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Jhaveri Flexo India Limited

ANNUAL REPORT 2005-06



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BOARD OF DIRECTORS

RAJUL SANDEEP JHAVERI

CHAIRPERSON

SANDEEP JHAVERI

MANAGING DIRECTOR

Dr. M. K. SINHA

PURNA MEHTA

DINESH SHAH

YOGEN LATHIA

VIJAY D. AJGAONKAR

RANJAN P. GUPTA

KRISHNA KUMAR SADANI

EXECUTIVE DIRECTOR

ATIT GANDHI

EXECUTIVE DIR. (FLEXI DIV.)

AUDITORS

M/S. BHATTER & COMPANY

CHARTERED ACCOUNTANTS, MUMBAI.

BANKERS

THE SARASWAT CO-OPERATIVE BANK LIMITED

REGISTERED OFFICE

B-22, MIDC INDUSTRIAL AREA,
WALUJ, AURANGABAD-431136
PHONE +91-240-2554915/2554209
FAX +91-240-2554119

WORKS

UNIT-I

74, FAROLA,
PAITHAN ROAD, AURANGABAD
MAHARASHTRA

UNIT-II

SURVEY NO. 135/2, VILLAGE DAPADA,
KHANVEL ROAD, SILVASSA-369 230
UNION TERRITORY OF DADRA AND
NAGAR, HAVELI

SHARE REGISTRAR AND TRANSFER AGENTS

M/S INTIME SPECTRUM REGISTRY LIMITED
C-13, PANNALAL SILK MILLS COMPOUND, L.B.S. MARG, BHANDUP (W)
MUMBAI 400 078

CHAIRPERSON'S MESSAGE

I, Rajul Sandeep Jhaveri take this privilege to write to you for the first time therefore before dwelling on the activities of the company, wish to give my brief introduction. I belong to Jhaveri family who are the first generation entrepreneur. Presently other than trading activity, we are actively involved in textiles, flexible laminates, offset printing and construction activity. Our current manufacturing activity is generating a turnover of more than Rs.125 crores per annum.

This company was promoted by Thirani group and was under the management of Mr. Kunal Thirani. The company was a sick company under the purview of Hon'ble BIFR. Since the business pursued by the company was known to us and the man and machine had good potential for growth, I decided to take it over. I took over the company in September 2005 and with the same professional set up, took number of initiatives i.e. reduction in interest out go, good inventory management and various cost cutting drives to make the company self sustaining in the competitive environment and I have the pleasure to inform you that since September 2005 onwards the results are improving on a consistent basis. The post merger result of September-2006 quarter is enclosed for your reference.

After acquisition of the company, it was decided to focus on the manufacturing of end products which can give better value addition to the company and accordingly decided to go in for adding new machines for going into the value added segment of business i.e. making surface protection film. I have the pleasure to inform you that we have already started this business in a small way and to become a serious player in this business have already ordered for a state-of-art coating plant. To partly fund this expansion, and to meet the long term working capital requirements, the company went in for preferential allotment of equity shares to some strategic investors on 20.12.2005 and arranged fund of Rs. 6.90 crore and this issue was done at a share premium of Rs.20/- per share i.e. Rs.5/- at par share issued at Rs.25/-.

Today competition is there in each and every aspect of life and the margins are squeezing day by day and to survive in this environment is to have large volumes on lean and thin working set up. Understanding this, it was decided to merge Jhaveri Flexi Laminates Pvt. Ltd. who had sizable presence in the flexible packaging business with your company. Since they had small equity and good profitability, it was an ideal merger and there were lot of accumulated losses in your company so it was all the more sensible to go for the merger. This merger had your mandate and was subsequently approved by Hon'ble Bombay High Court and was cleared by the Registrar of Companies on 27.09.2006. The merger will provide significant impetus to the growth of the company as both the companies were into similar business line.

The company recognized the potential of Jhaveri name in the main business activity of the company and accordingly decided to change its name to Jhaveri Flexo India Limited post merger.

I have the pleasure to inform you that your company is no more sick and it ceased to be a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 vide Hon'ble BIFR order dated 24.02.2006.

