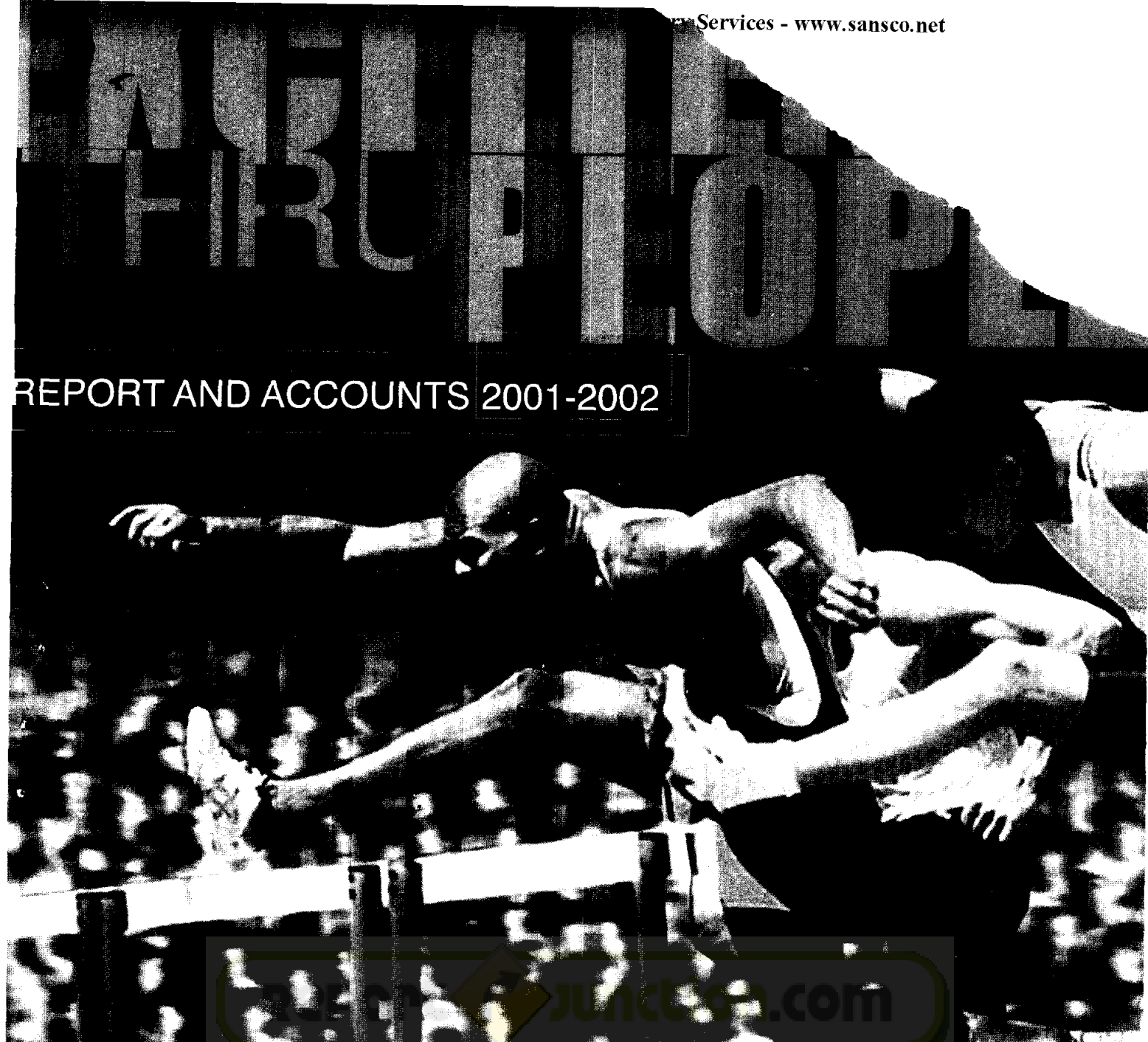


REPORT AND ACCOUNTS 2001-2002



COSMO FILMS LIMITED

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 any 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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Director's Profile

- **Ashok Jaipuria**

Chairman & Managing Director.

- **B.V. Bhargava**

M. Com, L.L.B, Former Managing Director of ICICI Ltd.

- **H.K. Agrawal**

BE & MBA, is a Director of Mascon Global Limited.

- **Mahendra Sanghvi**

A Polymer Scientist. Promoter and Managing Director of Shaily Engineering Plastics, Baroda.

- **Aseem DasGupta**

BE & MBA. CEO of Cosmo Ferrites Ltd.

