

**20th
ANNUAL REPORT
2009 - 2010**



FLEX FOODS LIMITED



FLEX FOODS LIMITED

TWENTIETH ANNUAL REPORT 2009-2010

BOARD OF DIRECTORS

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

CHIEF EXECUTIVE OFFICER

PRABIR GHATAK

COMPANY SECRETARY

RAJESH 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

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

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 20th Annual General Meeting of the Members of Flex Foods Limited will be held on Saturday, the 28th day of August, 2010 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, 2010 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 2009-2010 on the Equity Shares of the Company.
3. To appoint a Director in place of Shri Ashok Chaturvedi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri T.N. Pandey, 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.

By Order of the Board

RAJESH DHEER
Company Secretary

Place : NOIDA
Dated : 2nd July, 2010

Regd. Office:

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

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 23rd August, 2010 to 28th August, 2010 (both days inclusive).
3. The 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.
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. The Company has paid the Annual Listing fees for the year 2010-2011 to The Bombay Stock Exchange Limited at which the Company's securities are presently listed. The Company has applied to the Delhi Stock Exchange for delisting of its equity shares.
6. The Company had sent final notice by registered post to the partly paid-up Shareholders for payment of allotment money due from them. The final date for receipt of allotment money was 14.09.2009. The Company is considering the proposal for forfeiture of partly paid-up shares.

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

| Name of the Director | Shri Ashok Chaturvedi | Shri T. N. Pandey |
|--|---|---|
| Date of Birth | 15.10.1956 | 20.08.1932 |
| Date of Appointment | 05.02.1990 | 01.11.2001 |
| Experience in specific functional area | Chief promoter of the Flex group of the companies who had set up the business himself being the first generation entrepreneur and have in-depth knowledge of the business of the Company. | Retired from the Government service 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 | B.Sc | M. Com, LL.B, LL.M. |
| Directorship in other Public Limited Companies | UFLEX Limited. UTech Developers Limited Ultimate Flexipack Limited UTech Retailers Limited | Kailash Health Care Limited |
| Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director | Audit Committee UTech Developers Limited (Chairman) Remuneration Committee Nil Shareholders'/Investors' Grievances Committee Nil | Audit Committee Flex Foods Limited (Chairman) Kailash Health Care Limited (Chairman) Remuneration Committee Flex Foods Limited Shareholders'/Investors' Grievances Committee Flex Foods Limited (Chairman) |

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

**DIRECTORS' REPORT**

To the Members,

Your Directors are pleased to present the 20th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2010.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2010 and for the previous year ended 31st March, 2009 are as follows:

| | Year Ended 31.03.2010 | <i>(Rs. in lacs)</i> Year Ended 31.03.2009 |
|--|----------------------------------|--|
| Sales | 3589.06 | 4310.51 |
| Other Income | 401.98 | 393.24 |
| Profit before Interest, Financial Charges & Depreciation | 1067.84 | 1477.15 |
| Interest & Financial Charges | 186.39 | 248.20 |
| Depreciation | 334.99 | 328.69 |
| Profit before Tax | 546.46 | 900.26 |
| Provision for Taxation | 91.72 | 100.50 |
| Provision for Deferred Tax Charges/(Credit) | 70.88 | (42.48) |
| Wealth Tax | 0.46 | 0.43 |
| Fringe Benefit Tax | — | 6.58 |
| Profit after Tax | 383.39 | 835.24 |
| (Short)/Excess Provision of earlier year | | |
| - For Income Tax | (0.64) | 4.02 |
| - For Wealth Tax | — | (0.001) |
| - For Fringe Benefit Tax | 1.02 | (0.53) |
| Profit for the Year | 383.77 | 838.73 |
| Profit brought forward from Previous Year | 2966.70 | 2719.28 |
| Profit available for appropriations | 3350.47 | 3558.02 |

Your Company achieved a turnover of Rs.3991.04 lacs including other income of Rs.401.98 lacs in comparison to turnover of Rs.4703.75 lacs including other income of Rs.393.24 lacs in the previous year ended 31st March 2009. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.2398.01 lacs which is approximately 66.81% of the total sales. Your Company ended the year with a net profit of Rs.383.77 lacs for the year ended 31st March 2010 compared to profit of Rs.838.73 lacs for the previous year ended 31st March, 2009.

