

KHANDELWAL EXTRACTIONS LIMITED



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21st ANNUAL REPORT
2002-2003

KHANDELWAL EXTRACTIONS LIMITED

BOARD OF DIRECTORS

K. N. KHANDELWAL

KISHORE MOHAN

V. N. KHANDELWAL - Director (Works)

DINESH KHANDELWAL - Director (Finance)

REGISTERED OFFICE :

51/47, NAYAGANJ, KANPUR - 208 001

WORKS :

AKRAMPUR-MAGARWARA

DISTT. UNNAO (UTTAR PRADESH)

AUDITORS :

M/s. P. L. TANDON & CO.

BANKERS :

STATE BANK OF INDIA

ANNUAL GENERAL MEETING

ON SATURDAY,

THE 27th, SEPTEMBER, 2003

AT 4.00 P.M.

AT THE REGISTERED OFFICE

OF THE COMPANY

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KHANDELWAL EXTRACTIONS LIMITED**NOTICE :**

NOTICE is hereby given that the 21st Annual General Meeting of Khandelwal Extractions Ltd. will be held at the Registered Office of the Company on Saturday, the 27th September, 2003 at 4.00 P.M. to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2003 and Profit and Loss Account for the year ended on that date and reports of Directors and Auditors' thereon.
2. To declare Dividend on Preference Shares
3. To appoint a Director in place of Shri V. N. Khandelwal , who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Dinesh Khandelwal , who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s P.L. Tandon & Company, Chartered Accountants, Kanpur to hold office of the Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting 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 10000 (unissued)-13.5% Cumulative Redeemable Preference Shares of Rs. 100 each be reclassified as 10000-10% Cumulative Redeemable Preference Shares and consequently the words "20000-13.5% Cumulative Redeemable Preference Shares of Rs. 100 each" appearing in 2nd line of Clause V of the Memorandum of Association be substituted by "10000-13.5% Cumulative Redeemable Preference Shares of Rs. 100 each and 10000-10% Cumulative Redeemable Preference Shares of Rs. 100 each".

7. 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 Section 293(1)(a) of the Companies Act, 1956 and in supersession of the previous resolution passed in the Annual General Meeting held on 28.9.2002, the consent of the Company be and is hereby granted to the Board of Directors to create a first charge by way of equitable mortgage in such form and manner, in favour of any financial institution and/or bank inter alia including State Bank of India on such fixed assets of the Company, both present and future, as may be agreed upon between the said financial institution and/or bank and the Board of Directors of the Company, to secure the borrowings upto Rs. 300 lacs in any form e.g. Term Loan, working capital advances and/or any other form granted / to be granted by the said financial institution / bank jointly or individually to the Company."

"RESOLVED further that the Board of Directors of the Company be and is hereby authorised to finalise the documents and do such acts and deeds as may be necessary for giving effect to the aforesaid resolution."

8. 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 Sections 80/81 and other applicable provisions, if any, of the Companies Act, 1956 and the Memorandum and Articles of Association of the Company and subject to all requisite approvals, consents etc. if any required under any statutory provisions, guidelines, rules, regulations and further subject to such terms and conditions and modifications, as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) the consent of the Company be and is hereby accorded to the Board to issue, offer and allot up to 10,000 - 10% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating Rs. 10,00,000/- to such persons, companies and other entities whether members of the Company or not, by way of private placement in one or more tranches for General Corporate purposes on such terms and conditions and the manner in which the Board may in its absolute discretion think fit."

KHANDELWAL EXTRACTIONS LIMITED

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things including allotments and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment and terms of remuneration of Mr.V.N. Khandelwal as Director (Works) of the Company for a further period of 5 years w.e.f. 1.4.04 on terms and conditions as set out in the draft agreement, submitted to this meeting, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the same within the permissible limit as specified in Schedule XIII to the Companies Act, 1956 or any amendment or re-enactment thereof and as may be agreed to between the Board of Directors and Mr.V.N. Khandelwal , Director (Works); and that the consent of the Company be and is hereby accorded to the said Mr.V.N. Khandelwal, who is a relative of Shri K. N. Khandelwal and Shri Dinesh Khandelwal, Directors of the Company, holding and continuing to hold an office or place of profit under the Company namely that of Director (Works)."

"RESOLVED FURTHER that in event of absence or inadequacy of profits in any financial year or years, the aforesaid remuneration including the perquisites shall be the minimum remuneration."