Your company has decided to go in for major expansions at both its factories i.e. Aurangabad and Silvassa. It has already bought land at both the places and the construction work has started at Aurangabad and will start at Silvassa by December-2006. Post expansion the profitability should improve drastically, since company is pursuing the goal of increasing capacity by adding balancing equipment and adding new machines to increase the business volume of value added items.

As you are aware, value creation is a continuous exercise aimed at benefiting all our stakeholders, I look forward to reporting yet another year of robust growth and shall further share all our future plans with you in my next communiqué.

I would also like to put on record our expression of gratitude to the Board members, bankers, customers, suppliers, employees and all shareholders for their faith and spirit.

With best regards,

Sincerely,

Rajul Jhaveri

Rajul Sandeep Jhaveri



NOTICE

Notice is hereby given that the 20th Annual General Meeting of Jhaveri Flexo India Ltd. will be held on Friday, the 08th December, 2006 at 11.30 A.M. at 74, Farola Paithan Road, Aurangabad to transact the following business:

I. ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date together with report of Board of Directors and Auditors thereon.
- 2) To appoint Director in place of Shri Vijay D. Ajgaonkar, who retires by rotation and being eligible offers himself for reappointment.
- 3) To appoint auditors and fix their remuneration.

II. SPECIAL BUSINESS:

- 4) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of Section 257 and other applicable provision, if any, of the Companies Act, 1956, Smt Rajul Sandeep Jhaveri who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed a director of the Company."
- 5) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of section 257 and other applicable provision, if any, of the Companies Act, 1956, Shri Sandeep Jhaveri who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed a Director of the Company."
- 6) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of section 255, 257 and other applicable provision, if any, of the Companies Act, 1956, Shri Atit Gandhi who was appointed as additional director, flexi division by the Board of Directors of the company, be and is hereby appointed a Director of the Company liable to retire by rotation."
- 7) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of Section 255, 257 and other applicable provision, if any, of the Companies Act, 1956, Smt Purna Mehta who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed as director of the Company liable to retire by rotation."
- 8) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of section 255, 257 and other applicable provision, if any, of the Companies Act, 1956, Shri Dinesh Shah who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed as director of the Company liable to retire by rotation."
- 9) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:
"RESOLVED That pursuant to the provisions of section 255, 257 and other applicable provision, if any,

of the Companies Act, 1956, Shri M. K. Sinha who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed as director of the Company liable to retire by rotation."

- 10) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:

"RESOLVED That pursuant to the provisions of section 255, 257 and other applicable provision, if any, of the Companies Act, 1956, Shri Yogen Lathia who was appointed as additional director by the Board of Directors of the company, be and is hereby appointed as director of the Company liable to retire by rotation."

- 11) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:

"RESOLVED That pursuant to the provisions of section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if any, the approval of the members of the company be and is hereby accorded to the Appointment of Shri Sandeep Jhaveri as a Managing Director of the Company for a period of five years with effect from 19th October, 2006, on the terms and conditions as set out in the draft agreement including remuneration as approved by the Remuneration Committee of the company with liberty to the Remuneration Committee to alter and vary such remuneration, but at no time the remuneration payable to the Managing Director exceed the limit prescribed in part II of Schedule XIII of the Companies Act, 1956 as existing and as may be amended from time to time and in case of the company has no profits or its profit are inadequate in any financial year, the Managing Director would be entitled to receive the remuneration upto the limit as prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 as existing or as amended from time to time.

RESOLVED FURTHER That the Managing Director will also be entitled to reimbursement of all entertainment and other expenses actually and properly incurred for the business of the Company.

RESOLVED FURTHER That the Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof."

