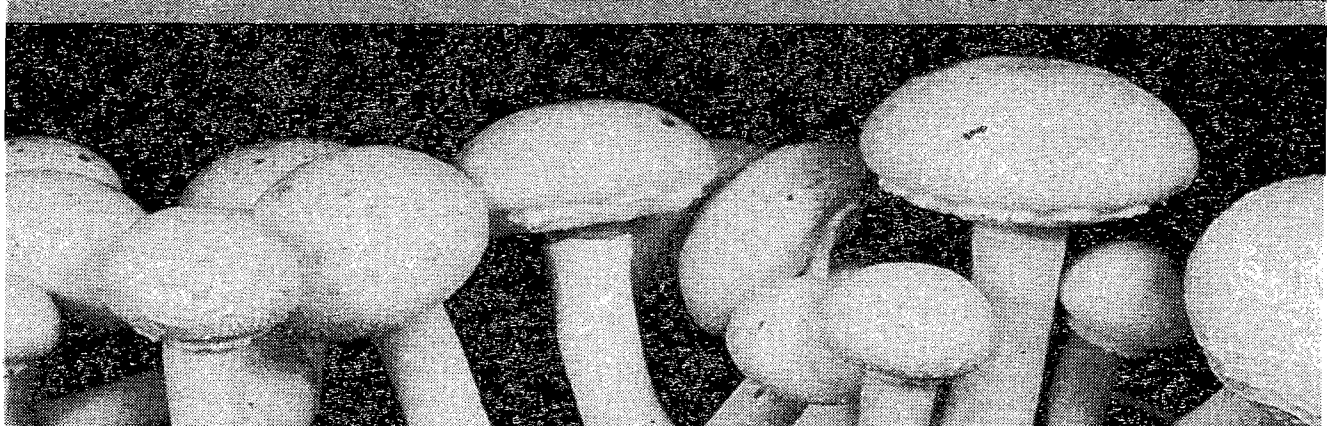


17th ANNUAL REPORT 2006 - 2007



FLEX FOODS LIMITED



FLEX FOODS LIMITED

SEVENTEENTH ANNUAL REPORT 2006-2007

BOARD OF DIRECTORS

ASHOK CHATURVEDI
Chairman
T. N. PANDEY
G. N. GUPTA
M. G. GUPTA
R. K. JAIN
S. K. KAUSHIK

COMPANY SECRETARY

REJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES
New Delhi
Statutory Auditors

VIJAY SEHGAL & CO.
Delhi
Internal Auditors

BANKERS

CANARA BANK

REGISTERED OFFICE

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

SHARE DEPARTMENT

110, First Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash -I,
NEW DELHI-110048
Phone Nos. : 26440917, 26440925
Fax No. : 26216922
E-mail : flexsec@vsnl.net

WORKS

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

Chidderwala
Dehradun
(Uttarakhand)



FLEX FOODS LIMITED

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 22nd day of September, 2007 at 3:00 P.M. at the Registered Office of the Company at Lal Tappar Industrial Area, P.O. Resham Majri, Haridwar Road, Dehradun, Uttarakhand to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2007 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 of the Company 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 resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 386, 387 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 Devendra Tiwari as 'Manager' under the Companies Act, 1956 of the Company for a period of three years w.e.f. 30th October, 2006 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 Devendra Tiwari 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 Devendra Tiwari within the permissible limits under the Companies Act, 1956, from time to time, 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."

