

# IFB

## IFB INDUSTRIES LIMITED

ANNUAL REPORT 2006-2007

**BOARD OF DIRECTORS**
*Executive Chairman*

Mr. Bijon Nag

*Directors*

 Mr. P. K. Biswas (*Nominee of IDBI*)

Dr. Rathindra Nath Mitra

Mr. Somen Bal

Mr. Radharaman Bhattacharya

Mr. R. Muralidhar

Mr. K. M. Unnikrishnan

**REGISTERED OFFICE**

14, Taratolla Road

Kolkata – 700 088

Tel : (091) (33) 3048 9285, 3048 9299

Fax : (091) (33) 2401 4182, 2401 4579

E-mail : ifbi\_legal@ifbglobal.com

**CORPORATE OFFICE**

Plot No. IND-5, Sector – I

East Kolkata Township

Kolkata – 700 107

Tel : (091) (33) 3984 9524

Fax : (091) (33) 2442 7779

E-mail : corp@ifbglobal.com

**AUDIT COMMITTEE**
*Chairman*

Dr. Rathindra Nath Mitra

*Members*

Mr. P. K. Biswas

Mr. Radharaman Bhattacharya

Mr. Somen Bal

Report Junction.com

**COMPANY SECRETARY**

Mr. G. Ray Chowdhury

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**AUDITORS**

Deloitte Haskins &amp; Sells

*Chartered Accountants*
**REGISTRAR AND**
**SHARE TRANSFER AGENTS**
**CB Management Services (P) Ltd.**

P 22, Bondel Road, Kolkata - 700 019



## IFB INDUSTRIES LTD.

Regd. Office : 14, Taratolla Road  
Kolkata – 700 088

### NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of the members of IFB Industries Limited will be held at Eastern Zonal Cultural Centre, IA – 290, Sector III, Bidhannagar, Kolkata – 700 091 on Wednesday, the 5th day of September, 2007 at 10.00 a.m to transact the following :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet and Profit & Loss Account for the financial year ended 31st March, 2007 and reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. Rathindra Nath Mitra who retires by rotation.
3. To appoint a Director in place of Mr. Somen Bal who retires by rotation.
4. To consider and if thought fit, to pass, with or without modification the following resolution as a special resolution :

“RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants be and is hereby appointed Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and the Board of Directors be and is hereby authorised to fix their remuneration and out of pocket expenses payable to them.”

#### SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification, the following resolutions as

##### 5. AN ORDINARY RESOLUTION

RESOLVED THAT pursuant to provisions of Section 198, 269 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Act, as amended upto date, the company hereby approves and accords its consent to the terms of appointment and payment of remuneration of Mr. Bijon Nag, a permanent Director of the Company, as the Executive Chairman of the Company for a period of 5 years w.e.f 1st June, 2007 upon the terms and conditions set out in the Explanatory statement attached to this notice convening the Annual General Meeting with liberty to the directors to alter and vary the terms and conditions including the remuneration in such manner as may be agreed to between the Directors and Mr. Bijon Nag provided, however, that such alterations are within the maximum limits laid down in the Companies Act, 1956, for the time being in force.

##### AS SPECIAL RESOLUTION

6. RESOLVED THAT pursuant to the Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the GUIDELINES) on delisting of securities, the equity shares (Equity) of the Company listed with The Calcutta Stock Exchanges Association Ltd. be and is hereby delisted through the Voluntary Delisting Option and that the Company's Equity Shares be continued to be listed with Mumbai and National Stock Exchanges.

RESOLVED FURTHER THAT the Board of Directors (hereinafter referred to as the Board) or such committee of the Board as may be formed be and is hereby authorised to do such acts and deeds as may be required in connection with the delisting of the Equity as per the GUIDELINES and give effect to the resolution.

