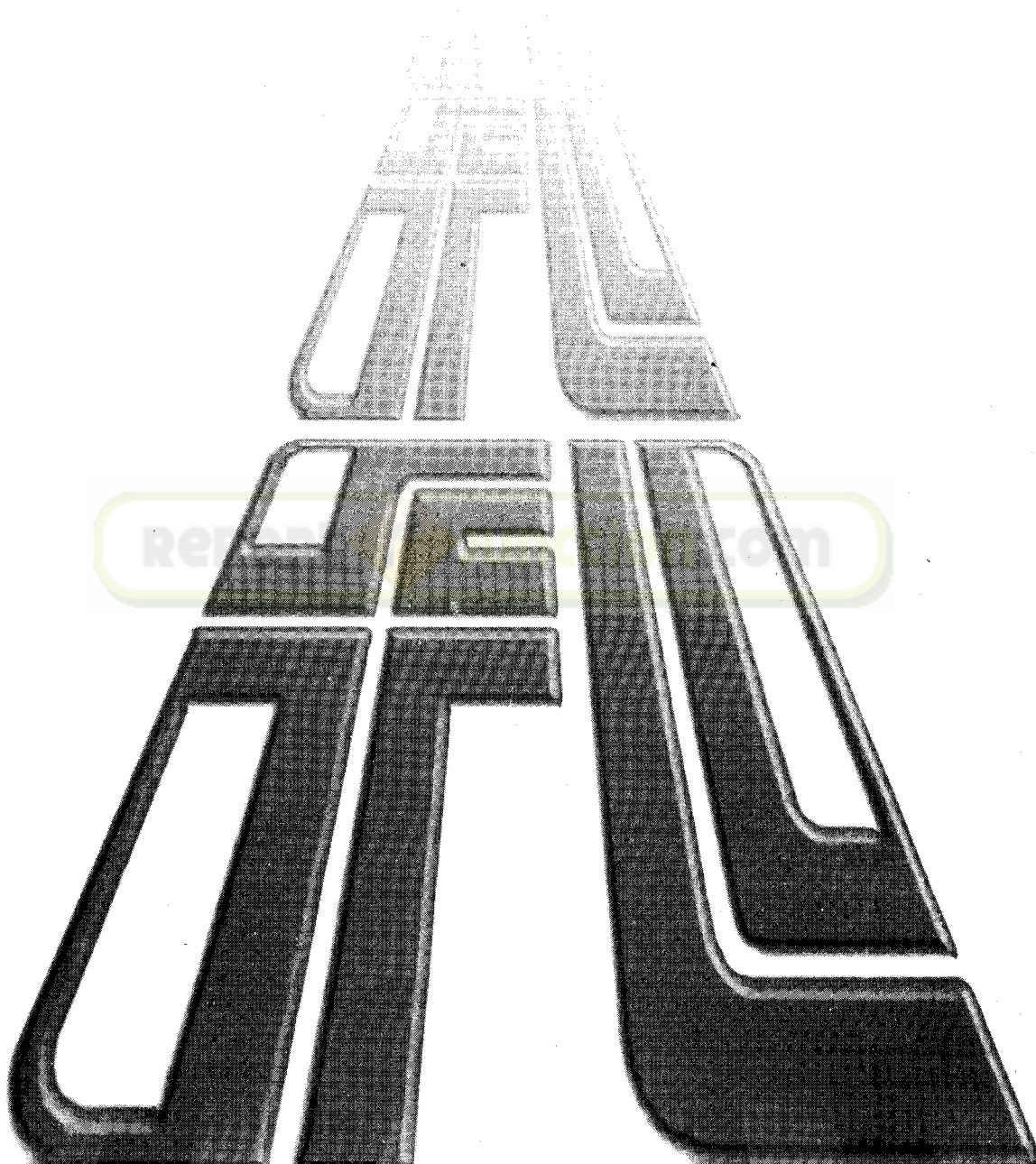


# **13th Annual Report 2002-2003**



**FLEX FOODS LIMITED**



***FLEX FOODS LIMITED***  
**THIRTEENTH ANNUAL REPORT**  
**2002 - 2003**

**BOARD OF DIRECTORS**

ASHOK CHATURVEDI  
*Chairman*

T. N. PANDEY

G. N. GUPTA

M. G. GUPTA

R. K. JAIN

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. : 26440917, 26440925  
Fax No. : 26216922  
E-mail : [flexsec@vsnl.net](mailto:flexsec@vsnl.net)

