

21ST ANNUAL REPORT 2010-2011



FLEX FOODS LIMITED



FLEX FOODS LIMITED

TWENTY FIRST ANNUAL REPORT

2010-2011

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)

NOTICE

Notice is hereby given that the 21st Annual General Meeting of the members of Flex Foods Limited will be held on Saturday, the 3rd day of September, 2011 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, 2011 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 ended 2010-2011 on the Equity Shares of the Company.
3. To appoint a Director in place of Shri M.G. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri R.K. Jain, 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 reappointment of Shri Madan Mohan Varshney as 'Manager' under the Companies Act, 1956 of the Company for a further period of three years w.e.f. 1st June, 2011 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 re-appointment of Shri Madan Mohan Varshney including that of revision in the 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 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
RAJESH DHEER
 Company Secretary

Place : NOIDA
 Dated : 20th July, 2011

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 29.08.2011 to 03.09.2011 (both days inclusive).
4. 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.
5. 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.
6. 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.
7. The Company has paid the Annual Listing fees for the year 2011-2012 to the Bombay Stock Exchange Limited at which the Company's Securities are presently listed. The equity shares of the Company have been delisted from the Delhi Stock Exchange w.e.f. 25.01.2011.
8. As per clause 5A (II) of the Listing Agreement, 3 reminders were issued for share issued in physical form, which remained unclaimed. These share will be transferred in to one folio in the name of "Unclaimed Suspense Account" in due course.

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 20th July, 2011 re-appointed Shri Madan Mohan Varshney as a 'Manager' of the Company in terms of the provisions of the Companies Act, 1956 w.e.f. 1st June, 2011, for a further 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.3.50 lacs per month or Rs.42.00 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:



[Rs. in lacs]

- (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 reappointment 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.

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 reappointment.

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:

Year Ended 31 st March	2008-09	2009-10	2010-11
Sales	4311	3589	4399
Other Income	393	402	442
Profit before interest, depreciation & tax	1477	1068	957
Interest & Financial charges	248	186	143
Depreciation	329	335	339
Profit before tax	900	546	475
Profit after Tax	835	383	345

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:

31.03.2009	31.03.2010	31.03.2011
Rs.3255 lacs	Rs.2398 lacs	Rs.2979 lacs

Shri Madan Mohan Varshney is 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 26 years in different companies. At present, he is working with the Company as Vice President and looking after Production and Planning.

Considering his vast experience, 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 reappointment as 'Manager' of the Company and a memorandum as to the nature of the concern or interest of the Directors in the said reappointment as required under Section 302 of the Companies Act, 1956.

By Order of the Board

Place : NOIDA
Dated : 20th July, 2011

RAJESH DHEER
Company Secretary

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

**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 M.G. Gupta	Shri R.K. Jain
Date of Birth	02.03.1934	24.09.1954
Date of Appointment	28.01.2003	11.08.2000
Experience in specific functional area	He is retired IAAS (Indian Audit & Accounts Services) and during his illustrious career with the Central Government, held several important positions in various Ministries / Departments. He retired in 1992 as Vice Chairman & member, Finance, Delhi Development Authority.	A Chartered Accountant having more than 31 years of experience particularly in the field of Finance, Taxation and Corporate Matters. Associated with Uflex group almost since inception and as such is quite familiar with the Company's activities.
Qualification	B.Sc., Retd. IAAS	FCA.
Directorship in other Public Limited Companies	-UFLEX Limited. -Taurus Assets Management Company Ltd.	Flex Middle-East FZE, Flex Americas S.A de C.V., Flex P. Films (Egypt) SAE. Flex Films (USA) Inc. Flex Films Europa Sp Z O.O.
Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	Audit Committee -Flex Foods Limited -UFLEX Limited -Taurus Assets Management Company Ltd. Shareholders'/Investors' Grievances Committee -UFLEX Limited	Audit Committee -Flex Foods Limited Shareholders'/Investors' Grievances Committee -Flex Foods Limited

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 21st Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2011 and for the previous year ended 31st March, 2010 are as follows:

(Rs. in lacs)