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/- per share for the financial year ended 31st March, 2010. The dividend if approved at the forthcoming Annual General Meeting will be paid to Members whose name appear in the Register of Members as on 28th August, 2010. In respect of shares held in dematerialized form, it will be paid to those members whose name are furnished by National Securities Depository Limited and Central Depository Service (India) Limited as beneficial owner as on 28th August, 2010.

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.

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

The Securities and Exchange Board of India (SEBI) stipulate Corporate Governance standards for listed companies through Clause 49 of the Listing Agreement of the Stock Exchanges. Accordingly, 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 Account for the Financial Year ended 31st March, 2010, 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 judgement and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profits of the Company for the year under review.
- 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

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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

Particulars of employees as required u/s 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in Annexure 'A' forming part of this report.

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 'B' forming part of this Report.

Personnel

Relations with the Employees remained cordial and harmonious throughout the year, thereby strengthening

the commitment of the Employees at all level to the growth of the Company.

Acknowledgement

The Directors acknowledge with gratitude the co-operation extended by various agencies of the Central Government, Government of Uttarakhand/Uttar Pradesh, Banks and all Business Associates 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

R.K. Jain
Director

S.K. Kaushik
Director

Place : NOIDA
Dated : 2nd July, 2010

ANNEXURE 'A' TO DIRECTORS' REPORT

Information as per Section 217(2A)(B)(1) read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report.

A. EMPLOYED FOR THE FULL YEAR

| Sl. No. | Name | Age | Designation | Remuneration Rs. | Qualifications | Experience (Yrs.) | Date of Appointment | Last Employment (Position held) |
|---------|--------------------------|-----|----------------|------------------|-------------------------|-------------------|---------------------|--|
| 1. | Sh. Varshney Madan Mohan | 50 | Vice President | 2674543 | M. S. (Food Technology) | 25 | 18.02.2008 | Weikfield Agro Products Ltd. (Chief Executive Officer) |

B. EMPLOYED FOR PART OF THE YEAR

| | | | | | | | | |
|----|-------------------|----|-------------------------|---------|-------------|----|------------|----------------------------|
| 1. | Sh. Ghatak Prabir | 54 | Chief Executive Officer | 2465004 | M. Tech MBA | 28 | 13.07.2009 | Getz Corp. USA (President) |
|----|-------------------|----|-------------------------|---------|-------------|----|------------|----------------------------|

ANNEXURE 'B' 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.

A) CONSERVATION OF ENERGY

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.

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.

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.

B. TECHNOLOGY ABSORPTION

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 Pimpernelle, Garden Cress and Lemon Balm.

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 Pimpernelle, Garden Cress and Lemon Balm were developed and manufactured in addition to other herbs.

c) IQF Organic Thyme, Parsley, Basil and Dill was manufactured in addition to other conventional IQF herbs.



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- d) IQF Green Beans were manufactured and supplied in the domestic market.
- iii) Future Plan of Action
- Steps are continuously being taken for innovation and renovation of products including new product development like Air dried Mushroom, Broccoli, Cauliflower, Orange Carrot and other Air dried vegetables.
 - Efforts are being done to introduce Air dried herbs in retail packing for the domestic market.
 - Automation and process line modifications are being planned to substantially reduce labour costs and to improve productivity and quality.
 - 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.0.41 Lacs. This is very negligible to the percentage of the turnover of the Company.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- 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.
- During the year Company has exported manufactured goods on FOB basis amounting to Rs.2398.01 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.78.93 lacs.

