

14th Annual Report 1997-98

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YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

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FLEX ENGINEERING LIMITED



FLEX ENGINEERING LIMITED

FOURTEENTH ANNUAL REPORT

1997-98

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman

HARISH CHATURVEDI

S.K. RAO - NOMINEE - ICICI

GYANENDRA NATH GUPTA

M.P. MALLIWAL

PRADEEP TYLE

PREMJIT SINGH

R.K. SHARMA

RASHMI CHATURVEDI

CHIEF EXECUTIVE

VIPIN MITAL

COMPANY SECRETARY

PRABHAT NANDA

AUDITORS

VIJAY SEHGAL & CO.
New Delhi
Statutory Auditors

JAIN SINGHAL & ASSOCIATES
New Delhi
Internal Auditors

BANKERS

STATE BANK OF TRAVANCORE
BANK OF BARODA
CORPORATION BANK

REGISTERED OFFICE

110, First Floor, Bhanot Corner,
Pamposh Enclave, Greater Kailash-I
New Delhi - 110 048

OFFICES

C-20-22, Sector -57,
NOIDA-201 301 (U.P.)

A-2, Sector -60,
NOIDA-201 301 (U.P.)

118, Damji Shamji Udyog Bhawan,
25A, Veera Desai Road,
Andheri (West), Mumbai -400 053

FMC FORTUNA, Unit No. A-16,
234/3A (2nd Floor),
Acharya Jagdish Chandra Bose Road,
Calcutta - 700 020.

347, Arcot Road,
II Floor (East Side),
Annaram Buildings,
Kodambakkam,
Chennai - 600 024

443, IInd Floor, 7th Block
Karamangala,
Bangalore - 560 095

WORKS

C-20-22, Sector -57,
NOIDA -201 301 (U.P.)

A-2, Sector -60,
NOIDA-201 301 (U.P.)



FLEX ENGINEERING LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the Members of Flex Engineering Ltd. will be held at 10:00 A.M. on Tuesday, the 22nd day of June, 1999 at Air Force Auditorium, Subroto Park, New Delhi - 110010 for transacting the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st December, 1998 and the Profit & Loss Account for the period ended on that date together with Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Ashok Chaturvedi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Smt. Rashmi Chaturvedi, who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint Auditors and to fix their remuneration. M/s. Vijay Sehgal & Company, Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri Mahadeo Prasad Malliwal, who was appointed as an Additional Director of the Company w.e.f. 27th January, 1999 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT Shri Rajendra Kumar Sharma, who was appointed as an Additional Director of the Company w.e.f. 1st May, 1999 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, and Article 100 of the Articles of Association of the Company and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956, proposing his candidature to the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310 & 381 and subject to Schedule XIII

and other applicable provisions of the Companies Act, 1956, if any (including any statutory modification or re-enactment thereof), and subject to such other approvals/sanctions as may be necessary, the approval of the members be and is hereby accorded to the appointment of Shri Vipin Mital, Chief Executive as 'Manager' under the Companies Act, 1956, for a period of five years w.e.f. 1st May, 1999 on the terms and conditions as to remuneration and the minimum remuneration in case of loss or inadequate profit in any financial year as mentioned in the Explanatory Statement which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to vary/or revise the remuneration of the said Manager within the permissible limits under the provisions of Companies Act, 1956, from time to time or any statutory modification thereof and to settle any question or difficulties in connection therewith or incidental thereto"

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

"RESOLVED THAT pursuant to Section 372A and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactment thereof), the Board of Directors of the Company be and is hereby authorised to pledge the entire/to the extent as may be required by the Financial Institutions the equity share holding of Flex Engineering Ltd. in Flex Industries Ltd. and Flex Chemicals Ltd. in favour of the Financial Institutions/Banks as the case may be as security for and on behalf of Flex Industries Ltd. and Flex Chemicals Ltd. respectively in respect of the following :

- a) Bridge loan of Rs.45 crores and Rs.20 crores sanctioned by ICICI Ltd. and Industrial Development Bank of India (IDBI) respectively to Flex Industries Limited.
- b) The financial re-structuring scheme of Flex Industries Limited.
- c) The financial re-structuring scheme of Flex Chemicals Limited.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby further authorised to decide on all or any matters arising out of and incidental to the providing of security without further reference to the Company in General Meeting."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby amended as follows :-

- a) The definition of 'member' appearing in Article 2 of the Articles of Association of the Company be substituted by the following:



FLEX ENGINEERING LIMITED

'Member' in respect of dematerialised shares means the beneficial owner thereof, i.e. the person or persons whose name is recorded as a beneficial owner in the Register maintained by a Depository under the Depositories Act, 1996 and in respect of other shares the person or persons whose name is duly registered as a holder of a share in the Company from time to time and includes the subscribers to the Memorandum of Association.