By Order of the Board

Place : NOIDA

Dated : 13th August, 2007

RAJESH DHEER

Company Secretary

Regd. Office:

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

NOTES:

1. Explanatory Statement pursuant to 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 17th September, 2007 to 22nd September, 2007 (both days inclusive).
4. Members holding shares in physical form are requested to notify change in address, if any, to the Company's Registrar & Share Transfer Agent (RTA), Beetal Financial & Computer Services Pvt. Ltd., Beetal House, 3rd Floor, 99, Madangir, Near Dada Harsukh Dass Mandir, Behind Local Shopping Centre, New Delhi - 110062 quoting correct Folio Number(s) and in case of shares held in dematerialized form to the concerned Depository Participant.
5. Members seeking further information about the Accounts are requested to write to the Company atleast one week before the date of Annual General Meeting, giving details of information required.
6. Trading in the shares of the Company has been made compulsory in dematerialized form w.e.f. 28th May, 2001. 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 Registrar through a Depository Participant.
7. The Company has paid the Annual Listing fees for the year 2007-2008 to the following Stock Exchanges viz., The Delhi Stock Exchange Association Ltd. & Bombay Stock Exchange Limited at which the Company's equity shares are presently listed.
8. The Company has transferred all unpaid/unclaimed second instalment of redemption of Debenture amount due on 11.06.2000 to the Investor Education and Protection Fund (IEPF) established by the Central Government on 21st June, 2007. Debenture holders are requested to note that no claims shall lie against the Company or IEPF in respect of amount which were unclaimed and unpaid for a period of seven years from the date that they first became due for payment and no payment shall be made in respect of any such claims.
9. All material documents, resolution passed by the Board of Directors and Remuneration Committee relating to the appointment and payment of remuneration to Shri Devendra Tiwari and Articles of Association of the Company are open for inspection to the Members till the conclusion of the Annual General Meeting at the Registered Office of the Company.

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

ITEM NO. 5

The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 30th October, 2006 appointed Shri Devendra Tiwari as a 'Manager' of the Company in terms of the provisions of the Companies Act, 1956 w.e.f. 30th October, 2006 for a period of three (3) years on the terms and conditions as to remuneration etc. as detailed hereunder, subject to the approval of the Members of the Company.



FLEX FOODS LIMITED

Remuneration by way of salary, perquisite and/or other allowances/benefits shall not exceed Rs.2.50 lacs per month or Rs.30.00 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 purposes would be billed to the 'Manager'.

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 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.

Shri Devendra Tiwari, 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 Devendra Tiwari as required under Schedule-XIII are given hereunder: The Company is a major producer of freeze dried products in the Country. The overall performance of the Company is as under:

The Sales of the Company increased from Rs.621.30 lacs in 1993 to Rs.2265.27 lacs in 2003 and to Rs.3420.74 lacs in 2007. The operative profit after providing interest but before depreciation increased from Rs.12.29 lacs in 1993 to Rs.795.29 lacs in 2003 and Rs.811.08 in 2007.

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:

31.03.2005	- Rs.1863.19 lacs
31.03.2006	- Rs.1736.85 lacs
31.03.2007	- Rs.2471.30 lacs

Shri Devendra Tiwari is a Chemical Engineer from the Government College of Engineering & Technology (Ravishankar University), Raipur and M.B.A from Bhopal University, and has experience of about 20 years in different companies such as M/s. Jayant Vitamins Limited, M/s. Bhopal Pesticides Limited, M/s. Montari Industries Limited, Bharat Starch Industries etc. At present, he is working with the Company as General Manager.

It has been due to his vision, sound knowledge about the Company's business and products, untiring efforts, leadership, guidance and experience that the Company has started yielding positive results and the sales of the Company has increased to Rs.3420.74 in the current year from Rs.2380.57 lacs in the previous year.

The Board of Directors recommend the Resolution for your approval.

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

This should be considered as an abstract of the terms of appointment of Shri Devendra Tiwari as 'Manager' 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.