**WORKS**

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

Chhiggerwala  
Dehradun  
UTTARANCHAL

Report Junction



## NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 27th day of September, 2003 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, 2003 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 S.K. Kaushik, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri G.N. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. 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. Jain Singhal & Associates, Chartered Accountants, New Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

### SPECIAL BUSINESS

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

"RESOLVED THAT Shri M.G. Gupta, who was appointed as an Additional Director of the Company w.e.f. 28th January, 2003 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."

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and subject to the provisions of Schedule-XIII and all other applicable provisions, if any, of the Companies Act, 1956 (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 as a Whole-time Director of the Company for a period of three years w.e.f. 1st October, 2003 on the terms and conditions including as to remuneration, minimum remuneration in case of loss or inadequacy of profit in any financial year 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 be and is hereby authorised to alter, vary or revise the terms of appointment of Shri S.K. Kaushik including that of

remuneration, as it may, at its discretion deem fit from time to time or as may be agreed to between the Board of Directors and Shri S.K. Kaushik within the permissible limits under the Companies Act, 1956 or any statutory modification thereof and to settle any question or difficulties that may arise in connection therewith or incidental thereto.

RESOLVED FURTHER THAT the Board be and is hereby authorised 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 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 thereof, 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, as its absolute direction be agreed to by the Board of Directors of the Company ("the Board") or any Committee/person(s) authorised by the Board, consent be and is hereby accorded to delist the equity shares of the Company from the Stock Exchanges at Ahmedabad, Kolkata and Chennai.

RESOLVED FURTHER THAT authority be and is hereby accorded to the Board or any Committee thereof 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 or desirable for the purpose of giving effect to this resolution without being required to seek any further approval of the Members of the Company."

8. To consider and if thought fit, to pass with or without modification(s), the following 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 authorised 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 shall not exceed Rs.50 lacs 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 : 7th August, 2003

**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. Corporate Members intending to send their authorised representative(s) are requested to send a duly certified copy of the Board Resolution authorising 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 24.09.2003 to 27.09.2003 (both days inclusive).
5. Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar and Share Transfer Agent (RTA), M/s. Intime Spectrum Registry Limited, (Unit : Flex Foods Limited), A-31, 3rd Floor, Naraina Industrial Area, Phase-I, Near PVR Naraina, 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 holder intend to attend the meeting, they must obtain additional admission slips on request from the Registered Office of the Company
7. Members, who are holding shares in identical order of names 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 are requested to write to the Company at least one week before the date of Meeting, giving details of information required, so that it may be convenient to get the information ready at the Meeting.
9. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 10th October, 2000. 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/RTA through a Depository Participant.
10. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them 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 Company's Registrar and Share Transfer Agent, M/s. Intime Spectrum Registry Limited.
11. The Company has paid the Annual Listing fees for the year 2003-2004 to the following Stock Exchanges viz., The Delhi Stock Exchange Association Ltd., The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Ltd. at which the Company's Securities are presently listed.
12. All the material documents, resolutions passed by the Board of Directors and Remuneration Committee of Directors relating to appointment and payment of remuneration of Shri S.K. Kaushik, Memorandum and Articles of Association of the Company and Listing Agreement etc. are open for inspection to the members at the Registered Office of the Company during the office hours, till the conclusion of the Annual General Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO. 5**

With a view to broad base and further strengthen the Board by inducting experienced persons having varied experience in different fields, the Directors of the Company appointed Shri M.G. Gupta as an Additional Director of the Company w.e.f. 28th January, 2003.

Shri M.G. Gupta is a retired IAAS (Indian Audit & Accounts Services) Officer. He was in the service of Central Government and during his illustrious career with the Government he had held several important positions in various Ministries/ Departments. He retired in 1992 as Vice Chairman & Member Finance of Delhi Development Authority.