- b) The following heading and Article be inserted as Article 45A after Article 45 of the Articles of Association of the Company :

Dematerialisation of securities

Definitions

- 45A(1) For the purpose of this Article :-

'Beneficial Owner' means a person or persons whose name is recorded in the Register maintained by a Depository under the Depositories Act, 1996.

'SEBI' means the Securities and Exchange Board of India.

'Depository' means a Company formed and registered under the Act and which has been granted a certificate of registration by SEBI under the Securities and Exchange Board of India Act, 1992.

'Security' means such security as may be specified by SEBI from time to time.

Dematerialisation of securities

- (2) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the provisions of the Depositories Act, 1996 or otherwise.

Issue of securities and option for investors

- (3) Notwithstanding anything contained in these Articles, every issue of security by the Company shall be in the dematerialised form and the Company shall intimate the details of allotment to the depository immediately on allotment of such securities.

Investors in a new issue and the beneficial owners shall have the option to dematerialise the shares subsequent to the allotment or dematerialisation, as the case may be, in which event the Company shall issue to the investor/beneficiary the required certificates of securities subject to the provisions of applicable laws, rules, regulations or guidelines. The shares so dematerialised shall bear new distinguishing numbers so as to identify them from the shares not dematerialised.

Securities in depository mode to be in fungible form

- (4) All securities held in the depository mode with a depository shall be dematerialised and be in fungible form. To such securities held by a depository on behalf of a beneficial owner, nothing contained in sections 153, 153A, 153B,

187B, 187C and 372A of the Act shall apply.

Right of Depositories and Beneficial Owners

- (5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have other membership rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the register maintained by a depository shall be deemed to be a member of the Company. The beneficial owner of securities shall alone be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities held in the depository mode of which he is the beneficial owner.

Service of documents

- (6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository mode, the records of the beneficial owner may be served by a depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of securities

- (7) Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered in the Register maintained under the Depositories Act by a depository as beneficial owners.

Distinctive numbers of securities held in the depository mode.

- (8) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the depository mode.

Register and Index of Beneficial Owners

- (9) The Register and index of beneficial owners maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and index of members and holders of securities for the purposes of these Articles and the Act.

By Order of the Board

Place : NOIDA
Dated : 18th May, 1999

PRABHAT NANDA
Company Secretary

Regd. Office :

110, First Floor, Bhanot Corner
Pamposh Enclave, Greater Kailash - I
New Delhi - 110048.



FLEX ENGINEERING LIMITED

NOTES :

1. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED DULY COMPLETED TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 17.06.1999 to 22.06.1999 (both days inclusive).
4. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct folio number(s).
5. In the case of joint holders, if more than one holder intend to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company.
6. Members who are holding shares in identical order of names in more than One Folio are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in One Folio.
7. Members seeking further information about the accounts are requested to write to the Company at least one week before the date of the meeting giving details of the information required.
8. Members/Proxies should bring the Attendance Slips duly filled for attending the Annual General Meeting. No extra Attendance Slip will be provided at the venue of Annual General Meeting.
9. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid/unclaimed dividends for the financial year ended 30th June 1994 (Dividend Warrants dated 30.01.1995) were transferred to the General Revenue Account of the Central Government. Shareholders who have not collected/encashed the Dividend Warrants dated 30.01.1995 issued by the Company in respect of the said financial year may claim such amounts from the Registrar of Companies, NCT of Delhi & Haryana, following the procedure prescribed in the Rules made in that behalf under Section 205B of the Companies Act, 1956.

