

22nd Annual Report 2011-2012



FLEX FOODS LIMITED



FLEX FOODS LIMITED

TWENTY SECOND ANNUAL REPORT

2011-2012

BOARD OF DIRECTORS

ASHOK CHATURVEDI

Chairman

T. N. PANDEY

G. N. GUPTA

M. G. GUPTA

R. K. JAIN

S. K. KAUSHIK

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 22nd Annual General Meeting of the members of Flex Foods Limited will be held on Saturday, the 25th day of August, 2012 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, 2012 and the Statement of Profit & Loss 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 2011-2012 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 Annual General 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 Accountant, New Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Place : NOIDA
Dated : 9th July, 2012

By Order of the Board
RAJESH DHEER
Company Secretary

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 20th August, 2012 to 25th August, 2012 (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. The Company has paid the Annual Listing fees for the year 2012-2013 to the BSE Limited at which the Company's Securities are presently listed.
5. Members seeking further information on the accounts are requested to write to the Company **at least one week before the date of the Annual General Meeting** giving details of the information required.
6. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
7. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars and Transfer Agents cannot act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the members.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/Registrars and Transfer Agents, Beetal Financial & Computer Services Pvt. Ltd.
9. Members who hold shares in physical folios in identical names or joint holding in the same order of names are requested to send the share certificates to Beetal Financial & Computer Services Pvt. Ltd. for consolidation into a single folio.
10. Investors holding share in physical form should provide the Natural Electronic Clearing Service (NECS) mandate to the company and investors holding shares in demat form should ensure that correct any updated particulars are available with the Depository Participant.
11. In accordance with the newly inserted clause 5A of the Listing Agreement, the Company has identified 182 folios comprising of 19200 equity shares of face value of Rs. 10/- each which are unclaimed as on 31st March 2012. The Company had already sent three reminders to the concerned share holders in accordance with the said clause. The Company is in process of opening Unclaimed Suspense Account.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT 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 professional having more than 47 Years of experience particularly in the field of Finance, Marketing and Production Planning	He is 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 carrier with the Central Government
Qualification	FCA	M.Sc. (Maths), LL.M.
Directorship in other Public Limited Companies	UFLEX Limited. Utech Developers Limited AKC Retailers Limited	Yash Papers Limited Asian Fertilizers 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 7610 equity shares of the Company.

**DIRECTORS' REPORT**

To the Members,

Your Directors are pleased to present the 22nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2012 and for the previous year ended 31st March, 2011 are as follows:

(Rs. in lacs)

	Year Ended 31.03.2012	Year Ended 31.03.2011
Income from Operation	5047	4606
Other Income	277	235
Profit before Finance Cost, Depreciation And Taxes	1152	957
Finance Cost	144	143
Depreciation	336	339
Profit before Tax	672	475
Provision for Taxation	(186)	(161)
Provision for Deferred Tax (Charges)/ Credit	(55)	31
(Short)/Excess Provision of earlier year for Income Tax	(13)	(1)
Profit for the Year	418	344
Earning per Share	3.36	2.76

Your Company achieved total revenue of Rs.5324 lacs including other income of Rs.277 lacs in comparison to total revenue of Rs.4841 lacs including other income of Rs.235 lacs in the previous year ended 31st March, 2011. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs 3210 lacs, which is approximately 63.60% of the total income from operations. Your Company ended the year with a net profit of Rs.418 lacs compared to profit of Rs.344 lacs for the previous year ended 31st March, 2011. The earning per share is Rs.3.36 in comparison to Rs.2.76 per share in the previous year.

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, 2012. 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 20.08.2012. 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 20th August, 2012.

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 Committees of the Board, 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, 2012, 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 Earning 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.

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) 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 boiler efficiency by proper heat distribution & technology up gradation.

System Modification in each production line has resulted in reduction of steam/ unit/water consumption 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

New cold storage of capacity 1200 MT is in operation which will give advantage to process the herbs, fruits & vegetables in the season when the raw material cost is low and sell the products over the year.

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

Personnel

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

Acknowledgement

The Directors acknowledge with gratitude the co-operation extended by various agencies of the Central Government, Government of Uttarakhand, 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	R.K. Jain	S.K. Kaushik
Dated : 09.07.2012	Director	Director

Air Drying Unit: Cold store has been made for storage of finished goods to enhance the shelf life of the products. Spiral sorter was installed for further improvement in the quality of product.

