

12TH
ANNUAL REPORT
2001 - 2002



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FLEX FOODS LIMITED



FLEX FOODS LIMITED

2001 - 2002

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman

T. N. PANDEY

G. N. GUPTA

R. P. AGRAWAL

R. K. JAIN

R. K. GUPTA

N. SITARAMAN

S. K. KAUSHIK
Chief Executive

COMPANY SECRETARY

RAJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES
New Delhi
Statutory Auditors

VIJAY SEHGAL & CO.
Delhi
Internal Auditors

BANKER

CANARA BANK

REGISTERED OFFICE

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

SHARE DEPARTMENT

110, First Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash - I,
New Delhi - 110 048
Phone Nos. : 6440917, 6440925
Fax No. : 6216922
E-mail : flexsec@vsnl.net

WORKS

Lal Tappar Industrial Area,
P. O. Resham Majri,
Haridwar Road,
Dehradun
UTTARANCHAL

Chhiddarwala
Dehradun
UTTARANCHAL

**NOTICE**

Notice is hereby given that the 12th Annual General Meeting of the Members of Flex Foods Limited will be held on Monday the 30th day of September, 2002 at 3.00 P.M. at the Registered Office of the Company at Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun, Uttaranchal to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To appoint a Director in place of Shri R.K. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K. Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution:
"RESOLVED THAT Shri R.P. Agrawal, who was appointed as an Additional Director of the Company w.e.f. 22nd March, 2002 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 101 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."
6. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution:
"RESOLVED THAT Shri Narayanaswami Sitaraman, who was appointed as an Additional Director of the Company w.e.f. 31st August, 2002 and who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 and Article 101 of the Articles of the 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."
7. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution:
"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modifications or re-enactment thereof, to mortgaging and/or charging by the Board of Directors of the Company of all or any of the immovable and/or movable properties of the Company situated at Lal Tappar Industrial Area and Village Chhiddewala, Haridwar Road, Dehradun, Uttaranchal by way of second charge as may be agreed between the Company and Canara Bank, Industrial Finance Branch, New Delhi for its additional working capital facilities of Rs. 75 lacs (the limit increased to Rs. 520 lacs) sanctioned by the Bank to the Company.
RESOLVED FURTHER THAT the charge created in favour of Canara Bank for their working capital facilities shall be subsequent, subservient and subordinate to the charge created in favour of the Financial Institution, Banker and Trustee for their term loans and non convertible debentures.
RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to vary and/or alter the terms and conditions of the security aforesaid in consultation with the Lenders.
RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to prepare, finalise and execute with the Lender documents, deeds, writings and agreements, as may be necessary for creating mortgages and/or charges as aforesaid and to do all such acts, deeds, matters and things as may be necessary and/or expedient for giving effect to the above resolution."
8. To consider and if thought fit, to pass with or without modification(s) the following as an Ordinary Resolution:
"RESOLVED THAT the Resolution passed at the Annual General Meeting of the Company held on 14th December, 2001 for increase in

the Authorised Capital of the Company to Rs.130 Crores be and is hereby cancelled and rescinded."

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

"RESOLVED THAT the Resolution passed at the Annual General Meeting held on 14th December, 2001 amending Clause 3 of the Articles of Association of the Company be and is hereby cancelled and rescinded."

By Order of the Board

Place : NOIDA
Dated : 31st August, 2002

RAJESH DHEER
Company Secretary

Regd. Office :
Lal Tappar Industrial Area,
P.O. Resham Majri, Haridwar Road,
Dehradun, Uttaranchal.

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 25.09.2002 to 30.09.2002 (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. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 28.05.2001. The ISIN for the shares of the Company is INE 954B01018. Members who desire to have their holding of shares dematerialized are requested to approach the Company through a Depository Participant.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956 .**ITEM NOS. 5 & 6**

Shri R.P. Agrawal is a Chartered Accountant and Law Graduate and has more than four decades of professional experience. He has held several prestigious assignments/positions in organisations of repute and standing such as Sahu Jain Group and ITC Group of Companies. He was associated with ITC Group for 18 years holding various responsible positions in the senior management level viz., Executive Director, Vice Chairman. He retired from ITC Ltd. in February, 1997.