By Order of the Board

Place : NOIDA

Dated : 13th August, 2007

Regd. Office:

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

RAJESH DHEER

Company Secretary

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

Name of the Director	Shri Ashok Chaturvedi	Shri T. N. Pandey
Date of Birth	10.10.1956	20.08.1932
Date of Appointment	05.02.1990	01.11.2001
Experience in specific functional area	Chief promoter of the Flex Group of Companies who had set up the business himself being the first generation entrepreneur and have in-depth knowledge of the Company's business.	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	- UFLEX LIMITED - UTech Developers Limited, - Ultimate Flexipack Limited - Energy Development Co. Limited - Sarvottam Caps Limited	- Kailash Hospital & Research Centre Limited
Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee U Tech Developers Limited- Chairman Remuneration Committee Nil Shareholders'/Investors' Grievances Committee Nil	Audit Committee - Flex Foods Ltd. - Chairman - Kailash Hospital & Research Centre Limited - Chairman Remuneration Committee - Flex Foods Limited - Kailash Hospital & Research Centre Limited Shareholders'/Investors' Grievances Committee - Flex Foods Ltd.

None of the Non-executive Directors of the Company holds any share/convertible instrument except Shri Ashok Chaturvedi (Non-executive Chairman) who holds 10 equity shares of the Company.

**DIRECTORS' REPORT**

To the Members,
Your Directors are pleased to present the 17th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2007 and for the previous year ended 31st March 2006 are as follows:

	Year Ended 31.03.2007	(Rs. In lacs) Year Ended 31.03.2006
Sales	3420.74	2380.58
Other Income	196.41	144.21
Profit before Interest, Financial Charges & Depreciation	1083.89	872.36
Interest & Financial Charges	272.81	193.92
Depreciation	313.65	251.39
Profit before Tax	497.43	427.05
Provision for Taxation	54.77	35.94
Provision for Deferred Tax	(27.13)	(35.82)
Wealth Tax	0.40	0.30
Fringe Benefit Tax	5.00	3.70
Profit after Tax	464.39	422.93

Your Company achieved a turnover of Rs.3617.15 lacs including other income of Rs.196.41 lacs in comparison to turnover of Rs.2524.79 lacs including other income of Rs.144.21 lacs in the previous year ended 31st March 2006. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.2471.30 lacs which is approximately 72.24% of the total sales. Your company earned a net profit of Rs.464.34 lacs for the year ended 31st March 2007 compared to profit of Rs.422.03 lacs for the previous year ended 31st March 2006.

After careful consideration of the overall situation and keeping in view the requirement of funds for future needs of the Company, the Board of Directors regret their inability to recommend any dividend for the Financial Year ended 31st March, 2007.

The operational aspects of the Company's working have 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.

None of the Directors of the Company is disqualified as per provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made necessary disclosures as required under various provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

MANAGER

Shri Devendra Tiwari, has been appointed as 'Manager' under the Companies Act, 1956 w.e.f. 30.10.2006.

FIXED DEPOSITS

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

The Securities Exchange Board of India (SEBI) stipulated Corporate Governance standards for listed companies through Clause 49 of the Listing Agreement of the Stock Exchanges. Accordingly, your Company has already put in place systems and procedures and is fully compliant with Clause 49 of the Listing Agreement entered into with Stock Exchanges. A separate report on Corporate Governance along with the Auditors' Certificate on its compliance by the Company is included as a part of the Annual Report.

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 Accounts for the Financial Year ended 31st March, 2007, the applicable accounting standards have been followed and there has been no material departure.
- 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 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.



FLEX FOODS LIMITED

PERSONNEL

Relationship with the Employees remain 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 Uttarakhand/ Uttar Pradesh, 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

ASHOK CHATURVEDI

Dated : 13th August, 2007

Chairman

ANNEXURE 'A' TO DIRECTORS' REPORT

Information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo pursuant to Companies (Disclosures of Particulars in the Report of Board Of Directors) Rules, 1988, forming part of Directors' Report.

1. CONSERVATION OF ENERGY

A) Energy Conservation Measures Taken

The company has its EHS policy and HVAC system in place. Understanding the social accountability for conservation of energy, major innovations were initiated in reducing energy intensity in manufacturing process, reducing the overall energy consumption and emission of pollutants through thermodynamic balancing and control.

