

KHANDELWAL EXTRACTIONS LIMITED



25th ANNUAL REPORT
2006-2007

KHANDELWAL EXTRACTIONS LIMITED

BOARD OF DIRECTORS

K. N. KHANDELWAL

V. N. KHANDELWAL

DINESH KHANDELWAL

ASHOK GUPTA

ATUL BAGLA

Director (Works)

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 :

THE FEDERAL BANK LTD.

ANNUAL GENERAL MEETING

ON SATURDAY,

THE 29th, SEPTEMBER, 2007

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 25th Annual General Meeting of Khandelwal Extractions Ltd. will be held at the Registered Office of the Company on Saturday, the 29th September, 2007 at 4.00 P. M. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2007 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 10% Preference Shares of Series-I and Series-II for financial year 2006-07.
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:

To consider and if thought fit, to pass with or without modification(s) the following resolutions:

As Special Resolutions :

6. "RESOLVED that Clause V of the Memorandum of Association of the Company relating to Authorised Capital be substituted by the following :

"The Authorised Share Capital of the company is Rs.150.00 lacs divided in to 10,00,000 Equity shares of Rs. 10/- each and 10,000 – 10% Cumulative Redeemable Preference Shares of Rs.100/- each and 40,000 – 12% Cumulative Redeemable Preference Shares of Rs.100/- each with rights, privileges and conditions attaching thereto as are provided by the regulations of the Company for the time being with power to increase and reduce the capital of the Company and to divide the Shares in the Capital for the time being into several classes and denominations and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for time being be provided by the regulations of the Company and legislative provisions for the time being in force.

7. "RESOLVED that in accordance with the provisions of Sections 80 and 81 and other applicable provisions, if any, of the Companies Act, 1956 and the 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 40,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each aggregating Rs.40,00,000/- 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".

As Ordinary Resolutions :

8. "RESOLVED THAT pursuant to the provisions of Section 293(I)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of the Articles of Association of the Company and in partial modification to the earlier resolution passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow in any manner from time to time any sum or sums of moneys at its discretion on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the moneys to be borrowed by the Company together with the moneys already borrowed (apart from temporary loans obtained from the company's

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Bankers in the ordinary course of business) from the financial institutions, company's bankers and/or from any person or persons, firms, bodies corporate whether by way of loans, advances, deposits, bill discounting or otherwise, which may exceed the aggregate of the paid up capital of the company and its free reserves that is to say, reserves not set apart for any specific purpose; provided that the maximum amount of money so borrowed by the Board and outstanding at any one time shall not exceed the sum of Rs.10 crores (Rupees Ten crores only).

"RESOLVED further that the Board of Directors be and is hereby authorized to do and perform all such acts, deeds matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and also to delegate all or any of the above powers to such Committee of Directors and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution".

9. "RESOLVED that pursuant to the provisions of Section 293(l)(a) and all other applicable provisions, if any, of the Companies Act, 1956 and in partial modification to the earlier resolution passed in this regard, consent of the company be and is hereby accorded to the Board of Directors of the company to create mortgages/charges/hypothecation in any manner whatsoever on all or any of the immovable and movable properties of the company, present and future, of the whole or substantially the whole of the undertaking of the company, ranking pari-passu or otherwise and/or second and/or subordinated and/or subordinate to the mortgages/charges/hypothecation already created or to be created in future by the company for securing any loans and/or advances and/or guarantees and/or any financial assistance obtained or may be obtained from financial institutions, banks or machinery suppliers and/or any other persons or institutions providing finance for purchase of assets and/or for the business of the company or for working capital or for purchase of specific items of machinery and equipments under any deferred payment scheme or bills re-discounting scheme with power to take over the management, business and concern thereof in certain events of default, on such terms and conditions and at such times and in such form and manner as the Board of Directors may deem fit, so that the total outstanding amount at any time so secured shall not exceed the aggregate of the amounts of Rs. 10 crores at any one time together with interest thereon and further interest, if any, cost, charges, expenses and all other monies payable by the company".

"RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to and cause to prepare, finalise, approve and execute on behalf of the company with the lenders, banks, machinery suppliers, persons and institutions, the documents, deeds, agreements, declarations, undertakings and writings as may be necessary and expedient for giving effect to the foregoing resolution and also to delegate all or any of the above powers to the Committee of Directors of the company".

By order of the Board of Directors

Regd. Office:
51/47, Nayaganj, Kanpur – 208 001
Dated: 30th June, 2007

DINESH KHANDELWAL
Director (Finance)

Notes:

- (a) The relative explanatory statement pursuant to Section 173(2) 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 Shares Transfer books of the Company will remain closed from 17th September, 2007 to 29th September, 2007 (both days inclusive).
- (d) The dividend on Preference Shares, if declared at the AGM to be held on 29th September 2007, shall be payable to all those shareholders whose name shall appear in the Register of members of the company on that date.

