

2010-11 ANNUAL REPORT

Aluminium - The True Green Metal



CENTURY EXTRUSIONS LIMITED

Aluminium Extrusions & Value Added Products



(Unit: Rs. in thousand)

MISSION

To provide high quality Aluminium Extruded Products and superior customer service with a focus on value-added products to ensure the customers get ready to use products.

VISION

We shall strive to continuously expand our aluminum extrusion business and be the supplier of first choice to all our customers. We shall simultaneously look out for new and emerging business opportunities related to our field of competence.

VALUES

Commitment – Do whatever it takes to deliver superior customer value

Courtesy – Towards our Customers, Employees, Vendors and the Society at large

Integrity – Honesty in every action

Speed – Act with urgency to deliver what we promise

Team-work – Thinking and working together across hierarchy levels



CENTURY EXTRUSIONS LIMITED

BOARD OF DIRECTORS

M G Todi
R N Das
V K Mushran
R K Sharma
Vikram Jhunjunwala
M P Jhunjunwala-Chairman & Managing Director

CHIEF EXECUTIVE OFFICER & CHIEF FINANCIAL OFFICER

Kailash Baheti

COMPANY SECRETARY

Suhita Mukhopadhyay

AUDITORS

A L P S & CO.
Chartered Accountants
310, Todi Chambers
2, Lalbazar Street
Kolkata-700001

COST AUDITORS

N Radhakrishnan & Co.
Cost Accountants
11A, Dover Lane
Kolkata-700029

REGISTRAR & SHARE TRANSFER AGENTS

C B Management Services Pvt. Ltd.
P-22, Bondel Road, Kolkata-700019

BANKERS

State Bank of India
Axis Bank Limited
ICICI Bank Limited

REGISTERED OFFICE

113, Park Street, 'N' Block
2ND Floor, Kolkata-700016

WORKS

WBIIIDC Industrial Growth Centre
Plot No. 7A, Sector-B
P.O. Rakhajungle, Pin-721301
Nimpura, Kharagpur
Dist. West Midnapore (WB)



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NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Century Extrusions Limited will be held on Thursday, 25th day of August, 2011 at 11.00 A.M. at Bharatiya Bhasha Parishad (Sitaram Seksaria Auditorium), 36A, Shakespeare Sarani, Kolkata-700017 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2011, the Balance Sheet as on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M G Todi who retires by rotation and being eligible offers himself for

reappointment.

3. To appoint a Director in place of Mr. R N Das who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

By Order of the Board

Kolkata
Dated: 10.05.2011

Suhita Mukhopadhyay
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE VALID MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 06.08.2011 to 12.08.2011 (both days inclusive) for AGM.
3. Shareholders desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
4. Members, who hold the shares in dematerialized form, are requested to bring their client ID and DP ID Nos. for easier identification and attendance at the meeting.
5. Members who hold shares in physical form are requested to notify any change in their address to the Registrar and Share Transfer Agents of the Company and always quote their Folio No. in all correspondence with the Company
6. **Reappointment of Directors:**
Brief Particulars of the Directors of the Company proposed to be appointed or re-appointed at the

ensuing Annual General Meeting are given in the Annexure overleaf.

7. Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
8. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
9. Green Initiative: The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/ documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants.

Shareholders holding physical share certificates are requested to register their email address with our Registrars and Share Transfer Agents, M/s C B Management Services (P) Limited in the format given on page 4.



ANNEXURE

BRIEF PARTICULARS OF DIRECTORS PROPOSED FOR REAPPOINTMENT

	I	II
Name of Director	MR. M G TODI	MR. R N DAS
Date of Birth	21.01.1941	25.03.1936
Date of Appointment	21.07.2006	12.03.1997
Expertise	44 Years experience in Industry	48 years experience. Retired as the Chief Secretary to the Govt of Orissa
Qualification	M.Com., LLB, FCA	Masters in Political Science
List of Companies in which outside directorships held as on 31.03.2011	1. M/s. Coastal Industrial Finance Ltd 2. M/s Todi Sons Ltd 3. M/s Todi Services Ltd 4. M/s Khaitan Electricals Limited 5. M/s. Coastal Properties Pvt Ltd 6. M/s Alfa Aluminium Pvt Ltd 7. M/s Volex Estates Pvt Ltd 8. M/s Snux Housing & Holdings Pvt Ltd 9. M/s Yazur Nirman Pvt Ltd 10. M/s CRL Logistic Pvt Ltd 11. M/s Shri Salasar Finance Pvt Ltd 12. Todi Projects Ltd	None
Chairman/Member of the Committees of the Board of the other Companies on which he is a Director as on 31st March, 2011	None	None

