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8th ANNUAL REPORT 1997-98

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FLEX FOODS LIMITED



FLEX FOODS LIMITED

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman

HARISH CHATURVEDI

V.D. CHATURVEDI

T.N. PANDEY
(Nominee - ICICI)

R.K. ATAL

R.K. GUPTA

MANAGEMENT EXECUTIVES

L. TAKRU
Chief Executive

RAJESH DHEER
Company Secretary

AUDITORS

JAIN SINGHAL & ASSOCIATES
Chartered Accountants
303, Eros Apartments
56, Nehru Place
New Delhi - 110 019
(Statutory Auditors)

BANKERS

CANARA BANK

REGISTERED OFFICE

M-27, Commercial Complex
Greater Kailash-II
NEW DELHI - 110 048

SHARE DEPARTMENT

M-107, Greater Kailash - II,
New Delhi - 110 048
Ph.: 6461805, 6440917
Fax : 6216922

WORKS

Lal Tappar Industrial Area
Hardwar Road,
Dehradun
UTTAR PRADESH

Chhiddewala
Dehradun
UTTAR PRADESH



FLEX FOODS LIMITED

NOTICE

Notice is hereby given that the 8th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday the 26th day of September, 1998 at 10:00 A.M. at Charming Meadows, A-18, Ansal Farm Villas, Satbari, Mehrauli, New Delhi - 110030 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1998 and the Profit & Loss Account for the year ending on that date together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Harish Chaturvedi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration. M/s Jain Singhal and Associates, Chartered Accountants, New Delhi, retire at the conclusion of ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr. Ravinder Kumar Gupta, who was appointed as an Additional Director w.e.f. 18.12.1997 u/s 260 of the Companies Act, 1956 and who holds office upto the date of the ensuing Annual General Meeting be and is hereby appointed as a Director liable to retire by rotation."

By Order of the Board

Place : NOIDA
Date : 22nd August, 1998
Regd. Office :
M-27, Commercial Complex
Greater Kailash - II
New Delhi - 110048.

RAJESH DHEER
Company Secretary

NOTES :

1. 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.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 23.09.98 to 26.09.98 (both days inclusive).
3. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct Folio number(s).
4. 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 on or before 15.09.1998.
5. Members seeking further information about the Accounts are requested to write at least one week before the date of Meeting, so that it may be convenient to get the information ready at the Meeting.

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

ITEM NO. 4

The Board of Directors have appointed Mr. Ravinder Kumar Gupta as an Additional Director in their meeting held on 18th December, 1997.

Shri Ravinder Kumar Gupta is a graduate and actively engaged in the business of premium chewing tobacco. He is the Promoter and Wholtime Director of Dharmpal Premchand Ltd. and Partner of M/s Swastick Fragrances manufacturer of premium quality Tobacco & Pan Masala. The Board feels that his induction would further strengthen the Board and his experience specially in export would be helpful to the Company.

A notice has been received from a member u/s 257 of the Companies Act, 1956 alongwith requisite deposits proposing his candidature for appointment to the office of Director.

The Board recommends his appointment.

Except Shri Ravinder Kumar Gupta, no other Directors of the Company is concerned or interested in this resolution.

By Order of the Board

Place : NOIDA
Date : 22nd August, 1998
Regd. Office :
M-27, Commercial Complex
Greater Kailash - II
New Delhi - 110048.

RAJESH DHEER
Company Secretary



FLEX FOODS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors present their 8th Annual Report together with the Audited Accounts of the Company for the period ended 31st March, 1998.

FINANCIAL RESULTS

The summarised financial results for the period ended 31st March, 1998 and for the previous year ended 31st December, 1996 are as follows :

	(Rupees in lacs)	
	Period ended 31.03.1998 (15 months)	Previous year ended 31.12.1996
Sales	1835.64	1562.84
Other Income	134.80	18.57
Profit before Interest, Financial Charges and Depreciation	409.73	487.79
Interest & Financial Charges	263.68	251.22
Cash Profit	146.05	236.57
Depreciation	165.87	127.63
Net Profit/Loss	(19.82)	108.94

REVIEW OF OPERATIONS

The Company extended its Financial Year ending 31st December, 1997 to 31st March, 1998. Accordingly, the Financial Year under review is of 15 months period, whereas the previous Financial Year was of 12 months period.

