

14th  
Annual Report  
2003-2004

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**FLEX FOODS LIMITED**



## **FLEX FOODS LIMITED**

### **2003 - 2004**

#### **BOARD OF DIRECTORS**

ASHOK CHATURVEDI  
*Chairman*

T. N. PANDEY

G. N. GUPTA

M. G. GUPTA

R. K. JAIN

S. K. KAUSHIK  
*Whole-time Director*

#### **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,  
Tel: 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



## FLEX FOODS LIMITED

### NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 3rd day of July, 2004 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, 2004 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 Ashok Chaturvedi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri T.N. Pandey, 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.

By Order of the Board  
**RAJESH DHEER**  
Company Secretary

Place : NOIDA  
Dated : 24th May, 2004  
Regd. Office :  
Lal Tappar Industrial Area  
P.O. Resham Majri, Haridwar Road,  
Dehradun, Uttaranchal

### NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK FORM OF PROXY

IS ENCLOSED AND IF INTENDED TO BE USED, IT SHOULD BE RETURNED, DULY COMPLETED, TO THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE SCHEDULED TIME OF THE MEETING.

2. The Register of Members and Share Transfer Books of the Company will remain closed from 28.06.2004 to 03.07.2004 (both days inclusive).
3. Members are requested to notify change in address, if any, to the Company at its Registered Office, quoting correct Folio number(s).
4. 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.
5. Trading in the shares of the Company has been made compulsory in dematerialized form. The ISIN No. 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.
7. 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 Agents, M/s. Intime Spectrum Registry Limited.
8. The Company has paid the Annual Listing fees for the year 2004-2005 to the following Stock Exchanges viz., The Delhi Stock Exchange Association Ltd. and The Stock Exchange, Mumbai, at which the Company's Securities are presently listed.

By Order of the Board  
**RAJESH DHEER**  
Company Secretary

Place : NOIDA  
Dated : 24th May, 2004  
Regd. Office :  
Lal Tappar Industrial Area  
P.O. Resham Majri, Haridwar Road,  
Dehradun, Uttaranchal

### DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING. (pursuant to Clause 49 of the Listing Agreement)

Name of the Directors	Shri Ashok Chaturvedi	Shri. T. N. Pandey
Date of Birth	10.10.1956	20.06.1932
Date of Appointment	05.02.1990	01.11.2001
Experience in specific Functional Area	A Science graduate with over 26 years of business experience. He is Chief promoter of Flex Group of Companies including Flex Foods Ltd.	Retired from the Government service as Chairman of the CBDT. He has vast & varied experience and held several important positions during his illustrious career with the Central Government.
Qualification	B. Sc.	M.Com., LL.B., LL.M.
Directorship in other Public Limited Companies	Flex Industries Ltd. FCL Technologies & Products Ltd. Flex Engineering Ltd. Flex Securities Ltd. Ultimate Flexipack Ltd. Manu Maharani Hotels Ltd.	The Great Eastern Shipping Co. Ltd.
Members of Committee in Public Limited Companies	<b>Audit Committee</b> Flex Securities Ltd. (Chairman) <b>Remuneration Committee</b> NIL <b>Shareholders'/Investors' Grievances Committee</b> NIL	<b>Audit Committee</b> Flex Foods Ltd. (Chairman) <b>Remuneration Committee</b> Flex Foods Ltd. The Great Eastern Shipping Co. Ltd. <b>Shareholders'/Investors' Grievances Committee</b> Flex Foods Ltd. (Chairman) The Great Eastern Shipping Co. Ltd.



