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BOARD OF DIRECTORS

Kalpesh Patel *Chairman & Managing Director*
Kaushik Bhatt
Rohit Kothari
Mukund Bakshi
Navin Patel
Tushar Patel
K. K. Rai
S. M. Hegde

Company Secretary
Dinesh Patel

Auditors
H. K. Shah & Co., Ahmedabad

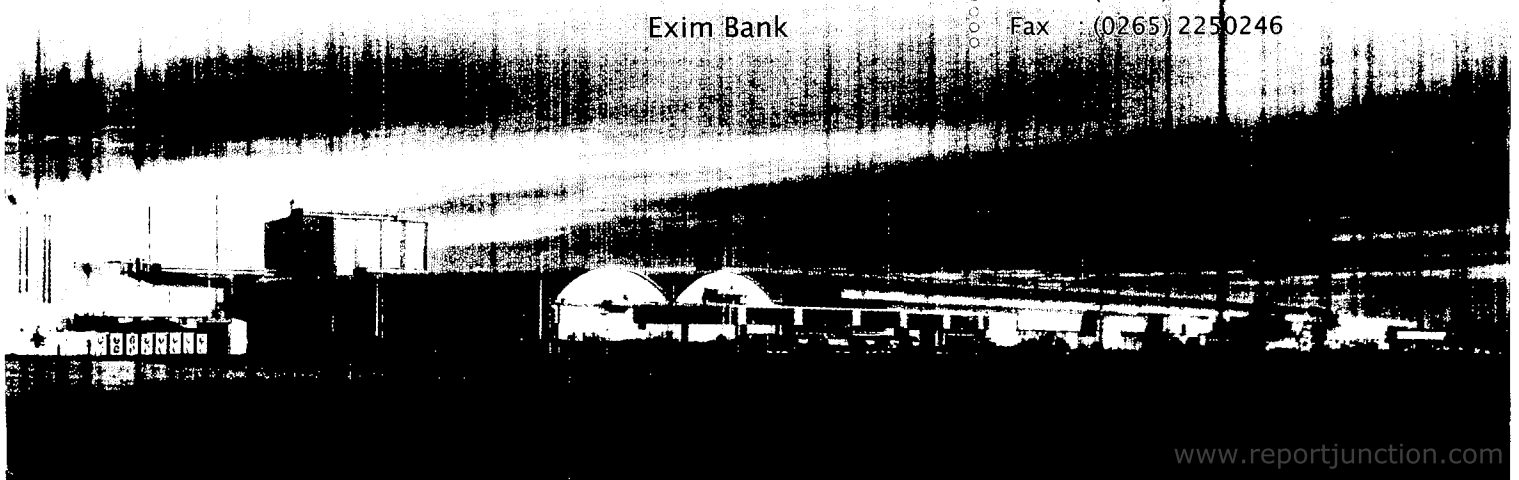
Regd. Office & Works
Village Asoj
Vadodara-Halol Express Way
Tal. Waghodia
Dist. Vadodara - 391 510
Gujarat (India)
Website : www.kemrock.com

Bankers

State Bank of India
Punjab National Bank
Allahabad Bank
Indian Bank
Axis Bank
ICICI Bank
Exim Bank

Registrar & Transfer Agents

Intime Spectrum Registry Ltd
308, 1st Floor, Jaldhara Complex
Opp. Manisha Society
Off Old Padra Road, Vasna Road
Vadodara- 390 015
Email : vadodara@intimespectrum.com
Tel : (0265) 2250241
Fax : (0265) 2250246



14TH ANNUAL REPORT 2007–2008

C o n t e n t s

Notice of Annual General Meeting	01
Directors' Report	10
Management Discussion and Analysis	15
Report on Corporate Governance	18
Auditors' Report	24
Balance Sheet	26
Profit and Loss Account	27
Cash Flow Statement	28
Schedules forming part of the Balance Sheet	29
Schedules forming part of the Profit and Loss Account	32
Significant Accounting Policies and Notes on Accounts	34
Balance Sheet Abstract and Company's General Business Profile	39
ECS Mandate Form	41
Attendance Slip and Proxy Form	43



NOTICE

NOTICE is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of KEMROCK INDUSTRIES AND EXPORTS LIMITED will be held at the registered office of the Company at village Asoj, Vadodara-Halol Express Way, Tal. Waghodia, Dist. Vadodara-391510, Gujarat State, on the **06th day of September, 2008 at 10:30 a.m.**, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended on 31st March, 2008.
3. To appoint a Director in place of Mr. Mukund Bakshi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Navin Patel, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. H. K. Shah & Co., Chartered Accountants, the retiring Auditors as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT, Mr. Kadenja Krishna Rai, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th January 2008, and who holds office only upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT, Mr. Suresh M. Hegde, who was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th January 2008, and who holds office only upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in

writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company."

