

KHANDELWAL EXTRACTIONS LIMITED



23rd ANNUAL REPORT
2004-2005

KHANDELWAL EXTRACTIONS LIMITED

BOARD OF DIRECTORS

K. N. KHANDELWAL

KISHORE MOHAN

V. N. KHANDELWAL - Director (Works)

DINESH KHANDELWAL - Director (Finance)

ASHOK GUPTA

ATUL BAGLA

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 FRIDAY,

THE 30th, SEPTEMBER, 2005

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 23rd Annual General Meeting of Khandelwal Extractions Ltd. will be held at the Registered Office of the Company on Friday, the 30th day of September, 2005 at 4.00 P. M. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended on that date and Reports of the Board 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.

AS 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 in partial modification of the resolution passed by the members in the Annual General Meeting held on 27.9.2003 and pursuant to provisions of Sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded for revision in salary payable to Mr. V. N. Khandelwal, Director (Works) of the Company from Rs. 18,000/- per month to Rs. 25,000/- per month from 1.4.2005 in the grade of 25000-1500-31000 subject however other perquisites, benefits and other terms & conditions remaining same".

"RESOLVED FURTHER that the revised remuneration shall be payable for 4 years from the aforesaid date of revision".

"RESOLVED FURTHER 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 continue to hold an office or place of profit under the Company namely that of Director (Works) with revised remuneration".

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

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

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"RESOLVED that in partial modification of the resolution passed by the members in the Annual General Meeting held on 27.9.2003 and pursuant to provisions of Sections 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded for revision in salary payable to Mr. Dinesh Khandelwal, Director (Finance) of the Company from Rs. 18,000/- per month to Rs. 25,000/- per month from 1.4.2005 in the grade of 25000-1500-31000 subject however other perquisites, benefits and other terms & conditions remaining same".

"RESOLVED FURTHER that the revised remuneration shall be payable for 4 years from the aforesaid date of revision".

"RESOLVED FURTHER 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 continue to hold an office or place of profit under the Company namely that of Director (Finance) with revised remuneration".

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

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

"RESOLVED that in partial modification of the resolution passed by the members in the Annual General Meeting held on 28.9.2002 and pursuant to provisions of Sections 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Government, if any required, consent of the Company be and is hereby accorded for revision in salary payable to Mr. Sudhir Kumar Khandelwal, Vice President (Accounts) of the Company from Rs. 11,500/- per month to Rs. 15,000/- per month with yearly graded increment of Rs. 1000/- per month from 1.4.2005 and other perquisites and benefits remaining same".

"RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the said Mr. Sudhir Kumar Khandelwal, who is a relative of Shri K. N. Khandelwal and Shri Dinesh Khandelwal and Shri V. N. Khandelwal, Directors of the Company, holding and continue to hold an office or place of profit under the Company namely that of Vice-President (Accounts) with revised remuneration".

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

"RESOLVED that in partial modification of the resolution passed by the members in the Annual General Meeting held on 28.9.2002 and pursuant to provisions of Sections 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Government, if any required, consent of the Company be and is hereby accorded for revision in salary payable to Mr. Anil Khandelwal, Vice President (Commercial) of the Company from Rs. 11,500/- per month to Rs. 15,000/- per month with yearly graded

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increment of Rs. 1000/- per month from from 1.4.2005 and other perquisites and benefits remaining same".

"RESOLVED FURTHER that the consent of the Company be and is hereby accorded to the said Mr. Anil Khandelwal, who is a relative of Shri K. N. Khandelwal and Shri Dinesh Khandelwal and Shri V. N. Khandelwal, Directors of the Company, holding and continue to hold an office or place of profit under the Company namely that of Vice-President (Commercial) with revised remuneration".

10. 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 310 of the Companies Act, 1956 and listing Agreement executed with the Stock Exchange(s), the Board of Directors be and is hereby empowered to decide the amount of sitting fee payable to non-executive Directors of the company including any increase thereof within the limits prescribed under the Companies, Act 1956 as amended from time to time and any other applicable provisions of law and regulations in this regard".

