

# AXTEL INDUSTRIES LIMITED

**20TH ANNUAL REPORT  
2011-2012**

# **AXTEL INDUSTRIES LIMITED**

## **TWENTIETH ANNUAL REPORT 2011-2012**

<b>BOARD OF DIRECTORS</b>	:	Shri Kirit Kumar Pathak, Chairman Shri Ajay Desai, Executive Director Shri Ajay Parikh, Executive Director Shri Hardip Singh Bubber, Independent Director Shri Ajit Singh Bubber, Independent Director Shri Ameet Parikh, Non Executive Director Shri Sandeep Lalwani, Independent Director Shri Neeraj Pathak, Alternate Director
<b>AUDITORS</b>	:	V. K. SHASTRI & CO., Chartered Accountants Baroda
<b>BANKERS</b>	:	Bank of Baroda, Halol
<b>REGISTERED OFFICE &amp; WORKS</b>	:	Plot No. 43/1, Village Nurpura, P.O. Baska, Taluka HALOL - 389 350, Dist: Panchmahals, Gujarat.

# AXTEL INDUSTRIES LIMITED

## NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of the members of AXTEL INDUSTRIES LIMITED will be held at 11.00 a.m. on Monday, the 3<sup>rd</sup> September, 2012 at the Registered Office of the Company situated at Plot No. 43/1, Village Narpura, P.O. Baska, Tal. Halol - 389 350, Dist. Panchmahals, Gujarat to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2012 and the Profit & Loss Account of the Company for the year ended on that day together with the Directors' and Auditors' Reports thereon.
2. To appoint a Director in place of Shri Hardip Singh Bubber, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Shri Ajit Singh Bubber, who retires by rotation and being eligible offers himself for reappointment.
4. To Reappoint the Auditors of the Company and fix their remuneration.

### SPECIAL BUSINESS :

- 5 To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT Shri Sandeep Lalwani be and is hereby appointed as Director liable to retire by rotation.

By the Order of the Board of Directors

Dated : 25<sup>th</sup> May, 2012

Place : Registered Office :  
Plot No.43/1, Village: Narpura,  
P.O. Baska, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat

**Ajay Oesai**  
Executive Director

NOTES:

- [1] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIM. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING
- [2] Members should notify change in the address, if any, specifying full address in block letters with pin code of the post office.
- [3] Members seeking further information on the accounts or any other matter contained in the notice are requested to write to the Company at least 7 days before the meeting, so that relevant information can be kept ready at the meeting.
- [4] The register of members and share transfer book will remain closed from Tuesday, the 28<sup>th</sup> August, 2012 to Monday, the 3<sup>rd</sup> September, 2012 [both days inclusive].
- [5] Members attending the meeting are requested to bring their copy of the Annual Report.
- [6] Explanatory statement setting out all material facts concerning the special business u/s 173 (2) of the Companies Act, 1956 is annexed hereto :

**Explanatory statement in respect of the special business u/s 173 (2) of the Companies Act, 1956**

Item No.5

Shri Sandeep Lalwani was appointed as Additional Director with effect from 8<sup>th</sup> November, 2011. He is chartered accountant having experience of about 22 years. The Company has received a notice under section 257 of the Companies Act, 1956 to appoint him as director of the Company. His appointment as Independent Director will benefit our Company. Your Board therefore recommends his appointment as Independent Director of the Company.

None of the Directors except Shri Sandeep Lalwani for his appointment is interested / concerned in this resolution.

By the Order of the Board of Directors

Dated : 25<sup>th</sup> May, 2012

Place : Registered Office :  
Plot No.43/1, Village: Narpura,  
P.O. Baska, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat

**Ajay Desai**  
Executive Director

# DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Twentieth Annual Report together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2012.

## [1] FINANCIAL RESULTS:

The financial results for the year are as under:

[Rupees in Lacs]

	Year Ended 31.03.2012	Year Ended 31.03.2011
Sales and other Income	5948.28	5410.95
Profit before depreciation	533.66	498.34
Less: Depreciation	86.64	66.77
Profit of the year	447.02	431.57
Less: Provision for taxation	145.44	189.22
Profit after taxation	301.58	242.35
Balance Brought forward from previous year	756.56	514.21
Balance carried to Balance Sheet	1058.14	756.56

## [2] DIRECTORS:

Shri Hardip Singh Bubber and Shri Ajit Singh Bubber, Directors of the Company, retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for reappointment.

Shri Sandeep Lalwani was appointed as Additional Director with effect from 8<sup>th</sup> November, 2011. He is chartered accountant having experience of about 22 years. The Company has received a notice under section 257 of the Companies Act, 1956 to appoint him as director of the Company.

## [3] DIRECTORS' RESPONSIBILITY STATEMENT: Your Board states that:

1. in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2012, the applicable accounting standards had been followed and there had been no material departures from the said standards except mentioned in notes to the account.
2. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2012 and of the profit of the Company for the year ended on that day.
3. the directors had taken proper and sufficient care for the maintenance of adequate accounting statement in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the directors had prepared the annual account for the year ended 31<sup>st</sup> March, 2012 on a going concern basis.

**[4] REPORT ON CORPORATE GOVERNANCE:**

A detailed report on Corporate Governance as required under clause 49 of the Listing Agreement with the Stock Exchange has been included separately in the Annual Report.

**[5] AUDITORS:**

M/s. V.K. Shastri & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

The Company has obtained a certificate under section 224 [1B] of the Companies Act, 1956 from the Auditors to the effect that, their appointment, if made would be within the limits prescribed in the said section.

**[6] AUDITORS' REPORT:**

The observations of the Auditors are explained, wherever necessary, in an appropriate notes to the Audited Statement of Accounts.

**[7] PARTICULARS OF EMPLOYEES:**

Information in accordance with the provisions of Section 217 [2A] of the Companies' Act, 1956 read with the Companies [Particulars of Employees] Rules, 1975 is Nil.

**[8] PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE INCOME AND OUTGO:**

Information in accordance with the provision of Section 217 [1] [e] of the Companies Act, 1956 read with the Companies [Disclosure of Particulars in the Report of Board of Directors] Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange income and outgo is given in Annexure-A attached herewith.

**[9] ACKNOWLEDGEMENT:**

The Board of Directors gratefully acknowledge the assistance and co-operation received from the Bank of Baroda and all other statutory and non-statutory agencies for their co-operation.

The Board of Directors also wish to place on record their gratitude and appreciation to the members for their trust and confidence shown in the Company.

The Board of Directors would like to especially thank all the employees of the Company for their dedication and loyalty.

Date: 25<sup>th</sup> May, 2012  
Registered Office :  
Plot No.43/1, Village: Nurpura,  
P.O. Baska, Tal. Halol - 389 350  
Dist. Panchmahals, Gujarat

On behalf of the Board of Directors

sd.  
**[Ajay Desai]**  
Executive Director  
sd.  
**[Ajay Parikh]**  
Executive Director

# ANNEXURE - A

## Particulars regarding Conservation of Energy, Technology Absorption and Foreign Exchange income and Outgo

1. Particulars regarding conservation of energy, power and fuel consumption : Not Applicable
2. Particulars regarding technology absorption : As per Form B given hereunder
3. Foreign exchange earning and outgo
  - [i] Activities relating to exports : Sale of food processing plants & machinery
  - [ii] Initiatives taken to increase export : The Directors visit clients abroad several times and the Company expects to receive several export orders from time to time.
  - [iii] Development of new export markets for products and services and export plans : Not Applicable

	Current Year	Previous Year
[Rupees in Lacs]		
[iv] Total foreign exchange used :	34.32	26.27
[v] Total foreign exchange earned :	320.90	<b>401.00</b>

## FORM B

[A] Form for disclosure of particulars with respect to technology absorption.

Research and development (R&D)

1. Specific areas in which R&D was carried out by the Company : Nil
2. Benefits derived as a result of the above R&D : Nil
3. Future plan of action : Nil
4. Expenditure on R & D
  - [a] Capital : Nil
  - [b] Recurring : Nil
  - [c] Total : Nil
  - [d] Total R & D expenditure as a percentage of total turnover : Nil

[B] Technology absorption, adaptation and innovation : Nil

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : Nil

2. Benefits derived **as** a result of the above efforts, e.g. product improvement, cost **reduction**, product development, import substitution etc. : Nil
3. **In case** of imported technology [imported during the last 5 years reckoned from the beginning of the financial year], following information may be furnished. : Nil
- [a] Technology imported
- [b] **Year of import**
- [c] Has the technology been fully absorbed?
- [d] If not fully absorbed, areas where this has not taken place, reasons thereof and future plans of action.