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment and terms of remuneration of Mr. Dinesh Khandelwal as Director (Finance) of the Company for a further period of 5 years w.e.f. 1.4.04 on terms and conditions as set out in the draft agreement, submitted to this meeting, which agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary the same within the permissible limit specified in Schedule XIII to the Companies Act, 1956 or any amendment or re-enactment thereof and as may be agreed to between the Board of Directors and Mr. Dinesh Khandelwal , Director (Finance); and that the consent of the Company be and is hereby accorded to the said Mr. Dinesh Khandelwal, who is a relative of Shri K. N. Khandelwal and Shri V. N. Khandelwal, Directors of the Company, holding and continuing to hold an office or place of profit under the Company namely that of Director (Finance)."

"RESOLVED FURTHER that in event of absence or inadequacy of profits in any financial year or years, the aforesaid remuneration including the perquisites shall be the minimum remuneration."

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

"RESOLVED that in supersession of the resolution passed in the meeting held on 29th September, 2001 and subject to provisions of the Securities Contracts (Regulations) Act, 1956 , Listing Agreements with the Stock Exchanges and Guidelines/Rules of the Securities Exchange Board of India and all other applicable laws, rules, regulations and guidelines and subject further to such approvals and sanctions as may be required, the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) be and is hereby authorised to de-list the Equity Shares of the Company from the Stock Exchanges at Delhi and Kolkata at one time or from time to time."

"RESLOVED FURTHER that for the purpose of giving effect to all or any of the foregoing, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto."

Regd. Office :
51/47, Nayaganj, Kanpur - 208 001
Dated : 30th June, 2003

By order of the Board of Directors
DINESH KHANDELWAL
Director (Finance)

KHANDELWAL EXTRACTIONS LIMITED**Notes :**

- (a) The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956 is annexed.
- (b) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself / herself and a proxy need not be a member. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting.
- (c) The Register of the members and Share Transfer books of the Company will remain closed from 15th September, 2003 to 27th September, 2003 (both days inclusive).
- (d) All documents referred to in the accompanying notice are open for inspection at the Registered Office of Company during working hours on all working days upto the date of the Annual General Meeting.
- (e) All the members who have not paid the allotment money so far on the Equity Shares allotted to them are requested to remit the amount of calls in arrears to reach the Company latest by 30th September, 2003 failing which their shares would be forfeited without any further notice. Your Directors have decided to waive the interest on calls in arrears if the money is received by the Company till 30th September, 2003.

EXPLANATORY STATEMENT :**Item No. 6**

Your directors propose to issue 10% Cumulative Redeemable Preference Shares of Rs. 100/- each to meet higher Working Capital requirements. The present Authorised Capital includes 20,000 , 13.5% Cumulative Redeemable Preference Shares of Rs. 100/- each, out of which 10,000 Preference Shares have been issued. It is now proposed to divide the Preference Capital so as to create 10% Cumulative Redeemable Preference Shares of Rs. 100/- each out of 20,000 , 13.5% Cumulative Redeemable Preference Shares of Rs. 100/- each. The total Authorised Capital would thus remain unchanged. The resolution to give affect to the above change is recommended to the members for their approval.

None of the directors is concerned or interested in the aforesaid resolution.

Item No. 7

The members are aware that in the last Annual General Meeting their consent was obtained for creation of charge by way of mortgage over the immovable assets in favour of State Bank of India. In supersession of the aforesaid resolution, your directors now are seeking the consent of the members for creation of first charge in favour of Financial Institutions and Banks for raising borrowings upto Rs. 300 lacs in any form i.e. Term Loan , Working Capital etc. from Financial Institutions and/or Banks individually or jointly. The said resolution is being recommended to the shareholders so as to empower the Board to create first charge to secure the borrowings raised / to be raised from time to time for the Company's General Corporate business and capital expenditure schemes etc. None of the directors is concerned or interested in the aforesaid resolution.

Item No. 8

After the resolution at Sl. No. 6 is approved, your directors propose to issue 10,000 , 10% Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par to raise funds for General Corporate purposes including inter-alia Long Term funds for Working Capital purposes in one or more tranches to such persons, companies and other entities whether members of the Company or not, by way of private placement on such terms and conditions and the manner in which the Board in its absolute discretion think fit.

The Board of Directors recommend the resolution for approval of the members.