By order of the Board of Directors

Regd. Office :

51/47, Nayaganj, Kanpur - 208 001

Dated : 30th June, 2005

DINESH KHANDELWAL

Director (Finance)

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 16th September, 2005 to 30th September, 2005 (both days inclusive).
- (d) As decided by the Board of Directors, the dividend on Preference Shares, if approved, shall be payable to all those shareholders whose name appear in the Register on 16.9.2005.
- (e) The Board has decided to redeem 1000 - 13.5% Cumulative Redeemable Preference Shares of Rs. 100/- each on 30.9.2005. Accordingly the shareholders of this series whose names appear on the register as on 16.9.2005 shall be entitled for redemption alongwith dividend for the period 1.4.2004 to 30.9.2005.
- (f) 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.

Explanatory Statement

Item No. 6 & 7

The members of the Company in the Annual General Meeting held on 27.9.2003 had appointed

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Mr. V. N. Khandelwal and Mr. Dinesh Khandelwal, Director (Works) and Director (Finance) respectively for a period of 5 years and also approved remuneration payable to them w.e.f. 1.4.2004. The Remuneration Committee at its meeting held on 25.4.2005 had recommended for streamlining of the salaries of the working Directors subject to approval of Board of Directors of the company. The Board of Directors of the Company in their meeting held on 25.4.2005 approved revision in the remuneration payable to Director (Works) and Director (Finance) thereby increasing their present salary from Rs. 18,000/- to Rs. 25,000/- per month in the grade of 25000-1500-31000 w.e.f. 1.4.2005. Other perquisites, terms & conditions of their appointment remain unchanged. Considering the past services rendered by these two executives who are the real persons to conceive the project and to bring the Company to the present state and keeping in line with the remuneration package being offered to other executives in the industry, increase in their salary was inevitable. The Board, therefore, recommends these resolutions to shareholders for their approval.

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

Item No. 8 & 9

The members of the Company in the Annual General Meeting held on 28.9.2002 had approved the remuneration package of Shri S. K. Khandelwal, Vice-President (Accounts) and Anil Khandelwal, Vice-President (Commercial) who are relatives of Shri K. N. Khandelwal, Shri V. N. Khandelwal and Shri Dinesh Khandelwal. The Remuneration Committee at its meeting held on 25.4.2005 proposed to streamline the salaries of all the executives subject to necessary approvals. The Remuneration Committee had recommended for increase in the salary of Vice-President (Accounts) and Vice-President (Commercial) from the present salary from Rs. 11,500/- per month to Rs. 15,000/- per month with yearly graded increment of Rs. 1000/- per month subject to approval of Board of Directors and shareholders u/s. 314 of the Companies Act, 1956. The Board of Directors based on the services rendered by these two executives who have been associated with the Company since inception and also considering the inflation and other factors, have approved for increase in the remuneration package of these two executives w.e.f. 1.4.2005. Other terms and conditions including perquisites shall remain unchanged.

The Board, therefore, recommends these resolutions for the approval of members.

Mr. K. N. Khandelwal, Mr. V. N. Khandelwal and Mr. Dinesh Khandelwal being relatives are interested in the said resolutions.

Item No. 10

As per the existing provisions, non-executive Directors are paid sitting fee of Rs. 250/- for attending the meeting of the Board of Directors only. The Company has broad based the Board recently. Keeping in view that a fee of Rs. 250/- being a meager amount, the Remuneration Committee has recommended for increase in the sitting fee of the Non-executive Directors to Rs. 1000/- for each of the Board Meeting as well as Committee of Directors meeting. The Board of Directors have also approved the same. However, to comply with the requirement of Listing Agreement, the proposed increase in remuneration including sitting fee the approval of the members is necessary. A resolution enabling Board of Directors to decide the amount of fee payable to non-executive Directors within the limit prescribed under the Companies Act, is being put up for approval of the shareholders..

