

COSMO FILMS LIMITED



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P A S S I O N T O B E A W I N N E R

REPORT AND ACCOUNTS 2006-07

WHAT WE HOPE TO ACHIEVE

MISSION AT COSMO

- Cosmo will seek global market leadership.
- Development and growth in Oriented film will be our focus.
- We will continue to create a winning culture, operating in the highest standards of ethics and values.
- We will strive for excellence in customer service, quality and R & D.

VISION AT COSMO

To be the most preferred brand for innovative BOPP products in India and the World.

What drives us

CORE VALUES OF COSMO

CUSTOMER ORIENTATION

Cosmo believes in long term relations with customers. Under all circumstances we put the customer first. We ensure value for money for our customers through better products, services and our interaction.

TRANSPARENCY

Cosmo practices transparency with all stakeholders through structured periodical communication and adhering to best corporate governance practices.

INNOVATION

Cosmo encourages innovation in every facet of its business activity including developing cost effective innovative packaging solutions for our customers. We have created a world-class R & D set up.

COST CONSCIOUS

Cosmo has initiated company wide Six Sigma programmes for cost reduction in a structured manner.

HOUSE-KEEPING

Cosmo adheres to world-class house-keeping standards at all its locations.

FAIR BUSINESS PRACTICES

Cosmo enjoys a reputation of being fair and just to all its stakeholders.

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Directors' profileDIRECTORS IN EXECUTIVE CAPACITY:

Ashok Jaipuria Chairman & Managing Director

S.K. Mittal Chartered Accountant, Executive Director and CEO

DIRECTORS IN NON-EXECUTIVE (INDEPENDENT) CAPACITY:

H.K. Agrawal B.E. & MBA (IIM), Management Consultant.

Dr. Surinder Kapur Ph.D. in Mechanical Engineering, Managing Director of Sona
Koyo Steering Systems Limited.

Rajeev Gupta B.E & MBA, Managing Director, Carlyle India Advisors Pvt. Ltd.

Vimal Bhandari Chartered Accountant.

Hasmukh Shah Industry Management (Polymer).

H.L. Paranjpe M.Sc (Chemical Engineering), University of Birmingham, U.K.
Polymer Technologist

Badri Agarwal Chartered Accountant.

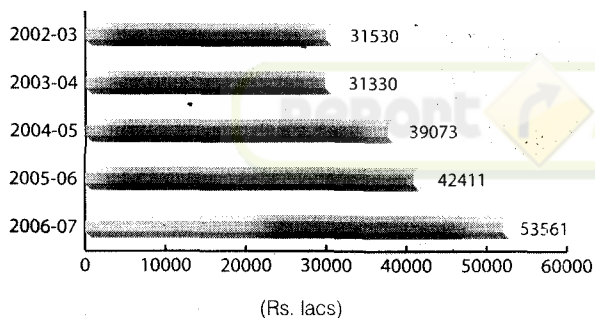
R. Vasudevan Retired Senior IAS Officer, B.A. (Hons) Economics, M.A.
(Economics & Statistics), MPA (Development Economics)
Harvard University, USA.

Report
and
Accounts
2006-07

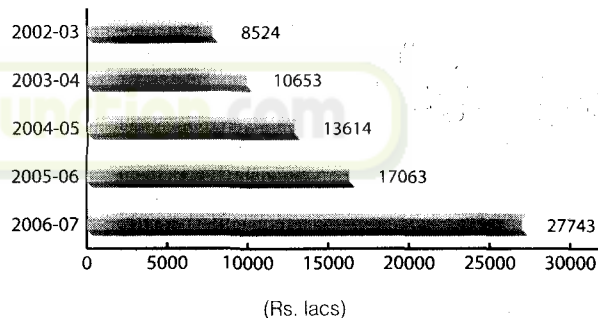
Cosmo
Films
Limited

FIVE YEAR TRENDS

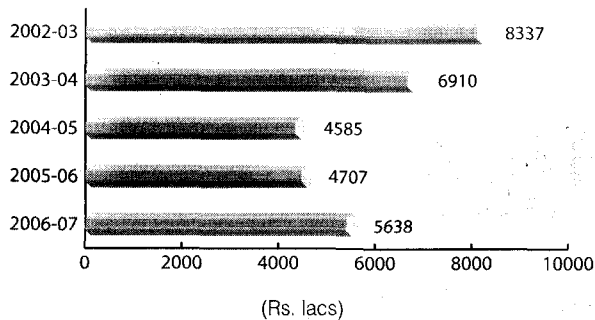
NET SALES



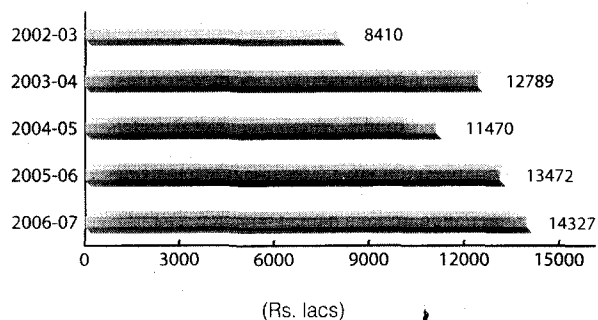
EXPORT SALES



PBDT



MARKET CAPITALISATION



WHAT WE ACHIEVED IN 2006-2007

- Net sales increased to Rs. 53561 lacs (Previous year Rs. 42411 lacs.)
- Expanded our customer base and product range in world markets.
- Expanded Thermal film capacity from 6500 MT to 12500 MT.
- Achieved Export turnover of Rs.27743 lacs, a growth of 63% over previous year.
- Gas based captive power Plant Commissioned at our Karjan (Vadodara) unit.