For and on behalf of the Board

R.K. Jain
Director

S.K. Kaushik
Director

Place : NOIDA
Dated : 2nd July, 2010

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 business 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.

The forward looking statements of the Company reflect the current expectations regarding future results of operation and 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.

Industry Scenario and Developments

The uncertainties facing the Country at the beginning of the year following the global recession, coupled with sub-normal monsoons, gave way to economy showing signs of revival by the second quarter followed quickly by robust recovery in the second half with an estimated and broad-based GDP growth of 7.2%. To a considerable extent aided by the stimulus measures taken by the Government, an easing in credit & release of the pay commission arrears, major setback was averted and India climbed out of the slowdown faster than expected, despite a sluggish export recovery.

Indian food processing industry is widely recognized as a 'sunrise industry' having huge potential for uplifting agricultural economy, creating of large scale processed food manufacturing and food chain facilities and the resultant generation of employment and export earnings. Indian food industry expected to grow to US\$ 280 billion by 2015 and generate an additional employment for approximately 8.2 million people. Also, food consumption in India is estimated to grow at a CAGR of 5.32% by 2013. Further, it is expected that processed food output will grow at a strong 7% CAGR in terms of value from US\$ 55.6 billion in 2005 to US\$ 95.6 billion in 2013.

The mushroom industry has a bright future due to increasing world wide mushroom demand. This continues to be centered on the white-button mushroom, which accounts for nearly 40 per cent of world production, with major growers located in the US, France and China. Large scale white or red button mushroom production is centered in Europe (mainly western part), North America (USA, Canada) and S.E. Asia (China, Korea, Indonesia, Taiwan and India).

India is not a major producer of any of the mushroom varieties, but it is advancing in mushroom cultivation. The variety gaining maximum popularity in India had been the white-button mushroom, which registered the highest growth rate in production terms. The mushroom industry in India is largely an export-oriented one as the domestic demand for mushroom is not significant. A major part of the production is exported. India exports the highest quantity of the mushrooms produced in the Country to USA. However, vis-à-vis exports by other countries, it can not be considered a major player in the field.

Business Overview

Flex Foods Ltd. has diversified its operations and offers a wide range of Vacuum Freeze Dried, Air-Dried, Frozen and IQF (Individually Quick Frozen) product range of mushrooms, herbs 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, Air Dried as well as Freeze Dried products to the customers as per their requirements.

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Product-wise performance

Sale of Finished Goods

| Description | Current Year | | Previous Year | |
|---|------------------|---------------------|-------------------|---------------------|
| | Qty. (in kgs) | Value (Rupees) | Qty. (in kgs.) | Value (Rupees) |
| Freeze dried Mushrooms, Herbs, Vegetables & Fruits | 1,16,752 | 15,27,44,083 | 1,49,740 | 21,13,06,048 |
| Processed Food viz. Mushroom Fresh & Processed (including Canned) | 12,19,835 | 7,49,99,822 | 12,12,948 | 7,69,54,026 |
| Frozen / Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs | 9,29,465 | 9,69,21,098 | 11,53,833 | 11,92,53,152 |
| Air Dried Fruits, Vegetables, Mushroom & Herbs | 1,33,951 | 3,42,41,418 | 1,03,331 | 2,14,28,646 |
| Others | — | — | — | 21,09,555 |
| Total | 24,00,003 | 35,89,06,421 | 26,19,852 | 43,10,51,427 |

The overall current year's production and realizations are low compared to the previous year, but this is a temporary phase caused by some unexpected factors and the Company hopes to overcome these in the current year's working and continue with the increasing trends.

Opportunities and Threats

Opportunities

1) Demand for button mushroom

Button mushroom is the most popular mushroom variety grown and consumed the world over. In India, its production earlier was limited to the winter season, but with technology development, these are now produced almost throughout the year in small, medium and large farms, adopting different levels of techniques.