Mr. K.N. Khandelwal, Mr. V.N. Khandelwal and Mr. Dinesh Khandelwal , Directors of the Company and their family members are concerned and interested in the said resolution to the extent of their holdings in equity and preference shares and also to the extent they subscribe to the proposed issue.

Item No. 9 & 10

Shri V.N. Khandelwal and Shri Dinesh Khandelwal, who have been associated with the Company's activities since inception, have been holding office in the capacity of Director (Works) and Director (Finance) in terms of the approval(s) accorded by the members of Company in Annual General Meetings held on 15th September, 1990 , 28th September, 1991 , 24th September, 1994 and 26th September, 1998. Their present tenure would expire on 31st March, 2004. Considering the dedicated services being rendered by them, it is proposed to re-appoint them for further period of 5 years w.e.f. 1st April, 2004 , on the revised remuneration as set out hereunder.

The present agreement shall stand automatically cancelled when the new agreement becomes operative.

The following terms and conditions as regards to salary and perquisites shall prevail for both Director (Works) and Director (Finance) (referred hereinbelow "Appointees")

KHANDELWAL EXTRACTIONS LIMITED

- (i) Salary : Rs. 17,000/- per month in the scale of Rs. 17000-1000-21000.
- (ii) Perquisites : Perquisites shall be restricted to an amount equal to the annual salary or Rs. 2,52,000/- per annum whichever is less.

Category - A :

- (i) Housing : House Rent Allowance : 40 % of the Basic Salary
- (ii) Medical reimbursement : Reimbursement of the expenses for self and family subject to a ceiling of one month salary in a year or three months' salary over a period of three years.
- (iii) Leave Travel Concession : Leave Travel concession for self and his family once in a year incurred in accordance with the Rules of the Company.
- (iv) Personal Accident Insurance : Premium not to exceed Rs. 4,000/- per annum.

EXPLANATION :

For the purpose of Category 'A' family means the spouse, the dependent children and dependent parents.

Category - B :

- (i) Provident Fund : Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together are not taxable under the Income Tax Act.
- (ii) Gratuity : Gratuity payable shall not exceed half months salary for each completed year of service subject to a ceiling as permitted under Gratuity Act.

Category - C :

Provision of Car for use on Company's business and telephones at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the appointee(s).

The appointee(s) are not to be paid any sitting fees for meeting of the Board or of any committee thereof attended by them.

In the event of loss or inadequacy of profits in any financial year(s) of the Company, the appointee(s) shall be entitled to all the remuneration and perquisites as aforesaid.

The Board of Directors in agreement with the appointee(s) may pay to him/them lower remuneration than the remuneration hereinbefore stipulated, or revise the same from time to time, within the maximum limit stipulated by this resolution.

The above may be treated as abstract of the terms and conditions of appointment of Shri V.N. Khandelwal and Shri Dinesh Khandelwal as Director (Works) and Director (Finance) within the meaning of the Companies Act, 1956.

Mr. K.N. Khandelwal, Mr. V.N. Khandelwal and Mr. Dinesh Khandelwal being related to each other are concerned and interested in the Resolution.

Item No. 11

The Securities and Exchange Board of India (SEBI) had notified "Delisting of Securities Guidelines - 2003 on February 17, 2003" ("the Guidelines"). As per the Guidelines, a Company may seek voluntary delisting of its securities from all or some of the stock exchanges and further that an exit opportunity is not required to be provided in cases where such securities continue to be listed at a stock exchange having nationwide trading terminals i.e. The Stock Exchange, Mumbai, the National Stock Exchange and any other stock exchange(s) that may be specified by SEBI in this regard.

At present, Equity Shares of the Company are listed at the Stock Exchanges at Kanpur, Mumbai, Delhi and Kolkata.

It is proposed to de-list the Equity Shares of the Company from the Stock Exchanges at Delhi and Kolkata, in view of their negligible trading at these exchanges. Consent of members is sought to de-list the Equity Shares of the Company at the Stock Exchanges at Delhi and Kolkata as proposed in the Special Resolution.

The Board recommends the Resolution for approval of members.

The directors of the Company and their relatives are interested or concerned in the proposed Resolution to the extent of their shareholdings.