7. Issue of securities under Employees Stock Option Scheme

To consider and, if thought fit, to pass the following resolution proposed as a Special Resolution :-

RESOLVED THAT in accordance with Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (the 'Act'), the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the 'Guidelines'), including any amendment of the Act and / or the Guidelines or re-enactment of the Act, and the provisions of the Articles of Association of the Company, and subject to such other



approvals and sanctions as may be necessary, the Board of Directors of the Company (the 'Board', which term shall be deemed to include a Committee thereof) be and is hereby authorised to grant, offer and issue to such present and future permanent employees and Directors of the Company (collectively referred to as the 'employees'), as may be decided by the Board, Options exercisable by the employees to subscribe to such number of Ordinary Shares of the Company under an 'Employee Stock Option Scheme' (the 'Scheme'), not exceeding five percent of the issued and subscribed Share Capital of the Company as on 31st March, 2007 i.e. upto 8,63,672 Ordinary Shares of Re.10/- each (as adjusted for any bonus, consolidation or other re-organisation of the capital structure of the Company from time to time), at such price, in such manner, during such period, in one or more tranches, as set out in the Explanatory Statement annexed to this Resolution, and on such other terms and conditions as the Board may decide;

**RESOLVED FURTHER** that the Board, including a Committee thereof constituted for the purpose, be and is hereby authorised to issue and allot such number of Ordinary Shares as may be required in pursuance of the Scheme, and that the Ordinary Shares so issued and allotted shall rank pari passu with the then existing Ordinary Shares of the Company.

**RESOLVED FURTHER** that the Board is hereby authorized to take necessary steps for listing of the securities allotted under ESOS on the stock exchanges where the securities of the Company are listed, as per the provisions of the Listing Agreement executed with the concerned stock exchanges and other guidelines, rules and regulations as may be applicable.

**RESOLVED FURTHER** that, for the purpose of giving effect to this Resolution, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, variations or revisions thereto or to suspend, withdraw, terminate or revive the Scheme from time to time and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable, and to settle all questions, difficulties or doubts that may arise, without the Board being required to seek any further consent / approval of the Members to the end and intent that the Members shall be deemed to have given such consent / approval expressly by the authority of this Resolution.

Registered. Office :  
14, Taratolla Road  
Kolkata - 700 088  
Date : 30th June, 2007

By Order of the Board

**G Ray Chowdhury**  
Company Secretary

#### NOTES :

- i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy, to attend and vote on a poll on his behalf and such a proxy need not be a member of the Company. Proxies in order to be effective must be deposited at the Registered Office or with the Registrars and Share Transfer Agents of the Company, M/s CB Management Services (P) Ltd. , not less than 48 hours before the meeting.
- ii) The Register of Members of the Company and the Share Transfer Registers shall remain closed from 3.9.2007 to 5.9.2007- both days inclusive.
- iii) The members are requested to
  - a) notify immediately any change in their address to the Company;
  - b) bring their copy of the Annual Report to the meeting.
  - c) write to the Company's Registrar & Share Transfer Agents, M/s. C B Management Services (P) Ltd enclosing their share certificates for consolidation into one folio for better investor service, if they have more than one folio in identical order of name(s).
- iv) Additional information, pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, on Directors recommended by the Board of Directors for appointment/ reappointment at the Annual General Meeting is appearing in the Report and Accounts.
- v) Explanatory Statements under Section 173(2) of the Companies Act, 1956 for resolution nos. 4 to 7 are annexed hereto.

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

### **Resolution No. 4**

As the Company is a widely held Company and its shares are traded on the Stock Exchanges regularly, a part of its share capital is sometimes held by the financial institutions who now routinely invest in the stock market. As this may sometime attract the provisions of Section 224A of the Companies Act, 1956, the Company proposes to appoint the Auditors by Special Resolution as abundant precaution.

The Board recommends the passing of this Special Resolution.

None of the Directors is interested/concerned in the resolution.

