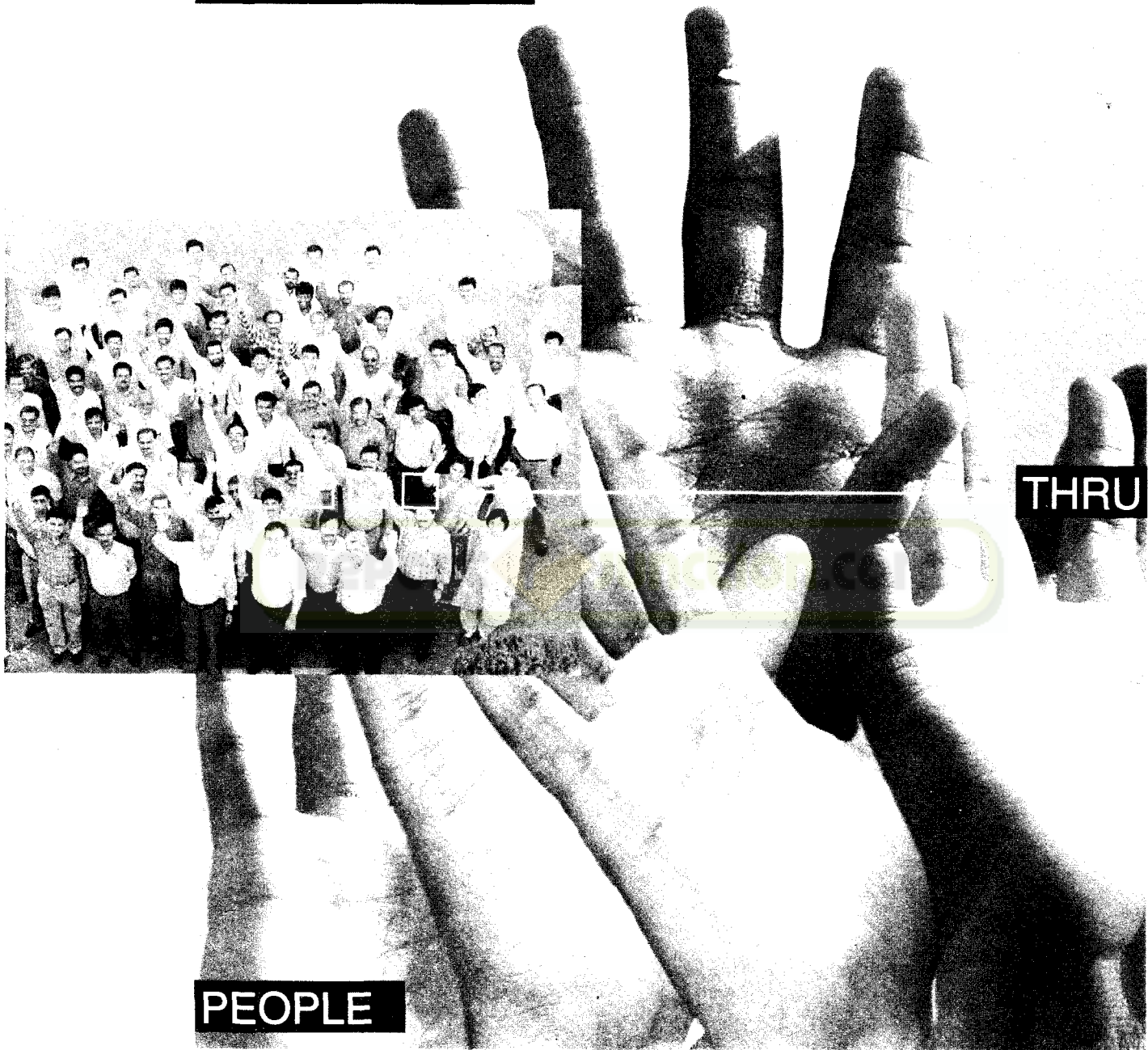


REPORT AND ACCOUNTS 2003-04

EXCELLENCE



PEOPLE



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 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.



Contents

CONTENTS

Directors' Profile	4
Management Team	5
Five-Year Trends	6
Achievements in 2003-04	7
Interview with CEO	8
Risk Management	9-10
Management Discussion and Analysis	11-13
Earning Trust and Creating Value	14-15
Key Ratios	16-18
Environment Consciousness	19
Directors' Report	20-23
Corporate Governance	24-38
Auditors' Report	39-41
Accounts of Cosmo Films	42-57
Accounts of Cosmo International (US) INC	58-60
Consolidated Results of Cosmo Films	61-76



Directors' profile

Ashok Jaipuria

Chairman & Managing Director.

