

9th
ANNUAL
REPORT
1998-99

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FLEX FOODS LIMITED



FLEX FOODS LIMITED

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman

HARISH CHATURVEDI

T.N. PANDEY
(Nominee - ICICI)

G..N. GUPTA

R. K. GUPTA

CHIEF EXECUTIVE

S.K. KAUSHIK

COMPANY SECRETARY

RAJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES
Chartered Accountants
E-169, Masjid Moth,
Greater Kailash - III
New Delhi - 110 048
(Statutory Auditors)

BANKERS

CANARA BANK

REGISTERED OFFICE

Lal Tappar Industrial Area,
P.O. Resham Majri,
Haridwar Road,
Dehradun (U.P.)

SHARE DEPARTMENT

110, First Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash-I,
New Delhi - 110 048
Ph.: 6440917, 6440925
Fax : 6216922

WORKS

Lal Tappar Industrial Area
P.O. Resham Majri,
Haridwar Road,
Dehradun (U.P.)

Chhiddarwala
Haridwar Road,
Dehradun (U.P.)



FLEX FOODS LIMITED

NOTICE

Notice is hereby given that the 9th Annual General Meeting of Flex Foods Limited will be held on Monday the 20th day of September, 1999 at 12.30 P.M. at the Registered Office of the Company at Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun (U.P.) to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 1999 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 Ashok 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 pursuant to the provisions of Section 198, 269, 309, 310 & 386 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 S.K. Kaushik, Chief Executive as 'Manager' under the Companies Act, 1956 for a period of five years w.e.f. 24.8.1999 on the terms and conditions as to remuneration and the minimum remuneration in case of loss or inadequate profit in any financial year as set out in the Explanatory Statement which shall be deemed to form part hereof."

5. To consider and if thought fit, to pass with or without modification 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 :
'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.



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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) Even 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

Date : 24th August, 1999.

RAJESH DHEER

Company Secretary

Regd. Office :

Lal Tappar Industrial Area,
P.O. Resham Majri
Haridwar Road
Dehradun (U.P.)

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 20.09.99 to 24.09.99 (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. 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.
6. Members/Proxies should bring the attendance slip duly filled for attending the Annual General Meeting. No extra attendance slip will be provided at the venue of Annual General Meeting.

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

ITEM NO. 4

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 S.K. Kaushik as 'Manager' of the Company in terms of the provisions of the Companies Act, 1956. Shri Kaushik aged about 59 years is a Chartered Accountant. He has got varied experience of 36 years in the field of Finance, Marketing and Production Planning with leading Companies. 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 are as under :-

The remuneration of Shri S.K. Kaushik 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 maximum of 5% of the net profit of the Company. If in any financial year during the currency of the tenure of Shri S.K. Kaushik, the Company has no profits or the profits are inadequate, the Company may pay him remuneration by way of salary, perks and other allowances as per Schedule XIII of the Companies Act, 1956 or subject to the approval of the Central Government, if any, required in



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case the minimum remuneration exceeds from the limits as mentioned in Schedule XIII of the Companies Act, 1956.

The following perquisite which 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 calls and use of car for private purpose shall be billed by the Company to Shri S.K. Kaushik.

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 above conditions, the Chairman and/or 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 S.K. Kaushik 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 Director of the Company is concerned or interested in this resolution.

ITEM NO. 5

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 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 recommends the resolution for your approval.

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
Date : 24th August, 1999.

RAJESH DHEER
Company Secretary

Regd. Office :
Lal Tappar Industrial Area
P.O. Rasham Majri
Haridwar Road
Dehradun (U.P.)



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DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the 9th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS

The summarised financial results for the year ended 31st March, 1999 and for the previous period ended 31st March, 1998 are as follows :

	(Rupees in lacs)	
	Year ended 31.03.1999	Previous period ended 31.03.1998 (15 months)
Sales	1361.43	1835.64
Other Income	25.90	134.80
Profit before Interest & Financial		
Charges and Depreciation	368.21	409.73
Interest & Financial Charges	208.94	263.68
Depreciation	139.98	165.87
Profit/(loss) before Tax	19.29	(19.82)
Provision for Taxation	0.59	—
Profit/(loss) after Tax	18.70	(19.82)

REVIEW OF OPERATIONS

The financial year ended 31.3.1999 under review was of 12 months period while the previous financial period ended 31.3.1998 was of 15 months period and to that extent, the figures are not strictly comparable.

Though the performance for the year under review was better compared to the previous financial period ended on 31.3.98, the same could have been still better, but for the adverse business conditions which operated during the first half and have been mainly responsible for the overall subdued performance. With a view to contain the pressure of costs, particularly on account of higher power consumption and otherwise higher power tariff, the mushroom farm was temporarily shut down during the period June - September, 1998.