GREEN INITIATIVE

Name Of The Company : _____
Name Of The First Shareholder : _____
Address : _____

Pin Code : _____
Folio No. / Client Id/Dp Id : _____
Mode Of Holding : **Physical** **Demat**
Email Id : _____
Mobile No : _____

DIRECTOR'S REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

We are pleased to present the 23rd Annual Report of the Company for the year 2010-2011.

Growth of the Indian economy: The Indian Economy has emerged with remarkable rapidity from the slowdown caused by the global financial crisis of 2008-2009. The growth rate has been 8.6 percent in 2010-11 and is expected to be around 8 to 8.5 percent in the next fiscal year. Post recovery, growth in the industrial sector was buoyant during the first two quarters of the year under review. The manufacturing sector in particular showed a remarkable robustness growing at rates of 12.6% & 9.9% respectively during the two quarters. However, the second half saw a slowdown mainly as a result of the gradual tightening of monetary policy, in response to growing inflationary pressures.

The year 2010-11 witnessed the Indian Economy as one of the fastest growing economies globally and well positioned to attain a sustainable high growth trajectory. The overall economic canvas appears to be robust and conducive to the growth of our Company in the years ahead.

The Scenario of the Aluminum Extrusion Industry

The Aluminum Extrusion industry in India is likely to see a double digit growth over the next few years due to robust demand from all its consumer segments, particularly construction, electrical and automobile sectors.

Current installed capacity of Indian Aluminum Extrusion industry approximates just under 300,000 TPA in the Organized sector, with perhaps similar capacity in un-organized sector. The Un-organized sector widely spread across the country caters to local demand of extrusions at lower end of the market.

Investment in infrastructure especially in deficit regions like Asia is growing at a phenomenal rate. In India, mega and ultra-mega power projects are being set up with a vision to make the country self reliant in electricity. There is progressively higher use of aluminum in automobiles for

light-weighting of vehicles for better fuel efficiencies. The building/construction industry continues to grow at a rapid pace. These factors will ensure a high growth in demand for quality extruded products.

FINANCIAL PERFORMANCE

The Company achieved a sales turnover of Rs.179.62 crores as against Rs.132.95 crores in the previous financial year recording an increase of 35.10%. The increase in sales turnover would have been significantly higher but for the workmen's agitation pressing for their Charter of Demands for a long term wage settlement and consequent work suspension at factory in July 2010, which resulted in production slow down for a few days and complete production loss for 27 days.

The Power Transmission & Distribution Hardware (Power T & D Hardware) division registered a sale of Rs.2.16 crores as against Rs.0.69 crore in the previous year. The balance of the turnover was contributed by Company's principal business i.e. by Aluminium Extrusions Division.

The Profit After Tax (PAT) for the year is Rs.58.47 lacs as against Rs.534.51 lacs showing a big decline in spite of robust growth in business volume. The decline in profit during the year is mainly due to the following factors:-

- Production loss due to workmen's agitation and consequent work suspension.
- Increase of over 50% in the Electricity Tariff over last two financial years.
- Significant increase in Finance Cost due to hardening of interest rates in India.
- Apparent slow down in general economic activity in the last quarter resulting in reduced order flows.

The Company has taken steps to counter the above factors as have been mentioned elsewhere in this report and expects to achieve higher Sales Turnover as well as profitability in the next financial year.

(Rs'000, except per share data)

Year ended March 31	2011	2010
Sales	1796148	1329491
Profit before Interest, Depreciation and impairment of Assets	96341	127914
Interest	49285	26476
Profit before Depreciation and Impairment of Assets	47056	101438
Depreciation and Impairment of Assets	40438	23925
Net Profit	6618	77513
Provision of Taxation	771	24062
Profit after Tax	5847	53451
Profit brought forward	137489	93367
Surplus available for appropriation	143336	146818
Appropriation	—	—
Proposed Dividend	—	8000
Corporate Tax on Dividend	—	1329
Balance carried to Balance Sheet	143336	137489



DIVIDEND

The Company has been paying a moderate dividend of Re.0.10 per share for last 3 years but the current year's financial performance of the Company does not justify a dividend payout. Hence, we are unable to recommend any dividend for the year under review.