## DIRECTORS' REPORT

To the Members,

Your Directors are happy to present their 14th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

## FINANCIAL RESULTS

The summarised financial results for the year ended 31st March, 2004 and for the previous year ended 31st March, 2003 are as follows:

	Year ended 31.03.2004	(Rs. in lacs) Year ended 31.03.2003
Sales	2503.74	2265.27
Other Income	31.60	43.70
<b>Profit before Interest, Financial Charges &amp; Depreciation</b>	<b>1107.03</b>	<b>882.80</b>
Interest & Financial Charges	65.10	87.52
Depreciation	160.63	159.15
<b>Profit before Tax</b>	<b>881.30</b>	<b>636.13</b>
Provision for Taxation	52.89	19.78
Provision for Deferred Tax	267.46	184.82
<b>Profit after Tax</b>	<b>560.95</b>	<b>431.53</b>
Extra-ordinary Item	—	(182.09)
Profit for the Year after Taxation	560.95	249.44
Add. : Excess provision of the earlier Year written back	2.48	—
<b>Profit for the Year</b>	<b>563.43</b>	<b>249.44</b>

## CORPORATE OVERVIEW

Financial year 2003-2004 has been a good performance year for your Company. During the year, your Company achieved substantial improvements in all fronts and completed the year with encouraging performance.

Despite severe competition in freeze dried mushroom in the international market, your Company has improved its performance due to continued efforts on cost cutting, lowering of interest cost and better productivity measure initiated by changing the product mix.

Your Company achieved a turnover of Rs.2535.34 lacs including other income of Rs.31.60 lacs resulting in an increase of around 10% over its turnover of Rs 2308.97 lacs including other income of Rs.43.70 lacs in the previous year ended 31<sup>st</sup> March, 2003. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.1818.29 lacs which is approximately 71.72% of the total turnover. Your Company earned a net profit of Rs.563.43 lacs for the year ended 31<sup>st</sup> March, 2004 compared to Rs.249.44 lacs for the previous year ended 31<sup>st</sup> March, 2003 registering thereby an increase of 126%. The cost conscious measures and continuous focus on product improvement resulted in the form of better performance by the Company during the year.

After careful consideration of the overall situation and keeping in view the requirement of fund the Board of Directors regret their inability to recommend any dividend.

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.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Ashok

Chaturvedi and Shri T.N. Pandey Directors of the Company retire by rotation and being eligible offer themselves for re-appointment.

Brief resume of the Directors seeking re-appointment, nature of their expertise in specific functional areas and the name of the Public Companies in which they hold Directorship and Chairman/Membership of the Committee 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.

## DELISTING OF EQUITY SHARES

The Equity Shares of the Company are presently listed on two Stock Exchanges viz. Stock Exchanges at Mumbai and Delhi.

In terms of the guideline of the Securities & Exchange Board of India and the approval received from the members, during the year under review the Company has applied and obtained approval for delisting of its equity shares from two Stock Exchanges i.e. The Madras Stock Exchange Limited and The Stock Exchange, Ahmedabad. Application for delisting of its equity shares is pending with the Calcutta Stock Exchange Limited and the approval for the same is expected to be received soon.

## 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 requirements of Corporate Governance as prescribed under the Listing Agreement with the Stock Exchanges.

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 Shareholders.

## DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the Annual Account for the Financial Year ended 31st March, 2004, 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 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.
- 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 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 EARNINGS 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 remain 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 also takes this opportunity to express its deep gratitude for the continuous support received from the Shareholders and wholehearted cooperation given by the employees of the Company working at various levels.

For and on behalf of the Board

Place : NOIDA  
Dated : 24th May, 2004

**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's policy of optimization of energy consumption is yielding results and during the period under review the consumption of power units/Kg. of fresh mushroom has been brought down from 1.30 KWH/KG to 1.17 KWH/KG.

Other measures that were initiated/adopted are -

- Timely maintenance of machines to reduce frictional losses and thereby maximizing efficiency.
- Creating awareness amongst all its workers/staff members to maximum use of natural light and sensible use of electrical appliances like fans, AC's etc.
- Reviewing frequently various measures initiated/adopted for conservation of energy.
- Reducing wastage of water by using better methods of distribution.
- Frequent cleaning of all lighting equipment like tube lights etc.