- **Dr. Surinder Kapur**

Ph.D. in Mechanical Engineering, is Managing Director of Sona Koyo Steering Systems.

- **Rajeev Gupta**

BE & MBA, Executive Vice President in DSP Merrill Lynch Ltd.

- **S.K. Mittal**

Chartered Accountant, Executive Director and CEO of Cosmo Films Limited.

- **Kailash Pershad**

Nominee Director of ICICI Ltd.

Management Team

Ashok Jaipuria

S.K. Mittal

R. Mukherjee

A.G. Deshpande

Janardhan Gupta

S.D. Gosavi

Sanjay Chincholikar

P.K. Gupta

B. Suresh

P.C. Garg

R.K. Gupta

D.A. Deshpande

Atul Mittal

Chairman & Managing Director

Executive Director

President

Vice President - Operations

General Manager - Commercial

Dy. General Manager - Manufacturing

Dy. General Manager - Projects

Dy. General Manager - Domestic Marketing

Dy. General Manager - Exports

Dy. General Manager - Commercial

Dy. General Manager - Accounts

Dy. General Manager - Maintenance

Dy. General Manager - Finance and Company Secretary

AUDITORS

B.K. Shroff & Co.

BANKERS

Union Bank of India

State Bank of India

Vysya Bank Ltd

Canara Bank

ICICI Bank

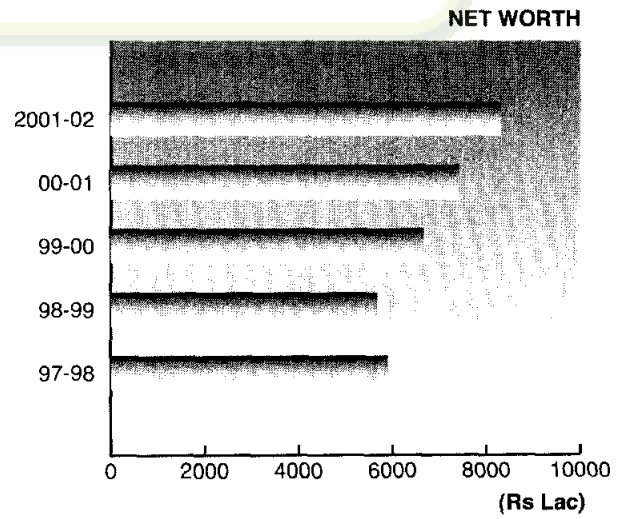
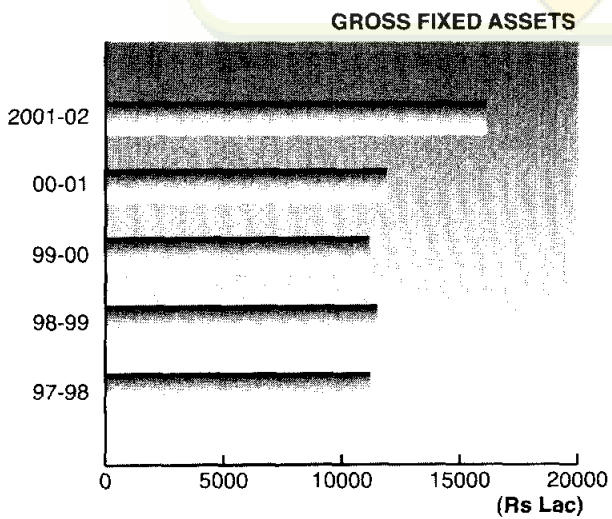
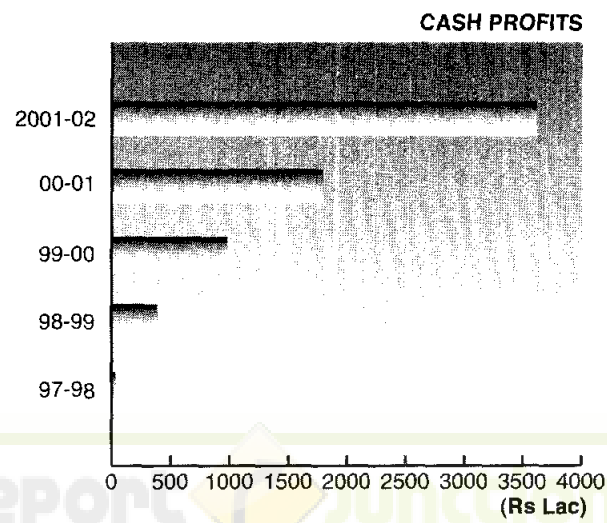
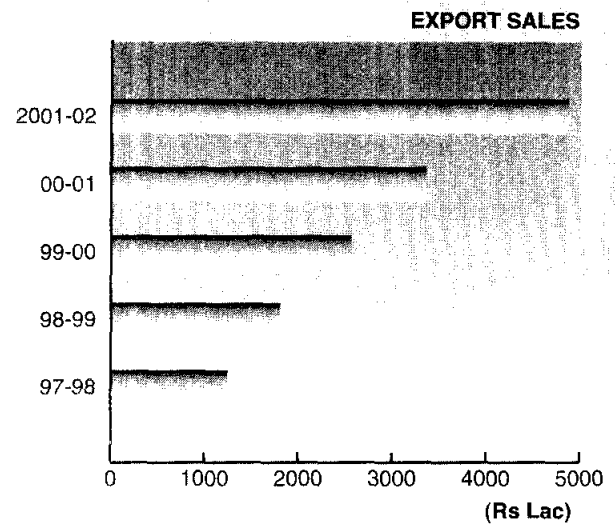
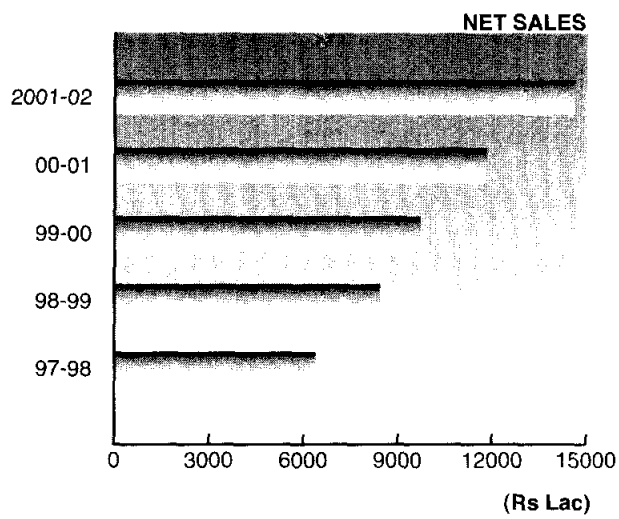
FINANCIAL INSTITUTIONS

