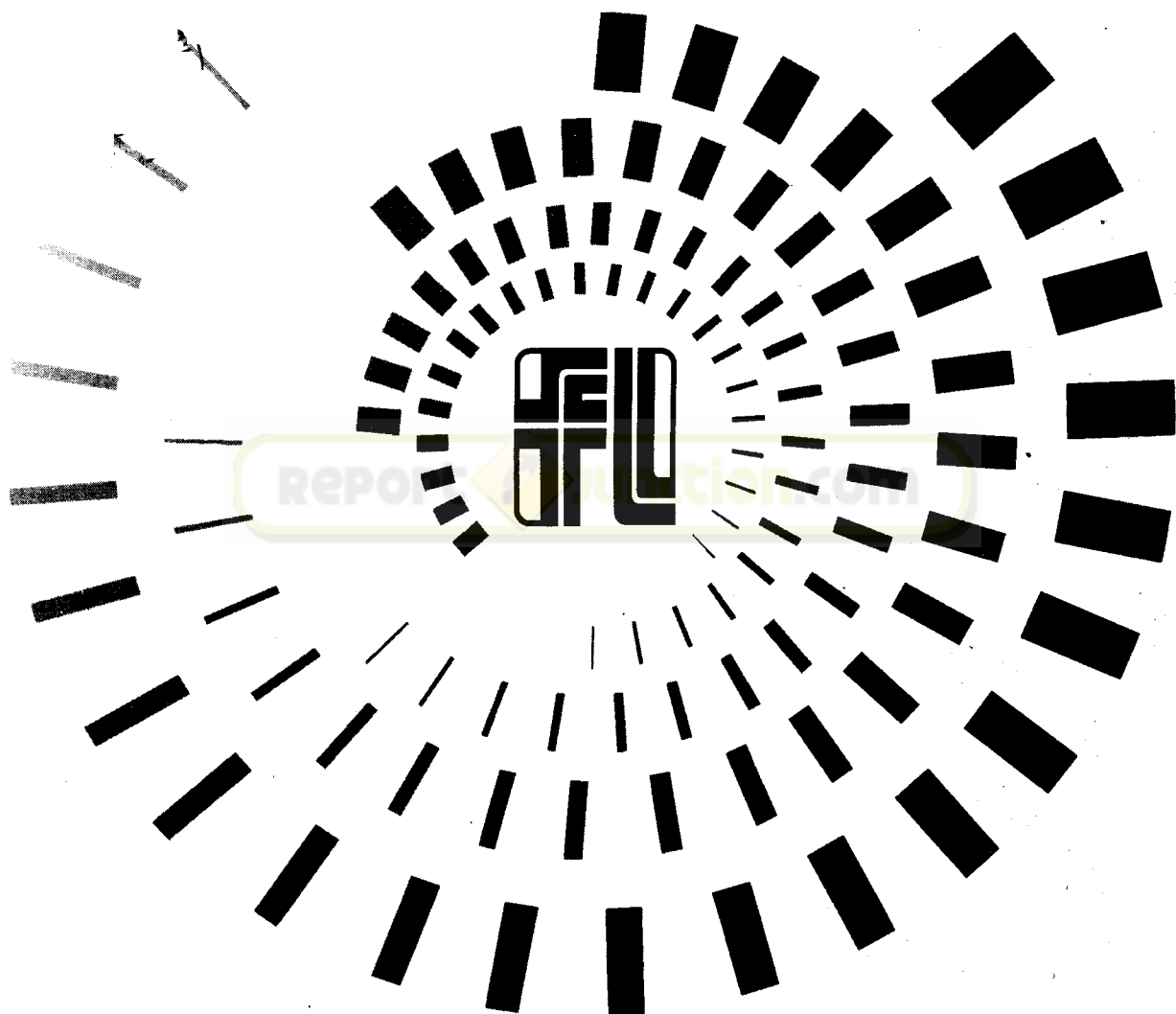


*18th
Annual Report
2002 - 2003*



FLEX ENGINEERING LIMITED



FLEX ENGINEERING LIMITED

EIGHTEENTH ANNUAL REPORT

2002 - 2003

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman
GYANENDRA NATH GUPTA
PREMJIT SINGH
B. N. NAYAK
Nominee - IFCI
R.P. AGRAWAL
R.K. SHARMA
R.K. JAIN
PRADEEP TYLE
AJAY TANDON

CHIEF EXECUTIVE & MANAGER

VIPIN MITAL

COMPANY SECRETARY

PRABHAT NANDA

AUDITORS

VIJAY SEHGAL & CO.
Statutory Auditors
Delhi

JAIN SINGHAL & ASSOCIATES
Internal Auditors
New Delhi

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
Phone Nos. : 26440917, 26440925
Fax No. : 26216922
E-mail : flexsec@vsnl.net