No additional investments & proposals are currently in pipeline.

##### 2. TECHNOLOGY ABSORPTION

###### A) Research & Development (R&D)

- The Company initiation in Fresh Rosemary plantation in collaboration with Regional Research Laboratory, Jammu, has been successful to some extent and the Company will be able to produce around 0.50 MT of Freeze Dried Rosemary in the season.

- However Rosemary has been successfully grown through cuttings received from Regional Research Laboratory, Srinagar, but the Company is trying to make this crop successful at nearby hilly areas in order to reduce transportation costs and hazards associated with quality.

- The Company is working towards entering into the bio-tech products market which has a great potential for various herbal products.

- The Company has incurred an expenditure of Rs.8.96 lacs during the period under review on development of the above mentioned products, which is 0.36% of the turnover of the Company.

- With the installation of additional cooling tower & condenser installed during financial year 2002-2003 the Company has been able to maintain its full loaded production capacity thus larger quantities of production with reduced operational costs, as unit consumption of power is reduced, which is significant part of cost of production.

No technology was imported during the period under review.

##### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year the Company has exported manufactured goods on FOB basis amounting to Rs.1818.29 lacs. The expenditure incurred in Foreign Exchange during the year amounted to Rs.63.90 lacs.

For and on behalf of the Board

Place : NOIDA  
Dated : 24th May, 2004

**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 details in the analysis hereinafter may be considered keeping in view this limitation.

**Industry Structure and Developments**

Flex Foods Limited is a major producer of certain categories of freeze dried products in the Country, and it is an industry of its own kind. To compare its performance with other undertakings within the Country is not possible. Such comparison at international levels also is not possible as the companies in this business hardly publish their Annual Results.

For implementation of the concept of using stored frozen culinary herbs, the Company has installed a new cold storage of 80-90 MT capacity, which is double the existing capacity. It gives leverage to schedule the product mix for freeze drying and having the spare capacity to penetrate in the frozen herb market, and thus substantially increase the returns to the Company.

**Product-wise performance****Sales of Finished Goods**

<u>Description</u>	<u>Current Year</u>		<u>Previous Year</u>	
	<u>Qty.</u> <u>(in kgs.)</u>	<u>Value</u> <u>(Rs. in Lacs)</u>	<u>Qty.</u> <u>(in kgs.)</u>	<u>Value</u> <u>(Rs. in Lacs)</u>
Freeze dried Mushroom	56612	810.68	61425	876.89
Processed Food viz. Mushroom Fresh and Canned	1313162	619.35	1112695	597.93
Others Freeze dried Products (Incl. Frozen)	172712	1073.71	81182	790.45
<b>TOTAL</b>	<b>1542486</b>	<b>2503.74</b>	<b>1255302</b>	<b>2265.27</b>

From the above, it can be seen that the performance of the Company has shown considerable improvement in terms of quantity and value as compared to the previous year.

**Opportunities and Threats**

Suppliers of Freeze Dried products have to compete with suppliers of fresh produce, which is available in large quantities during the season, and also with frozen products, which are available throughout the year. Therefore, expecting the growth potential of frozen herbs, Company has entered in the frozen market concerning herbs and targets to sell 80-90 MT of frozen herbs during the coming year.

Freeze dried products which need considerable power and labour is witnessing a slow down due to several reasons such as high cost of power and labour, product being used by the niche segment only and due to abundant availability of cheaper substitute products like air dried products.

Freeze dried products market has also become highly competitive with the entry of China in the market, 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 is a great plus factor and because of this the Company hopes to overcome the competition.

**Future Outlook**

Despite facing a tough competition from China in the international market, the Company has performed substantially well. Management is conscious of the changing scenario and the situation is reviewed regularly for achieving consistent growth. This coupled with introduction of new range of freeze dried culinary herbs for export will certainly improve the Company's turnover and profit, for which research and development is being conducted on a regular basis. The Company expects to increase the profit in the coming years. The Company has already entered the field of frozen market with bigger volumes and it is hoped to give very good results.

