



# GUJARAT FOILS LIMITED



**20<sup>th</sup> Annual Report 2011-12**



**Conversion Plant**



**Aluminium Sheet Coils**

## Corporate Information

### Board of Directors

Mr. Abhay Lodha  
Executive, Chairman and Managing Director

Mr. Prasenjit P. Datta  
Executive, Whole Time Director

Mr. Satish Chandra Gupta  
Non-Executive, Independent Director

Mr. Kanchan Murarka  
Non-Executive, Non-Independent Director

Mr. Surender Kumar Tuteja  
Non-Executive, Independent Director

Mr. Rahul B. Chhajed  
Non-Executive, Independent Director

Mr. Viresh Mathur  
Non-Executive, Independent Director

Mr. Sanjiv Goel  
Non Executive, Non-Independent Director

### Registered Office

Plot no 3436-3439, Chhatral, G.I.D.C.,  
Phase IV, Taluka-Kalol,  
Dist-Gandhinagar, Gujarat-382729  
Tel: +91-2764-233656/233657  
Fax: +91-2764-233657

### Corporate Office

308, Ceejay House,  
Dr. A.B.Road,  
Worli, Mumbai-400018.  
Tel: +91-22-24812000  
Fax: +91-22-24812122  
Email: [shareholders@gujaratfoils.com](mailto:shareholders@gujaratfoils.com)  
Website: [www.gujaratfoils.com](http://www.gujaratfoils.com)

### Registrar and Share Transfer Agents

Link Intime India Private Limited  
303 , 3rd floor, Shoppers Plaza-V,  
Opp. Municipal Market,  
Off. C. G. Road, Navrangpura  
Ahmedabad- 380009  
Tel: +91-79-26465179  
Fax: +91-79-26465179  
Email: [ahmedabad@linkintime.co.in](mailto:ahmedabad@linkintime.co.in)

### Company Secretary & Compliance Officer

Mr. Amit Kumar Gupta

### Auditors

H.R. Agarwal & Associates  
Chartered Accountants  
Kolkata

### Banker

Allahabad Bank  
Oriental Bank of Commerce  
State Bank of India  
Dena Bank  
IDBI Bank  
Union Bank of India  
Bank of India

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## **CMD Letter to Shareholders**



Dear Shareholders,

The year gone by was among the most challenging in recent times due to a range of business, economy and political factors. The Global economy is seeking to recover from uncertainties centered on the European Union. These factors have impacted overall demand globally which ultimately also impacted demand domestically. Nevertheless we know that the fundamentals of Indian economy remain strong. The GDP growth at 6.5%, though sharply down from the levels that prevailed a couple of years back, still has potential to revive.

Even under these tough times, your Company delivered sustained operating and financial results from its business. During the year, the total revenue of your Company increased by 16.03% to reach at ₹ 26,122.73 Lacs from a level of ₹ 22,513.53 Lacs. This has been achieved mainly on account of increase in production volumes across various product ranges.

At your Company's Chhatral plant, we have successfully commissioned a state of art conversion facility for pharmaceutical applications. We also have received the prestigious Drug Master File Certification from the U.S.F.D.A. located at Washington. This will enable your Company to provide packaging materials to Indian as well as Multi National pharmaceutical companies for their final products. In this short span of time your Company has been certified as vendors to the top pharmaceutical companies in India. We have also entered into list of top five aluminum based packaging companies in the country.

With a view to enhance shareholder's value, we have forayed into the segment of niche products in aluminum foil and today our products are acceptable to the food & confectionary industries. The performance of our Achenbach Mill has been considerably enhanced by modification in the processes of aluminum cold rolling. These modifications had enabled us to have improvement in productivity of aluminum foil based products.

While global recession has hit Indian shores also and consequently our country also is in the midst of an economic slowdown. Even then your Company with a natural mix of value added products has sustained itself in very difficult times and I would like to thank our bankers, investors as well as vendors and esteemed customers, who had stood by our side in these tiring times.

For the future, your Company, which believes in ethical values, is looking actively at expansion in the aluminum foil plant after the successful commissioning of the projects at Chhatral. We are looking to establish ourselves as a prime manufacturer, providing all kinds of packaging solutions. We also understand the need for backward integration of our facilities and we are actively evaluating the possibilities of such integration.