## REPORT ON CORPORATE GOVERNANCE

The Company has taken necessary steps to comply with all the requirement of the guidelines on Corporate Governance as would be applicable to it.

### 1. Board of Directors as on 31<sup>st</sup> March, 2012.

The Board comprised of seven Directors, of whom two were Executive Directors and five were Non-Executive Directors. The Chairman of the Board was a Non-Executive Director.

#### A. Composition of the Board for the period from 01<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012 :

Name of the Director	Status
Shri Kirit Kumar Pathak                      Chairman	Non-Executive Director
Shri Ajay Desai	Executive Director
Shri Ajay Parikh	Executive Director
Shri Ameet Parikh	Non-Executive Director
Shri Hardip Singh Bubber	Non-Executive Independent Director
Shri Ajit Singh Bubber	Non-Executive Independent Director
Shri Sandeep Lalwani	Non-Executive Independent Director

#### B. Board Meeting :

The meeting of the Board of Directors are scheduled well in advance. The notice convening the meeting and the detailed agenda is sent at least seven days in advance to all the Directors. The Board meets at least once a quarter to review the quarterly performance and financial results.

##### i. Number of Board Meeting :

During the year from 01<sup>st</sup> April, 2011 to 31<sup>st</sup> March, 2012 the Board of Directors met six times on the following dates :

Sr.No	Date	Board Strength	No. of Directors present
1.	30 <sup>th</sup> May, 2011	6	5
2.	29 <sup>th</sup> July, 2011	6	6
3.	20 <sup>th</sup> October, 2011	6	3
4.	8 <sup>th</sup> November, 2011	6	6
5.	7 <sup>th</sup> January, 2012	7	5
6.	31 <sup>st</sup> January, 2012	7	3

ii. **Attendance of Directors :**

Name of the Directors	No of Board Meetings held	No of Board Meetings Attended	Attendance at the last Annual General Meeting	No. of Directorship in the other Boards as on 31 <sup>st</sup> March, 2012	No. of Memberships in other Board Committees as on 31 <sup>st</sup> March, 2012 (Excluding Axtel Industries Ltd.)
Shri Kirit Kumar Pathak	6	1	Absent	2	0
Shri Ajay Desai	6	6	Present	1	0
Shri Ajay Parikh	6	6	Present	1	0
Shri Ameet Parikh	6	5	Absent	2	0
Shri Hardip Singh Bubber	6	4	Absent	2	0
Shri Ajit Singh Bubber	6	4	Absent	1	0
Shri Sandeep Lalwani	6	2	Absent	3	0

2. **Committees of Directors :**

Non-Executive Directors, including the Chairman, provide guidance to operating management on policy matters as well as in the monitoring actions of operating management. This involvement is formalized through constitution of designated committees of the Board. The Committees are intended to provide regular exchange of information and ideas between the Non-executive Directors and the operating management.

The Board has accordingly formed Committees which comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and other applicable provisions of the Companies [Amendment] Act, 2000.

**[A] Audit Committee :**

Audit Committee comprises of the following Executive Director and Non-Executive Directors of the Board as per section 292 A of the Companies Act, 1956:

	<b>Name of Director</b>	<b>Status</b>
1	Shri Sandeep Lalwani	Non-Executive Independent Director
2	Shri Ajay Desai	Executive Director
3	Shri Ameet Parikh	Non-Executive Director

(Shri Sandeep Lalwani was appointed as member of audit committee on 8<sup>th</sup> November, 2011 on re-constitution of committee)

Audit committee meeting was held on 30<sup>th</sup> May, 2011 and 8<sup>th</sup> November, 2011 during the year ended 31<sup>st</sup> March, 2012.

**[B] Remuneration Committee :**

i. Remuneration Committee comprises of the following **Non-Executive** Independent Directors of the Board :

	<b>Name of Director</b>	<b>Status</b>
1	Shri Hardip Singh Bubber	Non-Executive Independent Director
2	Shri Ajit Singh Bubber	Non-Executive Independent Director
3	Shri Sandeep Lalwani	Non-Executive Independent Director

(Shri Sandeep Lalwani was appointed as member of audit committee on 8<sup>th</sup> November, 2011 on re-constitution of committee)

ii. Remuneration Policy :

The Company follows a market linked remuneration policy, which is aimed at enabling the Company to attract and retain the best talent. The Company does not have an Employee Stock Option Policy.

- iii. Broad Terms of reference of the Remuneration Committee :
- To recommend and review remuneration package of Executive Directors and Company Secretary of the Company.
  - To present report to the Board on remuneration package of Executive Directors and Company Secretary.
- iv. Details of remuneration paid to the Executive Directors during the year ended 31<sup>st</sup> March, 2012:

**a. Executive Directors:**

Name of the Director	Salary	Perquisites	Total
Shri Ajay Desai	28,29,300	1,70,622	29,99,922
Shri Ajay Parikh	28,28,400	1,11,263	29,99,663

**Terms of Contract :**

Name of the Director	Date of Appointment	Expiry of the Contract
Shri Ajay Desai	01 <sup>st</sup> March, 2012	28 <sup>th</sup> February, 2017
Shri Ajay Parikh	01 <sup>st</sup> August, 2008	31 <sup>st</sup> July, 2013

The above Executive Directors are required to give 3 months notice period for resignation as Executive Director. If before expiry of service contract, their tenure of office of the Executive Directors is determined, they will be entitled compensation as per section 318 of the Companies Act.

**b. Non-Executive Directors :**

No sitting fee is paid to Non-Executive Directors.

Remuneration committee meeting was held on 8<sup>th</sup> November, 2011 during the year.

**[C] Shareholders/Investors' Grievances Committee :**

This committee, comprises of the following Executive Director and Non-Executive Independent Directors, reviewing shareholders' complaints and resolution thereof.

Name of Director	Status
1 Shri Ajay Parikh	Executive Director
2 Shri Hardip Singh Bubber	Non-Executive Independent Director
3 Shri Ajit Singh Bubber	Non-Executive Independent Director

No Shareholders / Investors' Grievances Committee Meeting was held during the year ended 31<sup>st</sup> March, 2012 as there was no major complaint from shareholders/investors.

**3. General Body Meetings :**

The last three Annual General Meetings [AGMs] of the Company were held on the following dates and time at Plot No. 43/1, Village Nurpura, P.O. Baska, Taluka Halol - 389 350, Dist. Panchmahals, Gujarat :-

**[A] Details of last three AGMs held :**

AGM	Day and Date	Time
17 <sup>th</sup> AGM	Monday, 24 <sup>th</sup> August, 2009	11.00a.m.
18 <sup>th</sup> AGM	Monday, 30 <sup>th</sup> August, 2010	11.00a.m.
19 <sup>th</sup> AGM	Monday, 19 <sup>th</sup> September, 2011	11.00 a.m.

**[B] Whether special resolutions were put through postal ballot last year ? NO**

Generally, all the resolutions in the General Body Meetings are passed through show of hands.

**[C] Details of resolutions passed through Postal Ballot : NIL**

**[D] Area proposed to be conducted through postal ballot and procedure ?**

The Company proposes to pass resolution of General Body Meetings through postal ballot paper and follow the procedure given under the Companies Act.

**4. Disclosure :**

Disclosures on materially significant related party transactions i.e. Transaction of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large :

- a. Managerial Remuneration is paid to Shri Ajay Desai, Executive Director and Shri Ajay Parikh, Executive Director.
- b. Details of non-compliance by the Company, penalties, stricture imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. : NO

**5. Means of Communication :**

- [A] Quarterly / Half Yearly Financial Results of the Company are forwarded to the Stock Exchange, Mumbai, where the shares of the Company are listed. Further, the same are published in English and Gujarati News Papers.

Half yearly reports are not sent to each household of shareholders as the results of the Company are published in the newspapers.

- [B] Company has not made any presentations to any Institutional Investors / Analyst during the period.

- [C] The Management Discussion & Analysis Report attached herewith forms part of Corporate Governance Report.

- [D] Company has its own website and all the vital information relating to the Company and its products is displayed on the website.