In the state of Uttaranchal, Power Regulatory Commission has reduced the power tariffs for Industries. This would also help in improving the profit level of the Company.

**Risk & Concerns**

Risk is an inherent aspect of any business. Risks and concerns may be classified as external and internal. The external factors are competition, availability of cheaper substitute products, government policies regarding power tariffs and ongoing political and economic changes in the importing Country. The Company can not have much control over such factors, it is therefore important to address those risks and concerns which are internal, on which the Company has control. Formal risk awareness, systematic approach and monitoring mechanism in the Company, ensures that these risks are duly addressed and well managed.

**Internal Control System & Their Adequacy**

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



## FLEX FOODS LIMITED

The Company has effective budgetary control system, the actual performance is reviewed with 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 audit.

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

### Human Resources/Industrial Relations

Employee relations were cordial. The Company has made continuous efforts and has emphasized on investing in people for motivating and developing its Human Resources. As on 31st March 2004, the total number of permanent employees in the Company was 461.

### 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.

#### A. FINANCIAL CONDITIONS

##### 1. FIXED ASSETS

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

	Year ended March 31			
	2001	2002	2003	2004
Gross Block (Rs. Lacs)	3267	3321	3370	3452
The composition and growth of assets was as under:				(Rs. in lacs)
Particulars	March 31, 2004	March 31, 2003	Growth%	
Land	58.90	58.90	Nil	
Buildings	755.75	742.98	1.72	
Plant & Machinery	2325.31	2258.07	2.98	
Electrical Fittings & Installations	141.12	141.08	0.03	
Equipments	51.20	48.03	6.60	
Furniture & Fixtures	5.94	5.32	11.65	
Vehicles	113.32	115.23	(1.66)	
<b>TOTAL</b>	<b>3451.54</b>	<b>3369.61</b>	<b>2.43</b>	
Less : Accumulated Depreciation	1494.87	1336.20	11.87	
<b>Net Fixed Assets</b>	<b>1956.67</b>	<b>2033.41</b>		
Depreciation as % to Total Revenue	6.22	6.81		
Accumulated Depreciation as % to gross block	43.31	39.65		

##### 2. CURRENT ASSETS, LOANS & ADVANCES

###### Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.353.53 lacs, representing 10.24% of the total assets.

###### Sundry Debtors

Sundry Debtors were Rs.447.57 lacs as at 31st March, 2004 as against Rs.418.09 lacs as at 31st March, 2003. Debtors as a percentage of total operating revenue were 17.88% for the current year as against 18.45% for the previous year.

###### Cash and Bank Balances

Cash and Bank balances were 7% of total assets as on 31st March, 2004 as against 3% as on 31st March, 2003.

###### 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 deposit for electricity.

###### Net Deferred Tax Assets

Deferred tax liabilities of Rs.440.77 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31st March, 2004. It has been calculated in accordance with Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.



## 3. CURRENT LIABILITIES &amp; 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 amounts payables to staff/workers for earned leave, bonus, salary and overtime besides taxes.

## B. RESULTS OF OPERATIONS

The summary of operating performance for the year is given below. The operating income of the Company grew by 10.53% during the year and EBIDT grew by 25.40%, analysis of which is given below:

(Rs. in lacs)