Use of optimum material for efficient generation of steam was achieved along with controlled consumption, recycling of condensate, flash recovery, high calorific value fuel selection, technology upgradation in heating arrangement of fuel. Proper utilization of fuel gas temperature by heating of water through pre-heater in boiler has resulted in substantial energy savings.

Cost of maintenance and labour were reduced by judicious use of boiler chemicals, full utilization of thermal efficiency of hot water, efficient operations of cooling towers and refrigeration systems and proper utilization of compressed air.

B) Additional investments and proposal being implemented for reduction of energy consumption.

Boiler - Automation to save fuel, Air pre-heater installation to reduce the heating load of air drying plant and installation of more efficient condensate water recovery tank are being undertaken for significant reduction in energy consumption.

Air Drying Unit - Installation of mechanical water removal system before dryer section to reduce the steam requirement during drying operation are being undertaken.

C) Impact of the above measures

Effective, preventive and predictive maintenance, round the clock monitoring, frequent inspection and cleaning programs, proper motor sizing, VFD installation, maintaining unity power factor and electricity conservation through control of load and transmission losses have resulted in increased efficiency and output resulting in significant cost savings and increased level of awareness amongst the employees.

2. TECHNOLOGY ABSORPTION

A) Research & Development (R&D)

1) Specific areas in which R&D carried out by the Company

The Company prioritized and carried out R&D work in the process and product development of mushrooms and various types of herbs and vegetables, besides a new range of health care products.

2) Benefits derived as a result of above R&D

a. During the year, air-drying & IQF technology was standardized successfully for mushrooms, parsley, dill coriander zucchini, carrot and tomato. Commercial samples/ trial consignments were sent to foreign buyers and the same met the quality specifications successfully. Air-dried Mushrooms sample has been approved by the buyer and orders are expected in near future.

b. Mushroom picking procedure at mushroom farm was standardized to pick clean mushrooms. This coupled with reduced and controlled washing of mushrooms in freeze-drying unit has increased productivity considerably.

c. Oregano cultivation practices were standardized and commercial volumes were grown and processed as a product range expansion. Plans are afoot for expanding the cultivation area at suitable locations in hills and other new areas.

d. Company has developed nutraceutical products. Plans are underway to ensure high efficacy of the products and tap their market potential.

3) Future Plan of Action

a. Steps are continuously being taken for innovation and upgradation of products including new product development like IQF baby potato, IQF potato cup etc. and enhancement of product quality/ profile to offer better products at relatively affordable prices to the customer.

b. Automations and process line modifications are being planned to substantially reduce labour costs and to improve productivity and quality.

4) Expenditure on R&D

During the year, Company spent Rs. 4.22 lacs. This is equivalent to 0.12 % of the turnover

B) Technology absorption, adaptation and innovation

The Company progressed and focused on energy efficient, cost effective and world class technology and successfully assimilated the same in regular operations by standardizing and systemizing operations through ISO, HACCP and BRC Quality Systems.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

a. Activities related to Exports: Initiatives were taken to increase exports, development of new export markets for products.

The Company is at present exporting its products to USA and Europe. The Company is continuously exploring possibilities of exporting new and enhanced quantities of existing product mix to existing and new prospective markets.

b. During the year the Company has exported manufactured goods on FOB basis amounting to Rs. 2471.30 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs. 162.86 lacs.

For and on behalf of the Board

Place : NOIDA

ASHOK CHATURVEDI

Dated : 13th August, 2007

Chairman



FLEX FOODS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

The forward looking statements of the Company reflect the current expectations regarding future results of operation, economic performance, financial condition and achievements of the Company. The Company has tried as far as possible, to identify in these forward looking statements on a number of assumptions and estimates which are subject to risks and uncertainties

Industry Scenario and Developments

Food processing industry is of great significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of our economy - industry and agriculture. Fast growth in the food processing sector and progressive improvement in the value addition chain are also of great importance for achieving favourable terms of trade for Indian agriculture both in the domestic and international markets. Even more important is the crucial contribution that an efficient food processing industry could make in the nation's food security. The simple fact that the post-harvest losses are about 25 to 30 per cent in our country should serve as an eye opener for all of us. Even marginal reductions in these losses are bound to give us great relief on the food security front as well as improve the income levels of the farmers.