Impact of the above measures

System modification in each product line 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 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 Pimpemelle, 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 Pimpemelle, Garden Cress and Lemon Balm were developed and manufactured in addition to other herbs.
- IQF Organic Thyme, Parsley, Basil, Pimpemelle and Dill was manufactured in addition to other conventional IQF herbs.

iii) Future Plan of Action

- Steps are continuously being taken for innovation and renovation of products including new product development like Air dried Stevia, Sugar beat and Potato, IQF Stevia and Canned products like Fruit cocktails, Spinach and Pineapple.



- b) 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.

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 of on FOB basis amounting to Rs.3210.32 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.214.37 lacs.

C) FOREIGN EXCHANGE EARNING 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.

For and on behalf of the Board

Place : NOIDA
Dated : 09.07.2012

R.K. Jain **S.K. Kaushik**
Director Director

MANAGEMENT DISCUSSION AND ANALYSIS

Forward Looking Statements

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 operations, forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause 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

Food processing sector is critical to India's development. With India being one of the world's largest producers of food the sector plays an important role in contributing to the development of the economy. With the strong growth over the past few years and the growth in the incomes of middle class population, there has been a positive impact on consumer spending and consumption in both rural as well as urban sectors. Growth and growing incomes of middle class coupled with changing life styles especially in urban areas, changing consumers taste, improved technology and better quality standards has led to increasing demand for processed/ready to eat food.

The total food production in India is expected to double in the next ten years and there is ample opportunity for huge investments in food and food processing technologies, skills and equipments which thereby increases the scope of food processing industry in India. The food processing industry in India stands at US\$ 135 billion and is projected to grow with a compound annual growth rate (CAGR) of 10 per cent to reach US\$ 200 billion by 2015.

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, Canned 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 & Fruits	1,63,946	22,46,07,851	1,92,571	22,64,33,941
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	12,13,096	9,75,69,121	13,44,228	9,83,34,308
Frozen/Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	11,09,009	10,73,10,749	10,68,486	9,03,43,250
AirDried Fruits, Vegetables, Mushroom & Herbs	1,84,597	5,61,16,002	92,947	2,48,21,659
Total	26,70,648	48,56,03,723	26,98,232	43,99,33,158

Opportunities and Threats

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 change the demand for value added products and thus for food processing industry in India.

The production base is being enlarged, modern methods of cultivation are being adopted thus improving the productivity and cutting the per unit cost. To some extent cold chain is being provided, which will help in retaining quality, freshness and reduce post-harvest losses. With the new hybrid varieties being added the production season is also being extended.

These developments shall result in the greater availability of quality raw materials to the Company thus resulting in better capacity utilization and producing a wider range of products and of international quality. The quality is now the watchword for success.

Threats

Certain major business threats are as under:

- Increase in the prices of raw materials, packing material and fuel
- Food inflation in general
- Non-availability of raw materials
- Exchange rate fluctuations
- Changes in fiscal benefits/laws
- Competitive environment with diverse players.

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. Organic herbs grown by the Company are certified by Uttarakhand State Organic Certification Agency.

Future Outlook

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, global economy seems to be recovering after the recent economic shock and the Company expects high growth in export sales during the current financial year. Management is consistently keeping a close watch on the changing market scenario and review its business strategy regularly for achieving a consistent growth by meeting the tough international competition successfully. The Company will also be exploring some new areas for operation.

Risks & Concerns

Every business has inherent risks involved in its operations, which may be either external or internal. The external factors are coming into field more suppliers, fierce competition, availability of cheaper substitute products, Government policies regarding power tariffs and on-going political and economic changes in the importing countries. The Company may not have much control over such factors. However it is important to address these risks & concerns to mitigate their impact on the Company's 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 adequate system of internal controls to ensure that all activities are properly 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 2012, 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	2009	2010	2011	2012
Gross Block (Rs. in Lacs)	6987	7005	7200	7953

The composition and growth of assets was as under:

[Rs. in lacs]

Particulars	March 31, 2012	March 31, 2011	Growth %
Land	99.70	99.70	-
Buildings	1437.66	1236.68	16.25
Plant & Equipments	6061.11	5537.41	9.46
Electrical Fittings & Installation	141.59	141.59	-
Office Equipments	72.85	69.21	5.26
ERP Software	30.01	16.94	77.15
Furniture & Fixtures	11.33	10.87	4.23
Vehicles	98.84	87.44	13.04
Total	7953.09	7199.84	10.46
Less: Acc. Depreciation	3793.42	3466.07	9.44
Add: CWIP	3.58	10.66	-
Net Fixed Assets	4163.25	3744.43	-

CURRENT ASSETS LOANS & ADVANCES**Inventories**

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Total inventories were Rs.1038.33 lacs, representing 13.06% of the fixed assets.