OFFICES

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

118, Damji Shamji Udyog Bhawan,
1st Floor, 25A, Veera Desai Road,
Andheri (West), Mumbai - 400 053

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

443, 11nd Floor, 7th Block,
Koramangla,
Bangalore - 560 095

WORK

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



FLEX ENGINEERING LIMITED

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Flex Engineering Limited will be held at 4:00 P.M. on Thursday, the 11th day of September, 2003 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 March 31, 2003 and the Profit & Loss Account for the year ended on that date together with Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Premjit Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. R.K. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G.N. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting at a remuneration to be decided by the Board of Directors. M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 316, 386, 387 and subject to Schedule XIII and other applicable provisions of the Companies Act, 1956, if any (including any statutory modification or reenactment thereof) and subject to all such sanctions, approvals as may be necessary, the consent of the Members be and is hereby accorded to the re-appointment of Mr. Vipin Mital, Chief Executive as 'Manager' under the Companies Act, 1956 for a further period of three years effective from October 1, 2003 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to the Notice which shall be deemed to form part hereof.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its power including powers conferred by this resolution) be and is hereby authorized to vary, alter or revise the terms and conditions of the appointment including remuneration of the said "Manager" within the permissible limits under the 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.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

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

"RESOLVED THAT Mr. Ajay Tandon, who was appointed as an Additional Director of the Company w.e.f. 29th July, 2003 and who holds office up to 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 a 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 a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with Stock Exchanges and the provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereto, and subject to such other approvals, permissions and sanctions as may be necessary and such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions or sanctions which may, at its absolute discretion be agreed to by the Board of Directors of the Company ("the Board") or any Committee/person(s) authorized by the Board, consent be and is hereby accorded to delist the equity shares of the Company from the Stock Exchanges at Ahmedabad, Kanpur, Chennai, Kolkata and Delhi.

RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any Committee/person(s) authorized by the Board, to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this Resolution without being required to seek any further approval of the members of the Company."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(e) of the Companies Act, 1956, the Board of Directors of the Company (hereinafter called the 'Board' which term shall include any Committee in whom the Board may vest any or all of its power under this Resolution) be and is hereby authorized to contribute as may be considered proper to one or more charitable or other funds, not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, the aggregate of which in any financial year will not exceed Rs.1.00 crore notwithstanding that such amount in any financial year may exceed 5% of the average net profit of the Company during the three financial years immediately preceding the relevant financial year as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956."

By Order of the Board

Place : NOIDA
Dated : 13th August, 2003

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 pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special business to be transacted at the meeting 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. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 04.09.2003 to 11.09.2003 (both days inclusive).
5. Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar & Share Transfer Agent, M/s. Intime Spectrum Registry Limited, A-31, 3rd Floor, Near PVR Naraina, Naraina Industrial Area, Phase-I, New Delhi - 110 028 quoting correct folio number(s) and in case of shares held in dematerialized form to the concerned Depository Participant.
6. In case of joint holders, if more than one member intends to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company. In such circumstances, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who are holding shares in identical orders of name in more than one folio are requested to write to the Company/ RTA for consolidating their holdings into one folio.
8. Members seeking further information about the Accounts of the Company are requested to write at least one week before the date of the meeting.
9. Members/proxies should bring the Attendance Slips duly filled for attending the Annual General Meeting along with their copy of the Annual Report. No extra Attendance Slip and/or Annual Report will be provided at the venue of the Annual General Meeting.
10. Members/Proxies who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
11. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 26th February, 2001. The Company has already joined the Depository system and the ISIN for the shares of the Company is INE929B01010. Members who desire to have their holding of shares dematerialized are requested to approach the Company through a Depository Participant.
12. The Company has paid Annual Listing Fees for the year 2003-2004 to the following Stock Exchanges viz. The Delhi Stock Exchange Association Limited, The Stock Exchange, Mumbai, National Stock Exchange of India Limited, The Stock Exchange, Ahmedabad, Madras Stock Exchange Limited, The Calcutta Stock Exchange Association Limited and The Uttar Pradesh Stock Exchange Association Limited at which the Company's shares are presently listed.
13. Consequent upon the introduction of Section 109A of the Companies Act, 1956 Shareholders are entitled to make nomination in respect of shares held in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Transfer Agent, M/s. Intime Spectrum Registry Limited.
14. The Company has already transferred all unclaimed dividends declared up to the financial year ended 30th June, 1994 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend up to the aforesaid financial year may claim their dividend from the Registrar of Companies, NCT of Delhi & Haryana, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi - 110 003.
15. Consequent upon amendment to Section 205A of the Companies Act, 1956 and introduction of Section 205C by the Companies (Amendment) Act, 1999, the dividend for the financial year ended 30th June, 1995 which remain unclaimed/unpaid for a period of seven years has been transferred to the 'Investor Education and Protection Fund' established by the Central Government pursuant to Section 205C of the Companies Act, 1956 on 25th February, 2003. Further, the dividend for the financial year 30th June, 1996, which will remain unpaid or unclaimed for a period of seven years will be transferred to the 'Investor Education and Protection Fund' of the Central Government. Shareholders, who have not encashed the dividend warrant(s) so far for the financial year, ended 30th June, 1996 are requested to seek issue of duplicate/revalidated dividend warrant(s) by writing to the Company or its Registrar and Share Transfer Agent immediately. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as stated above, no claim against the Company shall lie in respect thereof.
16. All the material documents, resolutions passed by the Board of Directors and Remuneration Committee relating to the re-appointment and payment of remuneration of Mr. Vipin Mittal and Articles of Association of the Company and Listing Agreement etc. are open for inspection to the Members till conclusion of the Annual General Meeting at the Registered Office of the Company.