Address of the website : [www.axtelindia.com](http://www.axtelindia.com)

**6. General Shareholder Information :**

- [A] Annual General Meeting : 20<sup>th</sup> Annual General Meeting  
Day and Date : Monday, 3<sup>rd</sup> September, 2012  
Time : 11.00 a.m.  
Venue : Plot No. 43/1, Village Nulpura,  
P.O. Baska, Tal. HALOL - 389 350,  
Dist. Panchmahals, Gujarat
- [B] Financial Calender : i. 20<sup>th</sup> Annual General Meeting  
[01<sup>st</sup> April, 2012 to : on Monday, 3<sup>rd</sup> September, 2012  
31<sup>st</sup> March, 2013] : ii. 1<sup>st</sup> Quarterly Result - July, 2012  
: 2<sup>nd</sup> Quarterly Result - October, 2012  
: 3<sup>rd</sup> Quarterly Result - January, 2013  
: 4<sup>th</sup> Quarterly Result - April, 2013  
or audited result in the month of  
May, 2013

- [C] Registered Office : Plot No. 43/1, Village Nurpura,  
P.O. Baska, Tal. HALOL - 389 350  
Dist. Panchmahals, Gujarat  
Tel. : [02676] 247900  
Fax : [02676] 247125
- [D] Listing on Stock Exchnages : The Stock Exchange, Mumbai  
Phiroze Jee Jeebhoy Towers,  
Dalai Street, Mumbai - 400 023  
Tel : [022] 22721234, 22721233  
Fax : [022] 22723719

[E] Stock Code :

The Stock Exchange, Mumbai : 523850

ISIN for equity shares of the Company : INE 767C01012

Listing fee for the year 2012 - 2013 has been paid to The Stock Exchange, Mumbai.

[F] Market price data :

The equity shares of the Company are traded at The Stock Exchange, Mumbai at price between **Rs.10** to **Rs.18** per share during last one year.

[G] Dematerialization of share and liquidity

As on 31st March, 2012, 74.06 % of the Company's total shares representing 74,05,585 shares were held in dematerialized form and the balance 25.94% representing 25,94,215 shares were held in paper form.

[H] Address of Registrars and Share transfer agent :

Link Intime Registry Private Limited,  
B - 102 - 103, Shangrila Complex,  
First Floor, Near Radhakrishna Char Rasta,  
Akota, BARODA - 390 020  
Telephone no. 0265- 2356573/2356794

[I] Share Transfer System :

The Company's shares are traded in the Stock Exchanges compulsorily in demat mode. Shares in physical mode which are lodged for transfer are processed and returned to the shareholders within the stipulated time by the share transfer agent Link Intime Registry Private Limited, Baroda

[J] Distribution of shareholding as on 31<sup>st</sup> March, 2012 :

Category	No. of Shares	Percent
Promoter Group [including NRI Director]	4,86,7976	48.68
NRI / OCB	<b>405,232</b>	4.05
Bodies Corporate	297,019	2.97
Others	4,429,573	44.30
Total	<b>99,99,800</b>	100.00

[K] Outstanding **GDR's/ADR's/Warrants** or any Convertible instruments, conversion date and likely impact on equity : Nil.

[L] Plant Locations :

The Company's Plant is located at : Plot No. **43/1**, Village Nurpura,  
P.O. **Baska**, Tal. HALOL - 389 350  
Dist. **Panchmahals**, Gujarat  
Tel : [02676] 247900  
Fax : [02676] 247125

[M] Address for correspondence  
with the Company

: Plot No. **43/1**, Village Nurpura,  
P.O. Baska, Tal. HALOL - 389 350  
Dist. Panchmahals, Gujarat  
Tel : **[02676]** 247900  
Fax : [02676] 247125

Dated : 25<sup>th</sup> May, 2012

Place : Registered Office :

Plot **No.43/1**, Village: Nurpura,  
P.O. Baska, Tal. **Halol** - 389 350  
Dist. Panchmahals, Gujarat

on behalf of the Board of Directors

-Sd-

Ajay Desai  
Executive Director

-Sd-

Ajay Parikh  
Executive Director

## **Management Discussion and Analysis**

Axtel industries Ltd. is basically into manufacturing of custom designed food processing plants and machineries as per the requirement/specifications of its various clients. It is a leading supplier of process engineering equipment and turnkey systems to the food, pharmaceutical and chemical industries meeting the standards of quality, design and specifications of its clients.

The Company has been manufacturing the various categories of Process Plants/ Equipments.

The growth of the company is mainly linked to the growth of the food processing industry. Given below is the profile and outlook of the same.

### **Indian Food and Food Processing Industry**

The Indian food and drinks market has observed strong growth over the past few years. Economic liberalization and rising income of middle class population have had a positive impact on consumer spending and consumption in both rural and urban areas. Indian consumer now spends a significant proportion of disposable income on food and other essential commodities. Several other factors like demographic and macro economic conditions have also given fillip to expenditure on food in the country.

Packaged food and ready-to-eat food have also seen strong demand as life in metros become more hectic and busy. People look for healthy and ready to eat food to avoid time wastage on preparation.

### **World Food and Food Processing Industry**

The global market for food processing machinery & equipment is forecast to reach US\$47 billion by the year 2015. Key factors driving market growth include development of food products, new processes, increased consumer awareness, and government regulations regarding health and hygiene. In addition, economic growth in developing nations is expected to propel the market demand for food processing machinery & equipment.

The market for food processing machinery is linked to the structure, behaviour and trends in the food processing industry. The food processing market is undergoing major changes due to the rapid technological advancements and tightening of environmental and hygienic regulations. Manufacturers of food and beverage processing, sterilization, conservation and packaging machineries, especially those dealing with meat and dairy products, are focusing on addressing these changes in order to exploit new opportunities. Reliability and efficiency of the equipment, extensive distribution facilities, and effective service are key factors for success in this highly competitive industry.

### **Internal Control Systems**

The Company has strengthened its internal control and audit aspects by appointing outside agency for internal audit of certain important aspects of operations, apart from usual transactional verifications. There are adequate checks and controls to ensure compliance of various statutes.

### **Financial performance**

On the net sale of Rs.5938.22 lacs ( previous year Rs.5410.95 lacs - increase of 9.74 % over previous year), the profit before depreciation and tax is Rs.533.66 lacs ( previous year Rs.498.34 lacs - increase of 7.03 % over previous year) and profit after tax is Rs. 301.58 lacs ( previous year Rs.242.35 lacs- increase of 24.44 % over previous year), Thus the performance has been encouraging. The improvement in the profitability has strengthened financial position of the Company.

### **Expansion of Existing Facilities**

The Company is getting good orders and expecting substantial growth in food processing industry. Therefore, the Company has decided to expand the existing manufacturing facilities at a total project cost of approximately Rs.20 Crores, to meet with the growing demand of food processing plant & machinery.

Out of the total project cost, the company would bring in Rs.6 Crores from their own sources and for the balance by availing a term loan from bankers. The Company has already incurred a cost of around Rs.3.50 Crores on the expansion project. This has been done on account of the need for executing more and more orders within the stipulated time frames as the existing facilities are utilised to the full extent.

### **Human resource**

The Company considers its employees as its valuable assets. The Company focuses on building an organisation through induction and development of talent to meet current and future needs. Various HR initiatives have been taken to align HR policies of the Company with the growth projections of the Company.

During the year under review, the Company continued to have cordial and harmonious relations with its employees.

# AUDITORS' CERTIFICATE ON COMPLIANCE OF CLAUSE 49 OF THE LISTING AGREEMENT

To,  
AXTEL INDUSTRIES LTD  
Village: Nurpura,  
P.O.: Baska,  
Halol: 389 350,  
Dist. Panchmahal, Gujarat

We have reviewed the records concerning the company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered in to by the company with the Stock Exchanges, for the financial year ended 31<sup>st</sup> March 2012.

The compliance of conditions on Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the company for ensuring the compliance of the conditions on the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We have conducted our review on the basis of the relevant records and documents maintained by the company and furnished to us for the review and the information and explanations given to us by the company.

Based on such review, in our opinion, the company has complied with the conditions on Corporate Governance, as stipulated in Clause 49 of the said Listing Agreement.

We further state that such compliance is neither an assurance to the future viability of the company nor as the efficiency or effectiveness with which the management has conducted the affairs of the company.

