

CREATING

NEW

BENCHMARKS !

## 18th Annual Report 2010-11

AN ISO 9001 : 2008 ACCREDITED COMPANY



## BOARD OF DIRECTORS

Shri Manish Kalani  
Shri Pawan Jain  
Shri Ravindra Chourasiya  
Shri Anirudh Sonpal  
Shri Kevan John Upperdine  
Shri Sharat Anand  
Shri Aswini Sahoo

Managing Director  
Director  
Director  
Additional Director (w.e.f. 09.12.2010)  
Director  
Director  
Nominee Director

## COMPANY SECRETARY

Shri Dinesh Kumar Sharma

Company Secretary

## AUDITORS

M/s L.K. Maheshwari & Co.  
Chartered Accountants,  
Indore

## REGISTERED OFFICE

2nd Floor of Main Building,  
19 R.N. Mukherjee Road,  
Kolkata – 700 001 (W.B.)

## MANUFACTURING FACILITIES

### SEZ Unit

C 41-50, Special Economic Zone  
Sector –III, Industrial Area  
Pithampur – 454775  
Dist. Dhar (M.P.)

### DTA Unit

94, Industrial Area  
Sector – I,  
Pithampur – 454775  
Dist. Dhar (M.P.)

### Kashipur Unit

Khasra no. 672 – 728,  
Village Mahuakhera,  
Pipalgaon, Kashipur-244713  
Distt. Udham Singh Nagar  
(Uttarkhand)

## Bankers

UCO Bank  
Punjab National Bank  
State Bank of India  
State Bank of Patiala  
Central Bank of India  
HSBC  
Axis Bank Ltd.  
MPFC Capital Markets (A division of MPFC)

## Electronic Registrar

Link Intime India Pvt. Ltd  
(Formerly Intime Spectrum Registry Limited )  
C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West),  
Mumbai – 400 078

## **NOTICE**

**NOTICE** is hereby given that the **18th ANNUAL GENERAL MEETING** of the Members of **FLEXITUFF INTERNATIONAL LIMITED** will be held on Friday, 30th day of September, 2011 at 11:00 a.m. at the Registered office of the Company at 2nd Floor of Main Building, 19 R.N. Mukherjee Road, Kolkata – 700 001, to transact the following business: -

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2011 and the Profit and Loss Account for the Financial Year ended on that date together with the Report of the Directors and the Auditors thereon.
2. To declare dividend on equity shares of the company.
3. To appoint a director in place of Mr. Pawan Kumar Jain, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a director in place of Mr. Ravindra Kumar Chourasiya, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Statutory Auditor to hold office from conclusion of this meeting till the conclusion of next Annual General Meeting of the company and to fix remuneration thereof.

### **SPECIAL BUSINESS**

6. To consider and if thought fit to pass with or without modification(s), if any, the following resolution as an ordinary resolution: -

**“RESOLVED THAT** Mr. Anirudh Sonpal, Additional Director of the company be required to confirm as director from conclusion of this Annual General Meeting, be and is hereby appointed as a director of the Company, liable to retire by rotation.”

**By Order of the Board**

**Place: Mumbai**  
**Date: 18.06.2011**

**Dinesh Kumar Sharma**  
**Company Secretary**

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

**ITEM NO. 1 to 5 are self explanatory.**

**ITEM NO.6**

The Board of Directors at its meeting held on 9th December, 2010 appointed Mr. Anirudh Sonpal as an Additional Director.

Mr. Anirudh Sonpal aged 50 years has graduated from Sydenham Collage of Commerce & Economics, Mumbai and is a fellow member of The Institute of Chartered Accountant of India.

His core area of practice includes internal, management and operation audit, internal control, risk management, corporate governance and indirect taxes. He has actively participated in the activities of the ICAI at branch and regional levels. He has been nominated by various forums and associations in their committees he has presented papers at various seminars organized by professional bodies and industry associations.

Your Directors recommend the resolution under Item No. 6 of the Notice of the Annual General Meeting for approval of members.

None other director is interested except Mr. Anirudh Sonpal in the said resolution to the extent of his directorship in the Company.