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

ITEM NO. 5

Shri Mahadeo Prasad Malliwal was appointed as an Additional Director of the Company w.e.f. 27th January, 1999 by the Board of Directors in accordance with Section 260 of the Companies Act, 1956, and Article No. 100 of the Articles of Association of the Company. He holds office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received a Notice from a member of the Company alongwith requisite fees under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Shri Mahadeo Prasad Malliwal as a regular Director of the Company.

Shri Mahadeo Prasad Malliwal is a highly qualified and experienced professional. He is a Mechanical Engineer and has more than four decades of professional experience to his credit. He has held several prestigious assignments/positions in organisations of repute and standing. He demitted the office of Managing Director of ITC Bhadrachalam Paper Boards Limited on 31st December, 1998.

The Board recommends his appointment.

None of the Directors of the Company except Shri Mahadeo Prasad Malliwal is concerned or interested in the resolution.

ITEM NO. 6

Shri Rajendra Kumar Sharma was the Whole-time Director of the Company. However, due to certain other pre-occupation he had expressed his inability to continue as the Whole-time Director of the Company and thus resigned from the office of Whole-time Director of the Company w.e.f. 1st May, 1999.

However, he was appointed as an Additional Director of the Company w.e.f. 1st May, 1999 by the Board of Directors in accordance with Section 260 of the Companies Act, 1956, and Article No. 100 of the Articles of Association of the Company. He holds office upto the date of the forthcoming Annual General Meeting of the Company.

The Company has received a Notice from a member of the Company alongwith requisite fees under Section 257 of the Companies Act, 1956, signifying his intention to propose the appointment of Shri Rajendra Kumar Sharma as a regular Director of the Company.

Shri Rajendra Kumar Sharma aged about 68 years has been actively associated with the affairs of your Company. He has also got considerable experience in the field of flexible packaging industry and related area.

The Board recommends his appointment.

None of the Directors of the Company except Shri Rajendra Kumar Sharma and Smt. Rashmi Chaturvedi, Director is concerned or interested in the resolution.

ITEM NO. 7

The Board of Directors of the Company subject to the approval of the shareholders and such other approval as may be required have appointed Shri Vipin Mital as the 'Manager' of the Company in terms of the provisions of the Companies Act, 1956. Shri Mital aged about 53 years is a graduate in Chemical Engineering from the Indian Institute of Technology, New Delhi and also has done his Post Graduation in Business Management from the Indian Institute of Management, Ahmedabad. He got varied experience of 29 years with leading Companies, specifically in the area of Management Consultancy, Project Planning



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& Execution, General Management and Exports. He has been associated with the Flex Group of Companies since 1990 in various senior positions. Currently he is the Chief Executive of Flex Engineering Ltd. With his back-ground and experience, his appointment as the 'Manager' under the Companies Act, 1956, is considered to be in the interest of the Company.

The other terms and conditions of his appointment as approved by the Board are as under :-

The remuneration of Shri Vipin Mital by way of salary, perquisites and/or other allowances/benefits shall not exceed Rs.1.25 lacs per month or Rs.15.00 lacs per annum subject to a maximum of 5% of the net profit of the Company. If in any financial year during the currency of the tenure of Shri Vipin Mital, the Company has no profits or the profits are inadequate, the Company may pay his remuneration as mentioned above subject to the approval of the Central Government, if any, required.

The following perquisites shall not be included for calculating the above limits of the remuneration :

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund made by the Company to the extent these are singly or put together are not taxable under the Income Tax Act.
2. Payment of Gratuity at the rate of one-half month's salary for each completed year of service.
3. Encashment of leave at the end of tenure.

He shall also be eligible for Company's car with driver and telephone at residence. The personal long distance call and use of car for private purpose shall be billed by the Company to Shri Vipin Mital.

The aforesaid appointment shall be subject to determination by either party by not less than 3 months notice in writing given at any time to the other party.

Subject to above conditions, the Chairman and/or the Committee of Directors shall determine the exact quantum of remuneration and nature of perquisites and other allowances and vary/alter the same from time to time subject to the aforesaid limits.

Shri Vipin Mital subject to supervision, control and directions of the Board shall have the management of substantially the whole of the affairs of the Company and shall exercise such other powers as are delegated by the Board/ Committee of Directors to him from time to time.