PLACE : BARODA  
DATE : 25<sup>th</sup> May, 2012

For V. K. SHASTRI \* CO.  
CHARTERED ACCOUNTANTS

(V. K. SHASTRI)  
Proprietor



# AUDITORS' REPORT

To,  
The Members,  
**AXTEL INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of **AXTEL INDUSTRIES LIMITED** for the year ended on 31 st March, 2012 and the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion and we report that :

- I.
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of the books.
  - c. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion and subject to the accounting treatment in respect of transactions discussed in Significant Accounting Policies , Notes on Accounts , the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report, comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956.
  - e. On the basis of written representation received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act. 1956.
  - f. In our opinion and to the best of our information and according to the explanations to us the said accounts, read together with the significant accounting policies and notes thereon, give the information as required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :-
    - (1) In the case of Balance Sheet, of the state of affairs of the Company, for the year ended on 31st March, 2012.
    - (2) In the case of Profit and Loss Account, of the "PROFIT" of the Company for the year ended on that date. And
    - (3) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- II. As required by the Companies (Audit Report) Order, 2003 issued by Central Government of India in terms Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the company as were considered appropriate, and as per the information and explanation given to us during the course of our Audit, we further report on the matters specified in para 4 & 5 of the said order to the extent applicable to the company, as under:
  1. (i) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
  - (ii) The Fixed Assets have been physically verified by the Management at the year end. In our opinion the frequency of verification is reasonable. No material discrepancies have been noticed on such verification.
  - (iii) In our opinion and according to the information and explanations given to us, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.

2. (i) As informed to us, the inventories have been physically verified by the management at the year end. In our opinion, the frequency of verification is reasonable.
- (ii) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (iii) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification of inventories as compared to the book records.
3. The company has not granted nor taken any loans, secured or unsecured to/from companies, firm or other parties covered in the register maintained under section 301 of the companies act, 1956. Under the above circumstances the requirements of clause (iii) (c) and (iii) (d) of paragraph 4 of the order are not applicable to the company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control.
5. According to the information and explanations given to us, there were transactions that have been done during the year that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 and for which required approval has been obtained for relevant authorities. These transactions have been entered at prices which are reasonable having regard to the prevailing market prices at relevant time.
6. During the year, the company has not accepted any deposits from the public within the meaning of sections 58A and 58AA of the Act and the rules framed there under.
7. The internal audit of the Company has been conducted by company's own staff. In our opinion, the internal audit system is commensurate with the size and nature of its business. However, the consistency of staff and its reporting needs to be strengthened.
8. The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the industry to which company belong. Hence, the Company has not maintained such records.
9. (i) The Company is regular in depositing undisputed statutory dues, including provident fund, Employees State Insurance Fund, investor education protection fund, income tax sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues, with appropriate authorities, as applicable to it.
- (ii) According to information and explanations given to us, no undisputed amounts Payable in respect of income tax, wealth tax, sales tax, excise, and cess which were in arrears as at 31st March, 2012 for a period of more than six month from the date they became payable.
- (iii) According to information and explanations given to us, there are no disputed amounts payable in respect of income tax, wealth tax, sales tax, excise, and cess as on 31st March, 2012, since there are no disputes on which any tax/cess is due.
- (iv) The Disputed statutory dues aggregating Rs. 1,93,150 that have not been deposited on account of disputed matters pending before appropriate authority is as under:

Name of the Statute	Name of Dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	FBT	1,93,150	P.Y. 05-06 A.Y. 06-07	Commissioner of Income Tax (Appeals)-IV

10. The company does not have any accumulated losses at the end of the financial year, nor has the company incurred any cash losses in the current year and immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us the company has not defaulted in repayment of dues to a bank or financial institutions. The company has not issued any debentures.

12. In our opinion and according to the information given to us the company has not granted loans or advances on the basis of security by way of pledge of shares, debenture and other securities.
13. The nature of the company activities during the year is such that, clauses (xiii) and (xiv) of paragraph 4 of the companies (Auditor Report) order 2003 are not applicable to the company for the year.
14. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
15. To the best of our knowledge and belief and according to explanation given to us, term loans availed by the company were, prima facie applied by the company during the year for the purpose for which loans were obtained
16. According to the information and explanations given to us and on an overall examination of balance sheet of the company we report that no funds raised on short - term basis have been used for long-term investment.
17. During the year, the company has not issued any debentures and hence the question of creating securities in respect thereof does not arise.
18. During the year, the company has not raised money by way of public issue.
19. In our opinion and according to the information and explanations given to us no fraud on or by the company has been noticed or reported during the year that causes the financial statements to be materially misstated.

PLACE : BARODA  
DATE : 25/05/2012

**For V. K. SHASTRI & CO.**  
CHARTERED ACCOUNTANTS

**(V. K. SHASTRI)**  
Sole Proprietor

# AXTEL INDUSTRIES LIMITED

## Balance Sheet As on the date 31<sup>st</sup> March, 2012

SR. NO.	PARTICULARS	NOTES	As at 31 <sup>st</sup> March, 2012		As at 31 <sup>st</sup> March, 2011	
			Rs.	Rs.	Rs.	Rs.
<b>A. EQUITY AND LIABILITIES :</b>						
1. <b>Shareholders' Funds :</b>						
	a) Share Capital	1	9,99,98,000		9,99,98,000	
	b) Reserves & Surplus	2	11,16,84,675		8,19,46,777	
	c) Money received against share warrants (Pending Allotment)		<u>1,77,47,500</u>		—	
				<b>22,94,30,175</b>		18,19,44,777
(2)	Share application money pending allotment		—		—	
<b>(3) Non - current liabilities</b>						
	(a) Long term borrowings	3	1,58,85,266		—	
	(b) Deferred tax liabilities (Net)	4	—		—	
	(c) Other long term liabilities	5	33,89,000		33,89,000	
	(d) Long Term provisions		<u>—</u>		—	
				1,92,74,266		33,89,000
(4)	Current Liabilities					
	(a) Short term borrowings	6	6,39,94,340		6,96,89,892	
	(b) Trade payables	7	5,85,32,991		11,22,66,736	
	(c) Other current liabilities	8	5,94,54,839		6,15,20,143	
	(d) Short term provisions	9	<u>4,99,34,950</u>		3,70,12,049	
				<b>23,19,17,120</b>		28,04,88,820
TOTAL				<u><b>48,06,21,561</b></u>		<u><b>46,58,22,597</b></u>
<b>B. ASSETS</b>						
<b>(1) Non - current assets</b>						
<b>(a) Fixed Assets</b>						
	(i) Tangible assets	10	6,79,69,744		6,34,61,086	
	(ii) Intangible assets	10	31,65,731		18,00,000	
	(iii) Capital work in progress	11	3,44,90,608		1,39,83,779	
	(iv) Intangible assets under development		<u>—</u>		—	
			10,56,26,083		7,92,44,865	
	(b) Non - current investments	12	2,50,000		7,50,000	
	(c) Deferred tax assets (Net)	4	88,274		1,24,201	
	(d) Long term loans and advances	13	2,95,68,587		1,92,82,914	
	(e) Other non current assets		<u>—</u>		—	
				<b>13,55,32,944</b>		9,94,01,980
<b>(2) Current Assets</b>						
	(a) Current investments		—		—	
	(b) Inventories	14	12,07,70,463		14,79,11,663	
	(c) Trade receivables	15	12,70,42,411		16,36,54,377	
	(d) Cash and cash equivalents	16	4,55,57,377		1,10,19,837	
	(e) Short term loans and advances	17	5,17,18,366		4,38,34,740	
	(f) Other non current assets		<u>—</u>		—	
				<b>34,50,88,61 /</b>		<b>36,64,20,617</b>
TOTAL				<u><b>48,06,21,561</b></u>		<u><b>46,58,22,597</b></u>