Your Company's Consumer Products Business (CPB) division is well poised to grab the opportunity of the growing consumption at households and the food service businesses. It has extended variant offering in its portfolio to attend to all price /volume user segments. The business unit is currently restructuring its sales and distribution set up and organization structure to make the set up more efficient at pan India level. This intervention will have immediate impact on profitability of the business.

We are strong believers of value proposition and the requirements of Human Resources and accordingly your Company has been able to put together a dedicated team of professionals and the same had added comprehensively to the total revenue of the Company.

I take this opportunity to place on record our gratitude to our banks and financial institutions for their continuous encouragement and support. On behalf of the Board and our management team, I extend my gratitude to all our employees for their immense faith in our vision and for sharing our passion, demonstrated in their commitment to achieve all goals set out by the Company. I also place on record my sincere thanks to all the shareholders for their continued support and confidence in the Company's management.

Warm Regards,

**Abhay Lodha**  
*Chairman and Managing Director*



## Directors' Report

To,  
The Shareholders,

Your Directors have pleasure in presenting to you this 20<sup>th</sup> Annual Report of your Company together with the Audited Accounts for the Financial Year ended on 31<sup>st</sup> March, 2012.

### Financial Results

Your Company's financial performance during the year has been encouraging and summarised below:

(₹ In Lacs)

Particulars	Year Ended 31 <sup>st</sup> March, 2012	Year Ended 31 <sup>st</sup> March, 2011
Gross Income from Operations	27,902.53	24,206.16
Less: Excise Duty	1,779.80	1,692.63
<b>Net Income from Operations</b>	<b>26,122.73</b>	<b>22,513.53</b>
<b>Profit before Depreciation, Finance cost and Taxation</b>	<b>3,626.66</b>	<b>2,300.74</b>
Less: Depreciation and Amortisation	977.93	792.27
<b>Profit before Finance cost and Taxation</b>	<b>2,648.73</b>	<b>1,508.47</b>
Less: Finance Cost	2,094.95	1,100.02
<b>Profit before Taxation</b>	<b>553.78</b>	<b>408.45</b>
Tax Expense		
- Current Tax	100.07	84.85
- Deferred Tax	221.57	137.06
<b>Profit after Taxation</b>	<b>232.14</b>	<b>186.54</b>

### Review of Operations

During the year under review, the Company's Net Income from operations stood at ₹ 26,122.73 Lacs as compared to ₹ 22,513.53 Lacs in the previous year, thereby registering a growth of about 16.03%. Profit before finance cost and taxation for the year under review stood at ₹ 2,648.73 Lacs against ₹ 1,508.47 Lacs in the previous year, thereby registering a growth of about 75.59%. Profit after Tax registered a growth of about 24.45% and increased from ₹ 186.54 Lacs to ₹ 232.14 Lacs.

### Dividend

Keeping in mind the capital requirement for future growth of the Company and to conserve higher resources for operations of the Company, your Directors do not recommend dividend for the Financial Year ended 31<sup>st</sup> March, 2012.

### Share Capital

The Authorised Share capital of the Company remains unchanged during the Financial Year under review.

The Company had earlier forfeited 60 (Sixty Only) Equity Shares of ₹ 10/- (Rupees Ten Only) each, for non-payment of the Call Money of ₹ 5/- (Rupees Five Only) per Equity Share. Further, pursuant to the provisions of the Articles of Association of the Company, the Board of Directors of the Company had cancelled the said forfeited 60 (Sixty Only) Equity Shares of ₹ 10/- (Rupees Ten Only) each, for non-payment of Call Money of ₹ 5/- (Rupees Five Only) per Equity Share, aggregating to ₹ 300/- (Rupees Three Hundred only).

### Public Deposits

During the year under review, the Company has not accepted/renewed any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

### Management Discussion and Analysis

Management Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, is presented in a separate section forming part of the Annual Report.

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## Directors

During the year under review, Mr. Vimal Kumar Somani, Mr. Govind N. Shah and Mr. Parmod H. Jain have resigned from Directorship of the Company on 14<sup>th</sup> May, 2011, 14<sup>th</sup> July, 2011 and 30<sup>th</sup> November, 2011 respectively. Further, Mr. Vijay Chadha and Mr. Pradeep J. Saxena have resigned from directorship of the Company on 10<sup>th</sup> July, 2012. The Board places on record its appreciation for their valuable contribution during their tenure as Director of the Company.