	Year Ended 31.03.2011	Year Ended 31.03.2010
Sales	4399	3589
Other Income	442	402
Profit before Interest, Financial Charges & Depreciation	957	1068
Interest & Financial Charges	143	186
Depreciation	339	335
Profit before Tax	475	547
Provision for Taxation	(161)	(156)
Provision for Deferred Tax (Charges)/ Credit	31	(7)
Profit after Tax	345	384
(Short)/Excess Provision of earlier year		
- For Income Tax	(1)	(1)
- For Fringe Benefit Tax	--	1
Profit for the Year	344	384
Profit brought forward from Previous Year	2759	2967
Profit available for appropriations	3103	3351

Your Company during the current year achieved a turnover of Rs.4841 lacs including other income of Rs.442 lacs in comparison to turnover of Rs.3991 lacs including other income of Rs.402 lacs in the previous year ended 31st March, 2010. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs.2979 lacs, which is approximately 68% of the total sales. Your Company ended the year with a net profit of Rs.344 lacs compared to profit of Rs.384 lacs for the previous year ended 31st March, 2010.

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, 2011. 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 03.09.2011 and 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 03.09.2011

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri M.G. Gupta and Shri R.K. Jain, 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 re-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, 2011, 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 as amended.

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 Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure 'A' forming part of this Report.

Personnel

Relations with the Employees remain cordial and harmonious throughout the year, thereby strengthening the commitment of the Employees at all level to the growth of the Company.

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.

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 up gradation.

Modification in defrosting system of refrigeration is resulting in reduction of unit consumption of power and increase in the plant efficiency.

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: Dehumidification system has been modified to improve the humidity of process room.

Air Drying Unit: Cold store has been made for storage of finished goods to enhance the shelf life of the products.

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.

Modification in dehumidification system in Freeze Drying Unit has resulted in significant fuel savings.

Finished goods cold storage for air dried products will

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

Place : NOIDA

Dated : 20th July, 2011

Ashok Chaturvedi

Chairman

enhance the shelf life and will retain the color of the products.

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 Pimpurnels, Garden Cress and Lemon Balm.

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

- Process certification of facility for organic production has been obtained from Uttarakhand Organic Board, Dehradun.
- IQF Pimpurnels, Garden Cress and Lemon Balm were developed and manufactured in addition to other herbs.
- IQF Organic Thyme, Parsley, Basil and Dill were manufactured in addition to other conventional IQF herbs.
- 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.

iv) Expenditure on R&D

During the year, company spent Rs.0.18 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.2979.00 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.122.08 lacs

For and on behalf of the Board

Place : NOIDA

Dated : 20th July, 2011

Ashok Chaturvedi

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

Despite tough competition in the international market and increased pressure on unit price realization of product, Company has performed satisfactorily. Management is conscious of the increased customer requirements for superior quality systems, hygiene standards and strict adherence to product specifications and strictly adheres to these.

In the back ground of need for 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

The Indian economy is back on track and has recovered smartly from the aftermath of the global crisis of 2007-09. GDP grew by 8.5% in FY'11 from 6.8% in FY'09 and 8.0% in FY'10. Strong recovery in the agriculture sector, which rose by 6.6% in FY'11 against negligible growth (0.4%) in FY'10, has been the key underlying higher GDP growth.

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. The 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 including 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.

India's Food Processing Industry is one of the largest industries in the country – it is ranked fifth in terms of production, consumption, export and expected growth. The Indian food industry is estimated to be worth over US\$ 200 billion and is expected to grow to US\$ 310 billion by 2015. India is one of the world's major food producers but accounts for only 1.7 per cent (valued at US\$ 7.5 billion) of world trade in this sector – this share is slated to increase to 3 per cent (US\$ 20 billion) by 2015.

The mushroom industry has a bright future due to increasing demand of mushroom worldwide. The myth that mushrooms are not vegetarian is gradually fading and the acceptance of it as part of food is increasing. Mushrooms are gaining popularity due to inclination of the spending population to increasingly move towards Chinese, Italian and other western cuisines, which use mushrooms lavishly.