PRODUCTION

The Aluminium Extrusions production for the year was 10033 MT as against 8829 MT in previous financial year showing a growth of 13.63%. This growth would have been significantly better but for the labour disturbance at Company's factory as mentioned under para "Financial Performance".

The Power T & D Hardware achieved production of 133MT during the year as against 48 MT during the previous year. The industry has a longer gestation period of roughly 3 years mainly because the prospective customers, mainly the State Power Distribution Companies require prior supply experience before they allow new vendors to participate in their tenders. The Company has already completed two full financial years of operation in the Power T & D Hardware business and expects this division to contribute higher turnover and profitability from 2012-13 and onwards.

GENERAL BUSINESS PROFILE AND GROWTH STRATEGY

Excellence in any field is attributed to three major factors - Drive, Direction and Focus. We believe, to conquer steeper heights one has to take risks, and when one takes risks one has to defend them with sound principles, coordinated teamwork and a great presence of mind.

Our Legacy: With an experience spanning a rich 19 years, our Company enjoys a number of first mover advantages comprising a comprehensive understanding of the aluminium and aluminium extrusions market, reputed brand and a strong customer base.

Integration: We possess in-house facilities for –

- Die manufacturing,
- Melting and casting of billets,
- Extrusions manufacturing with three press lines
- Manufacturing various value added products of extrusions for engineering applications, and
- Manufacturing Power Transmission & Distribution Hardware

With 3 extrusion press lines, the Company has a capacity to produce 15000MT of Aluminium Extrusions, which as per the information available with the Company, is the 3rd largest facility in India as on date.

Die Library: The Company possesses an inventory of more than 5050 dies to manufacture over 3850 profiles. The Company maintains duplicate dies for meeting the requirements of fast moving profiles.

Easy raw material access: The Company accesses raw material (aluminium ingots and billets) from three renowned and proximate primary metal manufacturers- Hindalco, Nalco and Vedanta Aluminium. The Company is one of India's largest institutional aluminum ingot consumers with corresponding purchase economies.

Quality assurance: The Company's manufacturing facility is accredited with the prestigious ISO-9001:2008 certification endorsing its strong quality systems. Your Company continues to focus on maintaining the highest quality and safety standards in its factory. The Company is presently in process of upgrading its Quality Management System to become compliant with Environmental Management System ISO 14001:2004 & Occupational Health & Safety Assessment Series OHSAS 18001:2007.

The Company supplies extrusions as per tolerances laid down by the Bureau of Indian Standards in accordance with BIS: 2673-1979, BIS:3965-1981 and BIS : 6477-1983, and with even stricter tolerances as per customer needs.

The sharp focus on Quality in all its initiatives has enabled our Company to launch some specific value-added services

Product applications: We manufacture extruded products for varied applications, viz. :

- Profiles for Architectural Applications such as Building Systems, Structural Glazing, Curtain Walls, Aluminium Rolling Shutters, Windows, Doors, Partitions, False Ceilings, Tower Bolts, Hand Rails, Door Handles, Hinges, Drapery Rods, Modular Furniture, etc.
- Profiles for Road Transport Sections
- Profiles for Rail Coach Windows & Doors
- Profiles for manufacture of Automobile Components
- Profiles for Heat Transfer in Electronics & Electrical Gadgets
- Profiles for Electrical applications such as Tubes and Flats for Bus Bars, Transmission Line Hardware such as P.G. Clamps, H-Connectors, Repair Sleeves, Lugs, Solar Panels etc.
- Profiles for Engineering Applications such as Motor Housings, Gear Pump Casings, Ferrules, A.C.Louvers, Machinery Parts, Elevators, Pneumatic Actuators, Pneumatic Cylinders, Valve Bodies, etc.
- Profiles for various Defence Applications

And many more. The Power sector accounts for the largest revenue proportion.

