

GUJARAT FOILS LIMITED



TOPWORTH

21st Annual Report 2012-13





Corporate Information

BOARD OF DIRECTORS

Mr. Abhay Lodha
Executive, Chairman and Managing Director

Mr. Prasenjit P. Datta
Executive, Whole Time Director

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

Mr. Sanjiv Goel
Non-Executive, Non-Independent Director

Mr. Satish Chandra Gupta
Non-Executive, 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

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Amit Kumar Gupta

AUDITORS

H.R.AGARWAL & ASSOCIATES
Chartered Accountants
Kolkata

BANKERS

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

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
Website: 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

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CMD Letter to Shareholders



Dear Shareholders,

During the year, the world economy has struggled on a path to uniform and widespread economic stability. Most emerging markets and developing economies have shown moderate growth, whereas the developed economies have moved on divergent paths. The Indian economy has slowed down in the last 12 months and some of the sectors including the metal industries have been faced with demand slowdown that is unlikely to turnaround quickly.

Despite these adverse environments your Company consolidated and strengthen its position in the Indian packaging industry in the Financial Year 2012-13. Your Company's strategy of being relevant to the customer and providing solution to customer needs continued to resonate with the customers. This is reflected in the strong, well round performance for Financial Year 2012-13. The gross revenue of your Company has reached to ₹ 361.86 Crores from ₹ 279.03 Crores of the previous year, thereby registering a healthy growth of 29.69%.

During the financial year your Company has successfully commissioned Ventilation & Chilling System at conversion plant. The operating parameters of the system had been standardized in very short period of time. We also implemented Integrated Management System to cover ISO 9001 : 2008, ISO 14001 : 2004, OHSAS 18001 : 2007 under one umbrella & create seamlessness in the system. Further we had been able to maintain the certification from prestigious U.S.F.D.A. This enables 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 able to recognize itself as vendors to the top pharmaceutical companies in India.

The Company has forayed into technological upgrades in its foil mill & conversion plant, which has resulted in the form of improvement in quality of its products & optimization in achieving productivity of the plant. These has resulted the Company to have better reach with light gauge foil customers. Further your Company had been able to add some more prestigious Pharma companies like Zydus Cadila, Cadila Health Care, Torrent Pharma & many more in its client list during the Financial Year 2012-13. These all efforts of your Company will ultimately result in enhancing shareholder's value,

Today your Company is enjoying the status of being one among the preferred suppliers to Pharma companies because of our orientation towards customer service & product quality. Today the barrier properties of foils produced by your Company are rated to be one among the best in the country. This has been made possible with the technological innovation which has been made in the Achenbach Mill at the Company's facilities at Chhatral.

Your Company's sheet business has been expanded its reach to southern & western region of the country with value added sheet products. Our product had been established & acceptable in this region within a very small period due to its quality & reliability which is manifested in the customer profile of your Company.

For the future, your Company 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 kind of packaging solutions. We also understand the need for backward integration of our facilities and we are actively evaluating the possibilities of such projects.

Your Company's Consumer Products Business (CPB) division has registered a substantial growth with its "NUTRIWRAP" brand both on kitchen foil as well as for institutional sales. Riding on the same your Company has also forayed into the food services business & today the brand is poised to be one of the top brands in this segment.

Your Company has been able to put together a dedicated team of professionals at Gujarat Foils Limited. We are strong believers of value proposition and the requirements of Human Resource, which add comprehensively to the total reserve of the Company.

I would like to place on record my appreciation to all employees, lenders, shareholders and other stakeholders, for their dedication, continued support and the confidence reposed on us.

Warm Regards,

Abhay Lodha
Chairman and Managing Director

Mumbai, 13th August 2013

Directors' Report

To the Members,

Your Directors have pleasure in presenting this 21st Annual Report of your Company together with the Audited Accounts for the Financial Year ended on 31st March, 2013.

Financial Results

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

(₹ In Lacs)

Particulars	Year Ended 31 st March, 2013	Year Ended 31 st March, 2012
Gross Income from Operations	36,186.10	27,902.53
Less: Excise Duty	1,752.91	1,779.80
Net Income from Operations	34,433.19	26,122.73
Profit before Depreciation, Finance cost and Taxation	4,237.74	3,626.66
Less: Depreciation and Amortisation	1,112.01	977.93
Profit before Finance cost and Taxation	3,125.73	2,648.73
Less: Finance Cost	2,309.00	2,094.95
Profit before Taxation	816.73	553.78
Tax Expense		
- Current Tax	164.00	100.07
- Deferred Tax	48.22	221.57
- Earlier Years	0.86	-
Profit after Taxation	603.65	232.14

Review of Operations

During the year under review, the Company's Net Income from operations stood at ₹ 34,433.19 Lacs as compared to ₹ 26,122.73 Lacs in the previous year, thereby registering a growth of about 31.81%. Profit before finance cost and taxation for the year under review stood at ₹ 3,125.73 Lacs against ₹ 2,648.73 Lacs in the previous year, thereby registering a growth of about 18%. Profit after Tax registered a growth of about 160% and increased from ₹ 232.14 Lacs to ₹ 603.65 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 are unable to recommend any dividend for the Financial Year ended 31st March, 2013.

