

KHANDELWAL EXTRACTIONS LIMITED



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26th ANNUAL REPORT
2007-2008

KHANDELWAL EXTRACTIONS LIMITED**BOARD OF DIRECTORS**

K. N. KHANDELWAL

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 :

THE FEDERAL BANK LTD.

ANNUAL GENERAL MEETING

ON SATURDAY,

THE 27th, SEPTEMBER, 2008

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 26th Annual General Meeting of Khandelwal Extractions Ltd. will be held at the Registered Office of the Company on Saturday, the 27th September, 2008 at 4.00 P. M. to transact the following business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008 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 2007-08.
3. To appoint a Director in place of Shri Ashok Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri Atul Bagla, 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 a Special Resolution:

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314, read with 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. 1.4.2009 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 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 a Special Resolution :

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310, 314, read with 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. 1.4.2009 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.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 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".

By order of the Board of Directors

Regd. Office:
51/47, Nayaganj,
Kanpur – 208 001
Dated: 30th June, 2008

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 Share Transfer books of the Company will remain closed from 15th September, 2008 to 27th September, 2008 (both days inclusive).

KHANDELWAL EXTRACTIONS LIMITED

- (d) The dividend on Preference Shares, if declared at the AGM to be held on 27th September 2008, shall be payable to all those shareholders whose name shall appear in the Register of members of the company on 14 September 2008.
- (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 4.00 P.M. on all working days upto the date of the Annual General Meeting.
- (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 perquisite 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-month's 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 telephones and use of car for private purpose shall be billed by the Company to the appointee(s).

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 here in before 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.

The Special Resolutions as set out at item Nos. 6 & 7 are therefore commended for your approval.

None of the directors except Shri K.N.Khandelwal, Shri V.N.Khandelwal and Shri Dinesh Khandelwal being related to each other is concerned or interested in the said Resolutions.

By order of the Board of Directors

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

Item No. 6 & 7

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 the Company in Annual General Meeting held on 27th September, 2003. Their present tenure would expire on 31st March, 2009. Further, the members have accorded their consent for revision in the salary of above Directors in the Annual General Meeting held on 30th September, 2005. Considering the dedicated services rendered by them, the Board of Director in the meeting held on 30th June 2008 approved their reappointment subject to the approval of shareholders for a further period of 5 years w.e.f. 1.4. 2009. Remuneration committee has approved the revised pay package payable to them for the tenure starting from 1.4.2009.

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 here in below "Appointees"):

- (i) Salary : Rs.35,000/- per month in the scale of Rs. 35000-2000-45000.
- (ii) Perquisites : Perquisites shall be restricted to an amount equal to the annual salary or Rs. 5,40,000/- 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.

Place : Kanpur
Dated: 30th June, 2008

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, 2008.

FINANCIAL RESULTS

	Rs./Lacs
Sales and other Income	1658.27
Profit before Interest and Depreciation	59.71
Less : Interest	22.26
Depreciation	3.46
Profit before Tax	33.99
Provision for Tax	9.96
(Including Deferred Tax & Fringe Benefit Tax)	
Profit after tax	24.03
Balance as per last account	38.66
Amount available for appropriations	62.69
APPROPRIATIONS	
Dividend on Preference Shares	1.17
(including tax)	
Transfer to General Reserve	25.00
Balance carried to Balance Sheet	36.52

OPERATIONS:

During the year under review profit before tax was higher at Rs.33.99 Lacs compared to Rs.31.96 Lacs in previous year. The production during the year was at 1554.9 MT compared to 17077 MT during the previous year. Similarly, sales and other income was also lower at Rs.1658.27 Lacs compared to Rs.1767.69 Lacs in previous year. This is basically due to late arrival of rice bran which has affect the production schedule.

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 2007-08.

With a view to conserve cash and to meet additional requirement of working capital, your Directors do not recommend any dividend on Equity Shares for the year.

FINANCE:

- During the year the company has issued and allotted 30,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each to the Directors, Relatives and Friends on private placement basis to raise funds to meet the additional working capital requirement and General Corporate purposes.
- The company was sanctioned enhanced working capital facilities of Rs.325 Lacs by The Federal Bank Ltd. during the year under review.

MANAGEMENT'S PERCEPTION:

As reported last year, your company's business being Agro based is basically full of uncertainties. Recent hike in all petro products including hexene coupled with transportation charges shall further increase the cost of production. Oil (finished product) market being volatile depending upon international markets created a situation of uncertainties. Your management is making efforts to maintain the margin parity so as to have a reasonable return.

LISTING OF SHARES

The Calcutta Stock Exchange has approved delisting of company's equity shares subsequent to close of financial year, subject to payment of listing fees till financial year 2008-09. The management is of the view that the delay in approval by The Calcutta Stock Exchange is not due to fault of the company and therefore is not liable to pay listing fee after it complied with all the formalities for delisting of the shares as required by SEBI guidelines. Hence, it has made an application to The Calcutta Stock Exchange for waiver of the listing fee demanded by them. Company's equity shares continued to be listed with Bombay Stock Exchange and U.P. Stock Exchange.

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. Ashok Gupta and Mr. Atul Bagla 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 :

- 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.
- 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 The Federal Bank Ltd. 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, 2008

DINESH KHANDELWAL
Director (Finance)

V. N. KHANDELWAL
Director (Works)