B.V. Bhargava

M.Com., LLB., Former Managing Director of ICICI Ltd.

H.K. Agrawal

B.E. & MBA (IIM), Management Consultant.

Mahendra Sanghvi

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

Dr. Surinder Kapur

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

Rajeev Gupta

B.E & MBA, Executive Vice President & Director of DSP Merrill Lynch Limited.

S.K. Mittal

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

Kailash Pershad

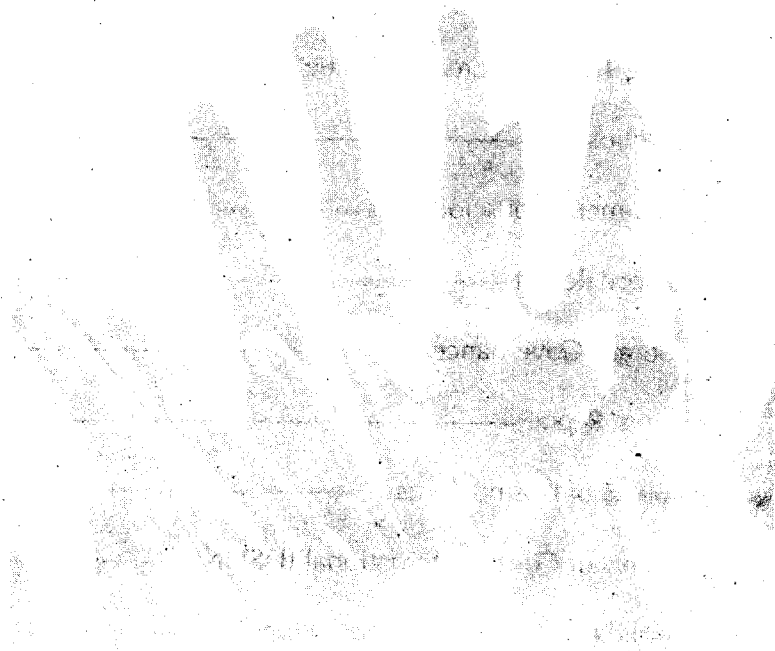
Nominee Director of ICICI Ltd.

Vimal Bhandari

Chartered Accountant, Executive Director of IL& FS.

Hasmukh Shah

Industry Management (Polymer).





Management team

Ashok Jaipuria

S.K. Mittal

R. Mukherjee

A.G. Deshpande

Janardhan Gupta

S.D. Gosavi

S.C. Maity

Sanjay Chincholikar

P.C. Garg

Atul Mittal

Chairman & Managing Director

Executive Director & CEO

President

Vice President-Operations

General Manager-Commercial

Dy. General Manager-Manufacturing

Dy. General Manager-Manufacturing

Dy. General Manager-Projects

Dy. General Manager-Commercial

Dy. General Manager-Finance and Company Secretary

AUDITORS

B.K. Shroff & Co.

