

19th Annual Report 2008-2009

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FLEX FOODS LIMITED

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FLEX FOODS LIMITED

NINETEENTH ANNUAL REPORT

2008-2009

BOARD OF DIRECTORS

ASHOK CHATURVEDI

Chairman

T. N. PANDEY

G. N. GUPTA

M. G. GUPTA

R. K. JAIN

S. K. KAUSHIK

REGISTERED OFFICE

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

SHARE DEPARTMENT

305, Third Floor, Bhanot Corner,
Pamposh Enclave,
Greater Kailash - I
New Delhi - 110048

Phone Nos. : 26440917, 26440925

Fax No. : 26216922

E-mail : flexsec@vsnl.net

CHIEF EXECUTIVE OFFICER

PRABIR GHATAK

COMPANY SECRETARY

RAJESH DHEER

AUDITORS

JAIN SINGHAL & ASSOCIATES

New Delhi

Statutory Auditors

VIJAY SEHGAL & CO.

Delhi

Internal Auditors

WORKS

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

Chidderwala

Dehradun

(Uttarakhand)

BANKERS

CANARA BANK



NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of Flex Foods Limited will be held on Wednesday, the 30th Day of September, 2009 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, 2009 and the Profit & Loss Account for the year ended on that date together with the Reports of Auditors and Directors thereon.
2. To declare dividend for the financial year 2008-2009 on the Equity Shares of the Company.
3. To appoint a Director in place of Shri S.K. Kaushik, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri G.N. Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. 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, 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 Madan Mohan Varshney as 'Manager' under the Companies Act, 1956 of the Company for a period of three years w.e.f. 28th April, 2009 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 Madan Mohan Varshney 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 Madan Mohan Varshney within the permissible limits under the Companies Act, 1956 from time to time, or any statutory modifications 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 : 29th July, 2009

RAJESH DHEER
 Company Secretary

Regd. Office:

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

NOTES:

1. Explanatory Statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
2. **A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and on a poll, to vote instead of himself. The proxy need not be a member of the Company. A blank form of proxy is enclosed and if intended to be used, it should be returned, duly completed, to the Registered Office of the Company not less than forty eight hours before the scheduled time of the meeting.**
3. The Register of Members and Share Transfer Books of the Company will remain closed from **26th September, 2009 to 30th September, 2009 (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. All documents referred to in the accompanying notice and the explanatory statement are open for inspection at the Registered Office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of Annual General Meeting.
6. The Company has paid the Annual Listing fees for the year 2009-2010 to the Bombay Stock Exchange Limited at which the Company's Securities are presently listed. The Company has applied to the Delhi Stock Exchange Limited for delisting of its equity shares.

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

ITEM NO. 6

The Remuneration Committee and the Board of Directors of the Company at their respective meetings held on 28th April, 2009 appointed Shri Madan Mohan Varshney as 'Manager' of the Company in terms of the provisions of the Companies Act, 1956 w.e.f. 28th April, 2009, 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.

Remuneration by way of salary, perquisite and/or other allowances/benefits shall not exceed Rs.2.75 lacs per month or Rs.33.00 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.

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 '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.

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 under the aforesaid limits.

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 Madan Mohan Varshney has pecuniary relationship with the company as he is the Manager of the Company and eligible for remuneration as per the terms of appointment.

Shri Madan Mohan Varshney 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/Chairman to him from time to time. The brief profile of the Company as well as Shri Madan Mohan Varshney as required under Schedule-XIII are given hereunder:

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

(Rs. in lacs)

Year Ended 31st, March	2006-07	2007-08	2008-09
Sales	3420.74	4006.72	4310.51
Other Income	196.41	226.24	393.24
Profit before interest depreciation & tax	1083.69	1333.55	1477.15
Interest & Financial Charges	272.81	283.64	248.20
Depreciation	313.65	321.47	328.69
Profit before tax	497.43	728.44	900.26
Profit after tax	464.39	710.06	835.24

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:

31.03.2007	31.03.2008	31.03.2009
Rs.2471.30 lacs	Rs.3072.62 lacs	Rs.3254.77 lacs

Shri Madan Mohan Varshney is a Post Graduate in Food Technology from the University of Pantnagar, Uttarakhand with specialization in Process Food Engineering. He has also done Enhancing Managerial Effectiveness from Indian Institute of Management, Ahmedabad and has experience of about 24 years in different companies in India such as M/s. Cadburys India Limited, M/s. VST Natural Products Limited, M/s. Global Green Limited, M/s. Eco Vally Farms and Foods Limited etc. At present, he is working with the Company as Vice President and looking after Production and Planning.