During the current year, Mr. Surender Kumar Tuteja and Mr. Rahul B. Chhajed were appointed as Additional Directors in the meeting of the Board of Directors held on 11<sup>th</sup> April, 2012 and 10<sup>th</sup> July, 2012 respectively. Further Mr. Viresh Mathur and Mr. Sanjiv Goel were appointed as Additional Directors in the meeting of the Board of Directors held on 14<sup>th</sup> August, 2012. All these additional Directors would hold office till the ensuing Annual General Meeting. The Company has received notice in writing from members proposing their candidature, for the office of Director.

Mr. Kanchan Murarka, Director of the Company, who is liable to retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

Brief resume of the Directors proposed to be appointed / re-appointed as stipulated under clause 49 of the Listing Agreement with the Stock Exchange are given in the notice convening this Annual General Meeting.

The above appointments/re-appointments form part of the notice convening the Annual General Meeting and the resolutions are recommended for your approval.

## Directors' Responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, your directors state that:

- in the preparation of the annual accounts for the year ended 31<sup>st</sup> March, 2012, the applicable Accounting Standards read with requirements set out under Schedule VI to the Companies Act, 1956, have been followed and there are no material departures from the same.
- the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2012 and of the profit of the Company for the year ended as on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

## Auditors

M/s H.R. Agarwal & Associates, Chartered Accountants, the Statutory Auditors of the Company, hold office upto the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Your Directors recommend their re-appointment as Statutory Auditors of the Company to hold office from the conclusion of ensuing Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to audit financial accounts for the financial year ending on 31<sup>st</sup> March, 2013.

## Auditors' Observations

Observations of the Auditors, read together with the relevant Notes to the Accounts and Accounting Policies are self explanatory.

## Cost Auditor

Pursuant to Section 233B (2) of the Companies Act, 1956, the Board of Directors on the recommendation of the Audit Committee had appointed M/s P. M. Nemad & Associates, Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2011-2012 and 2012-2013, pending the approval of such appointment from the Central Government.

M/s P. M. Nemad & Associates, Cost Accountants, have confirmed that their appointment, is within the limits of section 224 (1B) of the Companies Act, 1956 and have also certified that they are free from any disqualifications specified under Section 233B (5) read with Section 224 (3) and Section 226 (4) of the Companies Act, 1956.

The Audit Committee has also received a Certificate from the Cost Accountants certifying their independence and arm's length relationship with the Company.

The Cost Audit report for the Financial Year 2011-12 shall be filed with Ministry of Corporate Affairs within prescribed time limit.

### **Subsidiary Companies**

The Company does not have any subsidiary Company.

### **Corporate Governance**

Pursuant to Clause 49 of the Listing Agreement, a detailed report on Corporate Governance duly certified regarding compliances of its conditions by the Statutory Auditors M/s H.R. Agarwal & Associates, Chartered Accountants, is forming part of this Annual Report and separately attached.

### **Personnel**

The employer employee relations remained cordial throughout the year. The Board places on record its sincere appreciation for the valuable contribution made by employees across all levels of the organization.

During the year under consideration, there were no employees, whose particulars are required to be furnished under the provisions of Section 217(2A) of the Companies Acts 1956 read with the rules thereunder.

### **Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo**

Particulars required to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out in Annexure "A" to this report.

### **Acknowledgements**

Your Directors wish to express their sincere gratitude to the Union Government and the Government of various States, as also to all the Government agencies, banks, financial institutions, customers, vendors and other related organizations, who, through their continued support and cooperation, have contributed towards the Company's growth and progress during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for investors, shareholders and employees of the Company for their continued support towards conduct and operations of the Company.

For and on behalf of the Board

Place:- Mumbai  
Date:- 14<sup>th</sup> August, 2012

**Abhay Lodha**  
Chairman and Managing Director

## Annexure “A” to the Report of the Directors

Particulars as per the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors’ Report for the Year ended 31<sup>st</sup> March 2012.