Particulars	Year ended		Year ended		Growth %
	March 31, 2004		March 31, 2003		
	Amount	%	Amount	%	
<b>INCOME</b>					
Income from Operations	2503.74	96.96	2265.27	96.81	10.53
Interest & Other Income	31.60	1.22	43.70	1.87	(27.69)
Increase/(Decrease) in Stock	46.92	1.82	30.99	1.32	51.40
Total Income	<u>2582.26</u>	<u>100.00</u>	<u>2339.96</u>	<u>100.00</u>	<u>10.35</u>
<b>EXPENDITURE</b>					
Raw Material Consumed	301.89	11.69	260.16	11.12	16.04
Other Manufacturing Expenses	514.60	19.93	576.33	24.63	(10.71)
Payment & Benefit to Employees	308.49	11.95	308.06	13.17	0.14
Administrative, Selling & Other Expenses	350.25	13.56	312.60	13.36	12.04
Operating Expenses	1475.23	57.13	1457.15	62.28	1.24
EBIDT	1107.03	42.87	882.81	37.72	25.40
Less : Depreciation	160.63	6.22	159.15	6.80	0.93
Interest	65.10	2.53	87.52	3.74	(25.62)
Extra-ordinary Expenditure	—	—	182.09	7.78	—
Add : Excess Provision of earlier year written back	2.48	0.10	—	—	—
Earning Before tax	883.78	34.22	454.05	19.40	94.64

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





## REPORT ON CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

## 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is to ensure the best possible Management team with optimum contribution from its Board of Directors comprising of Executive Directors and Non-executive Directors. The Company firmly believes that sound practices adopted in the governance of its affairs based on openness, transparency, capability and accountability is *sine-que-non* for long term success, building the confidence of its stakeholders, its functioning and conduct of business.

## 2. Board of Directors

The Company is being managed by the Board of Directors, having an ideal composition of Executive and Non-executive Directors. The Board of Directors of the Company presently comprises of six Directors with Chairman being a Non-executive Director including one Executive Director and four Non-executive Directors, out of whom three are Independent Directors. No Director is a member of more than ten Committees or Chairman of more than five Committees across all the Companies in which they are Directors. The Non-executive Directors are eminent professionals drawn from amongst persons with experience in business, industry, finance and law.

Composition and category of Directors as on 31st March, 2004 is as follows :

Name of Director	Designation	Category
Shri Ashok Chaturvedi	Chairman	Non-executive
Shri S.K. Kaushik	Whole-time Director	Executive
Shri G.N. Gupta	Director	Independent, Non-executive
Shri T.N. Pandey	Director	Independent, Non-executive
Shri M.G. Gupta	Director	Independent, Non-executive
Shri R.K. Jain	Director	Non-executive

None of the Directors of the Company except the Whole-time Director has any pecuniary relationship with the Company except to the extent of receipt of sitting fees for meetings of the Board/Committees of Directors attended by them.

## Number of Board-Meetings

During the Financial Year 2003-2004, five Board Meetings were held. The dates on which the meetings were held are, 26th April, 31st July, 7th August, 29th October in the year 2003 and 28th January in the year 2004. The gap between two meetings was not more than four months.

Attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorship and Chairmanship/Membership of Committees of each Director in various Companies :

Name of the Director	Attendance Particulars		No. of other Directorship and Committee Member/Chairmanship		
	Board Meetings	Last AGM	Other Directorship in public Companies	Total No. of Committee Membership	Total No. of Committee Chairmanship
Shri Ashok Chaturvedi	1	No	6	1	1
Shri S.K. Kaushik	5	Yes	1	1	—
Shri T.N. Pandey	4	Yes	1	5	2
Shri G.N. Gupta	5	Yes	6	7	5
Shri R.K. Jain	5	No	4	9	—
Shri M.G. Gupta	5	No	4	9	3

## 3. Audit Committee

An Audit Committee was constituted by the Board of Directors at their meeting held on 29.01.2001. The terms of reference and role of the Committee have been reviewed by the Board from time to time to comply with the legal requirements and currently the terms of reference of Committee are as per the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Committee comprises of independent, non-executive and professionally qualified Directors. Presently, the Committee consists of three independent and one Non-executive Directors. Shri T.N. Pandey is the Chairman of the Audit Committee. The other members are Shri G.N. Gupta, Shri M.G. Gupta and Shri R.K. Jain. Shri M.G. Gupta was appointed a