Sundry Debtors

Sundry debtors were Rs.830.41 lacs as at 31st March, 2012 as against Rs.871.92 lacs as at 31st March, 2011. Debtors as a percentage of total operating revenue were 16.45 % for the current year as against 18.93 % for the previous year.

Cash and Bank Balances

Cash and bank balances were 6.03 % of total assets as on 31st March, 2012 as against 5.20 % as on 31st March, 2011.

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.481.33 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2012. It has been calculated in accordance with Accounting Standard-22 "Accounting for Taxes on Income" issued by the Companies Accounting Standards (Rules), 2006.

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, 2012		Year ended March 31, 2011	
	Amount	%	Amount	%
INCOME				
Income from operations	5047.02	94.81	4605.93	95.14
Other income	276.45	5.19	235.24	4.86
Total Income	5323.47	100.00	4841.17	100.00
EXPENDITURE				
Raw Material Consumed	1091.07	20.49	795.26	16.42
(Increase)/Decrease in stock	(284.49)	(5.34)	279.12	5.77
Manufacturing Expenses	1619.30	30.42	1289.14	26.63
Payment & Benefit to Employees	840.15	15.78	717.01	14.81
Administrative, Selling & Other Expenses	906.04	17.02	803.93	16.61
Operating Expenses	4172.07	78.37	3884.46	80.24
EBDIT	1151.40	21.63	956.71	19.76

REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchange 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, 2012)

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 31.03.2012 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 persons 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 material 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 declarations at the time of their appointment and also annually, and 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 revised Clause 49 of the listing agreement is regularly provided to the Board as a part of the agenda.

Compliance reports of all applicable laws to the Company

The periodical reports submitted by the Internal Auditors and by the concerned executives of the Company with regard to compliance of all laws applicable to the Company including steps taken by the Company to rectify instances

of non-compliances, if any, are being reviewed by the Board.

(b) Board Meetings and attendance record of each Director

Four Board Meetings were held during the financial year 2011-2012. The dates on which the meetings were held are, 28th April, 20th July, 1st November in the year 2011 and 9th February in the year 2012. The gap between two meetings was not more than four months.

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

Name of the Directors	Attendance Particulars		No. of other Directorship and Committee Member/ Chairmanship	
	Board Meetings	Last AGM	Other Directorships (in Public Co.) #	No. of Membership(s)/ Chairmanship of Board Committee in other companies @
Mr. Ashok Chaturvedi	4	No	3	1 (As Chairman)
Mr. S.K. Kaushik	4	Yes	3	1
Mr. T.N. Pandey	4	No	1	1 (As Chairman)
Mr. G.N. Gupta	4	Yes	2	1 (As Chairman)
Mr. R.K. Jain	4	No	Nil	Nil
Mr. M.G. Gupta	4	Yes	2	3 (Including 1 as Chairman)

The Directorship held by the Directors as mentioned above do not include Directorship in Foreign Companies @ In accordance with Clause 49 of the Listing agreement, Membership / Chairmanship of only the Audit Committee and Shareholders'/Investors' grievance Committee in all public companies (excluding Flex Foods Limited) have been considered.

3. Audit Committee

Presently, the Audit Committee comprises of four Member Directors viz. Mr. T.N. Pandey, Mr. G.N. Gupta, Mr. M.G. Gupta and Mr. R.K. Jain. Mr. T.N. Pandey is the Chairman of the Audit Committee. All the members of the Audit Committee are Non-executive Directors out of which three are independents. All the members of the Audit Committee have accounting and financial management expertise.

The terms of reference and role of the Audit Committee as revised and stipulated by the Board of Directors from time to time are in conformity and in line with the statutory and regulatory requirements as prescribed under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, which include the following:

1. Overseeing of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required the replacement or removal of the Statutory Auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause No. (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in Accounting Policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by Management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the Management, the quarterly financial statements before submission to the Board for approval.