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 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 : 29th July, 2009

RAJESH DHEER
Company Secretary

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

Name of the Director	Shri S.K. Kaushik	Shri G. N. Gupta
Date of Birth	20.11.1939	23.07.1931
Date of Appointment	11.08.2000	28.07.1999
Experience in specific functional area	A Chartered Accountant having more than 45 Years of experience particularly 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 and varied experience and has held several important positions during his illustrious career with the Central Government
Qualification	FCA	M.Sc. (Maths), LL.M.
Directorship in other Public Limited Companies	UFLEX Limited.	Manoj Housing Finance Co. Ltd. Yash Papers Limited Asian Fertilizers Limited Alpha Drug India Limited
Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee Nil Remuneration Committee Nil Shareholders'/Investors' Grievances Committee Flex Foods Ltd., UFLEX Limited	Audit Committee Flex Foods Limited Yash Papers Limited (Chairman) Remuneration Committee Flex Foods Ltd. (Chairman) Yash Papers Limited (Chairman) Shareholders'/Investors' Grievances Committee Nil

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



FLEX FOODS LIMITED

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 19th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2009 and for the previous year ended 31st March, 2008 are as follows:

	Year Ended 31.03.2009	(Rs. in lacs) Year Ended 31.03.2008
Sales	4310.51	4006.72
Other Income	393.24	226.24
Profit before Interest, Financial Charges & Depreciation	1477.15	1333.55
Interest & Financial Charges	248.20	283.64
Depreciation	328.69	321.47
Profit before Tax	900.26	728.44
Provision for Taxation	100.50	73.91
Provision for Deferred Tax (Credit)	(42.48)	(61.66)
Wealth Tax	0.42	0.24
Fringe Benefit Tax	6.58	5.89
Profit after Tax	835.24	710.06
Add : (Short)/ Excess provision of the Earlier Year		
- For Income Tax	4.03	-
- For Wealth Tax	(0.001)	-
- For Fringe Benefit Tax	(0.53)	(3.90)
Profit for the Year	838.73	706.16

Your Company achieved a turnover of Rs.4703.75 lacs including other income of Rs.393.24 lacs in comparison to turnover of Rs.4232.96 lacs including other income of Rs.226.24 lacs in the previous year ended 31st March, 2008 showing an increase of 11.12%. During the year, the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.3254.77 lacs which is approximately 75.51% of the total sales. Your company ended the year with a net profit of Rs.838.73 lacs for the year ended 31st March, 2009 compared to profit of Rs.706.16 lacs for the previous year ended 31st March, 2008.

The operational aspects of the Company's working have been covered in detail in the Management Discussion and Analysis Report and the same is deemed to be part of this Directors' Report.

Dividend

Your Directors are pleased to recommend a dividend @ Rs. 2/- (20%) per share for the financial year ended March, 2009. The dividend, if approved at the forthcoming Annual General Meeting, will be paid to Members whose names appear in the Register of Members as on 30th September, 2009. In respect of shares held in dematerialized form, it will be paid to those Members whose names are furnished by National Securities Depository Limited and Central Depository Service (India) Limited as beneficial owner as on 30th September, 2009.

Delisting of Equity Shares from Delhi Stock Exchange

The equity shares of the Company are presently listed on two Stock Exchanges viz. Bombay Stock Exchange Limited (BSE) and Delhi Stock Exchange Limited (DSE). The Members of the Company through Postal Ballot approved the Company's proposal for delisting of its shares from

Delhi Stock Exchange Limited. Accordingly, the delisting application has already been filed with DSE.

Directors

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 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.

Mr. Devendra Tiwari, who was appointed as Manager under the Companies Act, 1956 resigned from the Company w.e.f. 23.02.2009 and in his place Mr. M.M. Varshney was appointed as "Manager" under the Companies Act, 1956.