All the Directors except Mr. V. N. Khandelwal and Mr. Dinesh Khandelwal are interested and concerned in the resolution.

By order of the Board of Directors

DINESH KHANDELWAL

Director (Finance)

Regd. Office :

51/47, Nayaganj, Kanpur - 208 001

Dated : 30th June, 2005

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, 2005.

FINANCIAL RESULTS

| | Rs./Lacs |
|---|----------|
| Sales and other Income | 1241.09 |
| Profit before Interest and Depreciation | 35.94 |
| Less : Interest | 8.03 |
| Depreciation | 5.24 |
| Profit before Tax | 22.67 |
| Provision for Tax | 9.12 |
| (Including Deferred Tax) | |
| Profit after tax | 13.55 |
| Balance as per last account | 34.61 |
| Amount available for appropriations | 48.16 |

APPROPRIATIONS

| | |
|---|-------|
| Dividend on Preference Shares (including tax) | 2.37 |
| Balance carried to Balance Sheet | 45.79 |

OPERATIONS : During the year under review your company achieved a profit before tax of Rs. 22.67 lacs compared to Rs. 23.45 lacs during previous year. Production at 18681 M.T. was higher compared to 16970 M.T. during previous year. The sales both in terms of quantity and value has been lower due to lower prices and higher sales in the previous year of brought forward stocks.

DIVIDEND : Your Directors recommends dividend of Rs. 2,37,547/- (including Rs. 29,532/- Corporate Dividend Tax) on cumulative Preference Shares of Rs. 100/- each as under :-

④ 13.5% on 10000 Preference Shares for the period 1.4.2004 to 31.3.2005

④ 10.0% on 5000 Preference Shares (I series) for the period 1.4.2004 to 31.3.2005

④ 10.0% on 5000 Preference Shares (II series) for the period 15.10.2004 to 31.3.2005

Further your Directors have decided to redeem 10000 13.5% Preference Shares of Rs. 100/- each on 30.9.2005. Accordingly, dividend for the period 1.4.2005 to 30.9.2005 on these shares shall be paid out of the profits of 2005-06.

With a view to conserve cash and consolidate the financial position sufficient to meet bank's requirement, your Directors do not recommend any dividend on Equity Shares for the year.

FINANCE : Pursuant to the approval of Shareholders in Annual General Meeting held on 27.9.2003 for issue of 10000 10% Cumulative Redeemable Preference Shares of Rs. 100/- each, 5000 Preference Shares were issued and allotted during 2003-04 and balance 5000 Preference Shares were issued and allotted on 15.10.2004.

MANAGEMENT'S PERCEPTION : Solvent Extraction industry is a seasonal and agro based and therefore is subject to vagaries of monsoon. Availability of raw-material is directly linked to the paddy crop. Good monsoon during last few years have given tremendous growth to the industry. Off late, after opening up of the global market, the industry is also regulated by overseas factors. The year under review saw violent fluctuations in the prices of raw materials especially at the start of new season. The prices subsequently stabilised. This phenomena creates uncertainty in the industry.

LISTING OF SHARES : The company's equity shares were delisted from Delhi Stock Exchange w.e.f. 31.03.2005. The application for de-listing of Equity Shares from Kolkata Stock Exchange is under consideration. However, the Company's Equity Shares continue to be listed with Mumbai and U.P. 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:

- 1) Mr. V.N. Khandelwal and Mr. Dinesh Khandelwal retire by rotation and being eligible, offer himself for re-appointment.
- 2) After induction of Mr. Ashok Gupta and Mr. Atul Bagla both Independent Directors, the number of independent Directors increased to three i.e. 50% which is due compliance of clause 49 of Listing Agreement.

DIRECTORS' RESPONSIBILITY STATEMENT :

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

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures.
- (ii) 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.
- (iii) 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 through out 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
Date: 30th June, 2005

DINESH KHANDELWAL
Director (Finance)

V.N. KHANDELWAL
Director (Works)