**NOTES :**

**1. PROXY:**

MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THEN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

**2. REGISTER OF MEMBERS:**

REGISTER OF MEMBERS WILL REMAIN CLOSED FROM **21st JULY 2011 TO 25th JULY 2011** (BOTH DAYS INCLUSIVE) FOR THE PURPOSE OF ANNUAL GENERAL MEETING AND PAYMENT OF DIVIDEND.

**3. MEMBERS ARE REQUESTED TO:**

- a. QUOTE THEIR LEDGER FOLIO NUMBER IN ALL THEIR CORRESPONDENCE.
- b. SEND THEIR QUERIES, IF ANY, AT LEAST 7 DAYS PRIOR TO THE DATE OF THE MEETING AT THE REGISTERED OFFICE OF THE COMPANY SO THAT INFORMATION CAN BE MADE AVAILABLE AT THE MEETING.

**By Order of the Board**

## DIRECTORS' REPORT

To,  
The Members of  
**Flexituff International Limited**

We are pleased to present the Eighteenth Directors' Report on your Company's business and operations together with the Audited Financial Statements consolidated and the auditor's report of your Company for the year ended 31st March 2011.

### FINANCIAL RESULTS AND APPROPRIATION (Consolidated)

Particulars	2010-11 (Rs in Million)	2009-10 (Rs in Million)
Sales (Including other income)	5,793.93	3,220.95
Profit before interest, depreciation & Tax	768.64	422.37
Profit before Tax	342.38	89.78
Profit after Tax	288.81	31.91
Prior Period Adjustment	(5.26)	(6.02)
Profit for the year	309.67	45.97
Add: Balance brought forward from Previous Year	204.71	181.94
Balance available for Appropriation	514.38	227.92
<b>Appropriation</b>		
Proposed dividend	17.21	11.32
Tax on dividend	0.28	0.18
Transfer to general reserve	0.00	10.00
<b>Surplus carried to Balance Sheet</b>	<b>380.97</b>	<b>204.71</b>

### REVIEW OF OPERATIONS

Financial Year 2010-11 during the period consolidated sales and other income stood at Rs. 5,793.93 Millions as against that of Rs. 3,220.96 Millions in the previous year showing a growth of 79.88%. Company's consolidated Profit before interest, depreciation and tax increased to Rs. 768.64 Millions from Rs. 422.37 Millions in the previous year showing a growth of 81.98%.

## EXPORTS

During the period consolidated export sales increased by Rs. 2,218.33 Million i.e. 101.52 % and stood at Rs. 4,403.55 Millions as against Rs. 2,185.22 Million in the previous year.

## APPROPRIATIONS

### Dividend

Your Board of Directors are pleased to recommend a dividend of 10% on the equity share capital of the Company i.e. Rs. 1.00 per equity share for the year ended 31st March 2011. The dividend, if approved, will be paid to the members within the time period stipulated by the Companies Act, 1956.

## AWARDS & CERTIFICATIONS

Your Company has been awarded with both the prestigious Food Grade Certificate i.e. American Institute of Baking Certificate (USFDA) and British Retail Consortium Certificate (BRC). During the year under review both the certifications have been renewed.

Besides certification from American Institute of Baking (USFDA), USA & British Retail Consortium (BRC), UK, your Company is accredited by ISO 14001: 2004, ISO 22000:2005 & ISO 9001-2008 certifications.

Your Company is a major exporter of FIBC and woven products from India and has received the Top Exporter Award from the PLEXCOUNCIL, Ministry of Commerce from 2005-06 to 2008-09.

## SUBSIDIARIES

Your Company has three direct subsidiaries and two step down subsidiaries. None of the subsidiaries have a negative net worth.

### *Direct Subsidiaries*

1. M/s Satguru Polyfab Private Limited, Gandhidham
2. M/s Nanofil Technologies Private Limited, Kolkata
3. M/s Flexiglobal Holdings Limited, Cyprus

### *Indirect Subsidiaries*

1. Flexiglobal (UK) Limited
2. Lakshmi Incorporated.

Statement pursuant to section 212 of the Companies Act 1956, the balance sheets of all subsidiaries are attached and form a part of the Annual Report 2011.

