

# TWENTY THIRD ANNUAL REPORT 2012-2013



**FLEX FOODS LIMITED**



# **FLEX FOODS LIMITED**

**TWENTY THIRD ANNUAL REPORT  
2012-2013**

## **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 23<sup>rd</sup> Annual General Meeting of the members of Flex Foods Limited will be held on Saturday, the 29<sup>th</sup> day of June, 2013 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 31<sup>st</sup> March, 2013 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 2012-2013 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 Accountant, New Delhi retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

By Order of the Board

Place : NOIDA

RAJESH DHEER

Dated : 13.05.2013

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 24.06.2013 to 29.06.2013 (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, 3<sup>rd</sup> 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 2013-2014 to the BSE Limited at which the Company's Securities are presently listed.
5. 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.
6. 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.
7. 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.
8. As per the provisions of Clause 5A of the Listing Agreement, unclaimed shares lying with the Company have been transferred and dematerialised in an Unclaimed Suspense Account. The status of Unclaimed Suspense Account is given herein below:

Sl. No.	Particulars	No. of share holders	No. of equity shares held
i.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account	143	14500
ii.	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account	Nil	Nil
iii.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account.	Nil	Nil
iv.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on date.	143	14500

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING  
(In Pursuant to 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 AKC Retailers Limited	Kailash Health Care Limited
Members/Chairman of Committee of the Board of the Public Limited Companies on which he is Director	<b>Audit Committee</b> UTech Developers Limited  <b>Shareholders'/Investors' Grievances Committee</b> Nil	<b>Audit Committee</b> Flex Foods Limited (Chairman) Kailash Health Care Limited (Chairman)  <b>Shareholders'/Investors' Grievances Committee</b> 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 7610 equity shares of the Company.

## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 23<sup>rd</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2013

## FINANCIAL RESULTS

The financial results for the year ended 31<sup>st</sup> March, 2013 and for the previous year ended 31<sup>st</sup> March, 2012 are as follows:

(Rs. in lacs)

	<b>Year Ended 31.03.2013</b>	Year Ended 31.03.2012
Income from Operation	<b>5282.80</b>	5047.02
Other Income	<b>293.40</b>	276.45
Profit before Finance Cost, Depreciation and Taxes	<b>1244.58</b>	1151.17
Finance Cost	<b>164.89</b>	143.52
Depreciation	<b>340.49</b>	336.07
Profit before Tax	<b>739.20</b>	671.58
Provision for Taxation	<b>192.34</b>	186.01
Deferred Tax (Assets)/Liability	<b>(11.24)</b>	55.30
Short/(Excess) Provision of earlier year	<b>(0.09)</b>	12.68
Profit for the Year	<b>558.19</b>	417.59
Earning per Share	<b>4.49</b>	3.36

Your Company achieved total revenue of Rs.5576.20 lacs including other income of Rs.293.40 lacs in comparison to total revenue of Rs.5323.47 lacs including other income of Rs.276.45 lacs in the previous year ended 31<sup>st</sup> March, 2012. During the year the Company made export of manufactured/traded goods on FOB basis to the tune of Rs. 3712.55 lacs, which is approximately 71.45% of the total sales. Your Company ended the year with a net profit of Rs.558.19 lacs compared to profit of Rs.417.59 lacs for the previous year ended 31<sup>st</sup> March, 2012. The earning per share is Rs.4.49 in comparison to Rs.3.36 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/- per share (20%) for the financial year ended March, 2013. 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 23<sup>rd</sup> June, 2013. 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 23<sup>rd</sup> June, 2013.

## 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 Committees 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) stipulates 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 31<sup>st</sup> March, 2013, 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.

#### 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, 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 : 13.05.2013

**Ashok Chaturvedi**  
Chairman

### ANNEXURE 'A' TO DIRECTORS REPORT

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

#### 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 steam & fuel ratio, controlled & complete combustion of fuel, recycling of condensate, flash recovery, proper heat distribution & technology up gradation.