The opportunity was availed to process other freeze dried products such as onion, herbs etc. However, as the ill-luck would have it, the export of the freeze dried onions dealt a severe blow to the profitability because of unprecedented rise in the prices of onion in the Indian market. With a view to honour its export commitment and to maintain the image in the international market, the Company was left with no option but to procure the onion from the domestic market at a price much higher than what was anticipated at the time of accepting the export orders. Further, the devaluation of European Currencies and increased competition from China also resulted in lower export orders in hand for freeze dried mushroom products. The second half however, brought some good luck. The mushroom production was resumed in October, 1998.

To effectively neutralize the impact of the increasing competition in the international market and to make optimum utilisation of the available infrastructure and other technical facilities, the Company diversified its product range by undertaking processing of freeze dried herbs. The contribution margins in freeze dried herbs are much better as compared to mushrooms. The initial response has been quite encouraging as the Company's products have been very well accepted in the market. The production and export of freeze dried herbs resulted in better productivity and realisation during the second half of the year, which ultimately improved the bottom line.

Due to shut down of the mushroom farm in June - September, 1998 and processing of other freeze dried products including herbs, the mushroom production and consequently sale of freeze dried mushrooms during the year under review was much lower being 53.35 MT compared to 110.62 MT during the previous period. However, despite the adverse factors and constraints during the first half, the Company achieved a turnover of Rs.1361.43 lacs with gross profit at Rs.368.21 lacs and net profit at Rs.18.70 lacs as against turnover of Rs.1835.64 lacs, gross profit of Rs.409.73 lacs and a net loss of Rs.19.82 lacs in the previous financial period. Given the circumstances, the overall performance during the year could be considered reasonably satisfactory.

OUTLOOK FOR THE CURRENT YEAR AND FUTURE PROSPECTS

Keeping in view the continued competition in the international market, the Company has already decided to increase its products range where the contribution was better than the existing products. As planned last year, the Company has started commercial production of various freeze dried herbs and during the fiscal year 1999-2000 about 40% of its capacity would be utilized for herbs production. The Company's technical collaboration and buy-back agreement with M/s. Danish Freeze Dry, Denmark is quite sufficient to achieve the target for freeze dried herbs.

Due to increased demand for its product, the Company has initiated steps to increase the capacity of cold storage and freezing facilities.

Trial for change of raw material mix has also been started which will help in reducing the cost of production and would enable the Company to stand in the highly competitive international market.

The power tariff rates during the last two years had increased substantially. The Government of Uttar Pradesh appreciating the genuine difficulty of the mushroom industry have reduced the power tariff rate for the mushroom farming, which would definitely reduce the overall cost of power and fuel. Further a detailed study for reduction in consumption of power at farm is also going on and the complete impact would be observed by the end of third quarter of the fiscal



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year. Your Directors express their sincere thanks to the Uttar Pradesh Government for their positive approach and kind gesture.

DIVIDEND

Your Directors regret their inability to recommend any dividend due to insufficient profit during the year under review.

FIXED DEPOSIT

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

DIRECTORS

Shri R.K. Atal and Shri V.D. Chaturvedi resigned as Directors of the Company w.e.f. 28.04.99 & 23.07.99 respectively. The Directors place on record their appreciation of the valuable services rendered by Shri R.K. Atal and Shri V.D. Chaturvedi during their tenure as Directors of the Company.

Shri Ashok Chaturvedi, Director of the Company retires by rotation and being eligible offers himself for re-appointment.

Shri G.N. Gupta was appointed as Director of the Company in the casual vacancy caused due to resignation of Shri R.K. Atal.

MANAGER

Shri Loveraj Takru, Chief Executive and Manager of the Company resigned from the Services of the Company w.e.f. 15th May, 1999. Shri S.K. Kaushik, the new Chief Executive of the Company has been appointed as Manager under the Companies Act, 1956 w.e.f. 24th August, 1999.

AUDITORS

The Auditors of the Company, M/s. Jain Singhal & Associates, Chartered Accountants, New Delhi retire at the forthcoming Annual General Meeting 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.

Y2K COMPLIANCE

Management has taken adequate steps to avoid adverse affect on business due to year 2000. Approximately 65% work has already been completed. The remaining work shall be completed before 31st October, 1999. Remediation/ replacement cost shall be upto Rs.0.45 lacs. Elaborate arrangement are being made to safeguard against possible failure due to reasons beyond Company's control.

PARTICULARS OF EMPLOYEES

Information 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, 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.

PERSONNEL

Personnel relation with all employees remained cordial and harmonious through out the year, thereby strengthening the commitment of the employees at all levels to the growth of the Company.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the co-operation extended by various agencies of the Central Government, Government of Uttar Pradesh, Financial Institution, Bank and Customers during the year under review. The Board takes this opportunity to express its deep gratitude for the continuous support received from the Shareholders.

For and on behalf of the Board,

Place : NOIDA
Date : 24th August, 1999

ASHOK CHATURVEDI
CHAIRMAN