The Directors feel that his induction would further strengthen the Board and his vast & varied experience would be of immense benefit to the Company. Notice has been received from a member of the Company along with requisite fee under Section 257 of the Companies Act, 1956 proposing his candidature for appointment to the office of Director.

The Board of Directors recommend the Resolution for your approval.

None of the Directors of the Company except Shri M.G. Gupta is concerned or interested in the Resolution.

**ITEM NO. 6**

Shri S.K. Kaushik, Chief Executive of the Company was appointed as the 'Manager' in terms of the provisions of the Companies Act, 1956 by the Board of Directors w.e.f. 24th August, 1999 for a period of five years. The said appointment was approved by the Members of the Company at the 9th Annual General Meeting held on 20th September, 1999. Further, in recognition of the services rendered by Shri S. K. Kaushik, he was elevated as a member of the Board w.e.f. 11th August, 2000.

The present terms of Shri S.K. Kaushik as 'Manager' of the Company will be expiring on 23rd August, 2004. However, keeping in view of the increased business volume and other considerations the Remuneration Committee and the Board of Directors at their respective meeting held on 7th August, 2003 thought it fit and approved the proposal of the Company subject to the approval of the Members of the Company to appoint Shri S.K. Kaushik as a Whole-time Director of the Company w.e.f. 1st October, 2003 for a period of three years on the terms and conditions as to remuneration etc. as detailed hereunder

1. Remuneration by way of salary, perquisite and/or other allowances/benefits shall not exceed Rs.2.00 lacs per month or Rs.24.00 lacs per annum.





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 Whole-time Director.

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

Subject to above terms and conditions and limits, 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.

In the event of loss/inadequacy of profit, the aforesaid remuneration will be treated as minimum remuneration in terms of the provisions of Schedule-XIII as applicable from time to time.

The Whole-time Director shall not be paid any sitting fee for attending any Meeting of the Board or Committee thereof.

He will be liable to retire by rotation.

Shri S.K. Kaushik 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 Shri S.K. Kaushik as required under Schedule-XIII are given hereunder:

The Company is the major producer of freeze dried products in the Country. The overall performance of the Company since inception is as under:

The Sales of the Company increased from Rs.621.30 lacs in 1993 to Rs.1562.84 lacs in 1996 and to Rs.2265.27 lacs in 2003. The operative profit after providing interest but before depreciation increased from Rs.12.29 lacs in 1993 to Rs.236.57 lacs in 1996 and Rs.795.29 lacs in 2003. Further to improve the performance and efficiency, the Company has put into place several cost cutting measures, upgrading the technology which will add to the growth and profitability of the Company.

The Company is an Export Oriented Unit earning valuable foreign exchange for the Country since inception. The figures of export for the last three financial years are as under:

31.03.2001 - Rs.1289.65 lacs

31.03.2002 - Rs.1341.98 lacs

31.03.2003 - Rs.1616.23 lacs

Shri S.K. Kaushik is a Chartered Accountant and has experience of about 39 years in the field of finance, marketing and production

planning.

It has been due to his vision, sound knowledge about the Company's business and products, untiring efforts, leadership, guidance and experience the Company has started yielding positive results and able to earn net profits for the last three consecutive years. He has been instrumental for the tremendous growth, which the Company made over the years in domestic as well as in international market.

Further in view of the increased competition, availability of cheaper substitute products, complexity of business etc. his responsibility has increased to a great extent.

Shri S.K. Kaushik has the pecuniary relationship with the Company as he is the Director & Chief Executive of the Company and eligible for remuneration as per terms of his appointment.

The Board of Directors recommend the Resolution for your approval.

None of the Directors of the Company except Shri S.K. Kaushik is concerned or interested in this Resolution.

This should be considered as an abstract of the terms of appointment of Shri S.K. Kaushik as Whole-time Director of the Company and a Memorandum as to the nature of the concern or interest of the Directors in the said appointment as required under Section 302 of the Companies Act, 1956.