### **Resolution No. 5**

The Board of Directors on the recommendation of Remuneration Committee of the Company at their meeting held on 30th June, 2007, reappointed, subject to the approval of members, Mr. Bijon Nag, a permanent director, as Executive Chairman of the Company for a period of five years with effect from 1st June, 2007. The terms and conditions of the appointment including remuneration payable to Mr. Nag are :

#### **1. Remuneration :**

- a) **Salary per month :** Rs. 77,000 in the scale of Rs 77,000 to Rs 1,00,000 with such increments as may be decided by the Remuneration Committee.
- b) **Commission :** In addition to salary, perquisites and other allowances, 0.5% commission based on net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956, subject to the provisions of Section 198 and Section 309 and other applicable provisions, if any of the Companies act, 1956, but not exceeding an amount equal to half of annual salary paid during the financial year.

#### **Perquisite & Allowances**

- a) **Housing :** The expenditure by the Company on hiring unfurnished accommodation will be subject to the following ceiling :
  - I. Sixty percent of the salary
  - II. In case the accommodation is owned by the Company, ten percent of the salary of the Chairman shall be deducted by the Company.
  - III. In case no accommodation is provided by the Company, entitlement to house rent allowance will be subject to the ceiling laid down as in I above.
- b) **Medical Reimbursement :** Expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months salary over a period of three years.
- c) **Leave Travel Concession :** For self and family once in a year incurred in accordance with the Rules of the Company.
- d) **Club Fees :** Fees of Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) **Personal Accident Insurance :** As per the rules of the Company.
- f) **Gas & Electricity :** As per the rules of the Company
- g) **Car :** Provision of car for use on Company's business will not be considered as perquisite. However, use of car for private purpose will be billed by the Company to the Chairman.

- h) **Telephone :** Company will reimburse expenses in connection with telephone at residence & mobile connections used for official purposes as per the rules of the Company.

**Explanation :** For the purpose of this part, 'family' means the spouse, the dependent children and dependent parents.

#### **Other Benefits**

- i) **Gratuity :** As per the rules of the Company.
- ii) **Contribution to the provident Fund, Superannuation Fund or Annuity Fund :** As per the rules of the Company.
- iii) **Encashment of Leave :** As per the rules of the Company.

#### **Minimum Remuneration**

Notwithstanding anything herein above stated where in any financial year closing after 31st March 2007, the Company incurs a loss or its profits are inadequate, the Company shall pay to Mr. Bijon Nag the remuneration by way of salary and other allowances not exceeding the applicable limit specified in Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment(s) thereof, for the time being in force), or such other limits as may be prescribed by the Government from time to time as minimum remuneration.

The agreement may be terminated by either party giving the other six months' notice.

In compliance with the provisions of the Companies Act, 1956 the appointment and the terms of remuneration specified above are now being placed before the members for their approval. The Board recommends passing of the resolution in the best interest of the Company.

The above may be treated as an abstract of the terms of contract between the Company and Mr. Bijon Nag under Section 302 of the Companies Act, 1956.

No Director except Mr. Bijon Nag is concerned or interested in the proposed resolution.

#### **Resolution No. 6**

The Securities & Exchange Board of India (Delisting of Securities) Guidelines, 2003 issued by SEBI permit companies, inter alia, to voluntarily delist securities from the Stock Exchanges subject to fulfillment of conditions laid down in the Guidelines. Accordingly, the Board of Directors of your Company at their meeting held on 30th June 2007 considered and recommended delisting of the Company's equity shares from The Calcutta Stock Exchanges Association Ltd. (CSE) and continuance of listing with Bombay and National Stock Exchanges where CSE being the Regional Stock Exchange and Bombay and National Stock Exchanges have nationwide trading terminals. The trading at CSE is negligible. Moreover due to availability of online trading facility, listing of shares of the Company at CSE is no longer necessary.

Delisting from the aforementioned Stock Exchange will thus not affect the investors in any way. Your Company will also be benefited in view of delisting thus reducing cost and multiplication of work.