### A. Conservation of Energy:

The industrial sector is a major energy consuming sector in India and uses about 50% of the total commercial energy in the country. The manufacturing industries produce 10% of total utility generation through captive power plants, most of which is consumed in-house. In the developing countries like India, where on one hand demand & supply situation of energy is un-favourable; on another hand there is acute pressure to reduce the cost to be competitive at market place. In such situation industries like ours are very cautious on energy conservation as this gives following direct opportunities:

- Conservation of energy helps us to reduce the operating cost.
- Due to conservation of energy pollutant discharge during power generation are also reduced.
- It is also a way for serving the nation as “every single unit of power saved is considered as equivalent unit of power generated without any generation cost & pollution.”

Your Company strongly believes in conservation of energy for maintaining clean environment which is our obligation to mother earth. This is achieved by controlling wastages and not polluting air and water used for production purpose. Since Company uses electricity & Natural Gas for operation of plant and equipment’s, hence no harmful gas or liquids are generated. Automatic machines are regularly serviced and preventive maintenance helps us to keep energy (power) consumption at lower side. Consumption of raw material, its movements and wastages are highly controlled as per technical norms adopted by the Company to minimise cost and keep the environment clean and healthy. Also as a part of Green Energy Initiative, we have already started generation of energy through Wind Mill.

### Form ‘A’

A) Power and Fuel Consumption	UOM	2011-2012	2010-2011
<b>1) Electricity</b>			
<b>a) Purchased</b>			
Unit	(KWh)	6,234,850	6,063,570
Total Cost	(₹ in Lacs)	426.67	386.48
Cost / Unit	(₹)	6.84	6.37
<b>b) Own Generation</b>			
i) Through Diesel Generator Unit		NIL	NIL
ii) Through Steam Turbine Generation Units		NIL	NIL
iii) Through Wind Mill			
Unit	(KWh)	872,007	1,117,119
Total Cost	(₹ in Lacs)	57.38	67.14
Cost / Unit	(₹)	6.58	6.01
<b>2) Coal</b>			
Quantity	Tonnes	NIL	NIL
Total Cost	(₹ in Lacs)	NIL	NIL
Average Rate	(₹)	NIL	NIL
<b>3) Furnace Oil</b>			
Quantity	K. Ltrs	NIL	NIL
Total Cost	(₹ in Lacs)	NIL	NIL
Average Rate	(₹)	NIL	NIL
<b>4) Others/Internal Generation</b>			
Quantity	K. Ltrs	NIL	NIL
Total Cost	(₹ in Lacs)	NIL	NIL
Rate/ Unit	(₹)	NIL	NIL



**B. Technology Absorption, Research & Development and resultant benefits:**

Your Company believes in continual improvement through up-gradation of technology and adoption of latest manufacturing techniques. Your Company constantly upgrades / refurbishes its equipment's to offer best quality products and minimise operating cost to improve the productivity & profitability. Your Company feel proud to announce that its processes at State of Art Achenbach Foil Mill facility had been successfully stabilized during the Financial Year 2011-12. As a result of this the Company had been successfully able to roll light gauge foil at our facility which had been accepted in the market.

Market research and customer feedbacks are used to design and develop new/improved Products. This provides edge in retaining existing customers and gaining new customers for value added products. As a result of Market Research, the Company had decided to set up State of Art Foil Converting Plant at existing location, which was also commissioned successfully during the Financial Year 2011-12. The output from this facility had started producing the quality value added products to cater the Pharma industry. Within 6 month from the inception of this State of Art facility, the Company had been able to obtain the prestigious certificate of Registration from U.S.F.D.A. The salient feature of this facility is as under:

- State of Art equipment's for VMCH Coating & LDPE Lamination.
- State of Art equipment's for Gravure Printing with Web Video, Auto Registration & Reverse printing facility.
- In house facility for Shellac / HSL preparation.
- State of Art Ventilation System consists of AHU / Air Washers / Chillers.
- Special Testing Equipment's like F.T.I.R. for testing the Input & Output.

As a result of these technological up-gradations, various direct Pharma customers had been added in the fold of the Company during the Financial Year 2011-12.