#### ITEM NO.7

The Equity Shares of the Company are presently listed on the following five Stock Exchanges in India:

- a. The Delhi Stock Exchange Association Limited, Delhi (DSE)
- b. The Stock Exchange, Mumbai (BSE)
- c. The Stock Exchange, Ahmedabad
- d. Calcutta Stock Exchange Association Limited, Kolkatta
- e. The Madras Stock Exchange Limited, Chennai

Data on trading volumes indicates that the Company's shares, which are required to be compulsorily traded in the dematerialized form, are not traded in material volumes at Stock Exchanges other than BSE. Most/majority of the trading of the equity shares is being done through BSE and BSE have extensive networking of trading terminals, which facilitates trading by Members/Investors across the Country. The trading volumes in the Company's 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 7th August, 2003 have recommended for the approval of the Members, the proposal to voluntarily delist the Company's shares from the Stock Exchanges at Ahmedabad, Kolkatta and Chennai. The Company's shares will however continue to be listed on the DSE and BSE.

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 shares from the aforesaid Stock Exchanges.



## FLEX FOODS LIMITED

The Board of Directors recommend the Resolution for your approval.

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

### ITEM NO.8

The Company is authorised by its Articles of Association to contribute to charitable and other funds not directly relating to the business of the Company or for the welfare of its employees. By virtue of Section 293(1)(e) of the Act, 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 as determined in accordance with Sections 349 and 350 of the Companies Act, 1956, during the three immediately preceding financial years, 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 authorise

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.50 lacs 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 : 7th August, 2003

**RAJESH DHEER**  
Company Secretary

**Regd. Office :**

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

### 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	Shri S. K. Kaushik	Shri G. N. Gupta	Shri M. G. Gupta
Date of Birth	20.11.1939	23.07.1931	02.03.1934
Date of Appointment	11.08.2000	28.07.1999	28.01.2003
Experience in specific Functional areas	A professional having experience of more than 39 years in the field of Finance, Marketing and Production Planning.	He is a Tax Consultant and retired as Chairman of the Central Board of Direct Taxes. He has vast & varied experience and has held several important positions during his illustrious carrier with the Central Govt.	He is a retired IAAS (Indian Audit & Accounts Services) Officer. He was in the service of Central Govt. and during his illustrious carrier with the Government, he had held important positions in various Ministries / Departments. He retired in 1992 as Vice Chairman & Member Finance, Delhi Development Authority.
Qualification	FCA	M.Sc. (Maths), L.L.M.	B.Sc., Retd. IAAS
Directorship in other Public Limited Companies	— B.P. Capital Ltd.	— Archana Airways Ltd. — Manoj Housing Finance Co. Ltd. — Yash Papers Ltd. — Asian Fertilizers Ltd. — Flex Engineering Ltd.	— Credit Capital Assets Management Co. Ltd. — B.T.W. Industries Ltd. — FCL Technologies & Products Ltd. — Flex Industries Ltd.
Members / Chairman of Committee in Public Limited Companies	<u>Audit Committee</u> Nil  <u>Remuneration Committee</u> Nil  <u>Shareholders/Investors Grievance Committee</u> Nil	<u>Audit Committee</u> — Flex Foods Ltd. — Flex Engineering Ltd. (Chairman) — Yash Papers Ltd. (Chairman)  <u>Remuneration Committee</u> — Flex Foods Ltd. (Chairman) — Flex Engineering Ltd. (Chairman)  <u>Shareholders/Investors Grievance Committee</u> Nil	<u>Audit Committee</u> — Credit Capital Assets Management Co. Ltd. — Flex Industries Ltd. — FCL Technologies & Products Ltd.  <u>Remuneration Committee</u> — Flex Foods Ltd. — Flex Industries Ltd. — FCL Technologies & Products  <u>Shareholders/Investors Grievance Committee</u> — Flex Industries Ltd. — FCL Technologies & Products Ltd. (Chairman)



## DIRECTORS' REPORT

To the Members,

Your Directors present their 13th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2003.

### FINANCIAL RESULTS

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

	(Rs. in lacs)	
	Year ended 31.03.2003	Year ended 31.03.2002
Sales	2265.27	1904.10
Other Income	36.64	21.94
Profit before Interest, Financial Charges & Depreciation	882.80	504.55
Interest & Financial Charges	87.52	134.14
Depreciation	159.15	157.43
Profit before Tax	636.13	212.98
Provision for Taxation	19.78	0.53
Provision for Deferred Tax	184.82	8.42
Profit after Tax	431.53	204.03
Extra-ordinary Item	(182.09)	—
Profit for the year	249.44	204.03
Loss brought forward from previous year	(84.76)	(288.79)
Balance carried forward to the Balance Sheet	164.68	(84.76)

### CORPORATE OVERVIEW

The year under review was marked by substantial improvement on all fronts and your Company has completed the year with encouraging performance.