- 12) To consider and if thought fit to pass with or without modification the following resolution as Ordinary Resolution:

"RESOLVED That pursuant to the provisions of section 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 and any other applicable provisions of the Companies Act, 1956 and subject to the approval of the Central Government, if any, the approval of the members of the company be and is hereby accorded to the Appointment of Shri Atit Gandhi as a Executive Director, Flexi Division of the Company for a period of five years, if re-appointed as director at the time of his retirement by rotation, with effect from 19th October, 2006 on the terms and conditions as set out in the draft agreement including remuneration as approved by the Remuneration Committee of the company with liberty to the Remuneration Committee to alter and vary such remuneration, but at no time the remuneration payable to the Executive Director, Flexi Division exceed the limit prescribed in part II of Schedule XIII of the Companies Act, 1956 as existing and as may be amended from time to time and in case of the company has no profits or its profit are inadequate in any financial year, the Executive Director, Flexi Division would be entitled to receive the remuneration upto the limit as prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 as existing or as amended from time to time.

RESOLVED FURTHER That the Executive Director, Flexi Division will also be entitled to reimbursement of all entertainment and other expenses actually and properly incurred for the business of the Company.

RESOLVED FURTHER That the Executive Director, Flexi Division shall not be paid any sitting fees for attending the meeting of the Board of Directors or Committee thereof."

- 13) To Consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

"RESOLVED that pursuant to the provisions of Section 31 (1) of the Companies Act, 1956 the articles of association of the company be and is hereby altered by deleting article no. 94 and the following new article be substituted in its place:

"94. Unless otherwise determined by the company in General Meeting, each Director shall be entitled to receive out of the fund of the company for attending meetings of the Board or any committee thereof, such sum as shall be determined from time to time at the Board Meeting subject to the provisions of the Companies Act, 1956 and rules made thereunder. All other remuneration, if any, payable by the Company to each Director in respect of his services as a director in the whole or part time employment of the company shall be determined in accordance with and subject to the provisions of the Act and rules made thereunder and these articles. The Directors shall be entitled to be paid their reasonable traveling and hotel and other expenses incurred in the execution of their duties as Directors.

BY ORDER OF THE BOARD OF DIRECTORS

Place: MUMBAI
Date: 19.10.2006

RAJUL SANDEEP JHAVERI
CHAIRPERSON

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NOTES:

1. Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is enclosed and forms part of this notice.
2. MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF & A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy forms, duly stamped should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 02.12.2006 to 08.12.2006 (both days inclusive).
4. All the documents referred to in accompanying notice are open for inspection at the registered office of the company on all working days except Sunday and Holidays between 11:00 a.m. to 5:00 p.m. upto the date of Annual General meeting.
5. The members are requested to send all communication relating to shares to Share Transfer Agents of the Company including changes, if any, in their registered address at an early date and bring the copy of the Annual Report and Attendance Slip with them to the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACTS, 1956

ITEM NO. 4

Smt. Rajul Sandeep Jhaveri was appointed as Additional Director by the Board of Director of the Company in their meeting held on 10.09.2005. She holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose her as a candidate for the office of the director.

Smt Rajul Sandeep Jhaveri has acquired total 25,05,729 (constituting 57.50% as on the time of open offer) fully paid up Equity Shares and 70, 0% Optionally Convertible Redeemable Preference Shares of Rs. 1,00,000/- each. of the Company as per the share purchase agreement dated 15.06.2005 entered with earlier promoters Mr. Kunal Thirani and his relatives and associates and other major shareholders and made public offer on 27.07.2005 for acquiring 1151528 Equity Shares consisting 23.23% of the shares capital of the company in accordance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Accordingly Smt. Rajul Sandeep Jhaveri became a new promoter of the company. Smt. Rajul Sandeep Jhaveri belongs to Jhaveri family who are, engaged in manufacturing of packaging laminates, construction work, finance and investment, trading of steel etc and she is actively involved in the major activities. Her strong financial background shall be an important tool for the future growth the Company.

The Board is of the opinion that the appointment of Smt Rajul Sandeep Jhaveri as a Director would be in the best interest of the Company. None of directors except Smt. Rajul Sandeep Jhaveri and her Husband Shri Sandeep Jhaveri is concerned or interested in this resolution.