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

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

HPU Unit: Refrigeration unit was modified to improve handling capacity by installing new compressor, PHE, cooling tower & evaporator. The cooling capacity of existing Blast freezer was enhanced.

Freeze Drying Unit: New aluminum heating plates were installed in place of Powder coated MS plates for uniform & efficient heating,

IQF Unit: New reciprocating compressor of higher capacity was installed to improve cold room temperature.

#### C) Impact of the above measures

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

New aluminum heating plates installation in place of powder coated MS plates will result in uniform & efficient heating with minimal down time.

New higher capacity IQF Unit cold storage compressor will result in maintaining proper cold room temperature thereby maintaining product quality & shelf life.

### 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 Conventional herbs like rucola, Organic herbs like coriander & marjoram & vegetables like chilly & carrot.

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

- a. IQF Rucola & IQF Organic coriander & marjoram were developed and manufactured in addition to other herbs.
- b. Air dried carrot & chilly were developed and manufactured in addition to other products.

##### iii) Future Plan of Action

- a) Steps are continuously being taken for innovation and renovation of products including new product development like Air dried sugar beet, stevia, capsicum and frozen jalapeno.pepper.
- b) Automation and process line modifications are being planned to substantially reduce labour costs and to improve productivity and quality.



**iv) Expenditure on Design & Development:-**

During the year, company spent Rs.0.12 Lacs. This is very negligible to the percentage of the turnover of the company.

**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. 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.3712.55 lacs. The expenditure incurred in Foreign Exchange (including value of imports) during the year amounted to Rs.134.48. lacs.

For and on behalf of the Board

Place : NOIDA  
Dated : 13.05.2013

**Ashok Chaturvedi**  
Chairman

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**MANAGEMENT DISCUSSION AND ANALYSIS****Forward Looking Statements**

The forward looking statements of the Company reflect the current expectations regarding future results of operation, Forward-looking statements reflect a number of known and unknown risks, uncertainties and other factors that could impact industry's results, levels of activity, performance or achievements could be materially different from projected future results, levels of activity, performance or achievements expressed or implied..

**Industry Structure and Developments**

The liberalization of the Indian economy and world trade as well as rising consumer prosperity has thrown up new opportunities for diversification in the food processing sector. Indian food processing industry is widely recognized as a 'sunrise industry' having huge potential for uplifting agricultural economy, creation of large scale processed food manufacturing and food chain facilities, and the resultant generation of employment and export earnings..

Indian Food Processing Industry, one of the largest industry in India, accounts for about 32% of the country's total food market. It has high potential to grow exponentially particularly in the segments such as fruits & vegetables, packaged foods, wine & beer. Therefore, it offers tremendous opportunities for all stakeholders in the area of production, processing, marketing and supply chain, infrastructure development, technology up-gradation and education.

Demand for processed and convenience food is increasing constantly because of urbanization, changing life-style and food habits of the people. Accordingly, the Indian consumers are being offered newer high quality food products made by using the latest state-of-the-art technology.

Today, Multinational Companies are betting on India as a major sourcing hub to feed the world. Large investors and Corporations, both Indian and International, are considering India as an emerging market with twin opportunities, to cater to the growing Indian middle-class and to export of the processed food.

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. The annual demand for mushrooms was around 5000 Tons in 2001 in India. It has doubled to 10000 Tons in 2004 and the demand is expected to grow at a good pace of 25% every year for years to come.

**Business Overview**

India has been in the export market relating to food items for almost 30 years. The popular items of export are mango chutneys, pickles, fruit juices, canned and dehydrated mushrooms, frozen & canned fruit & vegetables.

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, adhering to strict quality & hygiene standards. Canned button mushroom in various shapes and sizes are made available as per the customer's requirements. Flex Foods Limited is a single point source of supplier of Frozen / IQF (Individually Quick Frozen), Air Dried as well as Freeze Dried products to the customers as per their requirements.