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

ITEM NO. 6

Mr. Vipin Mittal, Chief Executive of the Company was appointed as the 'Manager' of the Company in terms of the provisions of the Companies Act, 1956 w.e.f. 1.5.1999 for a period of five years on the terms and conditions as to remuneration etc. as approved by the Board of Directors and by the Members at the 14th Annual General Meeting held on 22.6.1999. His tenure in the office of 'Manager' is due to expire on 30.4.2004. However, keeping in view the increased business volume and other considerations the Remuneration Committee and the Board of Directors at their meeting held on August 13, 2003 thought it fit and approved the proposal of the Company subject to the approval of the Members of the Company to re-appoint Mr. Vipin Mittal as the 'Manager' of the Company w.e.f. October 1, 2003 for a further period of three years on the revised terms and conditions as to remuneration etc. as detailed hereunder:



FLEX ENGINEERING LIMITED

The remuneration of Mr. Vipin Mital by way of salary, perquisites and/or other allowances/benefits shall not exceed Rs.2.50 lacs per month or Rs.30.00 lacs per annum subject to a maximum of 5% of the net profit of the Company.

However, his total remuneration including remuneration from any other Company, if any, shall not exceed the higher maximum limit admissible under the Companies Act, 1956 and Schedule XIII for all the Managerial Personnel as reduced by the remuneration paid to other Managerial Personnel of the respective companies, without the approval of the Central Government.

For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per the Income Tax Rules, wherever applicable.

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

- (a) Contribution, if any, 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.
- (b) Payment of Gratuity as per the policy of the Company.
- (c) Encashment of leave at the end of the tenure.

He shall also be eligible for Company's car with driver.

Provision of car for use on the Company's business and telephone at residence and mobile would not be considered as perquisites. Personal long distance calls on telephone/mobile and use of car for private purpose would be billed to the Manager.

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

Subject to the above terms and conditions, the Board of Directors/Remuneration 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.

Mr. Vipin Mital subject to the supervision, control and directions of the Board shall manage 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 brief profile of the Company as well as Mr. Vipin Mital as required under the revised Schedule XIII are given hereunder:

The Company is primarily in the business of manufacturing of packaging, printing and allied machines & structure and fabrication and electro mechanical construction and other contracting job.

The Company was incorporated in 1984 and has an excellent growth record since its inception barring the last couple of years. Its turnover jumped from Rs 377.22 lacs in 1990 to Rs1594.16 lacs in 1993 and to Rs 11805.87 lacs in 1996. The net profit increased from Rs.104.22 lacs in 1990 to Rs.505.44 lacs in 1993 and to Rs 2358.12 lacs in 1996. However during the last couple of years due to depressed economy and subdued market condition more particularly in the capital goods industry the Company could not sustain its earlier growth and its performance was severely impacted. However, due to sustained efforts by the Management to improve the productivity and sales volume by initiating various corrective measures, the Company has been able to achieve a turnover of Rs.6778.31 lacs and net profit of Rs.740.39 lacs during the year ended March, 2003.

The Company not only supplies its products in the domestic market, but also has its presence in the international market, thereby earns valuable foreign exchange.

The Company has invested in the equity shares of Kazpack Limited, a joint venture company at Kazakhstan aggregating to Rs. 211.28 lacs. However, the Company has sought the approval

of Reserve Bank of India for disposing off the entire equity holding in the Joint Venture Company to a prospective buyer.

Mr. Vipin Mital is also the 'Manager' under the Companies Act, 1956 of Flex Securities Limited, the wholly-owned subsidiary of Flex Engineering Limited and is not drawing any salary from the said Company.