2) Foods and vegetables - fast growing sector

Fruits and vegetables are one of the most important and fast growing sub-sectors of the food processing industry. Over the last few years, there has been a positive growth in ready-to-serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience vegspice pastes, processed mushrooms and curried vegetables. The demand has increased because of the factors like consumption by nuclear families, working women, students and single employees staying alone.

There are abundant opportunities in expanding the export market because of good international demand for certain fruits and vegetable products. The Indian food processing industry is primarily export oriented. India's geographical situation gives it the unique advantage of connectivity to Europe, the Middle East, Japan, Singapore, Thailand, Malaysia and Korea.

3) Changing food habits of the people

Mushroom, a fungus product, is considered a delicious food all over the world because of its taste, aroma and structure. It is full of nutrients, low in calories, high in proteins, vitamins, minerals and a rich source of folic acid. It is an alternate choice for weight conscious people and anemic patients. It has 4.9% protein content which is more than cow milk, green vegetables such as beans etc.

4) Opportunities for empowering rural and urban women

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 youth to take up mushroom cultivation and marketing also exist.

Threats

1) Lack of good quality spawn

The yield of mushroom to a great extent depends upon quality of spawn. Good quality of spawn should be contamination free with high yield potential. The non-availability of quality spawn is a common problem of large mushroom growers.

2) Uncontrolled price structure of mushroom

When there is a glut in the market, the price of mushroom falls down to Rs.20-30/Kg but as the demand increases or there is shortage of mushrooms in the market the price rises up to Rs.60-70/Kg. Thus there is always an uncertainty in market prices of mushroom which reduces the amount of net profit and this discourages the mushroom growers. This problem gets aggravated during peak production months, also because there is no minimum support price from the Govt. even in states with good number of mushroom farmers.

3) Lack of common facility for pre-cooling and storage of fresh mushroom

This is also a severe problem being experienced by large mushroom growers. During the peak production period, growers are unable to dispose off their fresh mushrooms on the same day and they are forced to keep it for the next day. In such a situation, the quality of fresh mushroom deteriorates and it also loses weight as it is a highly perishable commodity.

4) High transportation charges

Although, agro and animal wastes are available in plenty in India but their availability are not evenly distributed. Due to diversified climate and topography of land, different kinds of crops are raised in different parts of the Country. For instance, wheat and paddy straw is easily available at cheaper rates in the plains of North India while the same is a scarce commodity in the hilly regions. Since mushroom cultivation is based on agro-waste, the raw materials



required for its cultivation are usually transported from plains to hills in huge quantity and mushroom growers have to pay heavy transport charges. The hike in diesel/petrol prices from time to time aggravates this problem.

5) Commercial rate of electricity tariff

Similarly, both small and big mushroom growers have to pay electricity charges at commercial rate, although mushroom farming is an agricultural activity. It has been highlighted by the concerned scientific community during scientific gatherings, seminars, meetings etc. many times, but no relief has been given. This has led to high cost of production due to increased capital as well as recurring expenditure on mushroom farming affecting its competitiveness in world markets.

6) Competition

Freeze dried products market has also become highly competitive with the entry of China, which has managed to gain substantial market share for certain products owing to competitive prices and an acceptable level of quality in many cases.

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 Company mushroom farm is also accredited with ISO 22000:2005.

Future Outlook

Food Processing Industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of the economy, namely Industry and Agriculture. The growth potential of this sector is enormous and it is expected that the food production will double in the next 5 years and the consumption of value added food products will also grow at a fast pace. This growth of the Food Processing Industry will be of immense benefits to the economy, raising agricultural yields, meeting productivity, creating employment and raising the standard of very large number of people through out the Country, specially, in the rural areas. Economic liberalization and rising consumer prosperity is opening up new opportunities for diversification in food processing sector.