AN INTERVIEW WITH CEO - S.H. MITTAL

1. Profit after tax has increased to a level of Rs. 2482 lacs as against Rs. 1286 lacs in previous year? What are the major reasons?

Substantial improvement in product mix and export base as well as continuous emphasis on cost reduction has resulted in increased profit.

2. Are there any major implications of union budget 2007?

Custom duty on finished BOPP products has been reduced 2.5%. Besides Central Sales tax has been reduced by 1%. Both these reductions will have positive impact on demand growth.

3. What is the future outlook of exports?

Despite over capacity in the industry, our exports have grown to Rs. 27743 lacs during this financial year as compared to Rs. 17063 lacs during the previous year 63% increase. Presently we are

exporting to every continent of the world. Besides, we have also stepped up our exports of specialty products.

4. What is the status of Thermal Lamination film?

We have widened our product range of Thermal Lamination film. Our present product range in this segment and quality is comparable with leading global manufacturers. With encouraging response, we have expanded our extrusion coating film capacity from 6500 Tons to 12500 Tons.

5. What are your expansion plans for the year 2007-2008?

Having achieved full capacity utilization on all 4 Lines of extrusion coating films, we are setting up one more extrusion coating line by April 2007. Further enhancement of capacity is under evaluation.

Risk management

Disclaimer

The management cautions readers that the risks outlined below are not exhaustive and are for information purposes only. Investors are requested to exercise their own judgement in assessing various risks associated with the company.

The company is exposed to various business risks from time to time. Some of the anticipated risks and their mitigation strategies are outlined below:-

COMPETITION

BOPP industry is capital intensive industry. In a free market environment, new capacities are created depending upon demand supply situation and return on investment. Industry is cyclical in nature and at times there is over supply situation leading to decline in operating margins.

Risk Mitigation

Company has one of the largest product range in BOPP films through continuous investment in R & D activity. We have also diversified our markets in various parts of the world. Diversified product ranges as well as markets give us a competitive edge to deal with downward business cycles in a better manner. Cosmo continues to be the leader in Indian BOPP industry after its existence of over two decades.

GLOBALISATION RISK

With WTO as well as various regional free trade agreements, Indian markets are vulnerable to cheap imports.

Risk Mitigation

In fact Cosmo is one of the beneficiaries of economic liberalization and has been able to increase its exports substantially in past eight years. By building exports at reasonable margins, we have countered any possible threats of imports in India. Present level of BOPP imports in India is less than 5% of the total BOPP consumption. Under WTO anti dumping duty provisions are also available for protecting Indian industry from dumping of cheaper goods in India. This instrument has been effectively used in past to avoid such imports. With continuous cost reduction as well as emphasis on new product development, we are internationally competitive and have created sustainable competitive advantage.

GEOGRAPHICAL RISK – MARKETS & MANUFACTURING LOCATION

Risk Mitigation

Company has manufacturing units at Aurangabad (Maharashtra) and Vadodra (Gujarat).

As far as markets are concerned, we are focused on both international and domestic markets. This also helps to hedge risks by being in various regions of the world.

CUSTOMER ATTRITION RISK

The customers are sensitive to quality, delivery and price. The customers are widely dispersed in various user segments. The customer profile changes due to change in demand supply scenario. Each segment has varying sensitivity to the different factors.

Risk Mitigation

Company endeavours for retention of existing customers as well as development of new customers. In commodity price sensitive market, customer attrition is generally due to price. However, with value added niche products, we are able to build long term relationship with various customers by providing them good value proposition.

The company has been continuously getting feedback from the customers. The company understands and considers the varying importance given by different set of customers to different factors. The company approaches different segments of the markets with strategy best suited for the respective segment. Due to our diversified markets, we believe that the impact on the company in the event of customer attrition would be low.

PEOPLE RISK MANAGEMENT

High Quality human resources are vital to the success of our business.

People are valuable assets of the company.

Risk Mitigation

The company has been working towards providing challenging high growth environment for its employees. The company follows good HR practices, which include various schemes for employee welfare and motivation.

The company has strong appraisal system. It has successfully worked its compensation policy to team and individual performances. The company provides good opportunity to deserving candidates. The company believes in growth of its managers to leaders and has structured training programs to that effect.

With excellent performance track record as well as best HR practices we are able to attract and retain people for growth of our business.