Further, Mr. N. Sitaraman is a highly qualified and experienced professional. He is a Barrister-at-Law, Inner-temple, London; a Fellow Member of the Institute of Chartered Secretaries and Administrators, London; a Fellow Member of the Institute of Company Secretaries of India and a Fellow Member of British Institute of Management. During, his illustrious carrier he has held several prestigious assignments/positions in organization of repute such as ITC Group and Britannia Industries Limited. He was associated with ITC Group for about 20 years and retired as a Whole-time Director of ITC Limited in the year 1997. During, his tenure with ITC, he was Chairman/Vice Chairman/Director of various other companies of the ITC Group.

The Directors feel that their induction would further strengthen the Board and their vast & varied experience would be of immense benefit to the Company. Notices have been received from the members of the Company along with requisite fees under Section 257 of the Companies Act, 1956 proposing their candidatures for appointment to the office of Director.

The Board of Directors recommend the resolution Nos. 5 & 6 for your approval.

None of the Directors of the Company except Shri R.P. Agrawal and Shri N. Sitaraman are concerned or interested in the resolutions.



FLEX FOODS LIMITED

ITEM NO.7

Section 293 (1) (a) of the Companies Act, 1956 provides inter-alia that the Board of Directors of a public company shall not, without the consent of such company in General Meeting sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, the whole or substantially the whole of the any such undertaking.

The Company has availed the additional Working Capital Facilities of Rs. 75 lacs (limit increased from Rs. 445 lacs to Rs. 520 lacs) from Canara Bank. The Company has to create the second charge/mortgage on the properties of the Company situated at Dehradun for securing the Working Capital Facilities sanctioned by the Bank.

Mortgaging/charging by the Company of its Immoveable and moveable properties in favour of lender i.e. Canara Bank as aforesaid may be regarded as disposal of the whole or substantially the whole of the said undertaking(s) of the Company and accordingly, consent of the members is sought for creation of mortgage/charge as set out in the resolution No. 7.

The Board of Directors recommend the resolution for your approval.

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

ITEM NOS. 8 & 9

The members of the Company at the last Annual General Meeting held on 14th December, 2001 had approved the proposal of the Company to increase the Authorised Capital from the existing Rs. 20,00,00,000/- (Rupees Twenty Crores) to Rs. 130,00,00,000/- (Rupees One hundred thirty crores) and approved the amendments to the Memorandum of Association and the Articles

of Association of the Company. The said increase in the Authorised Capital was intended to facilitate allotment of shares on Preferential basis to Cincom Systems Mauritius, a 100% subsidiary of Cincom System Inc., USA as the consideration for acquiring their 100% shareholding in Cincom System India Pvt. Ltd., which was engaged in the business of development, sale, marketing and distribution of software products in the Indian sub-continent, with a view to the Company engaging itself in IT business.

However, of late, the IT business was witnessing a slow down and shakeout across the globe. Keeping in view the present scenario, the Company has decided not to pursue its proposed venture into Information Technology and IT enabled services. Accordingly, the proposal to tie-up with Cincom Systems and issue of equity shares on Preferential basis is not being pursued. In view of this there is no need to increase the Authorised Capital of the Company. For your information, we may add that the Company has not acted on these resolutions.

It is, therefore, proposed to cancel and rescind both the resolutions passed at the last Annual General Meeting of the Company.

The Board of Directors recommend the resolutions for your approval.

None of the Directors of the Company is concerned or interested in the resolutions.

By Order of the Board

Place : NOIDA

Dated : 31st August, 2002

Regd. Office :

Lal Tappar Industrial Area, P.O. Resham Majri,
Haridwar Road, Dehradun, Uttaranchal.

RAJESH DHEER

Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING.
(In pursuance of Clause 49 of the Listing Agreement)