The Board recommends his appointment as Manager under the Companies Act, 1956, for the approval of the Members.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM NO. 8

In terms of Section 372A of the Companies Act, 1956 a Company can in aggregate invest, make loan, give guarantee, provide security upto a maximum of 60% of its paid-up share capital and free reserves or 100% of its free reserves whichever is more. Making of investment or loan, giving guarantee or providing security beyond the aforesaid limits by the Board of Directors shall require specific approval of the shareholders by way of special resolution passed in a General Meeting.

Flex Industries Limited & Flex Chemicals Limited, sister concerns have requested the Company to pledge the entire/to the extent as may be required by the Financial Institutions/Banks, the equity shares held by Flex Engineering Ltd. as part of Promoters Group in Flex Industries Ltd. and Flex Chemicals Ltd. in favour of the Financial Institutions/Banks as the case may be as security in respect of the following :

- a) Bridge loan of Rs.45 crores and Rs.20 crores sanctioned by ICICI Ltd. and Industrial Development Bank of India (IDBI) respectively to Flex Industries Limited.
- b) The financial re-structuring scheme of Flex Industries Limited.
- c) The financial re-structuring scheme of Flex Chemicals Limited.

Accordingly consent of the Members is sought u/s 372A of the Companies Act, 1956, for pledging of shares as set out in resolution No.8.

Shri Ashok Chaturvedi, Shri Harish Chaturvedi & Smt. Rashmi Chaturvedi, Directors of the Company are concerned or interested in this resolution being Directors in Flex Industries Ltd. & Flex Chemicals Ltd. No other Director of the Company is concerned or interested in the resolution.

ITEM NO. 9

With a view to provide paperless trading and less costly transferability of shares, the Government promulgated the Depositories Ordinance in 1996 and subsequently the Ordinance was put on the statute book. SEBI and NSDL have already framed necessary regulations in this regard.

Further, some of the provisions of the Companies Act, 1956 relating to issue, holding, transfer, transmission of shares and other securities have been amended to facilitate the implementation of the D'mat system. Accordingly, it was proposed to amend the Articles of Association by amending Article No. 2 and inserting new Article 45A to have enabling provisions in the Articles of Association and also to make the Articles in tune with the Depository system.

According to Section 31 of the Companies Act, 1956 it is necessary to pass a Special Resolution to amend any of the provisions of Articles of Association. Therefore, the Board of Directors recommend the resolution for your approval.

None of the Directors of the Company is concerned or interested in this resolution.

A copy of Memorandum and Articles of Association of the Company together with proposed alterations and other documents referred to in the explanatory statement shall be available for inspection by Members of the Company at its Registered Office between 10.00 a.m. to 12.00 noon on any working day.

By Order of the Board

Place : NOIDA
Dated : 18th May, 1999

PRABHAT NANDA
Company Secretary

Regd. Office :
110, First Floor, Bhanot Corner
Pamposh Enclave, Greater Kailash - I
New Delhi - 110048.



FLEX ENGINEERING LIMITED

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Fourteenth Annual Report alongwith the Audited Accounts of the Company for the period ended 31st December, 1998.

WORKING RESULTS

The summarised Financial Results for the period ended 31st December, 1998 and for the previous year ended 30th June, 1997 are as under :-

	Period ended 31.12.1998 (18 months)	(Rs.in Lacs) Year ended 30.06.97 (12 months)
Sales	3249.99	6160.96
Other Income	1124.38	747.10
Profit before Interest, Financial Charges, Depreciation & Taxation	1008.54	2534.53
Less :		
(i) Interest & Financial Charges	1439.34	1129.58
(ii) Depreciation	865.05	2304.39
	547.67	1677.25
Profit/(Loss) before Tax	(1295.85)	857.28
Less:		
(i) Provision for Income Tax	—	(178.00)
(ii) Provision for Wealth Tax	(1.37)	(2.00)
Profit/(Loss) after Tax	(1297.22)	677.28
Add/(Less) Excess/(Short)		
Provision for earlier years written back		
(i) Income Tax	25.28	—
(ii) Wealth Tax	0.10	0.21
(iii) Proposed Dividend, not approved (1996-97)	150.00	—
(iv) Corporate Tax on dividend not approved (1996-97)	15.00	—
Balance Brought Forward	1511.79	1509.30
Profit available for Appropriation	404.95	2186.79
APPROPRIATIONS		
Debenture Redemption Reserve	—	500.00
Proposed Dividend	—	150.00
Corporate Tax on Dividend	—	15.00
General Reserve	—	10.00
Balance Surplus in Profit & Loss A/c	404.95	1511.79
	404.95	2186.79

The relevant notes on the Accounts of the Company referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments.