In India, agricultural and dairy sectors have achieved remarkable success over the last three and a half decades. Besides being one of the world's largest producers of food-grains, India ranks second in the world in the production of fruits and vegetables and first in milk production providing much needed food security to the nation.

The accomplishments of the green and white revolutions have, however, not been matched by concurrent developments in supply chain management, and in new technologies for better processing, preservation and storage of food. Pockets of shortages and near starvation, substantial wastages due to spoilage, quality deficiencies and inadequate returns to the farmer are still very much in evidence.

Mushroom industry in India is developing fast especially cultivation of white button mushrooms. During the last decade, the production has increased in India by 5 fold and present mushroom production is about 50,000 tons of all types of mushrooms. Out of these, about 10% are mushrooms, other than the button mushrooms. At the current rate of growth of mushroom production in the Country, it is projected that mushroom production will cross around 6 lakh tones by 2020. India's exports of mushrooms during the period 2002-03 to 2005-06 continuously registered a steady growth.

Business Overview

Flex Foods offers a wide range of Vacuum Freeze Dried, Air-Dried, Frozen and IQF (Individually Quick Frozen) having products range of mushrooms, herbs, spices and fruits/ vegetables, meeting strict quality & hygiene standards. As a major step towards balancing the product mix and to become a single point source of supplier of Frozen / IQF (Individually Quick Frozen), Air Dried as well as Freeze Dried products to the customers as per their requirements, the Company has expanded the freezing & cold storage facilities for herbs, fruits & vegetables.

The Company's expansion programme for Air-dried (Dehydrated-DHD) and Frozen (Individually Quick Frozen-IQF) facilities, which was completed last year is stabilizing & estimated to contribute substantially in the earnings of the Company in future.

Product-wise performance

Description	Current Year		Previous Year	
	Qty. (in kgs)	Value (Rupees)	Qty. (in kgs.)	Value (Rupees)
Freeze dried Mushrooms, Herbs, Vegetables & Fruits	1,84,578	21,53,23,710	1,50,343	16,45,78,560
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	13,94,315	7,30,88,600	12,50,499	6,53,87,788
Frozen/Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	5,41,960	4,31,00,146	15,856	80,91,279
Air Dried Fruits, Vegetables, Mushroom & Herbs	55,417	1,05,46,170	-	-
Total	21,76,270	34,20,58,626	14,16,698	23,80,57,627

The overall performance of the company for the year ended 31st March, 2007 has shown substantial improvement with a turnover of Rs.3421 lacs and a profit after taxation of Rs.464 lacs as against Rs.2381 lacs & Rs.423 lacs respectively in the previous year ended 31st March, 2006.

Opportunities and Threats

The total food production in India is likely to double in the next ten years and there is an opportunity for large investments in food processing industries. Health food and health food supplements are another rapidly rising segment of this industry which is gaining vast popularity amongst the health conscious people around the world. Opening of Indian Economy coupled with favorable regulations for the Indian food processing sector will have a positive impact on the over all industry and Company being a food processing industry, is also expected to be benefited immensely.

Freeze dried & Air dried products market has become highly competitive with the entry of China which has managed to



FLEX FOODS LIMITED

gain substantial market share for certain products due to competitive prices and an acceptable level of quality in many cases. The Company is not a major producer of mushroom varieties as produced by other countries like South Korea, China, Italy.

The export market for India is chiefly USA & Europe with some quantities going to UAE, Russia.