Name of Director	Shri R. K. Gupta	Shri R. K. Jain	Shri R. P. Agrawal	N. Sitaraman
Date of Birth	24-06-1954	25-09-1954	12-07-1932	08.11.1939
Date of Appointment	18-12-1997	11-08-2000	22-03-2002	31.08.2002
Experience in specific functional areas	Industrialist with rich business experience in general and specifically in the field of export.	A professional having more than 20 years of experience in the field of finance, accounts & taxation.	A highly qualified and experienced professional and has more than four decades of professional experience to his credit.	A highly qualified and experienced professional. Over 30 years of experience in the Corporate world and has handled various assignments both in India & abroad.
Qualification	Graduate	FCA	FCA, LL.B.	Barrister-at-Law, Inner-temple, (London), FCIS (London) FCS, FBIM
Directorship in other public limited companies	<ul style="list-style-type: none"> - Dharampal Premchand Ltd. - SRW Maschinen India Ltd. - Baba Global Ltd. - Baba Asia Ltd. - Manu Maharani Hotels Ltd. - DS Foods Ltd. - DS Canpack Ltd. - SR Fragrances Ltd. 	<ul style="list-style-type: none"> - FCL Technologies & Products Ltd. - Flex Engineering Ltd. - Flex International Ltd. - Flex Fincap Services Ltd. - Flex America Inc. 	<ul style="list-style-type: none"> - Flex Industries Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	<ul style="list-style-type: none"> - Flex Industries Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd.
Members of committee in public limited companies	Nil	Audit Committee <ul style="list-style-type: none"> - Flex Foods Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	Audit Committee <ul style="list-style-type: none"> - Flex Foods Ltd. - Flex Industries Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	Nil
	Nil	Remuneration Committee <ul style="list-style-type: none"> - Flex Foods Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	Remuneration Committee <ul style="list-style-type: none"> - Flex Foods Ltd. - Flex Industries Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	Nil
	Nil	Shareholders'/Investors' Grievances Committee <ul style="list-style-type: none"> - Flex Foods Ltd. - FCL Technologies & Products Ltd. - Flex Engineering Ltd. 	Shareholders'/Investors' Grievances Committee <ul style="list-style-type: none"> - Flex Industries Ltd. - FCL Technologies & Products Ltd. 	Nil

**DIRECTORS' REPORT**

To the Members,

Four Directors present their 12th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL RESULTS

The summarised financial results for the year ended 31st March, 2002 and for the previous year ended 31st March, 2001 are as follows:

	Year ended <u>31.03.2002</u>	(Rs. in lacs) Year ended <u>31.03.2001</u>
Sales	1904.10	1687.66
Other Income	21.94	10.44
Profit before Interest, Financial		
Charges & Depreciation	504.55	327.55
Interest & Financial Charges	134.14	170.79
Depreciation	157.43	142.67
Profit before Tax	212.98	14.09
Provision for Taxation	—	—
Provision for Wealth Tax	0.53	—
Provision for Deferred Tax	8.42	—
Profit after Tax	204.03	14.09
Extra-ordinary Item	—	9.25
Profit for the year	204.03	23.34

CORPORATE OVERVIEW & FUTURE PLAN

The performance during the year under review was marked by a substantial improvement on all fronts. The sales, mainly comprising of exports, was increased from Rs. 1687.66 lacs in the previous year to Rs. 1904.10 lacs during the year under review. During the year the Company made export of manufacture/traded goods on FOB basis to the tune of Rs.1341.98 lacs, which is approximately 70% of the total turnover of the Company. As against the meager profit of Rs.23.34 lacs during the previous year, your Company earned a net profit of Rs.204.03 lacs for the year. The operating profit during the year was much higher to the tune of Rs.504.55 lacs, which is approximately 26% of the turnover.

This improved performance is mainly due to consistent focus on productivity improvement and cost reduction measures initiated during the year. The performance of the Company improved mainly due to change in product mix, better margins, improved realization of freeze dried mushrooms and herbs and discontinuance of the products having lesser margins. Further with the successful implementation of Blast Freeze Project, the Company's production facilities have become versatile, which would enable the Company to optimize the processing of product mix in tune with the market dynamics.

The canned mushroom market remained depressed on account of low export price, tremendous market pressure and stiff competition from China.

There has been significant improvement in the performance of the Company during the last two years due to corrective measures initiated by the Management to improve the quality and yield of in-house mushrooms growing and outsourcing of herbs crops. Further, efforts being made by R&D Department helped the Company to achieve higher productivity, cost savings and better quality.

Your Directors expect to achieve better performance in the current year.

DIVIDEND

The Board of Directors after careful consideration of the overall situation and keeping in view the requirement of funds for consolidation of its operations, regret their inability to recommend any dividend.

NEW ACTIVITIES

The information technology sector has of late been witnessing a slowdown and shake out across the globe. Even well established organisations both domestic and international have not remained untouched from the phenomenon. Keeping in view the present scenario, your Company has decided not to pursue its proposed venture into the information technology and IT enabled services. Accordingly, the proposal for business tie-up with Cincom Systems Inc., USA and issue of equity shares on preferential basis have not been implemented/pursued.