During the period under review, the overall performance of the Company remained below expectation. The performance remained lackluster as the margin were under severe pressure mainly on account of depreciation of European currencies against US dollar, higher input costs particularly significant increase in the power cost, increased competition mainly from China. Further the canned mushroom market remained depressed on account of low export prices. These factors offset the advantages from the depreciation of the Rupee. However, despite these adverse factors and constraints, which were virtually beyond the control of the Management, your Company due to its excellent reputation in the international market as suppliers of quality freeze dried products, managed to achieve a reasonably respectable level of exports of Rs.1666.39 lacs constituting about 91% of its total sales of Rs.1835.64 lacs.

However, there was substantial improvement in the other income which was mainly on account of design and development income earned by the Company.

OUTLOOK FOR THE CURRENT YEAR AND FUTURE PROSPECTS

With a view to containing increasing power cost and higher consumption of power during June - September, the mushroom farming was being discontinued which was

expected to result in both energy conservation as well as lower cost. This opportunity was being effectively utilised to process other freeze dried products viz. onion, garlics, herbs etc., which would not only enable your Company in balancing but also achieving optimum uniform utilisation of freeze drying facilities round the year.

The Company's technical collaboration and buy-back agreement with M/s Danish Freeze Dry, Denmark to maximise production of higher contribution herbs was progressing on well and the trial cultivation for development and production of more complete range of freeze dried herbs had already been initiated.

Though the market for freeze dried products continues to be under pressure, however, with gradual changing over to the higher contribution items, the Company expects to fare much better in coming days.

Efforts to reduce the over-head costs without affecting the operational activities were being continued. The demand for the Company's products remains good and the new products introduced have also been very well accepted.

DIVIDEND

Your Directors regret their inability to recommend any dividend due to loss during the period under review.

FIXED DEPOSIT

During the period under review, your Company did not accept any Fixed Deposit from the Public.

DIRECTORS

Consequent upon the merger of SCICI with ICICI, the nomination of Mr. M.G. Gupta from the Board was withdrawn by ICICI during the year and accordingly Mr. M.G. Gupta ceased to be Director of the Company. The Board is pleased to place on record its appreciation of the valuable services rendered by Mr. M.G. Gupta during his tenure as ICICI Nominee on the Board.

Mr. T.N. Pandey earlier the nominee of SCICI continues as Nominee Director of ICICI on the Board.

Mr. Harish Chaturvedi, Director of the Company retires by rotation and being eligible offer himself for re-appointment.

Mr. R.K. Gupta was appointed as an Additional Director on the Board w.e.f. 18.12.97. A Notice under section 257 of the Act has been received from a member proposing his appointment as a Director of the Company at the Annual General Meeting.

Your Directors recommend his appointment.

AUDITORS

The Auditors of the Company, M/s. Jain Singhal & Associates, Chartered Accountants, New Delhi retire and being eligible offer themselves for re-appointment.

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 explanation.



FLEX FOODS LIMITED

PARTICULARS OF EMPLOYEES

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & 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 'B' forming part of this Report.

harmonious through out the year, thereby strengthening the commitment of the employees of all levels to the growth of the Company.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the cooperation extended by various agencies of Central Government, Government of Uttar Pradesh, Financial Institutions, Banks and Customers during the period under review. The Board takes this opportunity to express its deep gratitude for the continuous support received from the shareholders and debentureholders of the Company.

For and on behalf of the Board,

PERSONNEL

Personnel relation with all employees remain cordial and

Place : NOIDA

Date : 22nd August, 1998

Ashok Chaturvedi

Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

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

EMPLOYED FOR THE FULL YEAR

Sl. No.	Name	Age	Designation	Remuneration (Rs.)	Qualifications	Experience (Yrs.)	Date of Appt.	Last Employment (Position Held)
1.	Mr. Takru L.	47	Chief Executive	12,13,406	B.Tech. P.G.D.M.	23	01.09.96	Flex Industries Ltd. (Chief Executive - Operations)

1. Remuneration includes Salary, bonus, contribution to Provident Fund and all other perquisites taxable or non-taxable.
2. 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

Energy Conservation measures adopted in the previous year viz.:

- (a) Recycle condensate as boiler feed water ; and
- (b) Regulation of fresh air intake at the mushroom farm have been continued during the year.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the period the Company has made export of manufactured/trade goods on FOB basis to the tune of Rs.1666.39 lacs.

The expenditure incurred in Foreign Exchange during the period amounts to Rs. 55.15 lacs.

2. TECHNOLOGY ABSORPTION

The Company has entered into technical collaboration and buy-back arrangement with M/s Danish Freeze Dry, Denmark for development and production of a more complete range of Freeze Dried herbs and steps have been initiated for implementation of the same. Under this agreement, visits of technical personnel have taken place for training and about 15 Acres of land has been taken up for trial cultivation on contract farming.