The Board recommends the passing of this Special Resolution in the best interest of the Company.

None of the Directors of the Company is concerned or interested in the proposed resolution.

#### **Resolution No. 7**

Stock Options serve to align the interests of employees with those of the shareholders by creating a common sense of purpose towards enhancing shareholder value and also serve to attract and retain talent that is absolutely essential for the survival and growth of the Company in an environment that increasingly demands global competitiveness.

Towards this end, the Board of Directors of your Company at its meeting held on 30th January, 2007, recommended for the approval of the Members the formulation of a Employee Stock Option Scheme (ESOS) under the nomenclature, 'IFB Employees Stock Option Scheme-2007' (the 'Scheme'), in accordance with the provisions of the Guidelines, for the employees of the Company and its Directors, as may be determined by the Board of Directors (the 'Board', which term shall be deemed to include a Committee thereof). The salient features of the Scheme are detailed below :-

(a) ***Options to be granted***

Options to be granted under the Scheme shall not result in issue of Ordinary Shares exceeding 5 per cent of the issued and subscribed Share Capital of the Company as on 31st March, 2007 i.e. up to 863670 Ordinary Shares of Re.10/- each (as adjusted for any bonus, consolidation or other re-organisation of the capital structure of the Company from time to time).

(b) ***Employees entitled to participate in the Scheme***

Such present and future permanent employees and Directors of the Company, as may be determined by the Board.

(c) ***Employees not eligible for grant of options***

An employee who is a promoter or belongs to the promoter group or a director who either by himself or through any body corporate directly or indirectly holds more than 10 percent of the outstanding equity shares of the company at the time of granting of options shall not be eligible to participate in ESOS.

(d) ***Requirement of Vesting and Period of Vesting***

Vesting to commence after a period of 1 year from the date of grant of Options and will extend up to period as may be determined by the Board. Vesting may occur in one or more tranches, subject to the terms and conditions of vesting, as may be determined by the Board. Unless earlier vested, expired forfeited or otherwise terminated, each option shall expire in its entirety by such period as stipulated in the award confirmation or the fourth anniversary of the date of grant of option, whichever is earlier, or such further or other period as the committee may determine.

(e) ***Exercise Price or Pricing Formula***

The Exercise price shall be determined by the committee on the date of option is granted and shall be reflected in the award confirmation. The method of payment of exercise price shall be determined by the committee (including by any one of or more of the following methods of payment).

- a. Cash
- b. Cheque
- c. Cashless exercise programme.

(f) ***Exercise Period and Process of Exercise***

The Exercise Period shall commence from the date of vesting and will expire on such dates as may be determined by the committee.

The Options will be exercisable by employees by making application(s) to the Company in such manner as may be prescribed under the Scheme.

Options will lapse if not exercised within the Exercise Period.

(g) ***Appraisal Process for determining eligibility of employees under the Scheme***

The Committee shall have the sole authority to designate any eligible employee as participant.

In determining the eligible employee to receive an option as well as in determining the number of options to be granted to a participant, the committee may consider the position and responsibilities of the eligible employee, the nature and value

to the company of the eligible employee's service and accomplishments whether direct or indirect, length of service, grade, performance, merit, present and potential contribution and conduct of the eligible employee and such other factors as the committee may deem relevant.

(h) **Maximum number of Options to be issued per employee and in aggregate**

The number of Options to be issued to an employee under the Scheme would be determined by the Board. However, no single employee shall be granted, in any financial year, Options exceeding 0.99 per cent of the issued and subscribed Share Capital of the Company as on 31st March, 2007, i.e. up to 171000 Ordinary Shares of Re.10/- each (as adjusted for any bonus, consolidation or other re-organisation of the capital structure of the Company from time to time). The aggregate of all such grants under the Scheme shall not exceed 5 per cent of the issued and subscribed Share Capital of the Company as on 31st March, 2007.

(i) Options granted to an employee will not be transferable and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner whatsoever.