Mr. Vipin Mital is a graduate in Chemical Engineering from the Indian Institute of Technology, New Delhi and has also done his Post Graduation in Business Management from the Indian Institute of Management, Ahmedabad. He got varied experience of more than 30 years with leading companies, specifically in the area of Management Consultancy, Project Planning & Execution, General Management and Exports. He has been associated with Flex Group of Companies since 1990 in various senior positions. Currently, he is the Chief Executive of Flex Engineering Limited and drawing remuneration from the Company. With his background and experience, his re-appointment as 'Manager' under the Companies Act, 1956 will be beneficial and in the interest of the Company.

The Board recommends his re-appointment as 'Manager' under the Companies Act, 1956 for the your approval.

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

This should be considered as an abstract of the terms of re-appointment of Mr. Vipin Mital as Manager of the Company and a Memorandum as to the nature of the concern or interest of the Directors in the said re-appointment as required under Section 302 of the Companies Act, 1956.

ITEM NO. 7

With a view to further strengthen and broad base the Board, the Directors of the Company appointed Mr. Ajay Tandon as an Additional Director of the Company w.e.f. 29th July, 2003.

Mr. Ajay Tandon has done his B.E. (Mechanical) from University of Madras in 1976. He has more than 27 years of rich and rewarding experience and has held several prestigious assignments/positions in various organizations of repute such as Philips India Ltd, Onida Group and is associated with the Flex group since last 4-5 years.

In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 100 of the Articles of Association of the Company he holds office upto the date of this Annual General Meeting.

The Company has received a notice from a member of the Company along with requisite fee under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Ajay Tandon to the office of Director.

The Directors feel that the induction of Mr. Ajay Tandon would further strengthen the Board and would be beneficial and in the interest of the Company.

The Board recommends the resolution for your approval.

Except Mr. Ajay Tandon, none of the Directors of the Company is concerned or interested in this Resolution.

ITEM NO. 8

The equity shares of the Company are presently listed on the following seven Stock Exchanges in India:

- a) The Delhi Stock Exchange Association Limited, Delhi (DSE)
- b) The Stock Exchange, Mumbai (BSE)
- c) National Stock Exchange of India Limited, Mumbai (NSE)
- d) The Stock Exchange, Ahmedabad
- e) The Uttar Pradesh Stock Exchange Association Limited, Kanpur
- f) Madras Stock Exchange Limited, Chennai



FLEX ENGINEERING LIMITED

g) The Calcutta Stock Exchange Association Limited, Kolkata

Data on trading volumes indicates that the Company's equity shares are not traded in material volumes at Stock Exchanges other than NSE and BSE. Most/majority of the trading on the equity shares of the Company is being done through NSE and BSE. In addition to the above, both NSE and BSE have extensive networking of trading terminals, which facilitates trading by Members/Investors across the country. The trading volumes in the Company's equity shares on the other Stock Exchanges are either nil or insignificant. Continued listing on such Stock Exchanges neither serves the interest of the Members/Investors nor that of the Company.

In view of the above and further to avoid incurring of unproductive cost and interaction with so many Stock Exchanges, it is felt desirable to discontinue the listing of the equity shares of the Company from some of the Stock Exchanges. Accordingly, the Board of Directors of your Company ("the Board") at its meeting held on 13th August, 2003 have recommended for the approval of the Members, the proposal to voluntarily delist the Company's equity shares from the Stock Exchanges at Ahmedabad, Kanpur, Chennai, Kolkata and Delhi. The Company's shares will however continue to be listed on The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd (NSE).

In accordance with the Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003, consent of the Members by way of a Special Resolution is required for voluntary delisting of the Company's equity shares from the aforesaid Stock Exchanges.

The Board of Directors recommend the Resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

ITEM NO. 9

The Company is authorized by its Articles of Association to contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees. By virtue of Section 293(1)(e) of the Companies Act, 1956 however, the maximum limit which can be so contributed in any financial year is Rs.50,000/- or 5% of the Company's average net profits during the three immediately preceding financial years, as determined in accordance with Sections 349 and 350 of the Companies Act, 1956, whichever is higher. However, with the approval of the Members, a Company could make contribution in excess of the aforesaid limits.

Accordingly, consent of the Members is being sought to authorize the Board of Directors and/or Committee of Directors of the Company to make such contributions in a financial year up to a limit of Rs.1.00 crores or 5% of the Company's average net profits during the three immediately preceding financial years as determined in accordance with Sections 349 and 350 of the Companies Act, 1956, whichever is higher.

The Board of Directors recommend the Resolution for your approval.

None of the Directors is concerned or interested in the Resolution.

By Order of the Board

Place : NOIDA
Dated : 13th August, 2003

PRABHAT NANDA
Company Secretary

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

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING.