For and on behalf of the Board,

Place : NOIDA

Date : 22nd August, 1998

Ashok Chaturvedi

Chairman



FLEX FOODS LIMITED

AUDITORS' REPORT

To The Members of
Flex Foods Limited
New Delhi

We have audited the attached Balance Sheet of Flex Foods Limited as at 31st March, 1998 and Profit and Loss Account of the Company for the period ended on that date annexed thereto.

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(4-A) of the Companies Act, 1956, we enclose in annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
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 accounts, as required by law, have been kept by the Company, so far as appears from our examination of such books of accounts.
 - (iii) The Balance Sheet and Profit & Loss Account referred in this report are in agreement with the books of accounts.
 - (iv) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting policies and Notes to the Accounts given in Schedule-18 and Schedule- 19 respectively give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view, subject to Reconciliation of Refund against Public Issue of partly convertible Debenture as given in Note No. 5 of Schedule - 19, under notes, forming part of the Accounts.
 - (a) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 1998; and
 - (b) In the case of the Profit & Loss Account, of the loss of the company for the period ended on that date.

For Jain Singhal & Associates
Chartered Accountants

Place : NOIDA
Dated : 22nd August, 1998

Samudar S. Jangir
Partner

ANNEXURE TO THE AUDITORS' REPORT OF FLEX FOODS LIMITED FOR THE PERIOD ENDED 31ST MARCH 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 its fixed assets. The fixed assets of the Company were physically verified by the management at the end of the period and no discrepancies, are stated to have been noticed on such verification as compared to book records. In our opinion, the frequency of physical verification is reasonable having regard to the size of the company and the nature of the assets.
2. None of the fixed assets of the company have been revalued during the period.
3. According to the information and explanations given to us, the stock of raw materials, work in progress, finished goods and stores have been physically verified by the management at the end of the period.
4. In our opinion and according to the information and explanations given to us, the procedures 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. No discrepancies have been noticed on such physical verification of stocks as compared to book records.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as followed in the previous year.
7. According to the information and explanations given to us, the Company has taken interest free unsecured loans from companies required to be listed in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the terms & conditions of such loans are not prima-facie prejudicial to the interest of the company. Further, the company has not taken any other loan secured or unsecured from the companies, firms and other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956, and/or from the companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
8. According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to the companies, firms or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956, and/or to the companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.



FLEX FOODS LIMITED

9. As explained to us, the company has given interest free loans to the employees of the company and they are repaying the principal as stipulated.
10. 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 regards to purchase of stores, raw materials including components, plant and machinery and other assets.
11. According to the information and explanations given to us, the transactions of purchase of goods and material, and the payment of service charges and lease rent made in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year Rs. 50,000/- (Rupees fifty thousand) or more in respect of each party were made and where the comparative market prices were not available considering the specialised nature of the goods purchased, and services received, we have been informed that the prices paid are reasonable considering the nature of the goods and work involved in the goods so purchased.
12. As explained to us, the company has determined unserviceable or damaged stores, raw materials and adequate provisions have been made for the loss in accounts on the items so determined.
13. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public within the meaning of section 58A of the Companies Act, 1956, and the directive issued by the RBI and the rules framed thereunder.
14. As explained to us, the company has no by-product or scrap at the end of the year. The scrap generated are stated to be insignificant and accordingly no records for scrap are maintained.
15. In our opinion and according to information and explanations given to us, the company has an adequate internal audit system commensurate with its' size and nature of its' business.
16. In our opinion and as explained to us, the company has been regular in depositing Provident Fund except 2 month. As the Employees State Insurance Act, 1948 do not apply to the Company at this stage and therefore the question of depositing Employees State Insurance dues with the appropriate authorities in time does not arise.
17. According to the information and explanations given to us, there was no undisputed amount payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty which was outstanding as at 31st March, 1998 for a period of more than six months from the date they became payable.
18. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses of directors and employees which have been charged to the revenue account nor have we been informed of any such case by the management.
19. In our opinion and according to the information and explanations given to us, the maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the product manufactured by the company.
20. The company is not a sick Industrial company within the meaning of clause (O) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. According to the information and explanations given to us, there are no damaged trading stocks and the question of providing for loss does not arise.

For Jain Singhal & Associates
Chartered Accountants

Place : NOIDA
Dated : 22nd August, 1998

Samudar S. Jangir
Partner