(j) Lock in period – The committee shall have the freedom to specify the lock-in period for the shares issued pursuant to exercise of options.

(k) **Method of Valuation of Options**

The Company will adopt the intrinsic value method of valuation of Options. Notwithstanding the above, the Company may adopt any other method as may be determined by the Board and as permitted under the Guidelines.

In case the Company calculates the employee compensation cost using the intrinsic value of the Stock Options, the difference between the employee compensation cost so computed and the employees compensation cost that shall have been recognised if it had used the fair value of the Options, will be disclosed in the Directors' Report as also the impact of this difference on profits and on EPS of the Company.

The Company will conform to the applicable Accounting Policies prescribed under the Guidelines.

The Ordinary Shares to be allotted pursuant to exercise of Options shall be listed on the Stock Exchanges where the Company's existing Ordinary Shares are then listed and necessary applications will be made to those Stock Exchanges for this purpose.

Consent of the members by way of special resolution in general meeting is required for issue of shares under an Employee Stock option Scheme in terms of guidelines read with the provisions of Section 81 (1A) of the Companies Act, 1956.

The Directors of the Company are interested in the Special Resolution to the extent of the options that may be granted to them.

## INSPECTION OF DOCUMENTS

The documents mentioned in resolution(s) 5 and 7 are available for the inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day of the Company prior to the date of the meeting.

Registered Office :  
14, Taratolla Road  
Kolkata - 700 088  
Date : 30th June, 2007

By Order of the Board

G Ray Chowdhury  
Company Secretary



**IFB****IFB INDUSTRIES LTD.****DIRECTORS' REPORT to the Shareholders**

Dear Shareholders,

Your Directors present the 31st Annual Report and Accounts for the Financial Year ended 31st March, 2007.

**1. FINANCIAL RESULTS :**

	(Rs. in thousand)	
	For the Year ended 31st March, 2007	For the Year ended 31st March, 2006
Total Income	3361407	2659463
Expenditure	3457103	2897919
Loss before Extra-ordinary items and prior Period adjustments	(95696)	(238456)
Prior period items	921	(772)
Gain on interest waiver	457745	108076
Profit/ Loss	362970	(131152)
Provision for Taxation	-	-
Provision for FBT	(10319)	(6836)
Balance Brought forward	(5465287)	(5327299)
Balance carried to Balance Sheet	<u>(5112636)</u>	<u>(5465287)</u>

**2. DIVIDEND**

In view of the huge accumulated loss, the Board regrets its inability to recommend any dividend for the year.

**3. REVIEW OF OPERATION**

Your company completed another year of sustained growth. Home appliance and Engineering Divisions posted strong growth in revenue and strengthened their market standing. This achievement is more noteworthy when viewed in the light of challenging business environment in white goods and auto components. Washing machine sales crossed 1 lakh mark. Sales in Washing machine, dish washers, microwave ovens & cloth dryers registered growth of 25%, 33%, 47% & 33% respectively. Engineering division also achieved a sales growth of 24%.

However margin in washing machine sales reduced due to rise in input costs, freight cost and sustained

pressure on sale price due to cut throat competition. Due to immense competition, margin in microwave oven sales was also bare minimum. During the year the company introduced two new models of microwave ovens and started sourcing of Industrial dish washer. Due to financial constraints the Company could not make adequate advertisement and marketing expenses leading to under exploitation of market potential.

Despite significant growth in the automobile sector there has been a severe price war among the competitors leading to a lower margin on fine blanking components supplied by the company to its customers.

During the year, the Company has suffered a operating loss of Rs. 9.56 crores as against previous year's reported loss figure of Rs. 23.84 crores. However after considering prior period adjustment and gain on exceptional items the company earned a profit of Rs. 36.29 crores as against previous year reported Loss of Rs 13.11 crores. The profit figure for the year under review improved due to booking of gain on interest waiver consequent to debt settlement. To reflect the true and fair view, the Company has identified unusable tools and moulds pertaining to discontinued models and also junked machineries. Consequently a sum of Rs 19.02 crores has been provided in the accounts.