Share Capital

During the Financial Year under review, the Authorized Share Capital of the Company increased from ₹ 150,000,000/- (Rupees Fifteen Crores Only) to ₹ 500,000,000/- (Rupees Fifty Crores Only) divided into 50,000,000 (Five Crores) Equity Shares of ₹ 10/- each (Rupees Ten Only). There were no change in paid up share capital of the Company.

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.

Directors

During the year under review, Mr. Vijay Chadha and Mr. Pradeep J. Saxena have resigned from directorship of the Company on 10th 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 11th April, 2012 and 10th 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 14th August, 2012. The Company had received notice in writing from members proposing their candidature, for the office of Director and in furtherance to same all additional Directors were re-appointed in the previous Annual General Meeting of the members of the Company held on 26th September, 2012.

Mr. Prasenjit P Datta and Mr. Satish Chandra Gupta, Directors of the Company, who are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves 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:

- a. the preparation of the annual accounts for the year ended 31st March, 2013, 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.
- b. 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 31st March, 2013 and of the profit of the Company for the year ended as on that date;
- c. 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;
- d. 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 31st March, 2014.

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. Nema & Associates, Cost Accountants, as the Cost Auditors of the Company for the Financial Year 2012-13 and necessary approval from Central Government was also received by the Company. However, the said Cost Auditor tendered his resignation on personal ground. The Board, upon recommendation of Audit Committee, appointed M/s. S. K. Agarwal & Associates, Cost Accountants, for conducting the Cost Audit of the Company for the Financial Year 2012-13. The Board, upon recommendation of Audit Committee, also appointed M/s. S. K. Agarwal & Associates, Cost Accountants, for conducting the Cost Audit of the Company for the Financial Year 2013-14.

M/s. S. K. Agarwal & 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.

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: 13th August, 2013

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 31st March 2013.

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 produces 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.

It is a fact that conventional source of energy is limited in this universe. In the context it is prime responsibility of all of us to ensure optimum utilization of energy by way of conservation of resources. There are two fold benefits for such conservation:

- Every unit of power saved is equivalent to same quantity of power generated without any additional cost & without generating Green House Gases.
- Such savings helps us in reducing our cost of production.

Your company is continuously taking all the possible efforts for optimum utilization of energy. Following actions had been initiated to have continuous mapping on consumptions during the Financial Year 2012-13:

- Your company had started monitoring machine wise power consumptions in all the processes. This type of monitoring will help us to identify machine wise power consumption in form of KWH / MT or NM3 / MT processed from individual machine centers further enabling us to find out product wise energy consumption. Such monitoring will also help us to strengthen our Predictive Maintenance System. Increased energy consumption / MT of processed material will clearly indicate us about the health of equipment at very beginning stage. The same can be corrected at appropriate time before machines goes on breakdown.
- Your company feels proud that it continued to take Credits from UGVCL for consistently maintaining our power factor up to 0.97. During financial year 2012-13 your company had taken the credit of about ₹ 2.38 Lacs from UGVCL on account of maintaining power factor consistently as per the set out regulation.
- Your company has undertaken a Techno Commercial Feasibility Study to convert our existing electrical heated Annealing Furnaces to natural gas based Annealing furnaces. We expect a great deal of saving potential in this conversion & awaiting the completion of this study.

Form ‘A’

A) Power and Fuel Consumption	UOM	2012-2013	2011-2012
1) Electricity			
a) Purchased			
Unit	(KWh)	6,215,360	6,234,850
Total Cost	(₹ in Lacs)	458.87	426.67
Cost / Unit	(₹)	7.39	6.84
b) Own Generation			
i) Through Diesel Generator Unit		NIL	NIL
ii) Through Steam Turbine Generation Units		NIL	NIL
iii) Through Wind Mill			
Unit	(KWh)	605,485	872,007
Total Cost	(₹ in Lacs)	42.38	57.38
Cost / Unit	(₹)	6.99	6.58

A) Power and Fuel Consumption	UOM	2012-2013	2011-2012
2) Coal			
Quantity	Tones	NIL	NIL
Total Cost	(₹ in Lacs)	NIL	NIL
Average Rate	(₹)	NIL	NIL
3) Furnace Oil			
Quantity	K. Ltrs	NIL	NIL
Total Cost	(₹ in Lacs)	NIL	NIL
Average Rate	(₹)	NIL	NIL
4) Others/Internal Generation			
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. In the process, your Company constantly upgrades / refurbishes its equipment's to offer best quality products and minimize operating cost to improve the productivity & profitability. Its processes at State of Art Conversion Facility had been successfully stabilized and as a result of this the Company had been successfully able to keep most of key Indian Pharma companies in our fold.