Significant Accounting policies

Notes on Financial statement

1 to 28

**In Accordance with our Report of even date  
For V. K. SHASTRI & CO.,**

For and on behalf of the Board  
**For AXTEL INDUSTRIES LIMITED**

Chartered Accountants  
Firm Number : 113325W

**(V. K. SHASTRI)**  
Sole Proprietor

**(AJAYDESAI)**  
Executive Director

**(AJAYPARIKH)**  
Executive Director

Place : Nurpura

Place : Nurpura

Date : 25th May, 2012

Date : 25<sup>th</sup> May, 2012

# AXTEL INDUSTRIES LIMITED

## Statement of Profit and Loss for year ended 31<sup>st</sup> March, 2012

SR. NO.	PARTICULARS	NOTE No.	Rs.	2011-12 Rs.	Rs.	2010-11 Rs.
I.	Revenue from Operations	18		59,38,22,235		54,08,57,628
II	Other Income	19		<u>10,06,140</u>		<u>2,37,367</u>
III	Total revenue (I + II)			<u>59,48,28,375</u>		<u>54,10,94,995</u>
IV	Expenses					
a	Cost of materials consumed	20	36,90,85,903		36,62,15,969	
b	Changes in inventories of finished goods, work in progress and stock in trade	21	<u>85,04,846</u>	37,75,90,749	<u>26,85,682</u>	36,89,01,651
c	Employee benefits expense	22		6,31,02,728		5,27,28,155
d	Finance costs	23		92,30,783		44,36,532
e	Depreciation and amortization expense	24		92,64,454		72,76,755
f	Other expenses	25		9,09,37,880		6,45,95,068
	<b>Total Expenses</b>			<u>55,01,26,594</u>		<u>49,79,38,161</u>
V	Profit/(Loss) before exceptional and extraordinary items and tax (III-IV)			4,47,01,781		4,31,56,834
VI	Exceptional Items			—		—
VII	Profit/(Loss) before extraordinary items and tax (V-VI)			4,47,01,781		4,31,56,834
VIII	Extraordinary Items					
IX	Profit before tax (VII-VIII)			44,701,781		4,31,56,834
X	Tax expense:	26				
	(1) Current tax (Refer Note No. 9 in other notes)		1,45,07,920		1,88,66,912	
	(2) Deferred tax		<u>35,927</u>		<u>54,609</u>	
				1,45,43,847		1,89,21,521
XI	Profit/(Loss) for the period from continuing operations (IX -X)			<b>3,01,57,934</b>		<b>2,42,35,313</b>
XII	Profit/(loss) from discontinuing operations			—		—
XIII	Tax expense of discontinuing operations			—		—
XIV	Profit/(loss) from discontinuing operations (after tax) (XII-XIII)			—		—
XV	Profit/(Loss) for the period (XI +XIV)			3,01,57,934		2,42,35,313
XVI	Earning per equity share:	27				
	(1) Basic			3.02		2.42
	(2) Diluted			—		—

Significant Accounting policies

Notes on Financial statement

1 to 28

**In Accordance with our Report of even date**

**For V. K. SHASTRI & CO.,**

For and on behalf of the Board

**For AXTEL INDUSTRIES LIMITED**

Chartered Accountants

Firm Number : 113325W

**(V. K. SHASTRI)**

Sole Proprietor

**(AJAY DESAI)**

Executive Director

**(AJAY PARIKH)**

Executive Director

Place : Nurpura

Date : 25<sup>th</sup> May, 2012

Place : Nurpura

Date : 25<sup>th</sup> May, 2012

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

SR. NO.	PARTICULARS	As at 31st March, 2012		As at 31st March, 2011	
		Number	Rs.	Number	Rs.
<b>1.</b>	<b>SHARE CAPITAL :</b>				
	<b>AUTHORISED CAPITAL:</b>				
	2,00,00,000 Equity Shares of Rs.10 Each	2,00,00,000	<u>20,00,00,000</u>	1,00,00,000	<u>10,00,00,000</u>
			<u>20,00,00,000</u>		<u>10,00,00,000</u>
	<b>ISSUED, SUBSCRIBED &amp; PAID UP CAPITAL:</b>		—		
	99,99,800 Equity Shares of Rs.10 each				
	At the beginning of the reporting period	99,99,800	9,99,98,000	99,99,800	9,99,98,000
	Issued during the reporting period	—	—	—	—
	Bought back during the reporting period	—	—	—	—
	At the close of the reporting period	<u>99,99,800</u>	<u>9,99,98,000</u>	<u>99,99,800</u>	<u>9,99,98,000</u>
	<b>TOTAL</b>		<u>9,99,98,000</u>		<u>9,99,98,000</u>
	<b>Other Information :</b>				
I	Particulars of equity share holders holding more than 5 % of the total number of equity share capital :				
	1. Ajay Desai	9,21,935		9,21,935	
	2. Kirtikumar Pathak	7,65,144		7,65,144	
<b>2.</b>	<b>RESERVES AND SURPLUS :</b>				
	<b>Capital Reserve :</b>				
	Balance as per last Balance Sheet	<u>25,00,000</u>	25,00,000	<u>25,00,000</u>	25,00,000
	<b>Revaluation Reserve</b>				
	As per last Balance Sheet	37,90,892		42,69,645	
	Less: Transferred to profit & loss account	<u>4,20,036</u>		<u>4,78,753</u>	
			<b>33,70,856</b>		<b>37,90,892</b>
	<b>Profit and Loss Account</b>				
	As per last Balance Sheet	7,56,55,885		5,14,20,572	
	Add: Profit for the year	<u>3,01,57,934</u>		<u>2,42,35,313</u>	
			<b>10,58,13,819</b>		<b>7,56,55,885</b>
	<b>TOTAL</b>		<u>11,16,84,675</u>		<u>8,19,46,777</u>
<b>3</b>	<b>LONG TERM BORROWINGS</b>				
1)	Secured Loans:				
	Term Loans				
	- from Banks (Vehicle Loan)		25,52,266	—	
	- from Banks (For Expansion)		<u>1,33,33,000</u>	—	
			<u>1,58,85,266</u>	—	
2)	Unsecured Loans:		—	—	
3)	Total long term borrowings (1+2)		1,58,85,266	—	

PARTICULARS	As at 31 <sup>st</sup> March 2012	As at 31 <sup>st</sup> March 2011
<b>Additional Information:</b>		
a	Details of security for secured loans	
	Rs. 25,52,266 are secured by way of Hypothecation of vehicles	
	Rs. 1,33,33,000 secured loan from bank for Expansion	
	Secured by first charge on hypothecation of Plant and machinery, Book debts and stock and equitable mortgage of land and building.	
b	Loans have been guaranteed by directors or others	
	Term Loans	
	- from Banks	1,58,85,266
c	Terms of repayment of term loans and others	
	Vehicle loan is repayable in 36 monthly instalments at interest rate of 10.26% p.a.	
	Loan for Expansion is repayable in 18 Quaterly instalments at interest rate of 14.75% p.a.	
4	Deferred Tax Asstes/Liabilities.	
	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
i)	Deferred tax liability:	
	a) On account of depreciation on fixed assets	—
	b) On account of timing differences in recognition of expenditure	—
	Total	—
ii)	Deferred tax asset:	
	On account of Unabsorbed losses and depreciation under the Income Tax Act, 1961	
	88,274	1,24,201
	<u>88,274</u>	<u>1,24,201</u>
	Net Deferred tax (liability)/asset	88,274 1,24,201
5	OTHER LONG TERM LIABILITIES	
	Trade Payables	33,89,000 33,89,000
		<u>33,89,000</u> <u>33,89,000</u>
6.	SHORT TERM BORROWINGS	
1)	Secured Loans:	
	a) Loans repayable within next 12 Months	
	- from banks (Vehicle Loan)	15,91,662 —
	- from Banks for Expansion Project	16,67,000 —
	b) Other Loans and advances	
	- For Working Capital	6,07,35,678 6,96,89,892
		<u>6,39,94,340</u> <u>6,96,89,892</u>
	Total	6,39,94,340 6,96,89,892

**Additional Information:**

a Details of security for secured loans

1 Rs.6,07,35,678 secured loan from bank for working Capital Facilities

SI No.	Particulars	As at 31.03.2012	As at 31.03.2011
	and Rs. 16,67,000 Secured loan from bank for Expansion are Secured by first charge on hypothecation of Plant and machinery, Book debts and stock and equitable mortgage of land and building.		
2	Rs. 15,91,662 are secured by way of Hypothecation of vehicles		
b	Loans have been guaranteed by directors or others		—
	Loans repayable on demand		
	- from banks	6,24,02,678	
7	Trade Payables	—	—
a)	To Micro, Small and Medium Enterprises		
b)	Others	5,85,32,991	11,22,66,736
		<u>5,85,32,991</u>	<u>11,22,66,736</u>

Additional Information:

The details of amounts outstanding to Micro, Small and Medium Enterprises under Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), based on the available information with the Company are as under:

1	Principal amount due and remaining unpaid	—	—
2	Interest due on (1) above and the unpaid interest	—	—
3	Interest paid on all delayed payments under the MSMED Act	—	—
4	Payment made beyond the appointed day during the year	—	—
5	Interest due and payable for the period of delay other than (3) above	—	—
6	Interest accrued and remaining unpaid	—	—
7	Amount of further interest remaining due and payable in succeeding years	—	—

NOTE : Refer Note No. 7 in other notes on Accounts

8	Other current liabilities:		
a)	Deductions Payable	13,922	35,501
b)	Advances from customers	5,51,34,835	5,37,89,196
c)	Outstanding liability for expenses	32,32,869	61,97,899
d)	Statutory liabilities	10,73,213	14,97,547
		<u>5,94,54,839</u>	<u>6,15,20,143</u>
9	Short term provisions:		
a)	Provision for employee benefits	2,11,70,190	1,84,80,389
b)	Others		
	Provision for taxation	2,87,64,760	1,85,31,660
		<u>4,99,34,950</u>	<u>3,70,12,049</u>



# AXTEL INDUSTRIES LTD.

## NOTES TO FINANCIAL STATEMENTS

### 10. FIXED ASSETS:

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at beginning of current reporting period	additions for the year	Deductions during the year	As at end of current reporting period	As at beginning of current reporting period	For the year	Depreciation on Revaluation charged to Revaluation Reserve	Deductions	As at end of current reporting period	As at end of previous reporting period
<b>Tangible Assets</b>										
Own assets										
Land	1,49,85,703	-	-	1,49,85,703	-	-	-	-	1,49,85,703	1,49,85,703
Buildings (Factory)	4,31,97,353	-	-	4,31,97,353	-	-	89,705	-	2,13,51,430	2,38,23,483
Plant & Machinery	3,93,79,072	22,88,374	-	4,16,67,446	22,88,374	-	2,87,886	-	88,61,342	80,83,142
Furniture & Fixtures	37,27,732	10,26,726	2,06,829	45,47,629	10,26,726	2,06,829	-	1,74,446	21,01,790	15,28,735
<b>Vehicles</b>	1,18,19,773	57,05,318	10,75,919	1,64,49,172	57,05,318	10,75,919	-	10,14,692	82,17,128	46,13,473
Office equipment	35,88,921	13,05,397	-	48,94,318	13,05,397	-	-	-	28,16,212	18,59,407
Others (Specify nature)	-	-	-	-	-	-	-	-	-	-
Buildings (office)	87,70,547	5,21,319	-	92,91,866	5,21,319	-	42,445	-	46,86,493	44,52,012
Electrification	42,67,024	1,74,116	-	44,41,140	1,74,116	-	-	-	15,56,618	16,29,401
Computer Systems	1,21,20,418	24,09,586	-	1,45,60,014	24,09,586	-	-	-	33,93,028	24,85,730
	14,18,56,543	1,34,30,846	12,82,748	15,40,04,641	1,34,30,846	12,82,748	4,20,036	11,89,138	6,79,69,744	6,34,61,086
<b>Intangible Assets</b>										
Own assets										
Software	18,00,000	22,21,642	-	22,21,642	22,21,642	-	-	-	19,65,731	-
Technical Knowhow fees	18,00,000	22,21,642	-	40,21,642	22,21,642	-	-	-	12,00,000	-
	14,36,56,543	1,56,52,488	12,82,748	15,80,26,283	1,56,52,488	12,82,748	4,20,036	11,89,138	7,11,35,475	6,34,61,086

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

PARTICULARS	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
11 Capital work in progress:		
i) Plant and Machinery	32,96,738	1,423,564
ii) Building under Construction	3,11,93,870	1,25,60,215
	<u>3,44,90,608</u>	<u>1,39,83,779</u>
Less:	—	—
Provision for impairment		
	<u>3,44,90,608</u>	<u>1,39,83,779</u>
<b>12 Non Current Investments:</b>		
Details of Investments		
a) Investments in Government or trust securities	—	—
b) Investments in debentures or bonds	—	—
c) Investments in Mutual funds	2,50,000	7,50,000
d) Investments in Partnership firms:	—	—
e) Other non current investments	—	—
	<u>2,50,000</u>	<u>7,50,000</u>
Additional Information:		
1) Aggregate value of quoted investments:		
Cost	—	—
2) Aggregate value of unquoted investments:		
Cost	2,50,000	7,50,000
<b>13 Long term loans and advances:</b>		
Other loans & advances		
Earmarked Funds	1,87,09,052	1,82,57,428
Other Deposits	1,08,59,535	10,25,486
	<u>2,95,68,587</u>	<u>1,92,82,914</u>
Additional information:		
Breakup of above:		
i) Secured, considered good	—	—
ii) Unsecured, considered good	2,95,68,587	1,92,82,914
Total	<u>2,95,68,587</u>	<u>1,92,82,914</u>
<b>14 Inventories:</b>		
i) Raw materials	6,12,04,130	7,81,77,051
ii) Work in progress	5,84,68,924	6,69,73,770
iii) Goods in transit:		
Rawmaterials	10,97,409	27,60,842
	<u>12,07,70,463</u>	<u>14,79,11,663</u>

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

PARTICULARS	As at 31 <sup>st</sup> March 2012	As at 31 <sup>st</sup> March 31.3.11
15 Trade receivables: (Unsecured and considered Good)		
i) Trade receivables exceeding six months	3,43,75,160	3,86,22,502
ii) others	9,26,67,251	12,50,31,875
	<u>12,70,42,411</u>	<u>16,36,54,377</u>
16 Cash and cash equivalents:		
i) Balances with banks - in other accounts (Current account)	4,55,12,240	1,09,84,709
ii) Cash on hand	45,137	35,128
	<u>4,55,57,377</u>	<u>1,10,19,837</u>
Additional information:		
The details of balances as on Balance Sheet dates with banks are as follows:		
State Bank of India-Nahava Sheva	11,338	11,888
SBI-Halol-Current account	29,175	15,025
SBI-Vadodara-Current Account (old CC)	20,526	183,615
Bank of Baroda-Halol-CC-Balance Current A/c	3,12,261	462,726
Bank of Baroda Current A/c	4,50,15,000	1,00,15,000
ABN -AMRO Overdraft A/c	1,05,037	1,05,037
SBI-Alkapuri-current Account	18,903	191,418
	<u>4,55,12,240</u>	<u>1,09,84,709</u>
17 Short term loans and advances: (Unsecured and considered Good)		
i) Loans and advances to related parties		
ii) Advances to Staff & Suppliers	79,83,615	97,57,101
iii) Prepaid Expenses and Interest Accrued	25,50,200	28,90,172
iv) Balance with Government Authorities		
Excise Duty P.L.A & Modvat	26,64,101	38,80,155
Income Tax, T.D.S & Other Taxes paid	3,61,48,128	2,31,44,110
Sales Tax, Purchase Tax Recoverable	23,72,322	41,63,202
	<u>5,17,18,366</u>	<u>4,38,34,740</u>
18 Revenue from operations:		
PARTICULARS	2011-12	2010-11
Sale of products		
i) Machines Manufactured	62,33,18,699	56,96,62,803
ii) Others	2,55,26,221	1,85,39,856
Total	64,88,44,920	58,82,02,659
Less:		
Excise duty	5,50,22,685	4,73,45,031
	<u>59,38,22,235</u>	<u>54,08,57,628</u>
19 Other Income:		
i) Interest income - current investments	6,47,287	1,26,647
ii) Net gain/loss on sale of Foreign Exchange	—	—
iii) Provision no longer required withdrawn	11,950	
iv) Excise Duty Drawback	2,76,649	110,720
v) Trade discount	57,534	—
vi) Notice Pay	12,720	—
	<u>10,06,140</u>	<u>2,37,367</u>