(In pursuance to Clause 49 of the Listing Agreement)

Name of Director	Mr. Premjit Singh	Mr. R.K. Jain	Mr. G.N.Gupta	Mr. Ajay Tandon
Date of Birth	01.04.1929	24.09.1954	23.07.1931	17.10.1953
Date of Appointment	27.12.1993	30.07.1999	27.12.1993	29.07.2003
Experience in specific functional areas	Has served the Banking Industry for over 40 years in various capacities and retired as Chairman-cum-Managing Director of Bank of Baroda.	A Chartered Accountant having more than 23 years of experience particularly in the field of Finance, Accounts and Taxation. Associated with the Flex Group almost since inception and as such, is quite familiar with the affairs of the group activities.	He is Tax Consultant and retired as chairman of the Central Board of Director Taxes. He has vast & varied experience and has held several important positions during the illustrious career with the Central Government.	Has done B.E. (Mechanical) and having more than 27 years of rich and rewarding experience in the field of Production and Marketing. He has held several prestigious assignments/positions in various organization of repute such as Philips India Ltd. and Onida.
Qualification	M.A., L.L.B.	F.C.A.	M.Sc. (Maths) L.L.M.	B.E. (Mechanical)
Directorship in other public limited companies	1. I.G.Petrochemicals Ltd.	1. FCL Technologies & Products Ltd. 2. Flex Foods Ltd. 3. Flex America Inc.	1. Archana Airways Ltd. 2. Manoj Housing Finance Co. Ltd. 3. Yash Paper Ltd. 4. Asian Fertilizers Ltd. 5. Flex Foods Ltd.	Nil
Chairman/Member of Committees of the Board of the public limited Companies on which he is a Director	Audit Committee 1. I.G.Petrochemicals Ltd. (Chairman) 2. Flex Engineering Ltd. Remuneration Committee 1. Flex Engineering Ltd. Shareholders'/Investors' Grievances Committee 1. I.G. Petrochemicals Ltd. Chairman	Audit Committee 1. Flex Engineering Ltd. 2. FCL Technologies & Products Ltd. 3. Flex Foods Ltd. Remuneration Committee 1. Flex Engineering Ltd. 2. FCL Technologies & Products Ltd. 3. Flex Foods Ltd. Shareholders'/Investors' Grievances Committee 1. Flex Engineering Ltd. 2. FCL Technologies & Products Ltd. 3. Flex Foods Ltd.	Audit Committee 1. Flex Engineering Ltd. (Chairman) 2. Yash Papers Ltd. (Chairman) 3. Flex Foods Ltd. Remuneration Committee 1. Flex Engineering Ltd. (Chairman) 2. Flex Foods Ltd. (Chairman) Shareholders'/Investors' Grievances Committee Nil	Audit Committee Nil Remuneration Committee Nil Shareholders'/Investors' Grievances Committee Nil



FLEX ENGINEERING LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2003.

Financial Results

The summarized financial results for the year ended 31st March, 2003 and for the previous year ended 31st March, 2002 are as under:

	Year ended 31.03.2003	(Rs. in lacs) Year ended 31.03.2002
Sales & Job Work	6778.31	2607.93
Other Income	242.24	272.35
Profit before Interest, Financial Charges, Depreciation & Taxation	1742.92	860.44
Less :		
i) Interest & Financial Charges	319.52	436.36
ii) Depreciation	291.42	312.16
	610.94	748.52
Profit before tax	1131.98	111.92
Less		
i) Provision for income tax	35.26	—
ii) Provision for wealth tax	3.18	3.20
iii) Provision for deferred tax charge	353.80	25.38
iv) Short provision for earlier year for Income Tax	—	0.64
Add		
- Excess provision for earlier years written back	0.65	2.17
Net Profit	740.39	84.87

Review of Operations

During the year under review, despite various constraints including tight liquidity position and unhealthy capital goods industry, your Company has been able to improve its performance commendably both in terms of turnover and profitability as compared to previous financial year. The sales in terms of value were Rs.6778.31 lacs as against sales of Rs.2607.93 lacs, a growth of almost 160%. The net profit also improved significantly from Rs.84.87 lacs in the previous financial year to Rs. 740.39 lacs during the year under review registering a handsome increase of almost 772%. The turn around and substantial improvement in the performance was achieved mainly due to stringent financial discipline and partial execution of the order for supply of LPG cylinders received by the Company from Iraq, through United Nations, under Oil for Food Programme. Improvement in the packaging, printing and allied machines business and thrust to exploit the inherent strength of the Company by taking up assignments for job work, services and annual maintenance contracts had also a positive impact on the performance of the Company.

Your Directors having carefully considered the Company's operations for the year under review, the current and future business scenario/requirements thought it prudent not to declare any dividend. Thus no dividend is being recommended for the financial year under review.

Finance

During the year under review, the Company has fulfilled all the requirements of the Negotiated Settlement Scheme as approved by ICICI Bank Limited and is regular in the payment of all its dues to the Financial Institutions.