Fixed Deposits

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

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

A separate Report on Corporate Governance alongwith Report on Management Discussion and Analysis is enclosed as 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, 2009, 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.

Personnel

Personnel relations with all employees remained cordial and harmonious throughout the year. Your Directors wish to place on record their sincere appreciation for the continued, sincere and devoted services rendered by all the employees 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, Banks, Shareholders and all Business Associates during the year under review.

For and on behalf of the Board

Place : NOIDA

Dated : 29th July, 2009

Ashok Chaturvedi

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

Keeping in mind social accountability, efforts were undertaken to reduce energy consumption & emission of pollutants. Steam generation & consumption, electricity & water consumption patterns were studied & optimized for various processes.

Efficient generation of steam was achieved by proper selection of fuel, improved burner efficiency, controlled & complete combustion of fuel, recycling of condensate, flash recovery, proper heat distribution & technology upgradation.

Knowledge of energy consumption for each product & process, measuring & analyzing data on steam generation, distribution & consumption, measuring & analyzing data on electricity/ water distribution & consumption, process analysis & improvement, proper selection of motors, identifying & eliminating distribution system losses, condition monitoring, frequent inspection & cleaning programmes, VFD installation & maintaining unity power factor have resulted in significant cost savings & increased level of awareness amongst the employees.

b) Additional investments and proposals being implemented for reduction of energy consumption

IQF Unit: Refrigeration unit was modified to improve handling capacity by installing new compressor, separator, receiver, cooling tower & cold room. The cooling capacity of existing cold rooms was enhanced.

Freeze Drying Unit: New more energy efficient dehumidification unit was installed in packing room.

c) Impact of the above measures

IQF refrigeration unit modification has resulted in increased raw material handling capacity & process efficiency thereby resulting in significant cost savings.

New more energy efficient dehumidification unit installed in Freeze Drying Unit has resulted in significant fuel savings.

2. TECHNOLOGY ABSORPTION

a) Research & Development (R&D)

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

The company prioritized and carried out R&D work in process and

product development of vegetables and organic herbs and other conventional herbs like Borage, Fennel and Sorrel.

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

- a) Process certification of facility for organic production has been obtained from Uttarakhand Organic Board, Dehradun.
- b) IQF Borage, Fennel and Sorrel were manufactured and exported in addition to other herbs.
- c) IQF Organic Basil was manufactured and exported in addition to other conventional IQF herbs.
- d) Air dried Green Beans were manufactured and supplied in the domestic market.

iii) Future Plan of Action

- a) Steps are continuously being taken for innovation and renovation of products including new product development like Air dried Broccoli, Cauliflower, Orange, Carrots and other Air dried vegetables.
- b) Efforts are being done to introduce Air dried herbs in retail packing for the domestic market.
- c) Automation and process line modifications are being planned to substantially reduce labour costs and to improve productivity and quality.
- d) Steps are being taken for Global Gap Certification (formerly Euro gap) for Mushroom: Farm and herbs growing (for selected farmers).

iv) Expenditure on R&D

During the year, Company spent Rs. 0.24 Lacs. This is very negligible to the percentage of the turnover of the Company.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- a. Activities related to Exports: Initiatives were taken to increase exports, development of new export markets for products and services. The Company is at present exporting its products to North America 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 company has exported manufactured goods on FOB basis amounting to Rs.3254.77 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.242.26 lacs

For and on behalf of the Board

Place : NOIDA

Dated : 29th July, 2009

Ashok Chaturvedi

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

Forward looking statements are based on certain assumptions of future events over which the Company exercises no control. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be projected or implied by the forward looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, acquisitions, domestic and international economic conditions affecting demand, supply and price conditions in the various businesses in the Company's portfolio, changes in Government regulations, tax regimes and other statutes, and the ability to attract and retain high quality human resources.