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

PARTICULARS	2011-12	2010-11
20 Cost of materials <b>consumed:</b>		
a) i) Consumption of raw materials	<u>36,90,85,903</u>	<u>36,62,15,969</u>
	<u>36,90,85,903</u>	<u>36,62,15,969</u>
b) Consumption of major raw materials		
i) S.S./M.S. Steel	13,85,50,741	18,92,91,120
ii) Others	23,05,35,162	17,69,24,849
21 Changes in inventories of finished goods, work in progress and stock in trade:		
Stocks at the end of the year		
Work in progress		
Raw material and Components	5,84,68,924	6,69,73,770
Total	<u>5,84,68,924</u>	<u>6,69,73,770</u>
Less:		
Stocks at the beginning of the year		
Work in progress		
Raw material and Components	6,69,73,770	6,96,59,452
Total	<u>6,69,73,770</u>	<u>6,96,59,452</u>
(Increase ) / Decrease in stock	85,04,848	26,85,682
22 Employee Benefit Expenses:		
i) Salaries and wages	5,45,28,374	4,46,37,948
ii) Contribution to provident and other funds	20,14,800	15,57,704
iii) Remuneration to whole time directors	59,99,585	59,99,489
iv) Staff welfare expenses	5,59,969	5,33,014
	<u>6,31,02,728</u>	<u>5,27,28,155</u>
23 Finance Costs:		
i) Interest expense	68,76,323	41,50,400
ii) Other borrowing costs	20,59,345	3,09,536
iii) Net (gain)/loss on foreign currency transaction and translation	2,95,115	(23,404)
	<u>92,30,783</u>	<u>44,36,532</u>
24 Depreciation and amortization:		
i) Depreciation	86,64,454	66,76,755
ii) Amortization of intangible assets	6,00,000	6,00,000
	<u>92,64,454</u>	<u>72,76,755</u>
25 <b>Other expenses:</b>		
i) Power and fuel	32,05,402	26,77,278
ii) Repairs to buildings	1,86,884	4,00,843
iii) Repairs to machinery	7,59,827	5,36,759
iv) Repairs others	7,61,841	10,94,154
v) Insurance	30,92,287	29,15,527
vi) Rates and taxes	1,17,709	1,29,598
vii) Payment to the auditors		
- as auditor	72,500	60,000
- for taxation matters	10,000	10,000
- for other services	17,500	
- for reimbursement of expenses	650	2,040
viii) Freight Inward & Octroi	55,07,790	49,79,590

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

PARTICULARS	2011-12	2010-11		
ix) Labour & job work charges	<b>4,54,98,449</b>	<b>3,59,98,308</b>		
Selling expenses				
- Freight Outward	17,20,517	8,97,855		
x) Other Selling expenses	13,39,609	6,27,499		
xi) Travelling Expenses	<b>21,79,318</b>	<b>27,21,773</b>		
xii) Conveyance Expenses	25,62,673	2,017,503		
xiii) Printing & Stationery	13,42,715	<b>9,05,788</b>		
xiv) Postage & Telegram	8,98,675	7,24,941		
xv) Bad trade receivables written off	97,19,746	10,95,488		
xvi) Loss on sale of fixed asset (net)	3,175	-		
xvii) Donations	25,600	-		
xviii) Legal and professional charges	<b>78,88,521</b>	29,80,756		
xix) Miscellaneous and Other expenses	<b>40,26,492</b>	38,19,368		
	<u>9,09,37,880</u>	<u>6,45,95,068</u>		
26 Tax Expense:				
Current Tax				
Income tax for the year	1,44,78,100	1,42,86,660		
Income Tax of earlier years	29,820	4,580,252		
Deferred Taxes	35,927	54,609		
	<u>1,45,43,847</u>	<u>1,89,21,521</u>		
27 Additional Information:				
a) Value of Imports calculated on CIF basis:				
i) Raw Materials	33,40,350	34,93,209		
ii) Components and spare parts	-	-		
iii) Capital goods	-	-		
b) Expenditure in foreign currency: (net of withholding tax)				
i) Royalty	-	-		
ii) Know how	-	-		
iii) Professional and consultancy fees	-	-		
iv) Interest	-	-		
v) Other matters	386,835	-		
c) Sr No    Particulars	Amount	% to total	Amount	% to total
i) Value of imported raw materials, spare parts and components consumed	49,54,082	1.34%	34,93,209	0.95%
ii) Value of indigenous raw materials, spare parts and components consumed	36,41,31,821	98.66%	36,27,22,760	99.05%
	<u>36,90,85,903</u>	100%	<u>36,62,15,969</u>	100%
d) Earnings in foreign exchange:				
Export of goods calculated on FOB basis	<b>3,20,89,971</b>		4,01,00,224	
28 Earnings per share:				
After extraordinary item:				
Profit for the year after tax expense	3,01,57,934		2,42,35,313	
Less:				
Preference dividend payable including dividend tax	-		-	
	<u>3,01,57,934</u>		<u>2,42,35,313</u>	
Weighted average number of equity shares	<b>99,99,800</b>		99,99,800	
Earning per share	3.02		2.42	

# AXTEL INDUSTRIES LIMITED

## NOTES TO FINANCIAL STATEMENTS

PARTICULARS	2011-12	2010-11
<b>Before extraordinary item:</b>		
Profit for the year after tax expense	3,01,57,934	2,42,35,313
Adjustment for Extraordinary item (net of tax)	~	~
	3,01,57,934	2,42,35,313
Less:		
Preference dividend payable including dividend tax	~	~
	<u>3,01,57,934</u>	<u>2,42,35,313</u>
Weighted average number of equity shares	99,99,800	99,99,800
Earning per share	3.02	2.42
<b>29 Contingent liabilities and Commitments:</b> (to the extent not provided for)		
a) Contingent Liabilities:		
i) Claims against the Company not acknowledged as debts	—	—
ii) Guarantees (Bank)	32,523,139	—
iii) Letters of credit	—	—
iv) Tax demands under disputes (FBT)	191,350	—
b) Commitments		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	—	—
ii) Uncalled liability on shares and investments partly paid	~	—
iii) Other Commitments (Specify nature)	—	—

# AXTEL INDUSTRIES LIMITED

## SIGNIFICANT ACCOUNTING POLICIES :

**a) Accounting Convention:**

The financial statements are prepared under historical cost convention on an accrual basis, in accordance with the applicable accounting standards.

**b) Fixed Assets:**

Fixed Assets are stated at cost inclusive of freight, duties, taxes and installation expenses.

**c) Depreciation:**

Depreciation has been provided on all assets except Land on written down value method at the rates specified in Schedule XIV inserted by the Companies (Amendment) Act, 1988, pro-rata depreciation is calculated for all additions made during the year.

**d) Valuation of Stock :**

Valued at lower of the cost or net realisable value.

**e) Recognition of Income and Expenditure :**

Income and Expenditure are generally recognised on accrual basis.

**f) Excise Duty :**

The Company has followed a system whereby the Excise Duty is included in the Sales Value and the Value of Closing Stock as required by the Guidance Note of the Institute of Chartered Accountants of India. The actual excise duty paid is shown as expenditure as deduction from Sales and the excise duty if it is unpaid and included in finished goods is shown as liability payable under the head other current liabilities.

**g) Foreign Exchange Transaction :**

The Company has followed a system whereby the transactions involving Foreign Exchange on revenue account i.e. for foreign travel, import of materials and for export of goods, are accounted at the rate of exchange, which is prevailing on the date of transaction. Gains and/or losses arising out of fluctuations in the exchange rates are accounted for on actual realisation into Indian Rupees.

**h) Gratuity and Leave Encashment :**

The Company has provided for Gratuity, Leave Encashment and other retirement benefits, on accrual basis, as per the requirements of AS-15 of the Institute of Chartered Accountants of India. The Company has subscribed to an Insurance policy of L.I.C. of India under their approved scheme in respect of Gratuity and Leave Encashment liability and the premiums paid are charged to expenses as per payment made to L.I.C. of India.

**i) Miscellaneous Expenditure :**

Share Issue Expenses along with the preliminary expenses are being amortised by the Company in ten equal installments..

**j) Technical Knowhow fees :**

Technical Knowhow fees are being amortised by the company in five equal installments.