FIXED DEPOSIT

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

DIRECTORS

Shri R.P. Agrawal and Shri N. Sitaraman were inducted on the Board of the Company as Additional Directors w.e.f. 22nd March 2002 and 31st August, 2002 respectively. In accordance with the provision of Section 260 of the Companies Act, 1956, they hold the office upto the date of the ensuing Annual General Meeting. Notices have been received from the members of the Company under Section 257 of the Companies Act, 1956 proposing their candidature as Directors of the Company liable to retire by rotation. Your Directors recommend their appointment.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri R.K. Gupta and Shri R.K. Jain, Directors of the Company retire by rotation and being eligible offer themselves for re-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 further explanation.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the Annual Accounts for the financial year ended 31st March, 2002, the applicable accounting standards have been followed and there has been no material departure.
- that the Directors have selected such accounting policies and applied them consistently and made judgement 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 profits of the Company for the year under review.



- iii) 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.
- iv) 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 review the internal control and financial reporting issues with the Internal Auditors.

PARTICULARS OF EMPLOYEES

There was no employee during the year, whose particulars is required to be given under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

PERSONNEL

Relations with employees remained cordial and harmonious throughout 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/Uttaranchal, Financial Institutions, National Horticulture Board, Banks 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
Dated : 31st August, 2002

ASHOK CHATURVEDI
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, forming part of Directors' Report.

1. CONSERVATION OF ENERGY

The Company has consistently been emphasizing on optimization of energy consumption in every possible area in all its units. The Company's policy of optimization of energy consumption has started yielding results and during the period under review the consumption of power units/ Kg. of fresh mushroom has been brought down from 2.18 KWH/KG to 1.51 KWH/KG.

Other measures that were initiated/adopted are :-

- i) Timely maintenance of machines to reduce frictional losses
- ii) Reviewing frequently various measures initiated/ adopted for conservation of energy.

- iii) Sensible use of electrical appliances by workers/staff members by creating awareness amongst them.
- iv) Timely/frequent cleaning of all lighting equipments.
- v) Better utilization of water by using advance methods of distribution.

2. TECHNOLOGY ABSORPTION

With the installation of Blast Freezer the Company has been able to optimize the processing of its product mix over the full year resulting in better revenues.

3. FOREIGN EXCHANGE EARNING AND OUTGO

During the year the Company has exported manufactured goods on FOB basis amounting to Rs.1341.98 lacs.

The expenditure incurred in Foreign Exchange during the year amounted to Rs.30.38 lacs.

For and on behalf of the Board

Place : NOIDA
Dated : 31st August, 2002

ASHOK CHATURVEDI
CHAIRMAN



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

Flex Foods Limited is a major producer of freeze dried products in the country and it is an industry of its own kind. To compare its performance within the country is not possible. However, at international level the comparison cannot be done as the companies in this business hardly publish their annual results.

Notwithstanding the Freeze Drying segment being highly competitive and international economy being sluggish, the Company has still managed to achieve a higher level of performance mainly by changing its product mix, dropping products having lesser contribution and constantly upgrading its technology thereby cutting down cost of production.

Opportunities and Threats

Freeze Dried products were being used by the niche segment and presently some multinational companies have started using freeze dried products like mushrooms, onion, strawberry and different herbs as ingredients in their main product. Since in freeze drying original colour and nutrition of the product is preserved these freeze dried products will continue to form one of the ingredient in the main product of these companies.

Freeze Dried market has become highly competitive with the entry of China, owing to its competitive prices and an acceptable level of quality in many cases. Though competition is fierce, the goodwill and the quality of the products offered by the Company will sustain its operations.

Product - wise performance

Sales of Finished Goods

Description	Current Year		Previous Year	
	Qty. (in kgs.)	Value (Rs.)	Qty. (in kgs.)	Value (Rs.)
Freeze dried Mushroom	50770.800	71213753	55892.260	72211961
Processed Food viz. Mushroom Fresh & Processed (including Canned)	941902.073	54086902	538680.425	35758835
Others Freeze dried Products	69582.200	65109373	91105.800	60795130
TOTAL	1062255.073	190410028	685678.485	168765926

Freeze Dried Mushroom

Freeze Dried market for Mushrooms has become highly competitive with the entry of China, in spite of that growth is negative merely by 1% in terms of sales, while in terms of quantity sold growth is negative by 9% and this is overcome by changing our product mix and upgrading the production process.