CORPORATE OVERVIEW & FUTURE OUTLOOK

The Company extended its financial year ending 30th June, 1998 to 31st December, 1998. Accordingly the financial year under review is of 18 months period, whereas the previous financial year was of 12 months period and to that extent the figures are not strictly comparable.

The period under review was again a difficult period for the Company. The overall performance and earnings of the Company for the 18 months period ended 31st December, 1998 remained subdued resulting into a sharp decline in the turnover of the Company. The Company could manage to achieve a turnover of Rs. 3249.99 lacs as compared to Rs. 6160.96 lacs in the previous year. Thus, your Company ended its financial year with a net loss of Rs. 1297.22 lacs as compared to a net profit of Rs. 677.28 lacs in the previous year.

The packaging & converting division has been performing reasonably well and it holds a promising future. It ended the 18 months period with a turn over of Rs.2554 lacs against a total turnover of Rs.3250 lacs. With the emphasis and thrust being on fewer models having advance and sophisticated technology which have a good demand and better acceptability both in domestic as well as international markets and where the value addition is high, your Management is hopeful of a improved and better performance from this division in the current year.

The overall performance could have been much better, but for the marginal contribution from the structure & fabrication division, which achieved a turnover of Rs.695 lacs for the 18 months period ended 31st December, 1998. Though the division has not done well during the period under review but, keeping in view the incentives offered to the infrastructure industry, steps initiated by the Government to boost the overall economy and measures taken by the Management to contain costs, reduce inventory levels and identify focus areas, the division was expected to put up better performance in the coming years.

The performance and growth of the Company till mid of 1996 were in tune with the rapid growth of the economy, substantial demand of packaging machines, mainly from FMCG industry as well as due to captive demand. However, since mid of 1996 due to the overall sluggish growth of the economy particularly in the capital goods and engineering sector, slackness in demand, tight liquidity, increase in interest burden and raw material cost not compensated by commensurate increase in the volume and price of finished goods as well as phasing out of construction activities, the performance of the Company has been impacted in a major way. The lower sales achievements and reduced margins have impacted the revenues and bottom line of the Company. The Management is seized of the situation and has initiated several steps including exploring different other business



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proposition in order to arrest the declining and negative profitability and to improve the performance of the Company.

The steps initiated by the Management have resulted into improvement in the performance of the Company in the current year and your Management is hopeful of better performance in the coming times.

PROMISES Vs. PERFORMANCE

Pursuant to Clause 43 of the amended Listing Agreement entered into with the Stock Exchanges the following key financial projections as given in the Letter of Offer dated 16th January, 1996 issued for Rights Issue of 25,00,000 - 15% Secured Redeemable Non-Convertible Debentures of Rs.200/- each with Detachable Warrants for cash at par aggregating Rs.5000 Lacs and the actual audited figures for the period ended 31st December, 1998 are as under:-

	(Rs. in lacs)	
Projections (as estimated by the Company for the year ended 30.06.98) (12 months)	Actual (Audited for the period ended 31.12.98) (18 months)	
Gross Sales	18783.00	3249.99
Other Income	300.00	1124.38
Profit before Interest, Financial Charges, Depreciation & Tax	9295.00	1008.54
Interest & Financial Charges	964.00	1439.34
Depreciation	525.00	865.05
Tax	1575.00	1.37
Net Profit/(Loss) after Tax	6231.00	(1297.22)
Equity Capital	1500.00	1500.00
Dividend (%age)	40	-

The projections as given in the Letter of Offer are for a period of 12 months whereas the actual audited figures are for a period of 18 months, thus to that extent the figures are not strictly comparable.

The variation between the Projected and Actual figures are due to discontinuation of construction activities and general sluggishness in the economy, particularly for Capital Goods Industry.

FINANCE

The bad market conditions and low margins had an adverse impact on the Company's earning and cash flow, thereby affecting its ability to service the debts. With a view to tide over the situation, the Company was in the process of devising a suitable financial restructuring scheme.