In spite of the best care and improved business practices, the forward looking statements of the Company reflect the current expectations regarding future results of operation. Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could affect industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Industry Scenario and Developments

During the preceding three years, the country had witnessed tremendous economic growth with gross domestic product (GDP) expanding at an average of 9 percent. However, the growth momentum was moderated during the financial year 2008-09 because of the global economic conditions. Like all other emerging economies, India too was impacted by credit crisis, indeed more so than was imagined earlier. The slowdown in growth has reflected in lower industrial production, negative exports, deceleration in services activities, dented corporate margins and diminished business confidence. As per the revised estimates for the FY 2008-2009, the GDP for the year grew at 6.7 per cent as against 9.1 per cent in the previous year.

The food processing sector is critical to India's development. It establishes vital linkages and synergy between industry & agriculture, the two pillars of the economy. India is the world's second largest producer of food and holds the potential to become the food provider of World. The growth of this industry will bring immense benefits to the economy, raising agricultural yields, enhancing productivity, creating employment and raising life-standards of people across the Country, especially in rural areas. The food processing industry is presently growing at 14%. India's food processing sector covers fruits and vegetables; meat and poultry; milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods etc.

The mushroom industry has a bright future due to increasing demand for mushroom worldwide. Mushroom farming is being practiced in more than 100 countries and its production is increasing at the rate of 7 per cent approximately per annum. Production of mushroom has already crossed 5 million metric tons annually in the world and is expected to reach around 7 million metric ton in next ten years.

Mushroom industry in India is developing fast especially cultivation of white button mushrooms. The mushroom industry in India is largely an export-oriented one as the domestic demand for mushroom is quite small. A major part of the production is exported.

Business overview

Flex Foods offers a wide range of Vacuum Freeze Dried, Air-Dried, Frozen and IQF (Individually Quick Frozen) product range of mushrooms, herbs, spices and fruits/ vegetables, meeting strict quality & hygiene standards. Canned button mushroom in various shapes and sizes is also available as per the customer requirement. Flex Foods Limited is 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.

Product-wise performance

Sale of Finished Goods

Description	Current Year		Previous Year	
	Quantity (in KGs)	Value (Rupees)	Quantity (in KGs)	Value (Rupees)
Freeze dried Mushroom, Herbs, Vegetables & Fruit	1,49,740	21,13,06,048	2,01,506	22,96,56,778
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	12,12,948	7,69,54,026	12,92,673	7,95,53,604
Frozen/Individually-Quick Frozen Fruits, Vegetables, Mushroom & Herbs	11,53,833	11,92,53,152	8,92,863	7,17,92,224
Air Dried Fruits, Vegetables, Mushroom & Herbs	1,03,331	2,14,28,646	1,23,486	1,85,76,261
Others	—	21,09,555	—	10,92,994
Total	26,19,852	43,10,51,427	25,10,528	40,06,71,861

Opportunities

- Keeping in view the export objectives and demand for internal market, mushroom production has increased many folds during the recent past. Mushrooms have found a definite place in the food consumption habits of common masses and there is a constant demand for it throughout the year.

- Mushroom production provides an ideal opportunity for conversion of agro-waste into wealth, quality food, organic manure and reduction in environmental pollution.
- Mushroom being an indoor crop provides vast opportunities for empowering rural and urban women through cultivation, production of value-added products and marketing. Vast opportunities for unemployed youths to take up mushroom cultivation and marketing also exist.
- Mushroom provides an ideal opportunity for elimination of protein malnutrition of people having cereals as staple food.
- Manufacturing and marketing of value-added mushroom products not only avoids the distress sale, but generates the additional income.
- India can enter into a big and lucrative mushroom pharmaceutical international trade, presently, monopolized by some East Asian countries and America. There is a big scope for diversifying mushroom export by including other mushroom species for export.
- *India attaining self-sufficiency in food, the domestic market for mushroom is likely to enlarge sooner than later.*
- This industry provides collaborative arrangements of Government Institutions with NGOs, Self-Help Groups and Corporate Sectors for the processing, manufacturing of value-added products and marketing of mushrooms.
- There is great scope for collaborative arrangements with corporate sector for funding the basic and applied research.

