid remuneration of Rs.1,90,000 per month and other perquisites. He was paid total remuneration of Rs.23,50,244 for the year ended 30th September, 2006.

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 Desai is low comparing his efforts and responsibility as Executive Director of the Company.

Shri Ajay Desai 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 year ended 30th September, 2006, and made a profit of Rs.78.20 lacs. The Company has taken various steps to increase its sales and profit. As 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 Desai for drawing his remuneration and Shri Kirit Kumar Pathak, Director being a relative of Shri Ajay Desai, 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.

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

Dated : 30th December, 2006
Place : Registered Office :
Plot No.43/1, Village: Nurpura,
P.O. Baska, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Statement of Accounts for the year ended 30th September, 2006.

[1] FINANCIAL RESULTS:

The financial results for the year are as under:

[Rupees in Lacs]

	Year Ended 30.09.2006	Year Ended 30.09.2005
Sales and other Income	2274.36	1402.52
Profit before depreciation	193.85	86.00
Less: Depreciation	27.59	27.55
Profit of the year	166.26	58.45
Less: Provision for taxation	Nil	0.93
Provision for FBT	1.39	Nil
Provision for deferred tax	86.66	Nil
Profit after taxation	78.20	57.52
Balance Brought forward from previous year	(+) 35.95	(-) 21.57
Balance carried to Balance Sheet	(+) 114.15	(+) 35.95

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[2] DIRECTORS:

Shri Nalin Parikh 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 on 30th September, 2006, 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, 2006 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, 2006 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.

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[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 not applicable.

[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 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.

By the Order of the Board of Directors

Date: 30th December, 2006
Registered Office :
Plot No.43/1, Village: Nurpura,
P.O. Baska, Tal. Halol - 389 350
Dist. Panchmahals, Gujarat

sd.
[Ajay Desai]
Executive Director
sd.
[Ajay Parikh]
Executive Director

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ANNEXURE - A

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

1.	Particulars regarding conservation	:	Not Applicable
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 and the Company expects to receive several export orders from time to time.	:	The Directors visit clients abroad several times
[iii]	Development of new export markets for products and services and export plans	:	Not Applicable

[Rupees in Lacs]			Current Year	Previous Year
[iv]	Total foreign exchange used	:	33.08	55.39
[v]	Total foreign exchange earned	:	1193.67	562.88

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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

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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.		

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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 30th September, 2006.

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, 2005 to 30th September, 2006 :

Name of the Director		Status
Shri Kirit Kumar Pathak	Chairman	Non-Executive Director
Shri Ajay Desai		Executive Director
Shri Ajay Parikh		Executive Director
Shri Nalin Parikh		Non-Executive 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 October, 2005 to 30th September, 2006 the Board of Directors met six times on the following dates : :

	Date	Board Strength	No. of Directors present
1	28th November, 2005	6	3
2	20th January, 2006	6	4
3	17th March, 2006	6	3
4	29th April, 2006	6	3
5	15th May, 2006	6	5
6	24th July, 2006	6	5

ii. Attendance of Directors :

Name of the Directors	No of Board Meetinggs held	No. of Board Meetings attended	Attendance at the last annual general meeting	No. of Directorship in the other Boards as on 30th Sept., 2006	No. of Memberships in other Board Committees as on 30th Sept.2006
Shri Kirit Kumar Pathak	6	1	Absent	1	—
Shri Ajay Desai	6	5	Present	3	1
Shri Ajay Parikh	6	6	Present	1	1
Shri Nalin Parikh	6	5	Present	—	2
Shri Hardip Singh Bubber	6	3	Absent	—	2
Shri Ajit Singh Bubber	6	3	Absent	—	3

Note:

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

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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 26th November, 2005 and 29th April, 2006 during the year ended 30th September, 2006.

[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

a. To recommend and review remuneration package of Executive Directors and Company Secretary of the Company.

b. 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, 2006 :

a. Executive Directors:

Name of the Director	Salary (Rs.)	Perquisites (Rs.)	Total (Rs.)
Shri Ajay Desai	22,80,000	70,244	23,50,244
Shri Ajay Parikh	22,80,000	73,449	23,53,449

Terms of Contract :

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

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Note : Shri Ajay Desai has been re-appointed for a period of five years w.e.f. 01st March, 2007 by the Board of Directors and the necessary consent of the members will be obtained at the ensuing AGM.

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 meetings were held on 07th November, 2006 and 30th December, 2006.

[C] Shareholders/Investors' Grievances Committee :

This committee, comprises of the following Non-Executive Directors 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 30th September, 2006 as there was no major complaint from 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 Nurpura, Post Baska, Taluka Halol – 389 350, Dist. Panchmahals, Gujarat :-

[A] Details of last three AGMs held :

AGM	Day and Date	Time
12th AGM	Friday, 05th March, 2004	11.00 a.m.
13th AGM	Monday, 28th March, 2005	11.00 a.m.
14th AGM	Monday, 13th March, 2006	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 :

a. Managerial Remuneration is paid to Shri Ajay Desai, Executive Director and Shri Ajay Parikh, Executive Director.

b. The company has collected charges from the company in which some of the Directors are interested as under :

i. Patak Foods [India] Pvt. Ltd. Misc. charges Rs.6,000

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