## DISASSOCIATION FROM ECO POLYMERS LIMITED

During the year in review, your Company had a subsidiary in the name of Eco Polymers Limited which was incorporated in Bangladesh. However, as no business was conducted in this company and for lack of business prospects in Bangladesh, the Company disassociated itself from the said company on September 29, 2010 by transferring its entire shareholding in Eco Polymers Limited to a third party for a consideration Rs. 0.44 million.



### **CONVERSION OF SHARE WARRANTS INTO EQUITY SHARES**

During the year under review, Kalani Industries Private Limited, one of our Promoters, exercised its option to convert 1,068,000 convertible share warrants into equity shares in the ratio of 1:1 i.e. 1 equity share for every one share warrant held. Accordingly, upon conversion, 1,068,000 equity shares were issued and allotted by the Company in favour of Kalani Industries Private Limited. Presently, there are no outstanding share warrants pending conversion.

### **CONVERSION OF FULLY CONVERTIBLE DEBENTURES INTO EQUITY SHARES**

Your Company allotted 92 (ninety two) 0% Fully Convertible Debentures (FCDs) having a face value of Rs. 5,000,000 per debenture in favour of Clearwater Capital Partners (Cyprus) Limited at par, aggregating to Rs. 460,000,000. During the year under review, Clearwater Capital Partners (Cyprus) Limited exercised its option to convert all 92 FCDs into equity shares and accordingly 4,486,492 equity shares were issued at a conversion price at Rs. 102.53/- per share.

### **DIRECTORS**

During the year under review, Mr. Anirudh Sonpal was appointed as an Additional Director pursuant to Section 260 of the Companies Act, 1956 and Articles of Association of the Company holding office upto the date of the next Annual General Meeting. It is proposed to appoint him as director of the Company, liable to retire by rotation, at the ensuing Annual General Meeting.

During the year under review Mr. Sunil Bhargava resigned from the post of Director of the Company w.e.f. 30.09.2010. The Board places on record its appreciation for the contribution made by Mr. Bhargava during his tenure as a Director.

There are two directors who are liable to retire by rotation for the financial year under review namely, Mr. Pawan Kumar Jain and Mr. Ravindra Chourasiya. Mr. Pawan Kumar Jain and Mr. Ravindra Chourasiya are being eligible and offer themselves for re-appointment. The board recommends their reappointment for your approval.

### **AUDITORS**

The term of appointment of M/s L.K. Maheshwari & Co, Chartered Accountants, Indore, Statutory Auditor of the Company will expire at the ensuing Annual General Meeting. The Company has received a certificate from M/s L.K. Maheshwari & Co, Chartered Accountants regarding their eligibility for appointment as statutory auditors as per Section 224(1B) of the Companies Act, 1956 along with their consent for reappointment. The board recommends the re-appointment of M/s L.K. Maheshwari & Co, Chartered Accountants, Indore, as statutory auditors of the Company for the year 2011-12.

### **AUDITORS' REPORT**

The observations made in the Auditors' Report, read with the relevant notes thereon are self explanatory and hence do not call for any further comments under section 217 of the Companies Act, 1956.

### **PUBLIC DEPOSITS**

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

### **PARTICULARS OF EMPLOYEES**

There are no employees who come under the provisions of Section 217(2-A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

These fields continue to be the areas for improvement and major progress. Keeping in view the escalation in energy cost, our organization is continuously endeavoring to find new and better ways for optimization of energy cost in its various manufacturing operations.

In compliance with Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, statement giving information regarding Energy Conservation, Technology Absorption and Foreign Exchange earnings and out go is given in **Annexure-A** forming part of this Annual Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm:

1. that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure.
2. that the Directors have selected such accounting policies and have applied them consistently and made judgments and estimates that are 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 profit of the Company for that period.
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. that the Directors had prepared the annual accounts on a going concern basis.

## **INITIAL PUBLIC OFFER**

Your Company is proposing, subject to receipt of requisite approvals and market conditions, to raise capital through an initial public offering (which comprises of fresh issue of equity shares by the Company and offer for sale by its existing shareholder- Clearwater Capital Partners (Cyprus) Limited). The objects of the proposed IPO is (i) expansion of manufacturing facilities at SEZ and DTA units at Pithampur, (ii) setting up of dripper project at Kashipur, working capital requirements; and (iii) general corporate purposes. In this regard, the Company had filed the Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) on March 29, 2011. The copy of the DRHP is available on the websites of the SEBI at [www.sebi.gov.in](http://www.sebi.gov.in), the book running lead manager, [www.csinga.com](http://www.csinga.com) and our Company at [www.flexituff.com](http://www.flexituff.com).