ICICI Limited

Industrial Development Bank of India

IFCI Limited

FIVE YEAR TRENDS



Achieved in 2001-02

- Turnover Rs. 1601 millions–23% growth.
- Export sales Rs. 488 millions–45% growth.
- Profit after current tax Rs. 232 millions–109% growth.
- Acquisition of Gujarat Propack Limited.
- Commissioning of Line IV within budgeted time and cost.
- Launch of high barrier film in European market.
- Start up of physical activity for Expansion project of 10000 MT per annum next Line at Waluj, Aurangabad.
- Initiated merger process of Gujarat Propack in Cosmo Films.
- Excellent scoring in American Institute of Baking (AIB) Accreditation – Safety & Hygiene audit for food related products.

An Interview with **CEO-S.K.Mittal**

- **Cosmo Films achieved Rs. 232 millions profit after current tax in the year 2001-02. Were you happy with the company's performance ?**

Despite economic down turn, we have been able to achieve 102% growth in our cash profits. I consider this performance quite satisfactory and lays a foundation for substantial growth in future.

- **What are the major factors for the company's improved performance ?**

Cosmo Films superior performance in 2001-02 was the result of a differentiated business strategy being pursued by us for the past few years.

Our exports during this year have grown 45%. During past five years compounded annual growth rate of exports was 31%. We are continuously expanding our product range and the customer base. Besides, we have initiated structured Six Sigma programme for substantial cost reduction in all aspects of our business.

- **What is the future outlook of exports ?**

As our brand image in various markets is getting established, our customer base is expanding. Our product development team is constantly developing products around the specific needs of the customers to provide better value for the money to the customers. Our USP in exports continue to be differentiated products. We are confident of sustained export growth in near future.

- **In what way Gujarat Propack acquisition will work in the company's interest?**

Since we are focusing more on exports, our domestic market share declined in the last few years. Gujarat Propack traditionally has been a strong player in the BOPP domestic market. This acquisition has strengthened our domestic market position. Besides, there are synergetic advantages for operating costs and flexibility to the customers through multiple lines at different location.

- **What is the status of expansion ?**

We have successfully commissioned our Line IV at Waluj with a capacity of 9000 TPA in September 2001. This project has been completed within the budgeted time and cost. We have already achieved full capacity utilisation on this line. In view of the encouraging response from the market, we have decided to put up another line of 10000 TPA capacity

at Waluj. This new proposed line should be in operation in the financial year 2002-03.