Despite the fact that the freeze dried segment is becoming highly competitive, your Company has managed to achieve a higher level of performance by changing its product mix, upgrading the technology thereby cutting down the cost of production, better production measures and dropping the products which were having lesser profit margins during the year.

During the year, your Company clocked a turnover of Rs.2265.27 lacs and export of manufactured/traded goods on FOB basis to the tune of Rs.1616.23 lacs, which is approximately 71.35% of the total turnover. The Company earned a net profit of Rs.249.44 lacs for the year in comparison to the net profit of Rs.204.03 lacs for the previous year.

The profit of the Company would have been much better but its quantum got reduced due to provision of Extra-ordinary item of Rs.182.09 lacs representing the provision for the disputed amount of arrears of electricity charges to the tune of Rs.241.06 lacs payable to the Uttaranchal Power Corporation Limited for the earlier years including interest thereon and adjustment of income of Rs.58.97 lacs as an amount of waiver against final settlement of term loan to ICICI Bank Ltd.

The operational performance of the Company has been covered in the Management Discussion and Analysis Report and the same is deemed to be part of this Directors' Report.

### DIVIDEND

The Board of Director after carefully considering the overall financial scenario and keeping in view the requirement of fund for consolidation of its operations, regret their inability to recommend any dividend.

### DELISTING OF EQUITY SHARES FROM SOME STOCK EXCHANGES

The equity shares of the Company are presently listed on five Stock Exchanges viz. Stock Exchanges at Mumbai, Delhi, Ahmedabad, Kolkata and Chennai.

Data of trading volumes indicates that the share of the Company are not traded in material volumes at the Stock Exchanges other than The Stock Exchange, Mumbai (BSE) which has extensive networking of trading terminals, and Members/Investors across the country can trade in the shares of the Company through this Exchange.

The Board of Directors of the Company at its meeting held on 07.08.2003 recommended for the approval of the Members, the voluntary delisting of the Company's Shares from the three Stock Exchanges at Ahmedabad, Kolkata and Chennai. The Company's shares will however continue to remain listed on the Stock Exchanges at Delhi and Mumbai.

A special resolution seeking your approval to such delisting is appearing in the Notice convening the 13th Annual General Meeting of the Company.

### DIRECTORS

During the year Shri R. P. Agrawal, Shri N. Sitaraman and Shri R. K. Gupta resigned from the Directorship of the Company. Your Board of Directors wish to place on record its appreciation for the valuable services rendered by them during their tenure as Directors of the Company.

Shri M. G. Gupta was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 on 28th January, 2003 and he holds office upto the date of the ensuing Annual General Meeting. Your Company has received a notice from a member pursuant to Section 257 of the Companies Act 1956 signifying his intention to propose the candidature of Shri M. G. Gupta as Director of the Company. Your Directors recommend his appointment as a Director of the Company liable to retire by rotation.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri S. K. Kaushik and Shri G. N. Gupta Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Brief resume of the Directors seeking appointment/re-appointment, nature of their expertise in specific functional areas and the name of the Public Limited Companies in which they hold 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 Annual General Meeting elsewhere in the Annual Report.

### FIXED DEPOSITS

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

### 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 Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limit 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.

### CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure compliance with the requirement of Corporate Governance as prescribed under the Listing Agreement with the Stock Exchange.





## FLEX FOODS LIMITED

However, due to change of status of one Director, from Independent to Non-executive Director, the minimum requirement of Independent Directors as provided in Clause 49 of Listing Agreement could not be fulfilled for specific period during the year 2002-2003. The same has since been complied with.

A separate report on Corporate Governance along with the report on Management Discussion and Analysis is enclosed as part of the Annual Report. Your Company is committed to improvement in the quality of corporate governance where the focus is on creating value for stakeholders.