The Indian food processing industry is one of the largest in the world in terms of production, consumption, export and growth prospects. Earlier, food processing was largely confined to the food preservation, packaging and transportation, which mainly involved salting, curdling, drying, pickling, etc. However, over the years, with emerging new markets and technologies, the sector has considerably expanded. It has started producing many new items like ready-to-eat food, beverages, processed and frozen fruit and vegetable products etc. It also includes establishment of post-harvest infrastructure for processing of various food items like cold storage facilities, food parks, packaging centre, value added centre and irradiation facilities.

**Product-wise performance****Sale of Finished Goods**

Description	Current Year		Previous Year	
	Quantity (in KGs)	Value (Rupees in Lacs)	Quantity (in KGs)	Value (Rupees in Lacs)
Freeze dried Mushroom, Herbs, Vegetables & Fruit	1,71,750	2,613.23	163,946	2,246.08
Processed Food Viz. Mushroom Fresh & Processed (including Canned)	10,43,305	893.59	12,13,096	975.69
Frozen/Individually Quick Frozen Fruits, Vegetables, Mushroom & Herbs	10,75,441	1,225.58	11,09,009	1,073.11
Air Dried Fruits, Vegetables, Mushroom & Herbs	1,40,078	463.32	1,84,597	561.16
<b>Total</b>	<b>24,30,574</b>	<b>5,195.72</b>	<b>26,70,648</b>	<b>4,856.04</b>

**Expansion Program**

Keeping the demand for freeze dried products, particularly for herbs, the Board of Directors of the Company has approved the expansion program for freeze dried products by adding one more chamber for processing of freeze dried herbs with an estimated cost of Rs. 12.00 crores. The project is expected to be completed by August, 2013.

**Opportunities and Threats**

The food processing industry in India is witnessing rapid growth. In addition to the expansion of demand, changes happening on the supply side with the growth in organized retail, increasing FDI in food processing and introduction of new products

The growth is driven by the fact that the central government has given priority status to all agro-processing businesses. Government incentives in the field of mega food parks, cold chains and exports benefits are also playing important role in promoting food processing.

The opportunities of expansion in the food processing industry are vast. However, there is need to improve technology and productivity to be competitive globally. As the economy grows, the food processing industry will offer bigger opportunities to the new as well as the existing players.

Although India is endowed with favorable natural agro-climate and a rich source of agro-wastes that could be exploited for cultivation of diverse mushroom species, yet the country does not have any significant status either as a mushroom producer or as a consumer. Mushrooms give significant health benefits and possess medicinal properties. There is tremendous scope for diversifying mushroom export by including other mushroom species. With the current growth rate of the Indian economy, the domestic market too for the mushrooms is likely to enlarge sooner than later.

In the current recovering economy, our business is challenged by regulatory policy changes, raw material pricing, power tariff cost, weather changes, changing consumer demand, impact of currency fluctuations and competition from domestic as well as international front.

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.

**Future Outlook**

Indian food processing industry is poised for explosive growth driven by changing demographics, growing population and rapid urbanization. These factors will increase the demand for value added products and thus improve the prospects of food processing industry in India.

The Government of India is already in the midst of a vision, strategy and action plan for the food processing sector. This strategy addresses issues of taxation, organized retail, infrastructure development, marketing interventions and regulations, strengthening of institutions and issues of food safety and regulations.

The fruits and vegetables segment is still localized in its operations, and largely unbranded. However, several companies have already made foray into this segment, and are backward integrating their operations. The products that would see remarkable growth include pickles, fruit pulps, canned and frozen fruits and vegetables.

The food processing industry in India has taken off substantially well and will continue to grow rapidly considering the untapped potential in the sector. The growth in this segment not only indicates the changing development patterns of the country, similar to the developed nations, but also the promise it holds in driving growth of a certain section of society that has remained marginalized for a long time. More than just demand and supply dynamics, stakeholders in the food processing sector of India have a social responsibility to fulfill.