SUBSIDIARY COMPANY

The Annual Accounts alongwith Auditors & Directors Reports of Flex Securities Limited, the subsidiary of your Company are attached together with the statement under Section 212 of the Companies Act, 1956.

FIXED DEPOSIT

Your Company continued to accept Fixed Deposits from the Public during the period under review. As on 31st

December, 1998 Fixed Deposits received by the Company amounted to Rs. 33.26 lacs. Deposits to the tune of Rs. 3.23 lacs due for re-payment on or before 31st December, 1998 were not claimed by 31 depositors as on that date. Out of these, deposits amounting to Rs. 0.37 lacs of 4 depositors, have since been claimed/renewed.

There has been no delay in making repayment of Fixed Deposit on maturity on fulfillment of the terms and conditions of your Company's scheme.

DIRECTORS

Mr. R.K. Sharma, Whole-time Director of your Company resigned from the office of the Whole-time Director of the Company w.e.f. 1st May, 1999. The Directors place on record their appreciation of the valuable services rendered to the Company by Mr. R.K. Sharma during his tenure as Whole-time Director. However, he has been appointed as an Additional Director on the Board of the Company w.e.f. 1st May, 1999.

Further, Mr. M.P. Malliwal was inducted as an Additional Director on the Board of the Company w.e.f. 27th January, 1999. Both Mr. Sharma and Mr. Malliwal hold office upto the date of the ensuing Annual General Meeting. The Company has received notices from the Members under Section 257 of the Companies Act, 1956, proposing the appointment of Mr. R.K. Sharma and Mr. M.P. Malliwal as Directors of the Company. Your Directors recommend their appointment.

Pursuant to the provisions of Article 95 of the Articles of Association of the Company, Mr. Ashok Chaturvedi and Mrs. Rashmi Chaturvedi, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. Vijay Sehgal & Company, Chartered Accountants, New Delhi, Auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Y2K COMPLIANCE

The Company has taken adequate steps to avoid adverse effect on the business due to the year 2000. Approximately 40% work has already been completed. The remaining work shall be completed before 31st October, 1999. Remediation/replacement cost shall be upto Rs. 40 lacs.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'A' forming part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

Information under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of



FLEX ENGINEERING LIMITED

Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure 'B' forming part of this Report.

review. The Board takes this opportunity to express its deep gratitude for the continuous support received from the shareholders.

ACKNOWLEDGMENT

The Directors acknowledge with gratitude the co-operation and assurance extended by various agencies of Central Government, Government of Uttar Pradesh, Financial Institutions, Banks and Customers during the period under

For & on behalf of the Board

Place : NOIDA
Dated : 18th May, 1999

ASHOK CHATURVEDI
Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(2A) (B) (1) read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report.

A. EMPLOYED FOR THE FULL PERIOD (18 MONTHS)

Sl. No.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs)	Date of appointment	Last Employment (position held)
1.	Mr. Agrawal R.P.	67	Corporate Advisor	964057	C.A., L.L.B.	42	01.07.97	I.T.C. Limited Executive Director
2.	Mr. Babbar D.B.	53	Vice President	1163613	B.E.	29	01.07.96	Flex Industries Ltd Vice President (Production)
3.	Mr. Mital Vipin	53	Chief Executive	1263302	B.Sc., B.Tech., M.B.A.	29	01.07.96	Flex Industries Ltd Vice President (Project)

1. Remuneration includes Salary, Bonus, Contribution to Provident Fund and all other perquisites taxable or non-taxable.
2. All appointments are non-contractual and terminable by notice on either side.
3. Information about qualification and last employment is based on particulars furnished by the concerned employee.

ANNEXURE 'B' TO DIRECTORS' REPORT

Information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

1. CONSERVATION OF ENERGY

The Company has always been very particular in laying proper and due stress on optimising energy consumption in all its units. It has always been looking at various avenues and initiating various measures to reach the goal of optimum utilisation of energy consuming equipments and conservation of energy. During the period under review the measures initiated for the same are :

- i) Effective maintenance of machines to achieve best efficiency and minimum frictional losses.
- ii) Awareness among workers/staff to use daylight & control on ACs/Fans and switching off these while not in use.
- iii) Formulation of Energy Conservation Committee headed by Maintenance Engineers
- iv) Use of water pumps and control on water wastage.
- v) Use of energy efficient lights in CNC Shed.
- vi) Control on monthly consumption on electric units through bought out power and generated units.
- vii) Control on diesel wastages/spillage

Resultant to the above referred efforts and measures, the total energy cost of the Company is the lowest in our type of industry.