Further, keeping in view the current and projected Cash Flow and fund requirements, the Company has reached an agreement with its Bankers to reduce its Working Capital limits and is in the process of repaying the Working Capital term loans.

With the repayment of loans to the Financial Institutions and Bankers, your Directors are hopeful that the Company will save substantially towards Interest and Financial Charges, which will further boost the profitability of the Company in the coming years.

Subsidiary Company

The Annual Accounts along with Reports of Auditors and Directors' of Flex Securities Limited, the wholly-owned subsidiary of your Company are attached together with the statement under Section 212 of the Companies Act, 1956.

Consolidated Financial Statement

In accordance with Accounting Standard - 21 - Consolidated Financial Statements read with Accounting Standard - 23 - on accounting for investments in Associates, your Directors have pleasure in attaching the Consolidated Financial Statement, which form part of this Annual Report & Accounts. The Consolidated Financial Statement have been prepared on the basis of financial statements received from the Subsidiary & Associate companies, as approved by their respective Board of Directors.

Fixed Deposit

Your Company discontinued acceptance of fixed deposit. As at 31st March, 2003 fixed deposits of Rs 1.97 lacs was outstanding. Further, 13 deposits totaling Rs 1.09 lacs shown under the head 'Current Liabilities' having matured for repayment were due for claim or renewal by the depositors as at 31st March, 2003 and out of this one deposit totalling Rs.0.06 lacs have subsequently been repaid. There has been no delay in making repayment of fixed deposits on maturity on fulfillment of the terms and conditions of your Company's scheme.

Directors

IFCI Limited withdrew the nomination of Mr. R.V. Rao as their nominee from the Board of Directors of the Company and has nominated Mr. B.N. Nayak, Dy. General Manager, IFCI Limited, as their new nominee with effect from 29th January, 2003.

Further, with a view to further strengthen and broad base the Board of Directors and to boost the overall professional image of the Company, Mr. Ajay Tandon was inducted on the Board of your Company as an Additional Director w.e.f. 29th July, 2003 in terms of the provisions of Section 260 of the Companies Act, 1956 and in accordance with Article 100 of the Articles of Association of the Company. Mr. Ajay Tandon holds office up to the date of this Annual General Meeting.

Mr. Ajay Tandon, an engineer by profession has more than 27 years of rich and rewarding experience and has held several prestigious assignments/positions in various organizations of repute such as Philips India Limited, Onida Group. He is associated with the Flex Group since the last 4-5 years.

In accordance with the provisions of Section 260 of the Companies Act, 1956 he holds office up to the date of the ensuing Annual General Meeting. Notice in writing, as required under Section 257 of the Companies Act, 1956 along with requisite fee have been received from a member of the Company proposing his appointment as a Director of the Company at the ensuing Annual General Meeting. Your directors recommend his appointment.



FLEX ENGINEERING LIMITED

With effect from 1st February, 2003, Mr. Amitava Ray, Mr. N. Sitaraman and with effect from 10th July, 2003 Mrs. Rashmi Chaturvedi resigned from the Directorship of the Company.

Your Directors while welcoming Mr. B.N. Nayak (Nominee IFCI) and Mr. Ajay Tandon on the Board of the Company also take this opportunity to place on record their appreciation for the valuable services rendered by Mr. R.V. Rao, Mr. Amitava Ray, Mr. N. Sitaraman and Mrs. Rashmi Chaturvedi during their tenure as Directors of the Company.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Premjit Singh, Mr. R.K. Jain and Mr. G.N. Gupta Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Brief resume of the Directors seeking appointment/re-appointment at this Annual General Meeting, nature of their expertise in specific functional areas and the name of the public limited companies in which they hold the Directorship and the Chairmanship/ membership of the Committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given as Annexure to the Notice convening the 18th Annual General Meeting elsewhere in the Annual Report.

Delisting of Equity Shares

The equity shares of your Company are presently listed on seven Stock Exchanges, viz. The Delhi Stock Exchange Association Limited, Delhi (DSE), The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Limited, Mumbai (NSE), The Stock Exchange, Ahmedabad, The Uttar Pradesh Stock Exchange Association Limited, Kanpur, Madras Stock Exchange Limited Chennai and the Calcutta Stock Exchange Association Limited, Kolkata.

Data on trading volumes indicates that the Company's shares are not traded in material volumes at Stock Exchanges other than NSE and BSE. NSE and BSE account for the majority of the traded volumes of the Company's shares and have extensive networking of trading terminals, which facilitate trading by Members/Investors across the Country.

The Board of Directors of your Company at their meeting held on 13th August, 2003 have recommended for the approval of the Members, the proposal to voluntarily delist the Company's shares from five Stock Exchanges at Delhi, Chennai, Kolkata, Ahmedabad and Kanpur. The Company's shares will however continue to remain listed on the NSE and BSE.