The Company has already taken steps to produce as economically and efficiently as possible the best quality of mushrooms and herbs. It is producing high yielding, visually attractive mushrooms having desired flavour and resistance. Further, it uses most modern compost technology in the Country. Its main focus is to produce white bottom mushrooms as world demand continues to be centered on the white mushrooms. This mushroom accounts for nearly 40% of the world production, with major growers located in USA, Netherlands and China. This will add to the competitive strength of the Company in the International market.

Future Outlook

The future of the industry looks bright, as the Government of India has taken several measures for developing this industry. Indian mushroom industry has sufficiently geared itself up for a considerable growth in production over next few years as the export demand escalates. The mushroom industry's future is positive due to changing public perceptions of the fungus. The Company has an edge over its competitors because of the fact that it adopts modern method of cultivation of mushrooms, which helps in improving its productivity and reducing per unit cost. Cold chain facilities are being strengthened, which helps in retaining quality, freshness and reduce post harvest losses.

Management is constantly keeping a close watch on the changing market scenario and the business strategy is reviewed regularly for achieving a consistent growth by meeting the tough international competition successfully. The Company has also introduced the new range of Frozen and Air dried products for export market which will improve the Company's turnover and profits.

The Company's continued focus on R&D enabled it to develop several new and improved products. Presently, production of natural food supplement/ dietary supplement has just started for domestic market.

The area of health care, nutraceuticals, biotechnology, natural and herbal preparations have a very promising future. The margins of profit in healthcare and biotechnology areas are substantially higher as compared to other sectors. With consistent efforts of Company's R&D department, the Company has plans to introduce an innovative range of natural nutritional supplements meant for well being of grown up adults segment of our population.

With a significantly improved customer base, experience in varied markets and strong management team, your Company feels confident of accelerated growth in all the market segments.

Risks & Concerns

Every business has inherent risks involved in its operations, which may be either external or internal. The external factors are market competition, availability of cheaper substitute products, Government policies regarding power tariffs and on-going political and economic changes in the importing countries. The Company may not have much control over such factors, however it is important to address these risks & concerns to mitigate their overall impact on the business. Formal risk assessment and Management approach along with the regular monitoring mechanism in the Company ensures that these risks are duly addressed and well managed. High focus on safety of plant, its premises and people continuity of vital supplies and proactive management of related business environment are essential for the risk management in the overall supply chain and business in general.

Internal Control System & their Adequacy

The Company has adequate system of internal controls to ensure that all activities are monitored and controlled as well as transactions are authorized, recorded and reported correctly. The Company has effective budgetary control system and the actual performance is reviewed with reference to the budget periodically by the Management. The Company ensures adherence to all internal control policies and procedures as well as compliance with all regulatory guidelines, which are supplemented by internal audit regularly.

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

Human Resources/Industrial Relations

The Company lays due emphasis on sound Human Resource Management practices and appraisal systems with focus on cordial employee relations to ensure higher level of productivity and operational efficiency. Adequate efforts have been made to strengthen and develop its human resources as a key strength through continuous training inputs and focused development plan. As on 31st March 2007, the total number of permanent employees in the Company were 470.

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

Fixed Assets

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

(Rs. in lacs)

Year ended March 31st	2004	2005	2006	2007
Gross Block (Rs. in Lacs)	3452	5248	6494	6634



FLEX FOODS LIMITED

The composition and growth of assets was as under:

Particulars	March 31, 2007	March 31, 2006	(Rs. in lacs)
			Growth %
Land	99.70	99.70	-
Buildings	1195.47	1159.19	3.13
Plant & Machinery	5028.76	4940.74	1.78
Electrical Fittings & Installations	141.59	141.59	-
Equipments	67.83	63.17	7.38
Furniture & Fixtures	8.99	7.66	17.36
Vehicles	91.20	81.96	11.27
Total	6633.54	6494.01	2.15
Less: Acc. Depreciation	2176.31	1869.99	16.38
Add: CWIP	33.92	-	-
Net Fixed Assets	4491.15	4624.02	-

CURRENT ASSETS LOANS & ADVANCES

Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.849.81 lacs, representing 12.81% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs.798.02 lacs as at 31st March, 2007 as against Rs.523.31 lacs as at 31st March, 2006. Debtors as a percentage of total operating revenue were 23.33% for the current year as against 21.98% for the previous year.