**OTHER NOTES ON ACCOUNTS**

- (1) The Company has provided for leave encashment and gratuity liability as per the payment made to L.I.C. of India in respect of Premiums of Policy to cover the liability of Leave Encashment and gratuity, for which provision for current year is charged to Profit & Loss account, is as per details given hereunder:

	<u>Leave Encashment</u>	<u>Gratuity</u>
<b>Premium Paid during period-ended 31.03.2012</b>	<b>Rs. 1,64,429/-</b>	<b>Rs. 2,87,195/-</b>

The Actuarial liability is equal to the fund value along with the accrued appreciation with L.I.C. of India hence the Company has not provided for any further liability except payment of the premium as required under policy to L.I.C. of India

- (2) In the opinion of the Management and to the best of their knowledge and belief, the value on realisation of loans and advances, debtors and other current assets in the ordinary course of the business will not be less than the amount at which they are stated in Balance Sheet.
- (3) Figures have been rounded off to the nearest rupee.
- (4) Claims against the Company not acknowledged as debts Rs. NIL (previous year Rs. NIL).
- (5) Debtors and Creditors Balance Confirmation have not been obtained.
- (6) Estimated amount of contracts remaining to be executed on capital account and not provided Rs. NIL (Previous year Rs. NIL).
- (7) The Company has initiated the process to identify the status of its suppliers and asked them to inform the Company if they are a Micro, Medium and Small Enterprise under Micro, Medium and Small Enterprise Act, 2006 (MSMED), so that the information regarding dues to MSMED Enterprise could be stated. However, since no response have been received from the suppliers, due to which it is not possible for the Company to disclose exactly, the dues to S.S.I. units included in the Sundry Creditors.
- (8) Remuneration to Directors: -  
The Company has paid remuneration to its Executive Directors, in accordance with the provision of Schedule XIII of the Companies Act, 1956 and as per the resolution passed by the Company in the Annual general meeting,
- (9) Current Tax: During the year the income tax provision is made for taxes payable for the year ended 31st March, 2012. Moreover no tax is payable on the book profit (i.e. MAT) U/s 115JB of the Income tax Act, 1961. It also includes Rs. 29,820 (P.Y. Rs.45,80,252) of prior period income tax paid during current year.
- (10) Investment in mutual Fund: The company had invested Rs. 25 lakhs in the units of Crayon Capital Art Fund Scheme - I, which fund invest in Art and paintings of reward artists. The company has received back original investment of Rs. 22,50,000/- till 31-03-2012. The units of the fund are not listed.
- (11) Additional information Pursuant to para 4 & 5 of part II of Schedule VI of the Companies Act 1956.

**B. Particulars of Expenditure on Employees :-**

Item	Current Period	Previous Year
1. In case of employees who were in employment with the Company for the whole year and getting remuneration aggregating to Rs. 60,00,000/- or more per annum		
- No. of Employees.	Nil	Nil
- Amount of Salary and Allowances.(Rs.)	Nil	Nil



2. In case of employees who were in employment with the Company for the whole year and getting remuneration aggregating to Rs. 5,00,000/- or more per month.

- No. of Employees.

Nil

Nil

- Amount of Salary and Allowances.(Rs.)

Nil

Nil

(12) In accordance with Accounting Standard - 18 - "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, the transactions with related parties are given below.

NO.	NAME OF PARTY	NATURE OF RELATION	NATURE OF TRANSACTION	VALUE (Rs.)
1.	Ajay N. Desai	Executive Director	Director's Remuneration	29,99,922/-
2.	Ajay N. Parikh	Executive Director	Director's Remuneration	29,99,663/-

**For V. K. SHASTRI & CO.,**  
Chartered Accountants  
Firm number: 113325 W

For and on behalf of the board

**(V.K. SHASTRI)**  
Sole proprietor

**(AJAY DESAI)**  
Executive  
Director

**(AJAY PARIKH)**  
Executive  
Director

Place : Nurpura  
Date : 25/05/2012

Place : Nurpura  
Date : 25/05/2012

# AXTEL INDUSTRIES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

PARTICULARS	2011-12		2010-11	
	Rs.	Rs.	Rs.	Rs.
<b>Cash flows from operating activities</b>				
Profit before taxation		4,47,01,781		4,31,56,834
Adjustments for:				
Depreciation and amortization expense	92,64,454		72,76,755	
Interest received	(6,47,287)		(1,26,647)	
Loss/(gain) on sale of Assets/Investments	3,175		-	
Interest expenses	<u>68,76,323</u>		<u>41,50,400</u>	
		<u>1,54,96,665</u>		<u>1,13,00,508</u>
		6,01,98,446		5,44,57,342
(Increase)/ decrease in trade and other receivables	1,84,78,594		(11,46,63,121)	
(Increase)/ decrease in inventories	2,71,41,200		(3,22,70,877)	
Increase/ (decrease) in trade payables and other payables	<u>(4,28,76,148)</u>		<u>9,04,65,580</u>	
		<u>2,743,646</u>		<u>(5,64,68,418)</u>
		6,29,42,092		(20,11,076)
Income taxes paid		<u>1,45,43,847</u>	1,89,21,521	<u>1,89,21,521</u>
Net cash from operating activities		4,83,98,245		(2,09,32,597)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(3,61,59,317)		(1,91,84,454)	
Proceeds from sale of property, plant and equipment	90,435		—	
Purchase of investments	—		(10,00,000)	
Proceeds from sale of investments	5,00,000		10,50,000	
Interest received	<u>6,47,287</u>		—	
Net cash from investing activities		(3,49,21,595)		(1,91,34,454)
<b>Cash flows from financing activities</b>				
Proceeds from share Warrants	1,77,47,500		—	
Proceeds from long term borrowings	1,58,85,266		63,948,076	
Repayment of short term borrowings	(56,95,552)		(10,287,746)	
Interest paid	(68,76,323)		(4,150,400)	
Net cash from financing activities		<u>2,10,60,891</u>		4,95,09,930
Net increase/(decrease) in cash and cash equivalents		<u>3,45,37,541</u>		<u>94,42,879</u>
Cash and cash equivalents at beginning of reporting period		1,10,19,837	15,76,957	
Cash and cash equivalents at end of reporting period		<u><u>4,55,57,378</u></u>		<u><u>1,10,19,836</u></u>

### **Cash & Cash equivalents :**

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the balance sheet:

Cash on hand and bank balances	45,557,378	11,019,836
Short term investments	—	—
Cash and cash equivalents as reported	<u>45,557,378</u>	<u>11,019,836</u>
Effect on exchange rate changes		
<b>Cash and cash equivalents as restated</b>	<u><u>45,557,378</u></u>	<u><u>11,019,836</u></u>

In Accordance with our Report of even date

For and on behalf of the Board

For **V. K. SHASTRI & CO.,**  
Chartered Accountants  
Firm number: 113325W

**(V. K. SHASTRI.)**  
Sole Proprietor

**(AJAY DESAI)**  
Executive Director

**(AJAYPARIKH)**  
Executive Director

Date:25/05/2012

Date:25/05/2012

**ATTENDANCE SLIP**  
**AXTEL INDUSTRIES LIMITED**

Plot No. 43/1, Village **Nurpura**, P.O. Baska  
Halol-389 350, Dist. Panchmahals, Gujarat

Please complete this attendance slip and hand it over at the entrance of Meeting Hall. Joint Shareholders may obtain additional Attendance slip on request.

NAME & ADDRESS OF THE SHAREHOLDER \_\_\_\_\_

No. of Shares Held :

L.F. No. (s) / Demat Account No.

I hereby record my presence at the 20TH ANNUAL GENERAL MEETING of the Company being held on Monday the 3<sup>rd</sup> September, 2012 at the Registered Office at Plot No. 43/1, Village Nurpura, P.O. Baska, Tal. Halol, Dist. Panchmahals. Gujarat.

SIGNATURE OF THE SHAREHOLDERS/PROXY \* \_\_\_\_\_

\* Strike Whichever is Not applicable.

**PROXY FORM**

**AXTEL INDUSTRIES LIMITED**

Plot No. 43/1, Village Nurpura, P.O. Baska  
Halol-389 350, Dist. Panchmahals, Gujarat.

L.F. No. (s) / Client ID No. :

I/We \_\_\_\_\_  
of \_\_\_\_\_ being member / members of  
AXTEL INDUSTRIES LIMITED hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of

or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on Monday, the 3<sup>rd</sup> September, 2012 and at any adjournment thereof.

Signed on this \_\_\_\_\_ day of \_\_\_\_\_ 2012 by the said \_\_\_\_\_

**NOTE :** The proxy must be returned so as to reach at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. The Proxy need not be a member of the Company

15 paise  
revenue  
stamp

From :

**AXTEL INDUSTRIES LIMITED**

Village Narpura, P.O. Baska  
Halol-389350, Dist. Panchmahals.