A Special Resolution seeking your approval to such delisting is appearing in the Notice convening the 18th Annual General Meeting.

Corporate Governance

Your Company has implemented all the stipulations of the Corporate Governance Practices set out by the Securities & Exchange Board of India and as provided in Clause 49 of the Listing Agreement entered into with the Stock Exchanges. A separate Report on Corporate Governance along with the Auditors' Certificate on its compliance by the Company is included as a part of the Annual Report. However, due to change of status of some of the Directors from independent to non-executive and withdrawal of its nominee by IFCI Limited, the minimum

requirement of independent Directors as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges could not be fulfilled for a specific period during the year 2002-2003. The same has since been complied with and fulfilled.

Directors' Responsibility Statement

On the basis of the compliance certificates received from the executives of the Company, subject to the disclosures in the Annual Accounts and also on the basis of discussion with the Statutory/ Internal Auditors of the Company, from time to time, we state as under:

1. That in preparation of the annual accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed and that there have been no material departures.
2. That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review.
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records 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. That the Directors have prepared the annual accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audit to provide reasonable assurance that the Company's established policies and procedures have been followed. The Audit Committee constituted by the Board reviews the internal control and financial reporting issues with Internal Auditors.

Auditors & Audit

M/s. Vijay Sehgal & Co., Chartered Accountants, Delhi, Auditors of the Company, retire at the forthcoming Annual General Meeting and are recommended for re-appointment. Your Company has also received a certificate from M/s. Vijay Sehgal & Co., Chartered Accountants to the effect that the appointment, if made, would be within the limits as prescribed under Section 224(1B) of the Companies Act, 1956.

The observations of the Auditors and the relevant notes on the Accounts are self-explanatory and therefore do not call for any further comments.

Particulars of Employees

None of the employees were in receipt of remuneration in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956. Hence, no particulars are required to be given in pursuance of the said Section read with the Companies (Particulars of Employees) Rules, 1975.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information under 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 is given in Annexure 'A' forming part of this Report.



FLEX ENGINEERING LIMITED

Personnel

Personnel relations with all employees remained cordial and harmonious through out the year. Your Directors wish to place on record their sincere appreciation for the devoted services of all employees of the Company.

Acknowledgement

Your Directors take this opportunity to thank and acknowledge the co-operation and assistance received from various agencies of the Central Government, Government of Uttar Pradesh, Financial Institutions, Banks and Customers during the year under review. The Board also wishes to place on record their deep appreciation for the continued support of the Shareholders of the Company.

For and on behalf of the Board

Place : NOIDA

ASHOK CHATURVEDI

Dated : 13th August, 2003

Chairman

ANNEXURE 'A' 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 constantly been emphasizing on optimization of energy consumption in every possible area in its unit. Various avenues are being explored at periodic interval and after careful analysis and planning measures are being initiated to minimize the consumption of energy by optimum utilization of energy conserving equipments. During the year under review the following measures were initiated/adopted for conservation and optimum utilization of energy:

- a) Timely maintenance of machines to reduce frictional losses and thereby maximizing efficiency.
- b) Creating awareness amongst all its workers/staff members to make maximum use of natural lights and sensibly use electrical appliances like fans, air conditioners etc.
- c) Reviewing on a periodic basis all the measures initiated/adopted for conservation of energy.
- d) Reducing wastage of water by using better methods of distribution and use.
- e) Frequent cleaning of all lighting equipment like bulbs, tubes etc.
- f) Reducing wastage/spillage of fuel like diesel.

Because of all the above measures, the Company has one of the lowest energy consumption costs in similar type of activity/industry.

2. Technology Absorption, Adaptation & Innovation

- i) It has been the endeavor of the Company to put more and more thrust on increasing the level of automation in its entire range of manufacturing process so as to achieve better quality and higher productivity.
- ii) The Company has successfully undertaken various projects for manufacturing machines as per the specific

requirements of its customers both in domestic and international market.

Several projects that have been successfully undertaken by the Company are:

- Developing various models of existing packaging machines to accommodate multiple products at the same time.
- Developing packaging machine for packing higher quantities of items like flour.
- Developing/adding additional features to existing lamination, printing, slitting and other packaging machines.
- Developing solvent less laminator.
- iii) The Company as a matter of policy exposes its technical staffs to the latest developments by encouraging them to participate in domestic as well as global technical seminars and expositions and this helps them to further improve their knowledge and skills, which in turn results in better quality products and increased productivity.

3. Research & Development

During the year the Company has spent Rs.32.29 lacs on Research & Development. This is equivalent to 0.46% of the total turnover.