- **There is an expected over-capacity in BOPP industry. How do you propose to achieve your performance?**

In free market economy perfect demand and supply balance cannot exist. We have developed core competence in BOPP business and have established a strong brand image in export and domestic market. We continue to focus on cost reduction and strong customer relations. With our product development capabilities, we are confident of expanding our product range and customer base and improve our financial performance.

- **With custom duty reduction, prices of the products are likely to come down in near future. How do you propose to offset duty protection benefit presently available to the Industry ?**

We are putting up the next line at the existing location without any major increase in overheads. This will reduce our operating cost per kg significantly and will offset the drop in sales realisation due to reduction in custom tariff protection. Development of new products will also help us to improve our sales realisation.

- **What makes you so optimistic about the Industry's prospects ?**

World market of BOPP is 2.7 million MT and is growing @ approx. 6% p.a. Demand of BOPP continues to grow in western markets due to diverse applications of BOPP. In India, domestic demand is approx. 46000 MT which is 1.8% of BOPP world consumption, whereas we have 16% of world population. This indicates very low level of BOPP penetration in the country and thereby huge potential to be tapped through speedy growth.

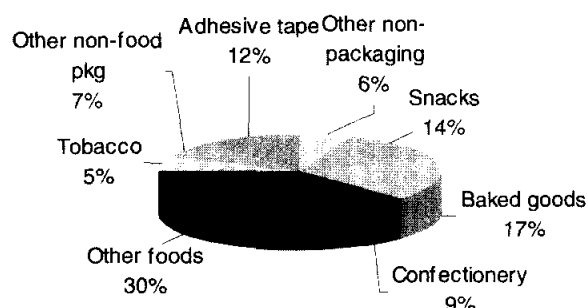
- **How does the company expects to enhance the shareholders value ?**

Presently approx. 75% of India's BOPP exports goes from Cosmo. We are constantly expanding our customer base and moving towards emerging as India's principle global player in the Industry. We will continue to invest in the latest technology to create products for better value to the customers within India and abroad. With continuous focus on cost reduction, product development and customer relations, we shall continue to enhance our shareholders value.

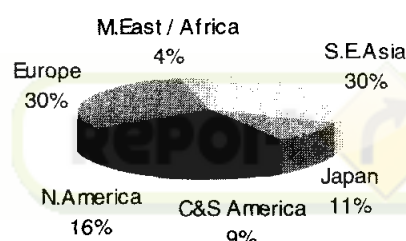
Discussion and Analysis

Cosmo Films is in the business of manufacture and sales of BOPP films. This product has diverse applications. World OPP films market by end-users in the year 2000 was 2.7 million MT.

World OPP Film markets by end use-2000
Total Market = 2.7 Million Tonnes



World OPP Film Markets by Region -2000
Total Market = 2.7 million tonnes



The world market has been growing approx. @ 6% p.a. Growth rates are likely to be sustained in near future because of increased hygiene consciousness, shifting from rigid packaging to flexible packaging, substitution of other packaging media such as glass, paper, aluminium foil etc.

In India domestic market last year was approx. 46000MT and has grown by 15% approx. as compared to earlier years. Since the penetration level of BOPP in India is much lower as compared to western markets, we expect 12-15% p.a. growth in BOPP in next 3-5 years.

During last year additional capacity have been commissioned by Cosmo Films and Max India. Exports of Cosmo has increased from Rs. 33 crores to Rs. 48 crores.

BOPP consumption in India is 46000 TPA as against world consumption of 2.7 million TPA. Thus penetration level is extremely low. As we at Cosmo scale up our size to approx. 50000 TPA and achieve cost benefits of large scale operations, the demand can be further accelerated through faster substitution of existing packaging medium to BOPP packaging in various applications.

We are continuously working with various FMCG companies for development of new applications in BOPP for expanding the domestic market size. Cosmo is one of the lowest cost BOPP producers in the world and can expand its customer base through innovative products.

Acquisition of Gujarat Propack was a strategic investment to scale up the size and expand the domestic customer base with proper flexibility to the customers. Due to multiple lines with Cosmo and Gujarat Propack customer confidence of timely availability of BOPP films at economical price is also improving.

Reliance Industries and Haldia Petrochemicals are major producer of PP Resin in India which is the basic raw material for BOPP. Easy availability of raw material at economical price also strengthen the competitiveness of BOPP industry. We are spending approx. 1% of our net sales towards R & D which is focused on newer applications of BOPP to expand the market size.

We are an ISO 9001 company and have strong quality systems to ensure supply of International quality BOPP films on a consistent basis to all our customers.