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309, 311, 317, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act'), including any statutory modification or re-enactment thereof from time to time and in force, the consent of the members of the Company be and is hereby accorded to the re-appointment of and payment of remuneration to Mr. Kalpesh Patel as Managing Director, designated as Chairman and Managing Director of the Company, for a period of five years commencing 01st August 2008 to 31st July, 2013 on the terms and conditions as set out in the draft Agreement to be executed by the Company with him (details of which are given in the Explanatory Statement attached to this Notice), which draft Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board", which term shall be deemed to include the Remuneration or any other Committee of the Board constituted to exercise its powers, including the powers conferred by this resolution) to vary / modify / amend any of the terms and conditions of the Agreement including remuneration payable to Mr. Kalpesh Patel in such manner as may be agreed to by and between the Board and Mr. Kalpesh Patel *provided* such variation / modification / amendment *is/are* in conformity with the applicable provisions of the Companies Act or any amendments or re-enactment thereof for the time being in force, during the above tenure of office of Mr. Kalpesh Patel.

RESOLVED FURTHER THAT, in any case, the remuneration of Mr. Kalpesh Patel in any financial year shall not exceed, in aggregate, the permissible limits of remuneration prescribed from time to time under Sections 198 and 309 of the Act read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force and computed in the manner laid down in Section 309(5) of the Act; and in the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Chairman and Managing Director, the payment of remuneration shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

RESOLVED FURTHER THAT, in the event of any statutory amendment or relaxation brought by the Central Government to the Act or to Schedule XIII of the Act, the Board be and is hereby authorised to vary or increase the remuneration including the perquisites in line with such

relaxation or amendment; and the Agreement between the Company and Mr. Kalpesh Patel be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to do all such acts, deeds, matters or things as may be considered necessary, appropriate, expedient or desirable to give effect to this resolution."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT, in accordance with the provisions contained in the Articles of Association and Section 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (herein after referred to as "the Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "the SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to introduce "**Employee Stock Option Scheme - 2008**" (hereinafter referred to as the "**ESOS 2008**" or the "**Scheme**") and to create, grant, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, whether in India or not (hereinafter referred to as "the Employees") options exercisable into not more than 3,70,000 equity shares of Rs. 10/- each (i.e., 3.49% of the issued and paid up Equity Share Capital of the Company as on 28th June, 2008) in aggregate, in one or more tranches, and on such terms and conditions as may be deemed fit by the Board in accordance with the provisions of the law or guidelines issued by relevant authority(ies).

RESOLVED FURTHER THAT, the grant, offer, issue and allotment of options/shares shall be in accordance with the terms and conditions as regards price, payment, application, allotment, entitlement to dividend and other rights, transferability and all other matters as stipulated by the SEBI Guidelines to the extent applicable and in accordance with any other applicable Guidelines, Rules, Regulations and laws; and subject also to the Memorandum and Articles of Association of the Company, provided that:

- (a) The new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank *pari passu* in all respects with the then existing Equity Shares of the Company.
- (b) No option shall vest in the hands of the option grantee (as defined in the SEBI Guidelines) prior to 12 months from the date of grant of the option or such other longer period from the date of grant, as may be determined by the Board from time to time, subject to the condition also that the option grantee continues to be an employee or director of the Company and/or satisfies the parameters of performance or other conditions as may be set by the Board from time to time. However, the maximum vesting period shall be five (5) years from the date of grant of the option or such other period as the Board may determine.
- (c) Options shall be valid and exercisable for such period as may be determined by the Board from time to time, but would not exceed a period of five (5) years from the date of grant of options to the eligible employees/directors. The options shall be exercised in accordance with the process as may be specified in the Scheme.
- (d) Each option granted to an eligible employee/director shall entitle him/her to one equity share of the nominal value of Rs. 10/- each at the exercise price, which shall be at discount of 50% to the average of **four weeks high and low of the closing prices** preceding the date of grant of options for the Company's Equity Shares quoted on Exchange, subject to adjustments, if any, that may be required on account of Corporate Action; and if the shares are listed on more than one stock exchange, then the stock exchange where there is the highest trading volume on the said date shall be considered.
- (e) Before granting options to employees under the Scheme, the Board would, apart from examining and evaluating overall group corporate performance, *inter alia*, take into consideration the length of service, grade, performance, merit, key position, future potential contribution and conduct of the employees and such other factors as may be deemed appropriate by it.
- (f) The maximum number of options to be granted to any one eligible employee shall not be equal to or exceed 1% of the issued equity share capital of the Company (excluding outstanding warrants and conversions) at the time of granting the option.
- (g) The Board shall have the power to make reasonable consequential adjustments to the number of options to be exercised and the exercise price in case of Corporate Actions such as rights issue, bonus issues, merger, sale of division etc., provided that, such adjustments or alternations do not adversely affect the rights and interest of the option grantees and is in accordance with the terms and conditions of the applicable provisions of the SEBI Guidelines. In case of such corporate action resulting into addition of equity shares to the option grantees, for the purpose of making a fair and reasonable adjustment to