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION

- i) Constant emphasis is laid on automation in all our existing manufacturing range for further improvement in quality as well as productivity aspects.
- ii) The Company has successfully undertaken project for manufacturing machines for bottle & jar filling and for developing machine for printing foil.
- iii) Participation in domestic as well Global Technical Seminars and expositions concerning our field of activity, by our technical staff, is a regular feature which provides the impetus for overall improvements and innovation.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. in Lacs)

A) Earnings in Foreign Exchange :	
Export of Goods on FOB Basis	669.59
B) Expenditure in Foreign Currency :	
i) Raw Material	57.02
ii) Travelling Expenses	29.97
iii) General Expenses	3.12
	<u>90.11</u>

For and on behalf of the Board

Place : NOIDA
Dated : 18th May, 1999

ASHOK CHATURVEDI
Chairman



FLEX ENGINEERING LIMITED

AUDITORS' REPORT

To The Members of
FLEX ENGINEERING LIMITED,
NEW DELHI.

We have audited the attached Balance Sheet of FLEX ENGINEERING LIMITED as at 31st December, 1998 and also the annexed Profit & Loss Account of the Company for the eighteen months period ended on that date.

We report as follows :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in Paragraph 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph (1) above :
 - i) 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;
 - ii) In our opinion proper Books of Account, as required by law, have been kept by the Company so far as appears from our examination of such books;
 - iii) The Balance Sheet and the Profit & Loss Account referred to in this report are in agreement with the Books of Account;
 - iv) In our opinion the Balance Sheet and the Profit and Loss Account referred to in this report comply with Accounting Standards, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) In our opinion and to the best of our information and according to the explanations given to us, the Accounts read with Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and subject to non provision of interest and liquidated damages of Rs. 651.56 lacs, as elaborated in Note No. 9 of the Schedule "24" annexed to the Balance Sheet and the Profit and Loss Account, by virtue whereof interest and financial charges and consequently loss for the current period, have been understated by Rs. 651.56 lacs, give a true and fair view :-
 - (a) In the case of Balance Sheet, of the State of Affairs of the Company as at 31st December, 1998 and
 - (b) In the case of Profit and Loss Account, of the Loss of the Company for the period ended on that date.

for VIJAY SEHGAL & CO.
Chartered Accountants

Place : NOIDA
Dated : 18th May, 1999

S.V. SEHGAL
Partner

ANNEXURE TO THE AUDITORS' REPORT OF FLEX ENGINEERING LIMITED FOR THE EIGHTEEN MONTHS PERIOD ENDED 31ST DECEMBER, 1998

[Referred to in Paragraph (1) of our Report of even date]

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. The fixed assets of the Company have been physically verified by the Management at reasonable intervals and no material discrepancies have been noticed between the book records and the physical verification.
2. None of the fixed assets of the Company have been revalued during the period.
3. The stock of finished goods, store, spare parts, raw and building materials have been physically verified at reasonable intervals during the period by the Management.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the Management were found reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on physical verification of stocks as compared to book records were not significant and were properly dealt with in the books of account.
6. In our opinion, the valuation of stocks is fair and proper, in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. The Company had not taken any loan during the period from the companies, firms or other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956. There is no Company under the same management, as defined under Section 370(1B) of the Companies Act, 1956.
8. The Company had granted interest bearing unsecured loan during the period, to a company required to be listed in the register maintained under Section 301 of the Companies Act, 1956, which was recovered before the period end. In our opinion, the rate of interest and other terms and conditions of this loan were not prima-facie prejudicial to the interest of the Company. The Company has not granted, during the period any other loan to firms and other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956.
9. Interest free loan and advances in the nature of loans have been made to employees, which are generally repaid as stipulated. In respect of other parties to whom the loans were given by the Company, parties have re-paid/repaying principal amount as stipulated or re-stipulated and were regular in payment of interest, where applicable.