Report Junction.com

BANKERS & FINANCIAL INSTITUTIONS

International Finance Corporation, Washington

Rabo Bank

Vysya Bank Limited

State Bank of India

HDFC Bank Limited

Export Import Bank of India

Bank of Bahrain & Kuwait

Industrial Development Bank of India

Union Bank of India

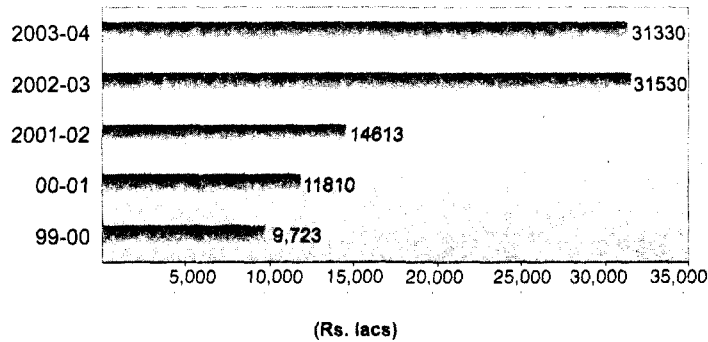
ICICI Bank



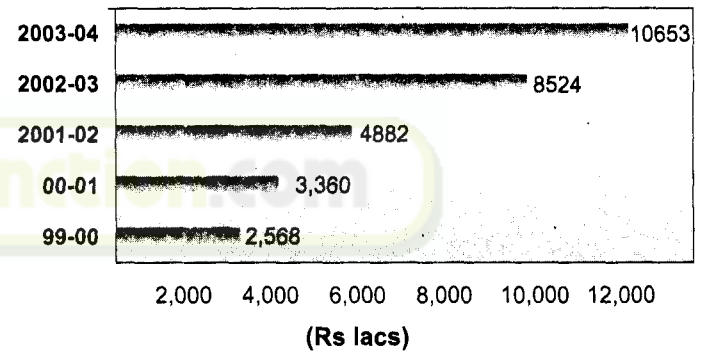


FIVE YEAR TRENDS

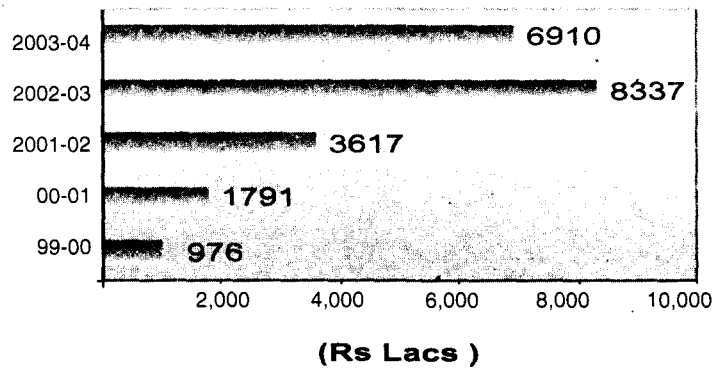
Net Sales



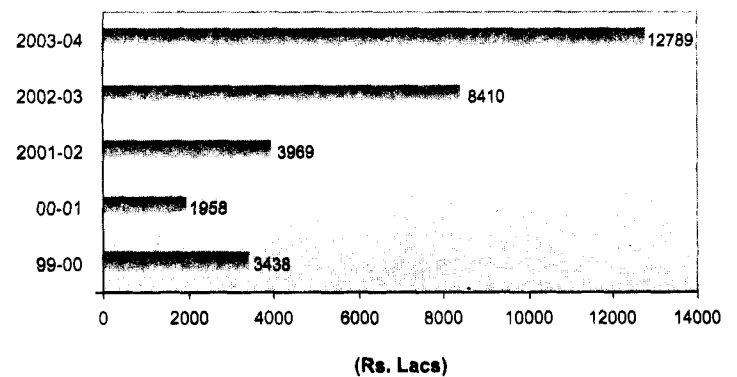
Export Sales



Cash Profits



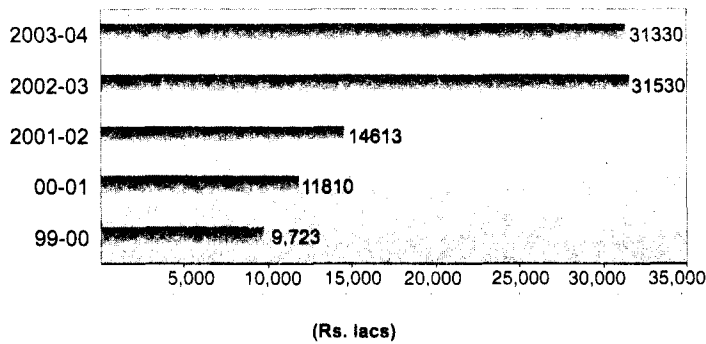
Market Capitalisation



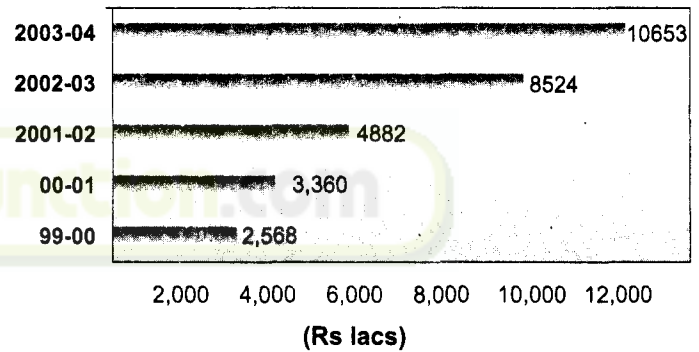


FIVE YEAR TRENDS

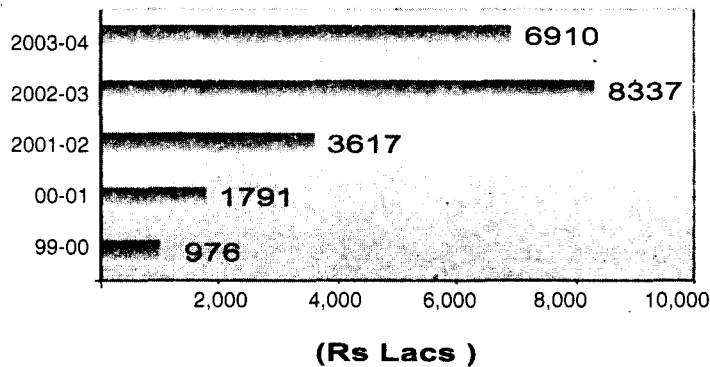
Net Sales



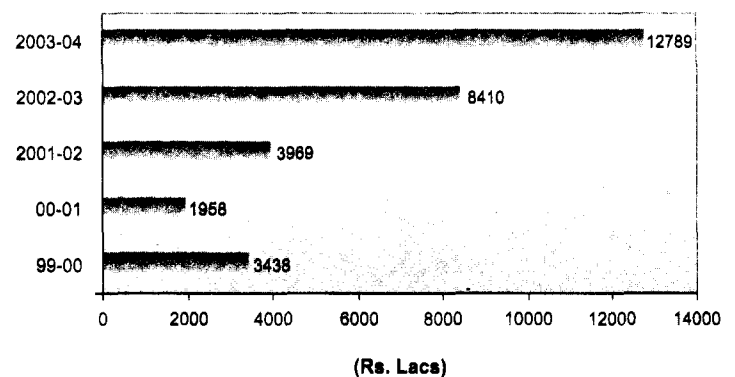
Export Sales



Cash Profits



Market Capitalisation





What we achieved in 2003-2004

- Company got global recognition by 'The Forbes Magazine' being one of the top 200 companies out of 19000 listed companies outside U.S with revenue of less than one Billion Dollar.
- Expansion project of 14000 TPA capacity successfully commissioned. With this expansion, our capacity has reached 60000 TPA.
- Extrusion Coating project has been successfully commissioned.
- Captive Power Plant of 8 MW has been commissioned in a record time.
- Reduced weighted average cost of debt to 3.40%.
- Achieved export turnover of Rs. 10653 lacs. Growth of 25% over previous year.



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

1. Profit after tax has declined to a level of Rs. 3151 lacs as against Rs. 3998 lacs in 2002-03? What are the major reasons?

Due to over-capacity in the Industry, the domestic and international selling prices have declined considerably. Through improvement in operational efficiencies and export growth, we have been able to off-set partly the impact of reduction in selling prices. Commissioning of various projects has also resulted in higher depreciation.

2. What is the future outlook of exports?