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- (e) All documents referred to in the accompanying notice / explanatory statement are open for inspection at the Registered Office of Company between 2.00 P.M. to 5.00 P.M. on all working days upto the date of the Annual General Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE
COMPANIES ACT, 1956**

Item No.6

Your Directors propose to issue 12% Cumulative Redeemable Preference Shares of Rs.100/- each to meet higher working capital requirements. The present Authorized Capital includes 13,00,000 Equity Shares of Rs.10/- each out of which 8,50,100 Equity Shares have been issued and subscribed. Your Directors propose to create 40,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each by converting 3,00,000 Equity Shares of Rs.10/- each out of the unissued Equity Capital and thereby reducing the number of equity shares to 10,00,000 of Rs.10/- each and by converting 10,000 – 13.5% Cumulative Redeemable Preference Shares of Rs. 100/- each. The total Authorized capital would thus remain unchanged.

The resolution at Item No.6 to give effect to the above amendment in Clause V of the Memorandum of Association is therefore, recommended for your approval.

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

Item No.7

After the resolution at Item No.6 is approved, your Directors propose to issue 40,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each for cash at par to raise funds for General Corporate purpose including inter-alia long term funds for working capital purpose 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 said Preference Shares are not convertible into Equity Shares.

The Board of Directors recommend the resolution as set out at Item No.7 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 aforesaid resolution to the extent of their holdings in equity and preference capital and also to the extent they may subscribe to the proposed issue.

Item No.8

The Members had authorized the Board to raise borrowings up to Rs.3 crores in the Annual General Meeting held on 30.12.1985. Since then the Company's requirement of funds has increased. Your Directors have approved that the said limit be increased to Rs.10 crores. A resolution u/s.293(1)(d) of the Companies Act, 1956 as set out at Item No.8 is, therefore, recommended for your approval.

None of the Directors of the company is interested or concerned in the aforesaid resolution.

Item No.9

The Company may need to make more borrowings for financing working capital and other corporate purposes from Institutions, Banks, etc. In order to provide security to the lenders, the company may be required to create charge over company's assets from time to time. Hence, the approval of the members u/s.293(1)(a) of the Companies Act, 1956 for creation of charge in favour of the lenders is being obtained by way of an Ordinary Resolution being put up under item No.9 of the Notice.

None of the Directors of the company is interested or concerned in the aforesaid resolution.

Place : Kanpur
Dated : 30.06.2007

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, 2007.

FINANCIAL RESULTS

	Rs./Lacs
Sales and other Income	1767.69
Profit before Interest and Depreciation	53.57
Less: Interest	16.90
Depreciation	4.71
Profit before Tax	31.96
Provision for Tax	10.13
(including Deferred Tax & Fringe Benefit Tax)	
Profit after tax	21.83
Balance as per last account	47.19
Amount available for appropriations	69.02
APPROPRIATIONS	
Dividend on Preference Shares	1.17
(including tax)	
Transfer to General Reserve	29.19
Balance carried to Balance Sheet	38.66

OPERATIONS: During the year under review profit before tax was higher at Rs.31.96 Lacs compared to Rs.20.74 Lacs in previous year. The production during the year was at 17077 M.T. compared to 18976 M.T. during the previous year. However, sales were higher at 23372 M.T. compared to 16637 M.T. during the previous year. Sales in terms of value increased substantially due to higher prices of outputs which provided comparatively higher margin.

DIVIDEND: Your Directors recommend a dividend of Rs.1,17,000/- (including Rs.17,000/- Corporate Dividend Tax) on 5000 Preference Shares each of first and second series @ 10% for the financial year 2006-07.

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

FINANCE: Due to substantial increase in prices of both input and output, the company's requirement for working capital has increased substantially. To meet this requirement, the company need to arrange funds through long term resources. Your Directors, therefore, propose to raise Rs.40 Lacs through issue of Preference Shares over the period in one or more tranches. Necessary resolution in this regard are being put up for the approval of shareholders. During the year company has accepted deposits from Directors, their relatives and business associates pursuant to statement in lieu of advertisement filed with the Registrar of Companies. There was no unclaimed deposit which was outstanding at the close of the year.

MANAGEMENT'S PERCEPTION: Your Company's business being agro based and seasonal is full of uncertainties mainly depending upon the parity crop. Substantial increase in prices of output as well as input require higher working capital. This coupled with higher interest rates shall have affect upon the profitability. However, the favourable point is that the industry in the past three years has been able to maintain a parity between input cost and output realization thereby ensuring the profit margins after meeting impact of freight increases.

LISTING OF SHARES: The application for de-listing of Equity Shares from Calcutta Stock Exchange is still under consideration. However, the Company's Equity Shares continue to be listed with The Bombay 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 continuous process 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 re-appointment.

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 Bankers 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, 2007

DINESH KHANDELWAL
Director (Finance)

V. N. KHANDELWAL
Director (Works)