The nature of the Indian food processing market and the experiences of successful Indian and MNC players indicate that this sector will grow substantially in future because of the following reasons :

1. Effective distribution network and supply chain
2. Product range that is customized to suit local market requirements.
3. Superior processing technology
4. Brand building and marketing

Keeping in view the growth potential of food processing industry, the Company is exploring markets of retail pack of air dried herbs in India and abroad. Further, the global economy seems to be recovering after the recent economic shocks and the Company expects high growth in export sales during the current financial year, i.e. 2010-2011.

Management is consistently keeping 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 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 an 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 2010, the total numbers of permanent employees in the Company were 500.

FLEX FOODS LIMITED**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 | 2007 | 2008 | 2009 | 2010 |
|---------------------------|------|------|------|------|
| Gross Block (Rs. in Lacs) | 6634 | 6757 | 6987 | 7005 |

The composition and growth of assets was as under:

(Rs. in lacs)

| Particulars | March 31, 2010 | March 31, 2009 |
|-------------------------------------|----------------|----------------|
| Land | 99.70 | 99.70 |
| Buildings | 1212.33 | 1212.33 |
| Plant & Machinery | 5369.58 | 5354.82 |
| Electrical Fittings & Installations | 141.59 | 141.59 |
| Equipments | 80.65 | 75.91 |
| Furniture & Fixtures | 10.30 | 10.30 |
| Vehicles | 90.96 | 91.89 |
| Total | 7005.11 | 6986.54 |
| Less: Acc. Depreciation | 3135.94 | 2811.33 |
| Add: CWIP | 13.24 | 2.61 |
| Net Fixed Assets | 3882.41 | 4177.82 |

CURRENT ASSETS, LOANS & ADVANCES**Inventories**

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.996.95 lacs, representing 14.23% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs.622.71 lacs as at 31st March, 2010 as against Rs.711.60 lacs as at 31st March, 2009. Debtors as a percentage of total operating revenue were 17.35 % for the current year as against 16.51 % for the previous year.

Cash and Bank Balances

Cash and bank balances were 2.33 % of total assets as on 31st March, 2010 as against 2.28 % as on 31st March, 2009.

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.356.63 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2010. 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 includes amount payable 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, 2010 | | Year ended March 31, 2009 | |
|--|---------------------------|---------------|---------------------------|---------------|
| | Amount | % | Amount | % |
| INCOME | | | | |
| Income from operations | 3589.06 | 83.86 | 4310.51 | 89.68 |
| Other income | 401.98 | 9.39 | 393.24 | 8.18 |
| Increase/(Decrease) in stock | 288.72 | 6.75 | 102.78 | 2.14 |
| Total Income | 4279.76 | 100.00 | 4806.53 | 100.00 |
| EXPENDITURE | | | | |
| Raw Material Consumed | 698.72 | 16.33 | 706.37 | 14.70 |
| Other Manufacturing Exp. | 1178.71 | 27.54 | 1165.63 | 24.25 |
| Payment & Benefit to Employees | 612.30 | 14.31 | 564.48 | 11.74 |
| Administrative, Selling & Other Expenses | 722.19 | 16.87 | 892.90 | 18.57 |
| Operating Expenses | 3211.92 | 75.05 | 3329.38 | 69.27 |
| EBDIT | 1067.84 | 24.95 | 1477.15 | 30.73 |

The Company is well set for future growth expansions and profitability.

**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, 2010)**

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 directorships and memberships on various Committees across all Committees in which they are directors and/or members.

The composition and category of Directors as on 31.03.2010 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.

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

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.
- Have furnished a declaration at the time of their appointment and also annually that they satisfy the conditions of their being independent as laid down under Clause No. 49 of the Listing Agreement. All such declarations are placed before the Board.

Thus the requirements prescribed by clause 49 are fully complied with

Information supplied to the Board

The Board has complete access to all information with the Company, *inter-alia*, the information as required under the 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 2009-2010. The dates on which the meetings were held are, 28th April, 29th July, 29th October in the year 2009 and 28th January in the year 2010. The gap between two meetings was not more than four months.