Threats

- Over dependence of the mushroom industry on the imported technology does not augur well for India, as the foreign firms are trying to export their technologies without assessing their suitability for Indian conditions.
- With globalization, there is a competition not only for quality produce but also for the price.
- Presence of pesticide residue over the permissible limits in mushroom products may hamper prospects for exports to the developed countries.
- Improper processing and packaging especially of canned products may lead to health hazards.
- In Asia, we may face tough competition from East-Asian countries as exporter of mushroom to the Western countries.
- Unorganized and unscientific collection of natural mushrooms may lead to destruction of natural eco-system and natural habitats of wild mushrooms through human interference.
- In the area of mushroom research, we not only lag behind in developing the varieties and technologies, but our pace is also slow as compared to other countries which are exploiting modern tools of research like biotechnology and highly sophisticated instruments.

To address these risks, the Company has a single point source supplier of Frozen/IQF (Individually Quick Frozen), Air Dried as well as Freeze Dried products to the customers as per their requirements with high quality mushrooms and herbs at a lower cost. Though the competition is fierce, the goodwill and the quality of the products offered by the Company are great plus factors and the Company expects to overcome the competition. The Company had expanded its product line both horizontally as well as vertically by establishing two new facilities of IQF and Air-drying.

The company has been accredited with global standard for food safety (formerly BRC) in its revised standard at grade "A" for its manufacturing facilities. The cultivation process of fresh herbs and mushroom farm is global gap compliant.

Power tariff is the major concern of the Company, which fluctuates with the change in government policies. The Company has clear-cut policies in the upward/downward revision and eventualities in the tariff structure of the Government.

Future Outlook

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more FDI. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. The food-processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors. The mushroom market in India is on the verge of undergoing a sea change due to the advent of multi-cuisine eateries and a flood of multinationals setting their shops in IT and other industrial sectors.

Management is consistently 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.

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 country. 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 2009, the total number of permanent employees in the Company were 490.

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:

Year ended March 31st	2006	2007	2008	2009
Gross Block (Rs. in Lacs)	6494	6634	6757	6987

The composition and growth of assets was as under:

[Rs. in lacs]

Particulars	March 31, 2009	March 31, 2008	Growth %
Land	99.70	99.70	-
Buildings	1212.33	1210.27	0.17
Plant & Machinery	5354.82	5154.04	3.90
Electrical Fittings & Installations	141.59	141.59	-
Equipments	75.91	71.29	6.48
Furniture & Fixtures	10.30	10.06	2.38
Vehicles	91.89	70.46	30.41
Total	6986.54	6757.41	3.39
Less: Acc. Depreciation	2811.33	2485.88	13.09
Add: CWIP	2.61	14.60	-
Net Fixed Assets	4177.82	4286.13	-

CURRENT ASSETS LOANS & ADVANCES

Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.750.78 lacs, representing 10.74% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs. 711.60 lacs as at 31st March, 2009 as against Rs. 865.34 lacs as at 31st March, 2008. Debtors as a percentage of total operating revenue were 16.51% for the current year as against 21.60 % for the previous year.

Cash and Bank Balances

Cash and bank balances were 2.28% of total assets as on 31st March, 2009 as against 20.92% as on 31st March, 2008.

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.285.74 lacs represent closing balance of net deferred tax liabilities after adjusting total

deferred tax assets and deferred tax liabilities as on 31.03.2009. 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, 2009		Year ended March 31, 2008	
	Amount	%	Amount	%
INCOME				
Income from operations	4310.51	89.68	4006.72	95.78
Other income	393.24	8.18	226.24	5.41
Increase/(Decrease) in stock	102.78	2.14	(49.64)	(1.19)
Total Income	4806.53	100.00	4183.33	100.00
EXPENDITURE				
Raw Material Consumed	706.37	14.70	645.89	15.44
Other Manufacturing Exp.	1165.63	24.25	981.57	23.46
Payment & Benefit to Employees	564.48	11.74	486.86	11.64
Administrative, Selling & Other Expenses	892.90	18.57	735.45	17.58
Operating Expenses	3329.38	69.27	2849.77	68.12
EBDIT	1477.15	30.73	1333.55	31.88

REPORT ON CORPORATE GOVERNANCE

Corporate Governance

In compliance with Clause 49 of the Listing Agreement with the 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, 2009)

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 31.03.2009 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 Directors 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.

No director is related to any other director on the Board in term of definition of 'relative' given under Companies Act, 1956.