the options granted earlier, the above ceiling of 3,70,000 equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

RESOLVED FURTHER THAT, notwithstanding anything contained in the Scheme, the Company shall have an option to recover Fringe Benefit Taxes from the employees/directors, either in part or whole, if any, that is levied on or payable by the Company.

RESOLVED FURTHER THAT, the Scheme may also envisage providing any financial assistance to the employees to enable the eligible employees to acquire, purchase or subscribe to the said equity shares of the Company in accordance with the applicable statutory provisions.

RESOLVED FURTHER THAT, in case the Equity Shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the Scheme shall automatically stand augmented or reduced, as the case may be, in the same proportion as the face value of the equity shares bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligation of the said allottees.

RESOLVED FURTHER THAT, for the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring in to effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company, *provided that*, no variation, alteration, addition or amendment to the Scheme can be made if it is detrimental to the interest of the option grantees/participants, as is specified in the SEBI Guidelines to the extent applicable.

RESOLVED FURTHER THAT, with regard to ESOS 2008, the Board be and is hereby authorised to delegate all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub Committee shall report periodically to the Board/ Compensation Committee.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under Employees Stock Option Scheme on one or more recognised Stock Exchanges, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchanges concerned, and in accordance with such other

guidelines, rules and regulations as may be applicable with regard to such listing.

RESOLVED FURTHER THAT, a Compensation Committee comprising of majority of Independent Directors of the Company be and is hereby authorized to identify eligible employees and determine the number of options that may be offered to them pursuant to the Scheme.

RESOLVED FURTHER THAT, the Company shall value the options granted under the Scheme at their "fair value" or "intrinsic value" as defined under the SEBI Guidelines as may be determined by the Board.

RESOLVED FURTHER THAT, in case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that would have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall be disclosed in the Directors' Report.

RESOLVED FURTHER THAT, the Company shall conform to the accounting policies set out in Clause 13 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with subsequent amendments, if any."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT, in accordance with the provisions contained in the Articles of Association and Section 81, 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (herein after referred to as "the Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "the SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee including Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to introduce "**Employee Stock Purchase Scheme - 2008**" (hereinafter referred to as the "**ESPS 2008**" or the "**Scheme**") and to offer, issue and allot at any time and from time to time in one or more tranches, to or to the benefit of such person(s) who are in permanent employment of the Company,

including any Director of the Company, whether whole time or otherwise, whether in India or not (hereinafter referred to as "the Employees") shares aggregating upto 1,59,000 (i.e., 1.50% of the issued and paid up equity share capital of the Company as on 28th June, 2008) equity shares of Rs. 10/- each at such price, including at discount and on such terms and conditions as may be fixed by the Board, in accordance with the provisions of the law or guidelines issued by relevant authority(ies).

RESOLVED FURTHER THAT, subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respects rank *pari passu inter-se* as also with the then existing equity shares of the Company including dividend entitlement.

RESOLVED FURTHER THAT, the Company shall conform to the accounting policies set out in Clause 19.2 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with subsequent amendments, if any.

RESOLVED FURTHER THAT, to determine all other terms and conditions for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above, under ESPS 2008, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.

RESOLVED FURTHER THAT, with regard to ESPS 2008, the Board be and is hereby authorised to delegate all or any of its powers to any Sub Committee consisting of one or more Officers/Directors of the Company and such Sub Committee shall report periodically to the Board/Compensation Committee.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to take necessary steps for listing of the shares allotted under the Employee Stock Purchase Scheme on one or more recognised Stock Exchanges, where the Company's shares are listed, as per the terms and conditions of the Listing Agreement with the Stock Exchange(s) concerned, and in accordance with such other guidelines, rules and regulations as may be applicable with regard to such listing."