Our exports have increased to a level of Rs. 10653 lacs during this financial year as compared to Rs. 8524 lacs during previous year. During the year, we have been able to start business with new overseas markets and new customers. We have also commissioned Extrusion Coating Plant in March 2004. Substantial part of this capacity is targeted for export market. With addition of new products and new markets, we are hopeful of increasing our exports in next year.

3. In the Interim Budget, the Customs & Excise duty has been reduced. How this has affected your margins? How do you propose to off-set its impact?

We have recently commissioned our new BOPP Production Line with a capacity of 14000 TPA. With this capacity, our operating cost per kg will reduce significantly and will off-set partly drop in margins.

4. Capacity in the BOPP Industry in India as well as Globally has increased substantially resulting into over-capacity situation? How Cosmo is equipped to encounter this situation?

Since BOPP consumption worldwide is growing between 6-8% p.a., new capacities are created to meet the increasing demand. In any capital intensive industry there will be imbalances in demand and supply due to simultaneous setting up of capacities by various manufacturers worldwide.

Margins are likely to continue under pressure till the time demand catches up with the increased capacity. During this time, Cosmo is continuously trying to increase its customer base as well as product range to achieve higher level of capacity utilization. Strong emphasis is being put on development of new products and applications. Efforts are being made to reduce cost on a continuous basis through structured six sigma processes to improve our competitive position at market place. Our brand image is well established in several countries worldwide.

5. What are your expansion plans?

During last financial year, we have commissioned three projects namely Captive Power Plant, BOPP Expansion Line VI and Extrusion Coating Plant. We are exploring other growth opportunities.