**4. MANAGEMENT DISCUSSION AND ANALYSIS****A) Industry Structure & Developments :**

A surge in the global automobile industry since the late nineties has led to a robust growth of the automobile sector in the country. In tandem with the industry trends, the Indian auto component sector has shown great advances in recent years in terms of growth, spread, absorption of technologies and flexibility. Indian auto component industry has seen major growth on arrival of global vehicle manufacturers from Japan, Korea, US and Europe. Today India is emerging as one of the key auto components centers in Asia and is expected to play a key role in the global automotive supply chain in the near future.

The auto parts industry has emerged as one of India's fastest growing manufacturing industry and a globally competitive one. The auto components industry in India supports industries

like automobiles, machine tools, rubber, plastics, electrical, electronics, forging, machining etc.

India has also emerged as an outsourcing hub for auto parts for international companies viz Ford, General Motors, Daimler Chrysler, Fiat, Volkswagen and Toyota.

The year 2006-07 shows encouraging results for all segments of automobile industry and it is expected to grow if the favourable conditions prevail. Exports have also been showing the buoyancy. The exports will be a potential source of revenue growth in the future.

However, interest rate hike and appreciating rupee remained a downside risk. Growth in consumer durable slowed down to 9 percent in 2007, as compared with 15.3 percent in the previous fiscal.

Due to increase in the price of steel, plastic and other input materials and also due to severe price war all the washing machine manufacturers felt the heat. Demand growth has been slow because of low penetration of washing machines in sub-urban India. Being an appliance that has substitute, the utility perception of the product is low and washing machine rank low in the priority list of consumers. The product is still to find acceptance in the rural market where a majority of the population resides, as a result demand remains restricted to the bigger towns and cities. With the increasing urbanization and marginal price difference between front loading fully automatic (lower end) and top loading automatic washing machine, front loading fully automatic washing machines are being preferred by a larger section of consumers.

#### B) Opportunities & Threats

It is fair to say that India is now firmly on a higher growth trajectory. With the accelerated reforms, it is now possible for the country to achieve 9 percent growth over the next four to five years. Aiding India's growth will be low oil prices, control on inflation and lesser reliance of its economy on exports.

The greatest opportunity of the Company is its brand equity, product quality, latest technical know how and last but not the least is the trust in Company's products by the valued customers.

The Company has built up brand image through close liaison with its valued customers during the past years. The threats facing the Company however are :

- Significant rise in material cost that drastically impact margins.
- The growth of the Indian economy together with the reduction of import duties makes India increasingly a target market for many MNCs and therefore, competitive pressure on the domestic market will continue to grow. In particular, imports from low labour cost countries will increase and will lead to increased price pressure. Over the last couple of years the MNCs have eaten up the share of other brand owners and consolidating their presence in the market. Today consumers are increasingly looking for products that not only offer varied features but also competitively priced.
- Similarly in the engineering business there are threats from competitors who are enjoying considerable presence in China, Thailand etc.

However, IFB's well crafted business strategies have enabled it to retain its market share and has been successful in improving its operating efficiencies consistently.

#### C) Segment wise performance

Fine Blanking Division has improved its turnover and profitability as compared to last year. However, profit margin reduced due to increased freight, staff and administrative cost. Despite volume and value growth, the profitability of the Home Appliance Division has not improved due to increased cost of promotion/scheme, freight, staff expenses and consistent pressure on product prices.

Operations team took special drive for work simplification and process improvements. Process improvements helped in fatigue reduction and productivity improvement. Cost reduction has been a major focus area for the plant keeping in mind competition. Cost reduction on plastic tubs, new programmer etc resulted in good savings. The company is adopting various cost control measures but a lot more need to be done in the areas of cost control. All our product categories