The SEBI has issued its observations on the DRHP vide its letter dated June 14, 2011. The Company has also obtained the in-principle listing approvals from Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) on May 19, 2011 and June 10, 2011 respectively. The Company is in process of filing the in-seriatim reply in response to observations issued by SEBI.

## **CORPORATE GOVERNANCE**

As your Company's shares are not listed on any stock exchange, the provisions of the listing agreement, including those relating to corporate governance, are not applicable. However, in view of the Company's proposed IPO, and as required by the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, your Company has complied with the corporate governance requirements contained in the equity listing agreement (as applicable), particularly those relating to composition of board of directors, constitution of committees such as Audit Committee, Shareholder / Investor Grievance Committee, etc. In addition, our Company intends to adopt a code of conduct for prevention of insider trading.



Currently, our Board comprises of seven Directors, of which the Chairman is a Non-Executive and Independent Director. In compliance with the requirements of Clause 49 of the Listing Agreement, our Company has one executive director and six non-executive directors of whom three are independent directors.

A brief report on your Company's compliance with the corporate governance norms is separately provided as an Annexure - B in this Annual Report.

#### **DEMATERIALISATION**

The equity shares of your Company are available for dematerialisation with both NSDL and CDSL and the ISIN is INE060J01017. 92.17 % equity shares are in Demat form and remaining 7.83 % equity shares are kept in physical form.

#### **ELECTRONIC REGISTRAR**

Our registrar for electronic connectivity with the National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) is M/s. Link Intime India Private Limited, Mumbai (Formerly M/s Intime Spectrum Registry Limited).

#### **EMPLOYEE STOCK OPTION SCHEME**

During the year under review your Company has instituted the Employee Stock Option Scheme 2011, pursuant to the approval of the shareholders. Pursuant to the provisions of the Employee Stock Option Scheme 2011, 1,061,750 options were issued to eligible employees of the Company. These options are convertible into similar number of equity shares of face value of Rs.10 each of the Company in accordance with the provisions of ESOP 2011. The Employee Stock Option Scheme 2011 is in compliance with the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

#### **HUMAN RESOURCE MANAGEMENT**

Human Capital has always been amongst the most important and valuable assets of the Company. Your Company has enhanced its performance management process that motivates people to take ownership of their own performance and encourages innovation and meritocracy. Your Company has continued to maintain cordial and harmonious relation with employees and the board places on record their appreciation and sincere thanks towards their contribution to the Company's performance during the year.

#### **ACKNOWLEDGEMENT**

Your Directors wish to express their deep grateful appreciation for the valuable support and co-operation received from the shareholders and other stakeholders including various statutory authorities and society at large. Your director also place on record, their appreciation for the contribution and hard work of employees of the Company and its subsidiaries at all levels.

**FOR AND ON BEHALF OF THE BOARD**

## ANNEXURE A TO THE DIRECTORS' REPORT

**REPORT OF THE BOARD OF DIRECTORS UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH 2011.**

### FORM A

Form for disclosure of particulars with respect to conservation of energy

#### POWER AND FUEL CONSUMPTION

Electricity	2007-08	2008-09	2009-10	2010-11
Unit Purchased	14368637	15717773	15488706	16565130
Total Amount (Rs.)	4,27,25,464	4,69,30,279	4,76,80,933	4,97,36,153
Rate per Unit (Rs.)	2.97	2.98	3.26	3.99
Sp. Power consumption/kg	1.18	1.18	1.26	1.21
Exp. / kg. of Input (Rs.)	3.65	3.63	3.96	4.05

1. Plant and machinery utilized effectively to improve the productivity and to reduce the power consumption.
2. In the expansion programme, every attempt is being made to procure new highly efficient machines - inefficient old machines are being replaced by new efficient plant and machines.
3. In spite of hike in energy charges, cost of energy per kg. of production is under control, because of measures being taken to save the energy.

**FOR AND ON BEHALF OF THE BOARD**

**Place: Mumbai**  
**Date: 18.06.2011**

**Director**

**Director**