The Company also has necessary set up to supply extruded and cold drawn round bars and hexagonal bars in straight lengths for various engineering applications. It also has a set up to supply extruded and cold drawn rods/wires in coil

form to be used as armour rods, lamp pin stock, metallizing wire, rivet stock, welding filler wire etc.

Customer profile: The Company possesses a portfolio of over 600 reputed customers. The Company has retained most of the customers over a period of 19 years.

Our Company is in a position to supply Extruded Aluminum Profiles in Alloys 1xxx to 7xxx series. This is our major competency. Our Business strategy is to book maximum part of our installed capacity for supply directly to end-users.

Diversified end-user industries, and established relationships with suppliers.

The Company has a diversified product portfolio, comprising of soft, medium and high-strength alloys which find application in the power, agriculture, architecture, and industrial sectors, among others. The company's top ten customers do not account for more than 25 percent, and no single customer accounts for more than 10 percent, of its total revenues. The Company's diverse customer profile provides stability to its revenues and mitigates risks related to a slowdown in any particular segment.

The Company enters into long-term contracts with its suppliers for its annual raw material requirements, and receives cumulative annual discounts from National Aluminium Company Ltd and Vedanta Aluminium Ltd. on lifting pre-specified quantities.

On account of direct pass through of any increase / decrease in primary aluminium prices to those for aluminium extrusions, the industry is de-commoditised and relatively insulated from fluctuating primary aluminium prices.

Our revenues have registered a compound annual growth rate (CAGR) of 8% over the past five years.

Rich Market presence

The Company is committed to understand customer requirements and deliver products in totality. Customer delight has been the Company's "Mantra" with a dedicated team of professionals. Utmost importance is given to client satisfaction. The Sales Team is fully qualified and trained to look after the customers' diverse requirements for their complete satisfaction. High levels of ethics and transparency are maintained in dealing with the clients to improve their confidence in the brand and the Company.

A network of branches and sales offices in close proximity to the customers enable us to ensure efficient, effective and timely service. The Company possesses a portfolio of over 600 reputed customers. Nearly 87% of the revenues in 2010-11 were derived out of sales to long-standing customers. The real strength of the Company lies in its large number of customers in different customer segments spread in different geographical segments in a growing economy like India.

FUTURE OUTLOOK

Extrusions

The Company has an installed capacity to produce 15000MT of extrusions per annum. As against this, our production for the year 2010-11 was 10033 MT. We thus have a significant spare capacity to increase production and sales volume.

The demand for aluminium extrusions has been growing in double digits for past few years. However, even today the present per capita consumption of aluminium in India is very low at below 2 kgs. against over 10kgs. in developed countries. Due to this very low present consumption, meaning a low base, the demand growth for extrusions is likely to remain buoyant over many years to come.

The segment-wise expected demand growth is given hereafter:

1. Power Sector – Power and infrastructure sectors in India are witnessing and would continue to witness strong growth in the coming years with the boost from policy measures and budgetary allocations. Our country faces continuing power shortage. More investments to plug the gap means more aluminium extrusions.
2. The vibrant Real Estate Sector in our country - Triggered by growth opportunities in the construction sector with increasing government budgetary support for the housing sector, the Company eyes for a wider market as more homes and offices mean more aluminium extrusions. Aluminum being Green Metal and an effective substitute to wood and also being corrosion resistant favourably competes with other substitute materials such as steel and wood. The light weight, high strength and durability of aluminum alloys make aluminum attractive for building and construction.
3. Rapidly growing Transportation Sector - More road and more vehicles mean more aluminium extrusions. The Growing Vehicular aluminium content for light weighting of vehicles to save energy will drive aluminium demand further.
4. Engineering Applications- Aluminium Extrusions are increasingly being used to manufacture forged and forged & machined components for use as parts of machinery, fasteners, rivets, wire rope ferrules, motor housings for domestic pumps, hydraulic gear pump casings, heat sinks, ladders, elevators, etc.
5. The Sustained Agriculture Emphasis in our Country – More investments in irrigation mean more aluminium extrusions
6. Solar Energy Industry is an emerging opportunity, which implies significant consumption opportunities for aluminium extrusions from solar panels over the years to come.