Processed Food viz Mushroom Fresh and Processed (including Canned)

The year under review achieved good Mushroom Farm production and therefore growth in Fresh and Processed Mushroom sales increased by 51% and in terms of quantity sold the increase is by 75%.

Other Freeze Dried products

During the year under review volumes were low by 24% but realizations was up by 7%. This is because Management reviewed its product mix and dropped high volume low contribution products.

Future Outlook

With the emergence of nutraceutical market, presently experiencing a double digit growth, Freeze dried Products are playing a key role as one of the ingredient in the main product of multinationals. Freeze dried products retain natural colour, flavour, taste and have low bacterial counts are best suited for the health conscious consumers.

In the newly emerged state of Uttaranchal, Government has declared that lower power tariffs will be given to mushroom farming and processing industry, which will definitely boost our performance.

Risk & Concerns

Risks and concerns may be classified as external and internal. The external factors are competition, availability of cheaper substitute products, Government Policies and on going political and economic changes in the importing country. Internal risk includes cost structures, technical upgradations and quality requirements. The Management has chalked out a plan to overcome these internal risks by constant checks and controls.

Internal Control System & their adequacy

The Company has instituted a system of internal controls and checks, through effective MIS, budget reviews on regular basis and these are supplemented by internal audits.

The Audit Committee of the Board, which meets quarterly, actively reviews internal control systems as well as financial statements.

Human Resources/Industrial Relations

Employee relations have been cordial during the year. The Company has made continuous effort and has emphasized on investing in people by motivating and developing its Human Resources. As on 31st March, 2002, the total number of permanent employees in the Company was 460.

ANALYSIS OF FINANCIAL PERFORMANCE AND OPERATIONAL PERFORMANCE

The accompanying financial statements have been prepared in accordance with the requirements of the Companies Act, 1956 and generally accepted Accounting Principles and Accounting Standards prevailing in India. An analysis of Balance Sheet reveals an overall improvement in the financial position:



FLEX FOODS LIMITED

A. FINANCIAL CONDITIONS

1. Share Capital

The Share Capital of the Company remained constant at Rs.1245 lacs.

2. Deferred Government Grants

Deferred Government Grant represents capital subsidy on cold storage received from APEDA. The same has been treated as per Accounting Standard – 12 "Accounting for Government Grants" issued by The Institute of Chartered Accountants of India.

3. Loan Funds

Secured Loans

Secured Loans were Rs.914.61 lacs as on 31.03.2002 as against Rs.1357 lacs as on 31.03.2001. During the year the Company redeemed partly convertible debentures amounting to Rs.295.88 lacs. Rs.31.00 lacs were paid to Canbank Mutual Fund towards instalment due for non-convertible debentures.

Unsecured Loans

Unsecured loans were Rs.447.08 lacs as on 31.03.2002 as against Rs.613.03 lacs as on 31.03.2001.

4. Fixed Assets

At the end of the year, Company's investment in fixed assets was as under:

	Year ended March 31		
	2000	2001	2002
Gross Block (Rs. in lacs)	2967	3267	3321
The composition and growth of assets was as under:			(Rs. in lacs)
Particulars	March 31, 2002	March 31, 2001	Growth%
Land	52.78	52.78	Nil
Buildings	738.74	728.87	1.35
Plant & Machinery	2229.53	2212.91	0.75
Electrical Fittings & Installations	141.08	138.59	1.80
Office Equipments	26.20	23.09	13.47
Fire Fighting Equipment	1.36	1.36	Nil
Lab Equipments	13.84	13.74	0.73
Furniture & Fixtures	5.19	4.78	8.58
Vehicles	111.94	90.66	23.47
TOTAL	3320.66	3266.78	1.65
Less : Accumulated Depreciation	1178.14	1022.59	15.21
Add : CWIP	Nil	1.72	Nil
Net Fixed Assets	2142.52	2245.91	Nil
Depreciation as % to total Revenue	8.03	8.67	
Accumulated Depreciation as % to Gross Block	35.48	31.30	

5. Current Assets, Loans & Advances

Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.273.26 lacs, representing 8.98% of the total assets.