### DIRECTORS' RESPONSIBILITY STATEMENT

On the basis of compliance certificates received from the Internal Auditors and Executives of the Company, subject to the 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:-

- 1) that in the preparation of the Annual Account for the Financial Year ended 31st March, 2003, the applicable Accounting Standards have been followed and there has 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 profits 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 the Internal Auditors.

### PARTICULARS OF EMPLOYEES

There has been no employee during the year, whose particulars are 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 EARNING AND 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 the Employees remained cordial and harmonious throughout the year, thereby strengthening the commitment of the Employees at all level 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 Uttaranchal/ Uttar Pradesh, Financial Institution, National Horticulture Board, Banks and Customers during the year under review. The Board take 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: 7th August, 2003

**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

- (a) The Company's policy of optimization of energy consumption is yielding results and during the period under review the consumption of power has been brought down from 1.51 KWH/KG to 1.30 KWH/KG in mushroom production.
- (b) Other measures that were initiated/adopted are -
  - i) Timely maintenance of machines to reduce down time losses and there by maximizing efficiency.
  - ii) Creating awareness amongst all its workers/staff members to the maximum use of natural light and sensible use of electrical appliances like fans, air-conditioners etc.
  - iii) Reviewing frequently various measures initiated/ adopted for conservation of energy.
  - iv) Reducing wastage of water by using better methods of distribution.
  - v) Frequent cleaning of all lighting equipment like tube lights etc. -

No additional investments & proposals are currently in pipeline.

Impact of the measures can be seen at point (a) above.

#### 2. TECHNOLOGY ABSORPTION

- i) Research & Development (R&D)  
The Company initiated fresh Rosemary plantation in collaboration with Regional Research Laboratory, Jammu as this is the high contribution & high demand product in the international market.  
The Company is trying to enter in the domestic market by producing Freeze Dried Orange juice and other vegetables.
- ii) Above R&D is still in progress hence results are still awaited.
- iii) Company is trying hard to get the results of Rosemary plantation, as it is a product, which is in great demand and gives very high contribution.
- iv) The Company has incurred as expenditure of Rs.65000/- during the period under review on development of the above mentioned product which is 0.03% of the turnover of the Company. With the installation of additional cooling tower & condenser the Company has been able to utilize its full production capacity resulting in larger quantities of production with reduced operational costs, as unit consumption of power is reduced which is a significant part of cost of production.

No technology was imported during the period under review.

#### 3. FOREIGN EXCHANGE EARNING AND OUTGO

During the year the Company has exported manufactured goods on FOB basis amounting to Rs.1616.23 lacs. The expenditure incurred in Foreign Exchange during the year amounted to Rs.22.95 lacs.

For and on behalf of the Board,

Place : NOIDA  
Dated: 7th August, 2003

**ASHOK CHATURVEDI**  
Chairman





## MANAGEMENT DISCUSSION AND ANALYSIS

The forward-looking statements of the Company are based on certain assumptions and expectation of future events. The future being uncertain, the Company cannot guarantee that the assumptions and expectations made will be realized. The occasion may arise where the assessments made and expectations worked out may require amendments or modifications consequent to changes in the future scenario. The discussion made in the analysis hereinafter may be considered keeping in view this limitation.

### Industry Structure and Developments

Flex Foods Limited is a major producer of freeze dried products in the Country. To compare its performance within the Country is not possible as it is one of its kind. However, at international level the comparison cannot be done as the companies in this business hardly publish their Annual Results.

With the implementation of concept of using stored frozen culinary herbs which gives us leverage to schedule our product mix for freeze drying thereby increasing our capacity, the emphasis has moved to evolving a competitive cost structure through economies of scale. This has substantially increased our return on capital.

### Product - wise performance

#### Sales of Finished Goods

Description	Current Year		Previous Year	
	Qty. (in kgs.)	Value (Rs. in lacs)	Qty. (in kgs.)	Value (Rs. in lacs)
Freeze dried Mushroom	61425.320	876.89	50770.800	712.14
Processed Food viz. Mushroom Fresh & Processed (including Canned)	1112695.005	597.93	941902.073	540.87
Others Freeze dried Products	81182.350	790.45	69582.200	651.09
<b>TOTAL</b>	<b>1255302.675</b>	<b>2265.27</b>	<b>1062255.073</b>	<b>1904.10</b>

#### Freeze Dried Mushroom

Freeze Dried market for Mushrooms has become highly competitive with the entry of China. In spite of that, growth is 23% in terms of sales while in terms of quantity sold, growth is 21% in comparison to previous year and this has been possible due to change in 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 10.5% and in terms of quantity sold, the increase is by 18.13% in comparison to the previous year.