7. Indian Defence Sector: Aluminium extrusions are consumed in a wide range of applications in this sector, comprising tail-end fuse connectors for detonator shells and grenades, frame-work for tents and as a roll-over 'mattress' for tanks to navigate difficult terrains.

Given the significant supply deficits, high growth potential and conducive government policies, a large opportunity exists for the Aluminum extrusions suppliers including our Company.

The above projection of robust demand growth is however tempered by the fact that the extrusion industry is fragmented, and significant competition exists among players in the industry. As a result, the bargaining power of industry players is moderate.

Power T & D Hardware

India today stands at the threshold of being an economic superpower. Power is one of the key requirements to support and sustain our economic growth. Power is a key ingredient in driving growth in manufacturing & services. Aluminium finds growing use in this space as it is directly used in the overhead transmission and distribution lines.

Power Transmission and Distribution Hardware Fittings are required for use on Overhead Transmission and Distribution Lines for connecting Insulators with Tower/Pole Cross Arms and Insulators with conductors.

The Company has manufacturing facilities for casting of Aluminium Alloys, manufacturing of Extruded products in Aluminium & its Alloys, Wire Drawing, Helical Products, Fabrication of Ferrous & Non-Ferrous Components, Argon Welding, Electric Arc Welding, Machining, Bundle Spacer Assembly, Vibration Damper Assembly, Conductor Accessories, Clamp Connectors for Hardware Assembly, and manufacturing of Tools, Dies & Moulds.

Aluminium is also used in insulated and underground cables laid in large populated urban areas and in reserved forests (to avoid deforestation), Round Tubes are used for corona control rings, grading rings, mid-span compression joints, dead-end clamps and jointing sleeves, among others, signifying huge opportunities for extrusions in the power sector.

During the financial year 2010-11 the Company recorded a sales turnover of T & D Hardware amounting to Rs. 216 lacs approx. as against Rs.69 lacs in the previous financial year. At the beginning of the year 2011-12, the Company had orders in hand worth approx. Rs. 400 lacs. The Company has successfully registered itself as a supplier of its products with a number of State Electricity Boards during the year and the process is continuing. The process will get further momentum as company achieves requirements of minimum years of supply track record and experience, with each passing year. The Company has received substantial orders from the said State Electricity Boards, Transmission and

Distribution Line State based utilities and Erection Contractors.

As the Company gets itself registered as a supplier with more electricity utility companies, the order book will become better and stronger, and the growth in coming few years is likely to be in multiples of the previous year performance.

RISKS AND AREAS OF CONCERN

The Company's capability to assess and manage business risks is crucial in achieving targets. In the current economic scenario, the Company perceives the following risks and concerns.

- a) **Market Competition:** The Company is operating in a highly competitive market as market dynamics are forever changing with entry of new players in the field of extrusion manufacturing. New players are targeting resellers consequently old players who were earlier in reseller markets are turning towards end users creating competition for the Company.

With free market economy now prevailing in India, high quality imported extrusions are freely available in the local market. Hence unless Indian Extrusion Industry, particularly in the unorganized sector undertakes technological up-gradation in the foreseeable future, over next five years, this sector may be wiped out of the market by availability of cheaper and superior quality imported products.
- b) **Delay in clearances/approval by Govt. agencies:** There are delays in obtaining lease renewals for land mortgaged with financial institutions and banks. This adversely affects the financial facilities obtained from the Banks.
- c) **Competition from local manufacturers:** Some of the customers prefer local suppliers for faster deliveries. Further to compete with local suppliers, we have to sacrifice our margin to neutralize the effect of higher Freight and Central Sales Tax. We are located in a comparatively under-developed part of the country and the demand in this part is not good enough to account for our capacity. We have to sell a substantial quantity (over 70%) in other parts of India where our realization is lower compared to local supplies due to impact of the high freight and Central Sales Tax.
- d) **Retention of experienced manpower:** Company faces a challenge in retaining the trained work force. The Company has created employee friendly policies and a conducive environment for work life balance.
- e) **Price Inflation Risk:** Fluctuating raw material prices have been witnessed too often over the past few years. Continuous monitoring of aluminium metal inventory in order to get maximum benefit or alternatively to minimize loss by keeping ideal inventory levels in each