ITEM NO. 5 & 11

Shri Sandeep Jhaveri was appointed as Additional Director by the Board of Director of the Company in their meeting held on 19.10.2006. He holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from member signifying their intension to propose him as a candidate for the office of the director.

Mr. Sandeep Jhaveri is actively involved in business since last 30 years and has excellent experience of running trading and manufacturing businesses. His promoted company M/s. Jhaveri Flexi Laminate Pvt. Ltd. is recently amalgamated with your company, which has excellent growth track records in terms of turnovers and profitability under his leadership, in view of above the Board of Directors of the company has also appointed him as Managing Director of the company in its Board meeting held on 19.10.2006.

The Board is of the opinion that the appointment of Shri Sandeep Jhaveri as a Managing Director would be in the best interest of the Company. None of directors except Shri Sandeep Jhaveri and his wife Smt. Rajul Sandeep Jhaveri is concerned or interested in this resolution.

ITEM NO. 6 & 12

Shri Atit Gandhi was appointed as Additional Director by the Board of Director of the Company in their meeting held on 19.10.2006. He holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose him as a candidate for the office of the director.

Mr. Atit Gandhi has excellent knowledge of the plastic packaging industries. He started his carrier with Jhaveri Flexi Laminate Pvt. Ltd and was a key contributor in its success story. In view of above the Board of Directors of the company has also appointed him as Executive Director, Flexi Division of the company in its Board meeting held on 19.10.2006.

The Board is of the opinion that the appointment of Shri Atit Gandhi as a Executive Director, Flexi Division would be in the best interest of the Company. None of directors is concerned or interested in this resolution.

ITEM NO. 7

Smt. Purna Mehta was appointed as Additional Director by the Board of Director of the Company in their meeting held on 19.10.2006. She holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose her as a candidate for the office of the director.

She was also a promoter director of M/s. Jhaveri Flexi Laminate Pvt. Ltd. which is recently amalgamated with your company. She belong to Jhaveri Group who is engaged in various activities like manufacturing of plastic packaging film, finance and investment, trading of steel construction project etc. She has got excellent experience and knowledge of the above activities.

The Board is of the opinion that the appointment of Smt. Purna Mehta as a Director would be in the best interest of the Company. None of directors except Smt. Purna Mehta is concerned or interested in this resolution.

ITEM NO. 8

Shri Dinesh Shah was appointed as Additional Director by the Board of Directors of the Company in their meeting held on 30.07.2005. He holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose him as a candidate for the office of the director.

Shri Dinesh Shah is a share broker agent and running leading firm M/s. D.J. Shah Securities Pvt. Ltd. in Mumbai, member of Bombay Stock Exchange Ltd. He has vast experience in the securities market more particularly in the investment activities.

The Board is of the opinion that the appointment of Shri Dinesh Shah as a Director would be in the best interest of the Company. None of directors except Shri Dinesh Shah is concerned or interested in this resolution.

ITEM NO. 9

Shri M. K. Sinha was appointed as Additional Director by the Board of Directors of the Company in their meeting held on 21.01.2006. He holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose him as a candidate for the office of the director.

Shri M. K. Sinha is having 40 years experience in banking sector and retired as chairman of State Bank of India with his rich financial background, presently serving various listed and non-listed companies as an independent director.

The Board is of the opinion that the appointment of Shri M. K. Sinha as a Director would be in the best interest of the Company. None of directors except Shri M. K. Sinha is concerned or interested in this resolution.

ITEM NO. 10

Shri Yogen Lathia was appointed as Additional Director by the Board of Directors of the Company in their meeting held on 21.01.2006. He holds office upto the date of this Annual General Meeting, as required by section 257 of the Companies Act, 1956, the Company has received a notice in writing along with deposit from members signifying their intension to propose him as a candidate for the office of the director.

Shri Yogen Lathia has an excellent knowledge in the rubber industry and presently working as technical director of Lathia Rubber Mfg. Co. Pvt. Ltd.

The Board is of the opinion that the appointment of Shri Yogen Lathia as a Director would be in the best interest of the Company. None of directors except Shri Yogen Lathia is concerned or interested in this resolution.