Regd. Office :
51/47, Nayaganj, Kanpur - 208 001
Dated : 30th June, 2003

By order of the Board of Directors
DINESH KHANDELWAL
Director (Finance)

KHANDELWAL EXTRACTIONS LIMITED**DIRECTORS' REPORT**

TO THE MEMBERS,

Your Directors have pleasure in submitting their Annual Report and Accounts for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Rs./Lacs
Sales and other Income	1173.08
Profit before Interest and Depreciation	29.04
Less : Interest	9.68
Depreciation	6.95
Profit before Tax	12.41
Provision for Tax	4.15
(Net of Deferred Tax adjustment)	8.26
Profit for the year	19.56
Balance as per last account	27.82

Amount available for appropriations

APPROPRIATIONS

Dividend on Preference Shares (including tax)	1.52
Balance carried to Balance Sheet	26.30

OPERATIONS: Your Company recorded the highest ever turnover registering a growth of 45 % over previous year. This growth has been achieved despite lower sales volume of deoiled meals. The spurt in prices of both raw materials and sales was notable feature of the current financial year. Profits before depreciation as also Net Profit have been higher over previous year. Your Company is thus consolidating its strength year after year. This performance has to be viewed considering the fact that your industry is most volatile and subject to vagaries of numerous external factors which affect the margins.

DIVIDEND: Your directors have recommended dividend of Rs. 1.52 lacs (including Rs. 17297/- corporate tax thereon) on 13.5% Cumulative Redeemable Preference Shares for the year 2002-03. With a view to conserve the cash and consolidate the financial position further, your directors do not recommend any dividend on Equity Shares for the year.

FINANCE:

(i) There has been spurt in the prices of raw materials as well as finished products which has necessitated the higher working capital requirements. Your Directors, therefore propose to raise Rs. 10 lacs by issue of 10% Cumulative Redeemable Preference Shares of Rs. 100/- each for cash at par to meet a part of higher working capital requirements for which a resolution u/s 81 of the Companies Act, 1956 is being recommended to the members for their approval.

(ii) Your Directors propose to forfeit those equity shares where calls are in arrears after giving another and last opportunity to the concerned members.

MANAGEMENT'S PERCEPTION : Solvent Extraction industry is subject to wild fluctuations. The industry in the current year witnessed the strong resistance from import substitutes of oil, the prices of which had spurted for the last one year. This trend was noted especially in non edible oil segment. The price level of deoiled meals has also not been very encouraging which kept the margins under pressure. The forecast of good monsoons should improve the availability of raw materials which in all probabilities should boost the sentiments.

LISTING OF SHARES: Company's Equity Shares are presently listed with Stock Exchanges at Kanpur, Delhi, Mumbai and Kolkata. In terms of recent SEBI Guidelines of February, 2003, it is now being proposed to voluntarily delist the Equity Shares from the Stock Exchanges of Delhi and Kolkata. The Equity Shares will continue to remain listed at Kanpur and Mumbai Stock Exchanges.

CONSERVATION OF ENERGY: Information required in Form "A" is not being given as our unit does not fall under specified industry mentioned in the relevant schedule.

TECHNOLOGY ABSORPTION: The Company's plant has been designed on the latest technology of M/s. Extraktions Technik, GmbH, Germany. No expenditure has been incurred on in-house research and development.

FOREIGN EXCHANGE EARNINGS AND OUTGO: There was no foreign exchange earnings and outgo during the year under review.

DIRECTORS: Mr. V. N. Khandelwal and Mr. Dinesh Khandelwal retire by rotation and being eligible, offer themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT : In terms of provisions of Section 217(2AA) of the Companies (Act), 1956, your directors confirm as under :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- that 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 at the end of the financial year and of the profit of the Company for the year under review.
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the 'Act', for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

(iv) that the directors had prepared the annual accounts on a going concern basis.

PERSONNEL:

- Industrial relations remained cordial throughout the year.
- There was no employee getting monthly remuneration of maximum permissible limit prescribed under Section 217 (2A) of the Companies Act, 1956 during the year which needed disclosure.

AUDITORS: The Auditors M/s. P.L. Tandon & Co. retire and being eligible offer themselves for re-appointment.

SECRETARIAL COMPLIANCE CERTIFICATE : In terms of Section 383 A of the Act, Secretarial Compliance Certificate issued by a Practising Company secretary is annexed hereto.

ACKNOWLEDGEMENT: Your Directors wish to place on record their appreciation for support and co-operation received from State Bank of India and to all employees for their sincere and hard work.

By Order of the Board of Directors
For **KHANDELWAL EXTRACTIONS LIMITED**

Place : Kanpur
Dated : 30th June, 2003

DINESH KHANDELWAL
Director (Finance)

V. N. KHANDELWAL
Director (Works)