Cash and Bank Balances

Cash and bank balances were 8.66% of total assets as on 31st March, 2007 as against 5.65% as on 31st March, 2006.

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.389.89 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2007. It has been calculated in accordance with Accounting Standard-22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

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 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:

(Rs. in lacs)

Particulars	Year ended March 31, 2007		Year ended March 31, 2006		Growth(%)
	Amount	%	Amount	%	
INCOME					
Income from operations	3420.74	94.02	2380.58	85.10	43.69
Other income	196.41	5.40	144.21	5.16	36.36
Increase/(Decrease) in stock	21.15	0.58	272.53	9.74	-92.24
Total Income	3638.30	100.00	2797.32	100.00	
EXPENDITURE					
Raw Material Consumed	542.41	14.91	444.96	15.91	21.90
Other Manufacturing Exp.	946.70	26.02	649.06	23.20	45.86
Payment & Benefit to Emp.	432.74	11.89	380.32	13.60	13.78
Administrative, Selling & Other Expenses	632.55	17.38	450.62	16.10	31.55
OPERATING EXPENSES	2554.40	70.20	1924.96	68.81	30.63
EBDIT	1083.90	29.80	872.36	31.19	28.83

**REPORT ON CORPORATE GOVERNANCE****CORPORATE GOVERNANCE**

In compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the Report on the matters mentioned in the said Clause and practice followed by the Company.

1. Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance is to ensure the best possible management team with considerable professional experienced people. 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**(a) Composition of the Board (As on March 31, 2007)**

The Board of Directors of the Company comprises of six Directors. All Directors including Chairman of the Company are Non-executive Directors with three Directors being independent Directors. The Board consists of eminent persons with considerable professional experience in business, industry, finance and law. None of the Directors on the Board is a member of more than ten Committees and Chairman of more than five Committees across all the Companies in which they are Directors. All the Directors have made disclosures regarding their directorship and memberships on various Committees across all Committees in which they are directors and/or members.

The composition and category of Directors as on 31.03.2007 is as follows :

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

None of the Director of the Company has any pecuniary relationship with the Company except to the extent of receipt of sitting fees for meetings of the Board/Committee(s) of Directors attended by them.

As mandated by the revised Clause No.49, all the Independent Directors on the Company's Board are Non-Executive and:

- Apart from receiving Director's remuneration, do not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management and associates, which may affect independence of the Directors.
- Are not related to promoters or person occupying management positions at the Board level or at one level below the Board.
- Have not been an executive of the Company in the immediately preceding three financial years of the Company.
- Are not partner or executive or were not partner or executive of the Statutory Audit Firm or the Internal Audit Firm and Legal Firms, Consulting Firms, which have association with the Company.
- Are not material suppliers, service providers or customers or lessors or lessees of the Company, which may affect independence of the Directors.
- Are not substantial shareholders of the Company i.e. do not own two percent or more of the block of voting shares.

Information supplied to the Board

The Board has complete access to all information with the Company, *inter-alia*, the information as required under the revised Clause 49 of the listing agreement is regularly provided to the Board as a part of the agenda.

Compliance reports of all applicable laws to the company

The periodical reports submitted by the Internal Auditors and by the concerned executives of the Company with regard to compliance of all laws applicable to the Company including steps taken by the Company to rectify instances of non-compliances, if any, are being reviewed by the Board.

(b) Board Meetings and attendance record of each Director

Four Board Meetings were held during the financial year 2006-2007. The dates on which the meetings were held are, 26th April, 28th July, 30th October in the year 2006 and 29th January in the year 2007. The gap between two meetings was not more than four months.