By order of the Board of Directors
KEMROCK INDUSTRIES AND EXPORTS LTD

Date: June 28, 2008
Reg. Off.: Vill. Asoj
Vadodara-Halol Express Way
Tal. Waghodia, Dist. Vadodara-391 510

Dinesh Patel
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The instrument appointing a proxy, in order to be valid and effective, must be deposited with the Company at its registered office not less than 48 hours before the time fixed for holding the meeting.
3. Members/Proxies attending meeting should bring the Attendance Slip duly completed and may hand over the same at the entrance to the meeting hall.
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, setting out all material facts in respect of item Nos. 6 to 10 of the Notice is attached herewith.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 30th August, 2008 to 06th September, 2008 (both days inclusive).
6. The dividend, as recommended by the Board, if sanctioned at the meeting, will be paid to those shareholders whose names appear (i) as Members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company or its Registrars on or before 29th August, 2008; and (ii) as Beneficial Owners as at the end of the business hours on 29th August, 2008 as per the list to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form.
7. Members holding shares in physical form are requested to notify immediately any change in their addresses with PIN Code to the Company's Share Transfer Agents, viz., Intime Spectrum Registry Limited; and Members holding shares in electronic form, this information should be passed on directly to their respective Depository Participants and not to the Company.
8. Members are informed that, in order to avoid fraudulent encashment of dividend warrants, they should send to the Company under the signature of the Sole/First Joint holder the information relating to Name and Address of the Banker along with the PIN code and Bank Account Number to print on the Dividend Warrants. Members holding shares in dematerialized form and desirous of changing or correcting the bank account details should send the same immediately to the concerned Depository Participant.
9. Members desirous of availing the facility of Electronic Credit of Dividend are requested to send ECS Mandate Form attached to this Annual Report alongwith a photocopy of a cheque for verification of details to the Share Transfer Agents of the Company.

10. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.
11. Details under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Directors seeking appointment/re-appointment at the ensuing Annual General Meeting are contained in Annexure-I, *vide* page no. 40.
12. Members are requested to bring their copies of Annual Report at the Meeting. No copies will be provided at the Meeting as a measure of economy.
13. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
14. Members can avail of the facility of Nomination in respect of shares held by them in physical form pursuant to the provision of section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their Nomination in the prescribed Form No. 2B duly filled in to the Registrar and Transfer Agent *viz.*, Intime Spectrum Registry Limited. The Nomination Form 2B can be obtained from the Registrar and Transfer Agent or the Secretarial Department of the Company at its Registered Office.
15. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 6

Appointment of Mr. Kadenja Krishna Rai as Director

Mr. K. K. Rai was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th January 2008. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General Meeting of the Company, and is eligible for the appointment. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of the candidate, proposing his appointment as a Director of the Company, along with the requisite deposit.

Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure-I, *vide* page no. 40. Mr. K. K. Rai is a Bachelor of Arts and a member of C.A.I.I.B. He is a retired Banking professional having 40 years of rich banking experience and had held important portfolios during his employment. He was the Executive Director of Allahabad Bank. Looking to his vast experience and expertise in the field, his appointment as a Director of the Company is recommended.

Except Mr. K. K. Rai, none of the other directors of the Company may be considered to be concerned or interested in passing of this resolution.

Item No. 7

Appointment of Mr. Suresh M. Hegde as Director

Mr. S. M. Hegde was appointed by the Board of Directors as an Additional Director of the Company with effect from 17th January 2008. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of this Annual General Meeting of the Company, and is eligible for the appointment. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of the candidate, proposing his appointment as a Director of the Company, along with the requisite deposit.

Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure-I, *vide* page no. 40. Mr. S. M. Hegde is a Bachelor of Science and also an LL.B. He has over 20 years of extensive experience in the field of finance and law. Keeping in view his wealthy experience and core expertise in his field, his appointment as a Director of the Company is recommended.

Except Mr. S. M. Hegde, none of the other directors of the Company may be considered to be concerned or interested in passing of this resolution.

Item No. 8

Re-appointment of Mr. Kalpesh Patel as Chairman and Managing Director

At the Eleventh Annual General Meeting of your Company held on 18th August, 2005, approval was accorded to the revision in terms of appointment and payment of remuneration to Mr. Kalpesh Patel as Managing Director for a period of three years *w.e.f.*, 01st August, 2005 to 31st July, 2008.

Resolution No. 08 of this Notice relates to the terms of re-appointment of Mr. Kalpesh Patel as Managing Director designated as Chairman and Managing Director of the Company for a further period of five years from 01st August 2008 to 31st July, 2013 upon expiry of his said term of appointment on 31st July 2008, and the same is subject to approval of members of the Company as required under Section 269, 309 read with Schedule XIII of the Companies Act, 1956.