Business Overview

Flex Foods Ltd. 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 and 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 Canned, 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 Mushrooms, Herbs, Vegetables & Fruits	1,92,571	22,64,33,941	1,16,752	15,27,44,083
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	13,44,228	9,83,34,308	12,19,835	7,49,99,822
Frozen/Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	10,68,486	9,03,43,250	9,29,465	9,69,21,098
Air Dried Fruits, Vegetables, Mushroom & Herbs	92,947	2,48,21,659	1,33,951	3,42,41,418
TOTAL	26,98,232	43,99,33,158	24,00,003	35,89,06,421

Opportunities and Threats

India is not a major producer of any of the mushroom varieties, but it does cultivate mushrooms and has great potential as an important producer in the future. From a production standpoint, the white button mushroom has the highest growth rate and potential for production.



In recent past, mushroom production has increased many folds and mushroom has found a definite place in the food consumption habits of common masses. Hence, there are very good opportunities for increase in mushroom demand.

To have a better presence in the ever growing international market, the Company is 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.

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 certified. The company mushroom farms are also accredited with ISO 22000:2005. Since the management envisages major threat in the form of competition from China, who is offering the same products at lower cost, the quality standards certifications adds to the competitive strength of the Company in international market.

Power tariff cost is the major concern of the Company, which fluctuates, *inter alia*, with the change in government policies.

The weather changes cause a larger effect on the agriculture crops. In the F.Y 2010-2011, company planned to produce and sell the vegetables, but due to heavy rainfall the price of raw material had gone up, therefore it was not viable to produce these.

Future Outlook

Food processing industry has been growing at over 13 percent despite the global slowdown. And now the government is aiming to double the turnover in the next five or six years by setting up mega food parks to attract global capital. 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.

Management is consistently keeping close watch on the changing market scenario and the business strategy is reviewed regularly for achieving 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 Systems & 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 performance and 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 2011, the total number of permanent employees in the Company were 500.

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 31 st	2008	2009	2010	2011
Gross Block (Rs. in Lacs)	6757	6987	7005	7200

The composition and growth of assets was as under:

[Rs. in lacs]

Particulars	March 31, 2011	March 31, 2010	Growth %
Land	99.70	99.70	-
Buildings	1236.68	1212.33	2.01
Plant & Machinery	5515.94	5369.58	2.72
Electrical Fittings & Installations	141.59	141.59	-
Equipments	90.68	80.65	12.43
ERP Software	16.94	-	-
Furniture & Fixtures	10.87	10.30	5.53
Vehicles	87.44	90.96	-3.87
Total	7199.84	7005.11	2.78
Less: Acc. Depreciation	3466.07	3135.94	10.53
Add: CWIP	10.66	13.24	-
Net Fixed Assets	3744.43	3882.41	-

CURRENT ASSETS LOANS & ADVANCES

Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.789.14 lacs, representing 10.96% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs.871.92 lacs as at 31st March, 2011 as against Rs.622.71 lacs as at 31st March, 2010. Debtors as a percentage of total operating revenue were 19.82 % for the current year as against 17.35 % for the previous year.

Cash and Bank Balances

Cash and bank balances were 5.20 % of total assets as on 31st March, 2011 as against 2.33 % as on 31st March, 2010.

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.426.03 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2011. 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, 2011		Year ended March 31, 2010	
	Amount	%	Amount	%
INCOME				
Income from operations	4399.33	96.43	3589.06	83.86
Other income	441.84	9.69	401.98	9.39
Increase/(Decrease) in stock	(279.12)	(6.12)	288.72	6.75
Total Income	4562.05	100.00	4279.76	100.00
EXPENDITURE				
Raw Material Consumed	795.26	17.43	698.72	16.33
Other Manufacturing Exp.	1289.14	28.26	1178.71	27.54
Payment & Benefit to Emp.	717.01	15.72	609.60	14.24
Administrative, Selling & Other Expenses	803.93	17.62	724.89	16.94
Operating Expenses	3605.34	79.03	3211.92	75.05
EBDIT	956.71	20.97	1067.84	24.95



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, 2011)

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 31.03.2011 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 terms of definition of 'relative' given under the 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 all 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. 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 reviewed by the Board.