**C. Foreign Exchange Earnings & Outgo**

(₹ in Lacs)

Particulars	2011-2012	2010-2011
Foreign exchange earned	873.65	373.64
CIF value of imports	3,006.35	1,698.26
Expenditure in foreign currency	1.93	82.04

For and on behalf of the Board

Place:- Mumbai  
Date:- 14<sup>th</sup> August, 2012

**Abhay Lodha**  
Chairman and Managing Director

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## Management Discussion and Analysis

### Industry Structure & Developments

Indian Aluminium Foil Industry's growth was driven by the strong performance of end-user markets of Fast Moving Consumer Goods ('FMCG') and Pharmaceuticals Industries, in which domestic consumption increased significantly and which resulted in greater demand for Aluminium Foil Packaging, one of the most preferred flexible packaging category.

Aluminium Foil Packaging recorded robust sales growth during the Financial Year 2011-12, supporting the overall growth of the sector.

There are around 7 Major Aluminium Foil manufacturers in India with rolling capacity of around 6000 tons per month to cater to the total demand of around 8000 tons per month in FMCG, Pharmaceuticals and other Packaging Industries. In the present scenario, market demand of the product is growing with a rate of 12% p.a. Because of its barrier properties in preventing exposure to light, oxygen, moisture, odours, flavours and specifically bacteria, the Aluminium foil has been a primary material in protective packaging. Aluminium foils are being used extensively and regularly for packaging of various medicines, tablets and capsules by pharmaceutical industry. The food packaging industry also uses extensively Aluminium foils for packaging various foods so as to make foods safe and healthy.

Aluminium Industry in India is one of the leading Industries in the Indian economy. The growth of the Aluminium Metal Industry in India would be sustained by the diversification and exploration of new horizons for the Industry.

India has huge deposits of natural resources in the form of minerals like copper, chromite, iron ore, bauxite, gold etc. The Indian Aluminium Industry falls under the category of non-ferrous based which include the production of copper, tin, brass, lead, zinc aluminium and manganese. The main operations of Indian Aluminium Industry is mining of ores, refining of the ore, casting, alloying, sheet and rolling into foils. India has to develop Research & Development to assist production and improve quality. The Indian Aluminium Industry has a bright future in the global market to cater to international need for Aluminium which is used widely for its several applications.

The disposable food packing / consumption occasion products are on an aggressive growth path in India over the last decade. It will continue to do so across semi urban areas. The market has three broad components: retail trade, wholesale modern trade (retail chains), and food service (hotels and restaurants). The industry is highly fragmented and has many local / regional entrepreneurs; however the industry structure has been primarily unorganized. The entry barriers are typically low for SRC (Aluminium semi rigid containers and EPS (thermocool) products.

There are very few "Complete Disposable Products" FMCG Company in India. The Company through its Consumer Product Business ("CPB") division strategizes to have its footprint as the leading Company in India in the near future.

### Opportunities & Threats

#### Opportunities

The Indian Healthcare Industry is expected to reach USD 28 billion by 2020 as reported by an Industry body. Healthcare industry is believed to be the next big industry after IT and this will result in growth of Indian Pharma Packaging industry. India is a growing market for Aluminium Foil Industry. Sourcing of Aluminium Foil for packaging of Pharma Products & aseptic packaging are controlled by very few companies like Hindalco, Ess Dee etc. Majority of big foil consumers are relying heavily for their foil supplies on import. Emergence of Gujarat Foils Limited ("GFL") with State of Art Foil Rolling & Converting facility with strong technical team to provide after sales service gives GFL edge over their competitors in the market. At this juncture where there is big demand supply gap for supply of good quality light gauge foil in Indian market, GFL has been positioned very strongly to bridge the gap.

Growth in consumer spend, growing rural demand, changing demographics, emergence of fast growing market for FMCG and food products and quest for quality products are expected to increase the demand for Aluminium foils in flexible packaging industry in medium to long term. To cater to the increased demand of Aluminium foils in Flexible Packaging Industry, GFL is positioned very strongly and it is expected to run its plant at full capacity.

With the changes in life style of people in Urban and Semi Urban areas, demand for house foils for household food packaging is growing at a good pace. Consumer Products Business ("CPB") segment of the Company currently caters to the food packing needs by marketing various products, namely House Foils and Cling Films, under the brand name "Nutriwrap". The demand for these and similar disposable products are increasing day by day and thereby giving a very good / synergistic opportunity to the Company to increase its product portfolio in CPB segment.