Subject to member's approval, the Board of Directors, at their meeting held on 28th June, 2008 has approved the re-appointment of Mr. Kalpesh Patel as Managing Director designated as Chairman and Managing Director of the Company for a further period of five years *w.e.f.*, 01st August, 2008 in accordance with the provisions of Sections 198, 269, 309, 311, 317 and Schedule XIII of the Companies Act, 1956 on the remuneration recommended by the Remuneration Committee of the Board of Directors.

The material terms of re-appointment and remuneration payable to Mr. Kalpesh Patel are as under:

I. REMUNERATION

- (A) **Salary:** Rs. 10 lacs per month (with such annual increase as may be decided by the Board of Directors in the scale Rs. 10 lacs to 15 lacs per month).

(B) Bonus / Performance Incentives / Commission etc., in addition to the salary, perquisites and allowances, at such rate/percentage/amount as may be determined by the Remuneration Committee and/or the Board of Directors subject to overall limit stipulated in Sections 198 and 309 of the Companies Act, 1956.

(C) Perquisites, Allowances and Benefits:

- (i) Housing: Furnished / Unfurnished residential accommodation or House Rent Allowance upto 10% of salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules 1962 for the time being in force.
- (ii) Medical Reimbursement: Reimbursement of actual medical expenses incurred, including premium paid on health insurance policies, whether in India or abroad, for self and family including hospitalization, surgical charges, nursing charges and domiciliary charges for self and family.
- (iii) Leave Travel Concession: Leave Travel Concession (LTC) including boarding and lodging expenses incurred in India or abroad, at actual once in a year in respect of himself and family not exceeding 2 months' salary. LTC entitlement for any one year to the extent not availed shall be allowed to be accumulated upto next one year.
- (iv) Club Fees: Fees payable subject to maximum of two clubs. This will not include admission and life membership fees.
- (v) Personal Accident Insurance: The premium amount on such insurance cover shall be reimbursable.
- (vi) Company Car and Telephone: The Company shall provide a Car with driver and telephone facility at the residence of Managing Director. Provision of car with driver for use of Company's business and telephone facility at the residence will not be considered as perquisite. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.
- (vii) Leave: Privilege leave, on full pay and allowance, not exceeding thirty (30) days in a financial year. Encashment/Accumulation of leaves will be permissible in accordance with the Rules of the Company. Casual/Sick leaves as per the rules of the Company.
- (viii) Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund and Gratuity as per the rules of the Company.
- (ix) Any other perquisite or allowance as may be agreed to by the Board of Directors and the Managing Director.

Explanation:

1. Perquisites shall be evaluated as per Income Tax Rules, wherever applicable. In absence of any such Rule, perquisites shall be evaluated at actual cost.
2. The Managing Director shall not be eligible to receive sitting fees for attending meetings of the Board of Directors or any Committee thereof.
3. Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, gratuity payable as per the rules of the Company and encashment of leave at the end of his tenure shall not be included in the computation of limits for the remuneration or the perquisites as aforesaid.

II. OVERALL REMUNERATION

The aggregate remuneration in any financial year shall not exceed the permissible limits of remuneration prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof for the time being in force.

III. MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of remuneration shall be governed under Section II of the Part II of Schedule XIII to the Companies Act, 1956.

IV. TENURE

Subject to the provisions of Section 317 of the Companies Act, 1956, Mr. Kalpesh Patel shall continue in office as Managing Director for a period of 5 years commencing 01st August 2008 till 31st July, 2013.

Mr. Kalpesh Patel, whose brief profile is given elsewhere, is the founder and key promoter of the Company and has over two and half decades of vast and rich experience as technocrat in the field of composites. Under his dynamic and visionary leadership, the Company has blossomed into a front line composite manufacturer with excellent growth. During the year, Mr. Kalpesh Patel was also conferred the "Outstanding Entrepreneur" Award 2007 - by the Federation of Gujarat Industries (FGI), Vadodara, for excellence and his entrepreneurial skills.

Your Directors, therefore, recommend the resolution for your approval.

Copy of draft Agreement to be entered into by the Company with Mr. Kalpesh Patel is available for inspection by the Members of the Company at the Registered Office of the Company between 11:00 am to 01:00 pm on any working day of the Company till the date of the ensuing Annual General Meeting.

The above Explanatory Statement sets out an abstract of material terms of the contract with Managing Director and the