#### Other Freeze Dried products

During the year under review sales volumes were up by 16.67% and realizations up by 21.40% in comparison to the previous year. This is because the Management reviewed its product mix and dropped low contribution products.

#### Opportunities and Threats

It is expected that the demand for mushroom is growing to rise manifold in the domestic market and also substantially in the export market. The growth of the Mushroom business depends upon the growth of the crops.

The availability of trained manpower at reasonable cost is going to be scarce in the major consuming countries. This opens an opportunity for Indian mushrooms to fulfill their demands but the competition is going to be severe.

The Middle East Africa, East European countries etc. are still growing markets for Indian mushrooms and not yet tapped. Proximity to these markets offers advantages for India.

The Indian companies have not only adopted and absorbed the imported technologies very well but also have improved upon the same to suit the conditions prevailing in the Country.

Suppliers of Freeze Dried Vegetables have good market though they have to compete with suppliers of fresh produce, which is available in large quantities during the season, and with frozen products, which are available throughout the year. However, looking to the opportunity available in these segments, the Company is planning to enter the field of frozen market with bigger volumes.

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



## FLEX FOODS LIMITED

Freeze dried market is witnessing a slow down due to several reasons such as being power and labour intensive industry, product being used by the niche segment only and due to availability of cheaper substitute products like air dried products.

Freeze dried market has become highly competitive with the entry of China, which has managed to gain substantial market shares for certain products owing to 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 overcome the situation.

### Future Outlook

Despite tough competition from China in the international market, the Company has performed well. Management is conscious of the changing scenario and reviews take place regularly for achieving consistent growth. With the introduction of new range of freeze dried culinary herbs for export market, for which research and development is being conducted on a regular basis, the Company expects to increase profit in the coming years.

Further the Company is likely to enter in the field of frozen market with bigger volumes, which is expected to increase the profitability of the Company substantially.

In the state of Uttaranchal, Government has declared that lower power tariffs will be given to mushroom farming and processing industry, which will definitely help our industry to attain significant level of performance.

### Risk & Concerns

While risk is an inherent aspect of any business, they may be classified as external and internal. The external factors are competition, availability of cheaper substitute products, Government Policies regarding power tariffs and on going political and economic changes in the importing countries. Internal risk includes cost structure, technical up-gradation and quality requirements.

It is therefore important to address these concerns. Formal risk awareness, systematic approach and monitoring mechanism ensures that these risks are duly addressed and well managed.

### Internal Control System & their adequacy

The Company has adequate system of internal control to ensure that all activities are monitored and controlled and the transactions are authorised, recorded and reported correctly.

The Company has effective budgetary control system, the actual performance is reviewed with the reference to the budget periodically by the Management. The Company ensures adherence to all internal control policy and procedures as well as compliance with all regulatory guidelines, which are supplemented by internal audits.

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

### Human Resources / Industrial Relations

The Company's Human Resources Philosophy is to establish and build a strong performance and competency driven culture with greater sense of accountability and responsibility. The Company has taken pragmatic steps for strengthening organisational competency through involvement and development of employees as well as installing effective systems for improving the productivity, quality and accountability at all levels through continuous training and up-gradation of technical and management skills.

As on 31st March, 2003, the Company had a staff strength of 460 employees. The Industrial Relation scenario remained peaceful and harmonious.

### 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.

#### 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.737.16 lacs as on 31.03.2003 as against Rs.914.61 lacs as on 31.03.2002. During the year the Company redeemed privately placed debentures issued to Canbank Mutual Fund and Term Loans of ICICI Bank Limited.

###### Unsecured Loans

Unsecured loans were Rs.106.80 lacs as on 31.03.2003 as against Rs.447.08 lacs as on 31.03.2002.