Sundry Debtors

Sundry debtors was Rs.347.66 lacs as at 31st March, 2002 as against Rs.440.20 lacs as at 31st March, 2001. Debtors as a percentage of total operating revenue was 18% for the current year as against 26% for previous year representing an outstanding of 67 days and 95 days of operating revenue for the respective years.

Cash and Bank Balances

Cash and Bank Balances were 4% of total assets as on 31st March, 2002 as against 5% as on 31st March, 2001.

Loans & Advances

Loans & Advances mainly comprise of loans to staff, advances recoverable in cash or kind, advance taxes and security deposits. Advances recoverable in cash or kind or for value to be received are mainly towards amount paid in advance for value and services to be received in future. Security deposits mainly represents deposits for electricity.

Net Deferred Tax Assets

During the year, the Company has for the first time accounted for Deferred Taxes in accordance with Accounting Standard – 22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India. As a result, Net Deferred Tax Assets of Rs.19.94 lacs was recognized as on 01.04.2001 and credited to General Reserves. Deferred Tax Assets of Rs.11.52 lacs represents closing balance of Deferred Tax Assets as on 31.03.2002 after adjustment of current year Deferred Tax Assets/Liabilities.

6. Current Liabilities & Provisions

Current Liabilities

Sundry Creditors include amount payable to vendors for supply of goods and services. Advances from customers represent amount for which material has not yet been delivered. Other liabilities include payables to staff/workers for earned leave, bonus,

**FLEX FOODS LIMITED**

salary and overtime besides taxes payable.

Provisions

Amount of provision includes provision for wealth tax made during the year.

B. RESULTS OF OPERATIONS

The summary of operating performance for the year is given below. The operating income of the Company grew by 12.82% during the year and operating profits grew by 54.02%, analysis of which is given below:

(Rs. in lacs)

Particulars	Year ended March 31, 2002		Year ended March 31, 2001		Growth %
	Amount	%	Amount	%	
INCOME					
Income from operations	1904.10	97.08	1687.66	102.56	12.82
Interest & Other income	27.49	1.40	12.75	0.77	115.45
Increase/(Decrease) in stock	29.83	1.52	(54.86)	-3.33	154.37
Total Income	<u>1961.42</u>	<u>100.00</u>	<u>1645.55</u>	<u>100.00</u>	<u>19.19</u>
EXPENDITURE					
Raw Material Consumed	266.73	13.60	359.47	21.84	-25.80
Other Manufacturing exp.	539.79	27.52	436.02	26.50	23.80
Payment & Benefit to Employees	249.13	12.70	228.30	13.87	9.12
Administrative, Selling & Other expenses	392.68	20.02	284.51	17.29	38.02
Loss on Sale of Assets	0.36	0.02	1.50	0.09	-76.00
Miscellaneous expenses written off	8.19	0.42	8.19	0.50	0.00
Operating Expenses	1456.88	74.28	1317.99	80.09	10.54
EBIDT	504.54	25.72	327.56	19.91	54.02
Less : Depreciation	157.43	8.03	142.67	8.67	10.35
Interest	134.13	6.84	170.79	10.38	-21.46
Earning before Tax	<u>212.98</u>	<u>10.85</u>	<u>14.10</u>	<u>0.86</u>	<u>1410.35</u>

The analysis above is itself an indicator of the overall improvement in the operations of the Company.

CASH FLOWS

The sources/deployment of cash flows during the year has been as under:

(Rs. in lacs)

	Year 2001-2002	Year 2000-2001
A) SOURCES		
Net Cash from Operations	506.12	344.18
Interest Received	5.54	2.31
Sale of Fixed Assets	0.67	0.30
Capital Grant Received	28.68	0.00
Net Increase in Equity Capital	0.00	445.00
Net Decrease in Working Capital	216.51	0.00
TOTAL	<u>757.52</u>	<u>791.79</u>
B) APPLICATIONS		
Net Additions to Fixed Assets	55.07	208.30
Net Repayment of Loans	608.33	257.72
Net Increase in Working Capital	0.00	44.20
Interest Payments	134.14	170.79
TOTAL	<u>797.54</u>	<u>681.01</u>
Net Increase/(Decrease) in Cash	<u>(40.02)</u>	<u>110.78</u>

During the year, the Company repaid loans in the aggregate of Rs.608.33 lacs. The overall reduction in interest rates with stability in operations and stronger financials should enable the Company to bring down its average cost of funds substantially in the ensuing years.