India has tremendous potential for mushroom production and all commercial edible and medicinal mushrooms can be successfully grown. There is increasing demand for quality products at competitive rates both in domestic and export markets. Though growth of mushroom will depend on increasing and widening domestic market in coming years, export market will be equally attractive. To be successful in both domestic and export market, your company is producing quality fresh mushrooms and processed products at competitive rates. The company is exploring new markets including domestic market. Further negotiations are in progress with new customers in Europe/US which will improve the company's sales volume in the coming years.

The company is continuously looking for new innovative ways to increase its sales and market share and for the same purpose, it is adding new products in markets. It is achieving this by innovating more professional promotional campaigns. New techniques and methods are introduced to increase the quality of products. The response from new markets is encouraging.

### Risks & Concerns

Every business faces risks involved in its operations, which could be internal and external. The external factors affecting any company's business 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. Realistic 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 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 employer-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 31<sup>st</sup> March 2013, the total number of permanent employee in the Company were 510.

### 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 PARAMETERS :

##### Fixed Assets

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

Year ended March 31 <sup>st</sup>	2010	2011	2012	2013
Gross Block (Rs. in Lacs)	7005	7200	7953	8082

The composition and growth of assets has been as under:

[Rs. in lacs]

Particulars	March 31, 2013	March 31, 2012	Growth %
Land	99.70	99.70	-
Buildings	1460.51	1437.66	1.59
Plant & Equipments	6175.19	6061.11	1.88
Electrical Fittings & Installations	141.59	141.59	-
Office Equipments	54.45	72.85	(25.26)
ERP Software	30.01	30.01	
Furniture & Fixtures	10.03	11.33	(11.47)



Particulars	March 31, 2013	March 31, 2012	Growth %
Vehicles	110.10	98.84	11.39
<b>Total</b>	<b>8081.58</b>	<b>7953.09</b>	
Less: Acc. Depreciation	4070.23	3793.42	7.30
Add: CWIP	52.79	3.58	-
Net Fixed Assets	4064.14	4163.25	-

## CURRENT ASSETS LOANS & ADVANCES

### Inventories

Inventories include stock of raw material, consumables, work-in-progress, finished goods and packing material. Value of total inventories was Rs1030.07 lacs, as on representing 12.75% of the fixed assets.

### Sundry Debtors

Sundry debtors were Rs.952.39 lacs as at 31<sup>st</sup> March, 2013 as against Rs.834.84 lacs as at 31<sup>st</sup> March, 2012. Debtors as a percentage of total operating revenue were 18.03 % for the current year as against 16.54 % in the previous year.

### Cash and Bank Balances

Cash and bank balances were 6.40% of total assets as on 31<sup>st</sup> March, 2013 as against 6.03 % as on 31<sup>st</sup> March, 2012.

### 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 represent deposit for electricity.

### Net Deferred Tax Assets

Deferred tax liabilities of Rs.470.09 lacs represent closing balance of net deferred tax liabilities after adjusting total deferred tax assets and deferred tax liabilities as on 31.03.2013. 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, 2013		Year ended March 31, 2012	
	Amount	%	Amount	%
<b>INCOME</b>				
Income from operations	5282.80	94.74	5047.02	94.81
Other income	293.40	5.26	276.45	5.19
Total Income	5576.20	100.00	5323.47	100.00
<b>EXPENDITURE</b>				
Raw Material Consumed	971.69	17.43	1091.07	20.49
(Increase)/Decrease in stock	49.66	0.89	(284.50)	(5.34)
Manufacturing Exp.	1378.35	24.72	1562.10	29.34
Payment & Benefit to Emp.	907.97	16.28	840.15	15.78
Administrative, Selling & Other Expenses	1023.95	18.36	963.48	18.10
<b>OPERATING EXPENSES</b>	<b>4331.62</b>	<b>77.68</b>	<b>4172.30</b>	<b>78.37</b>
<b>EBDIT</b>	<b>1244.58</b>	<b>22.32</b>	<b>1151.17</b>	<b>21.63</b>



## 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, 2013)

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 Companies in which they are Directors and/or Members.

The composition and category of Directors as on 31.03.2013 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 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 declaration 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 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.