4. Foreign Exchange Earnings and Outgo

(Rs. in lacs)

i) Earnings in Foreign Exchange	
a. Export of goods on FOB basis	2776.23
b. Service Charges received	13.40
	<hr/>
	2789.63
ii) Expenditure in Foreign Currency	
a. Raw Materials	39.10
b. Traveling Expenses	36.96
c. Bank Charges	15.85
	<hr/>
	94.91

For and on behalf of the Board

Place : NOIDA

ASHOK CHATURVEDI

Dated : 13th August, 2003

Chairman



FLEX ENGINEERING LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

(The Company assumes no responsibility in respect of forward looking statements, which may be amended in future on the basis of subsequent developments or events.)

1. Business Review

The Company is primarily in the business of manufacture of packaging, printing and allied machines & structure and fabrication and electro mechanical construction and other contracting job.

The packaging, printing and allied machines business in India is part of the Capital Goods Industry.

During the general economy up swing in the nineties the demand for various products and goods were on the rise. Buoyant economy and increased demand led to massive expansion and entry of new players in different industry catering to the general need of the customers. Increased industrial activities necessitated a rise in the demand for capital goods industry. Encouraged by the demand and future prospect, not only the existing players in the Capital Goods Industry expanded their capacity, but a host of new entities entered the market both in the organized and un-organized sector. However, during 1996-97 the economy was adversely affected by low industrial production growth and high interest rate etc. The slowing down of economy resulted in low demand across the board leading to low capacity utilization, reduced industrial activities which had an adverse impact on the Capital Goods Industry first and leaves it at the last. A general recession hits the Capital Goods Industry first and leaves it at the last. Therefore, though the economy has started looking up with increased industrial activities, good forex reserve and host of other favourable factors, but still the Capital Goods Industry is yet to come out completely from the affects of recessionary trend.

Therefore, though the Company has the state-of the-art manufacturing facilities at its plant at NOIDA and expertise to manufacture different machines of various grade and design as per the requirements of the customers, it could not fully exploit and utilize its capacity.

However, more and more emphasis/focus to exploit the inherent capabilities of the Company and its personnel by taking up job work, services and annual maintenance contract had a significant positive impact on the working and profitability of the Company.

The turnaround and significant improvement in the performance and profitability of the Company also came through the part execution of the order received from Iraq, through the United Nations, under the Oil for Food Programme for supply of 12 lacs LPG cylinders of approximately Rs.115 crores.

These factors coupled with sustained efforts of the Management for improved performance enabled the Company to clock a turnover of Rs. 67.78 crores as against a turnover of Rs. 26.08 crores in the previous financial year, registering a massive jump of approximately 160%, despite overall slump in the Capital Goods Industry.

2. Opportunities and Threats

The Indian economy is looking up with all round growth, low interest rate and increased industrial activities. With a good monsoon and increased purchasing power, it is expected that the FMCG Sector, the main customers of the Company will have an upturn in their business. Further, with the rise in industrial activities, there will be better and increased demand for the Company's products. The Company with its innovative skill and expertise and a state-of- the-art manufacturing facilities is well placed to produce and supply quality products of international standard to the optimum satisfaction of the customers. The demand in the international market for the packaging, printing and allied machineries is also encouraging and the Company is seriously exploring various alternatives and avenues to improve its presence in that market. With high standard quality products and competitive prices, your Company expects much better business opportunities in the years to come.

The Company also sees an opportunity in post war Iraq and is examining various business proposition and opportunities for reconstruction work through consortium approach.

Though, the economy has started looking up, but the Capital Goods Industry is yet to recover completely from the recessionary affects. Industries in India are not going all out with their expansion and diversification plans, instead there is sign of restrain and wait. This trend and policy is not conducive and does not augur well for the revival of the Capital Goods Industry. The competition from the un-organized sector has also its adverse affect on the performance of the Company.

Further, though there are probable business opportunities in Iraq but the situation up there is quite uncertain and fluid. Moreover, the Company will face stiff competition in terms of technology and pricing from host of other interested parties from all over the world.

3. Future Outlook

The Company is quite optimistic and buoyant about its performance and business opportunities in the years to come. The steps initiated by the Management to have a more viable organization through re-engineering and re-structuring have almost been completed. This has resulted in savings in cost of production and improvement in quality of product, which in turn will add to the profitability of the Company. Innovation and production of machineries to the fullest satisfaction of its existing and new customers with better and efficient means is the need of the day, which the Company recognizes and tries to adhere to. A lot of new machineries and models are being designed and produced to meet the demand of the flexible packaging industry. With the emphasis to improve the design of packing by the FMCG Industry to have a better shelf life of their products and to attract the attention of the customers, the demand for flexible packaging products are on the rise, which in turn will have a positive impact on the demand for the machineries designed and produced by the Company.