It is a fact that high speed foil rolling operations are very prone to fire hazards. During the last financial year 2011-12, the Company had witnessed spate of fires at our rolling mill. However with the excellent efforts of our technical team, the Company could stabilize the process parameters in such a way, that we did not encounter even a single instances of fire at our rolling operations. To achieve this milestone your company had taken following corrective actions:

- Implementation of additional Heat Exchanger in rolling oil circulation system.
- Fundamental redesigning in the Achenbach Mill.
- Introduction of Low Voltage, High resolution Audio / Video Camera surveillance system.

As a result of various technological up-gradations, various direct Pharma customers had been added by the Company during the Financial Year 2012-13 apart from continuing with earlier customers.

C. Foreign Exchange Earnings & Outgo

(₹ in Lacs)

Particulars	2012-2013	2011-2012
Foreign exchange earned	692.90	873.65
CIF value of imports	1182.20	3,006.35
Expenditure in foreign currency	8.58	1.93

Management Discussion and Analysis

Industry Structure & Developments

Indian aluminium Industry is one of the leading industries in the Indian economy. The Indian aluminium industry in the previous decade experienced substantial success among the other industries. The Indian aluminium industry is developing fast and the advancement in its technologies are boosting the growth even faster. The Indian aluminium industry has a bright future as it can become one of the largest players in the global aluminium market because of consumption story. In India the consumptions are fairly low as compared to developed countries. However India has the fifth largest bauxite reserves with deposits of about 3 bn tones or 5% of world deposits and India's share in world aluminium capacity rests at about 3% only.

Aluminium Rolled Products i.e. "SHEET & FOIL" are commonly used by Pharma Industry, Food & Beverage Industry, Liquor Industry for packaging. It is important to note that Indian pharma market is expected to grow at 19% during the Financial Year 2013-14 and now India is among top 5 emerging Pharma markets in the world. As per Price Water House Coopers (PwC) report, Indian Pharma market is having a sales turnover of US\$ 11 billion presently & the same is expected to be US\$ 74 billion by the year 2020.

From the report it is evident that Indian Pharma market will continue to register a strong double digit growth rate till the year 2020. Based on above report, we assume that current foil requirement by Indian Pharma industry is at 72,000 MT per annum and the same is expected to increase to 5,00,000 MT per annum by the year 2020.

Further due to rapid urbanisation, nuclear family concept & increase in population of higher income groups in Indian context, it is further leading to increase in massive demand for product like ready to eat food products, frozen yogurt, packed juices, milk, liquid products, premium chocolates etc. This would also result in increase of demand for packaging materials like light & medium gauge foils.

Structural demand drivers for this growth are:

- a) Rising household income levels,
- b) Increasing prevalence of lifestyle related diseases,
- c) Improving healthcare infrastructure/delivery systems and
- d) Rising penetration in smaller towns and rural areas.

These have continued to support long-term growth of Indian aluminium foil industry. In the last decade it has witnessed a very high capacity utilisation. 7 Major players of aluminium foil industry with installed capacity of 72,000 MT per annum are catering to the total demand of around 120,000 MT per annum in pharmaceuticals, FMCG, and other packaging Industries. The balancing factor of demand and supply resulted in increase in the imports of aluminium foil. Last financial year witnessed import of light gauge foil at approx 60,000 MT.

Considering such a favourable market situation some new capacities had been added in last financial year by new entrant but these capacities are very small to bridge the demand supply gap. This gap leaves an opportunity for all of us to add new capacities, improve the productivity & profitability in near distinct future.

In view of the above facts, Gujarat Foils Limited (GFL) is considering to add State of Art foil rolling capacity to take the advantage of existing demand supply gap.

The Aluminium Foil based Consumer Products which includes Housefoil Packs and Semi Rigid Containers (SRC), are very big markets in developed countries and are growing fast across developing countries. It is estimated that the market has crossed 15,000 MT per annum. In India, the market for both these products is over two decades old with organised players making foray from year 2002. Over the last decade many new small players were entered in this segment. The Company through its Consumer Product Business ("CPB") divisions catering to this segment.

Opportunities & Threats

Opportunity

Indian Healthcare industry is believed to be the next big industry after IT and this will result in growth of Indian Pharma packaging industry. This industry is expected to register a Compound Annual Growth Rate (CAGR) of 17% for the next 10 years.

Further due to rapid urbanisation, nuclear family concept & increase in population of higher income groups leads to increase in demand of FMCG products like ready to eat food products, frozen yogurt, packed juices, milk, liquid products, premium chocolates etc. Aluminium foil is most preferred packaging material for these FMCG products due to its good barrier properties. Since FMCG