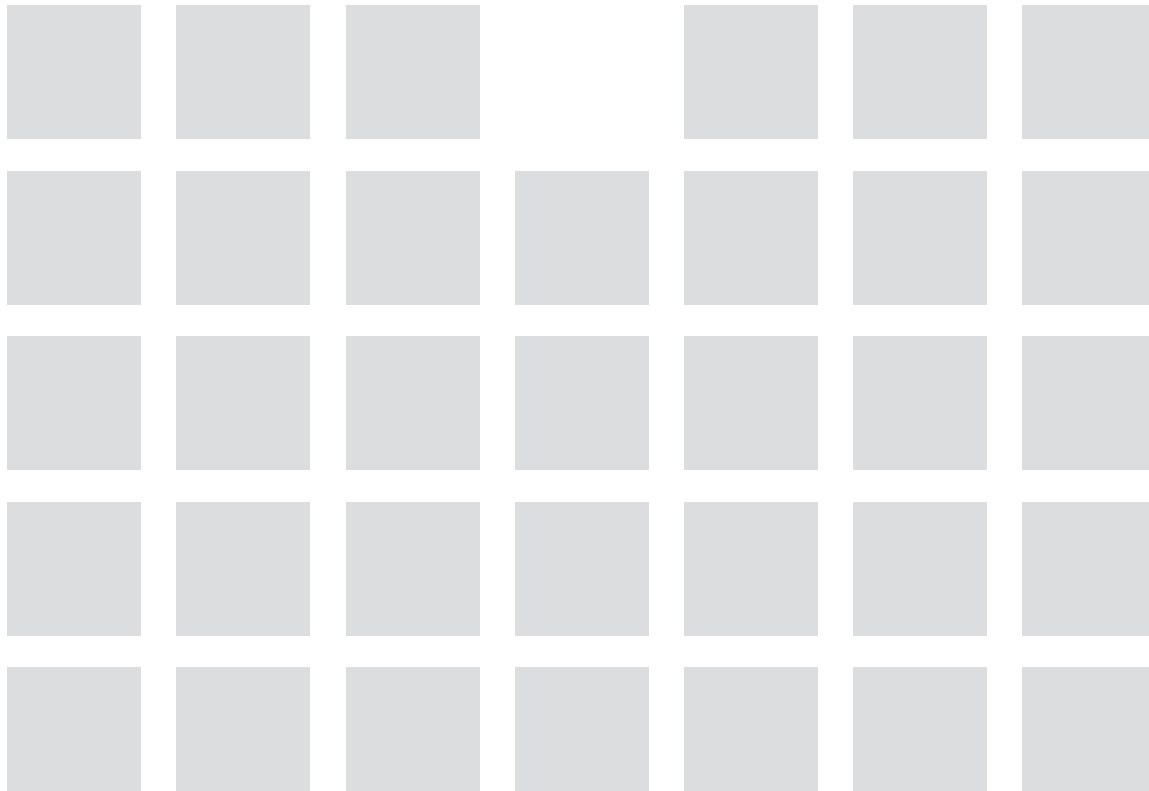




IFB INDUSTRIES LIMITED

Annual Report 2009-2010



BOARD OF DIRECTORS

Executive Chairman

Mr. Bijon Nag

Joint Executive Chairman & Managing Director

Mr. Bikram Nag

Directors

Dr. Rathindra Nath Mitra

Mr. Somen Bal

Mr. Radharaman Bhattacharya

Mr. R. Muralidhar

Mr. K. M. Unnikrishnan

AUDIT COMMITTEE

Chairman

Dr. Rathindra Nath Mitra

Members

Mr. Radharaman Bhattacharya

Mr. Somen Bal

COMPANY SECRETARY

Mr. G. Ray Chowdhury

AUDITORS

Deloitte Haskins & Sells

Chartered Accountants

REGISTRAR AND SHARE TRANSFER AGENTS

CB Management Services (P) Ltd.

P 22, Bondel Road, Kolkata - 700 019

Tel : (091) (33) 4011 6700, 4011 6711, 4011 6718

Fax : (091) (33) 2287 0263

E-mail : rta@cbmsl.com

REGISTERED OFFICE

14, Taratolla Road

Kolkata – 700 088

Tel : (091) (33) 3048 9230

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

CORPORATE OFFICE

Plot No. IND-5, Sector – I

East Kolkata Township

Kolkata – 700 107

Tel : (091) (33) 3984 9524

Fax : (091) (33) 3984 9676

E-mail : ifbi_legal@ifbglobal.com

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IFB INDUSTRIES LTD.

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

NOTICE

NOTICE is hereby given that the 34th Annual General Meeting of the members of IFB Industries Limited will be held at Eastern Zonal Cultural Centre, IA – 290, Sector III, Bidhannagar, Calcutta – 700 091 on 30th day of July 2010 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, 2010 and reports of the Directors and Auditors thereon.
2. To consider interim dividend paid to Preference Shareholders be declared as final dividend.
3. To appoint a Director in place of Mr. Radharaman Bhattacharya who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Somen Bal who retires by rotation and being eligible, offers himself for re-appointment
5. 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.”

Registered. Office :
14, Taratolla Road
Kolkata - 700 088
Date: 31st May, 2010

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 Registrar of Members of the Company and the Share Transfer Registers shall remain closed on from 28th July to 30th July, 2010 (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 CB 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 .

Resolution No 3 & 4

Details of Directors seeking reappointment in Annual General Meeting (in pursuance of clause 49 of the Listing Agreement)

Name of Director	Mr. R.Bhattacharya	Mr. Somen Bal
Date of birth	12.04.1933	15.9.1945
Nationality	Indian	Indian
Date of Appointment on the board	21.06.2003	30.08.2002
Qualification	BSC, FCA	B.COM
Experience in functional areas	Practising Chartered Accountant	Business Executive
Shareholding in the Company	1000 nos	1460 nos
List of Directorship held in other Companies	Nil	One
Committee Membership	Two	Two

- v) Explanatory Statements under Section 173(2) of the Companies Act, 1956 for resolution nos. 3 & 5 annexed hereto.

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

Resolution No. 5

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 passing of this Special Resolution.

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

Registered. Office :
14, Taratolla Road
Calcutta - 700 088
Date : 31.05.2010

By Order of the Board

G Ray Chowdhury
Company Secretary

DIRECTORS' REPORT to the Shareholders

Dear Shareholders,

Your Directors present the 34th Annual Report and Accounts for the Financial Year ended 31st March, 2010.

1. FINANCIAL RESULTS :

	(Rs. in thousand)	
	For the Year ended 31st March, 2010	For the Year ended 31st March, 2009
Sales and Other Income	5,568,781	4,568,203
Profit Prior to Finance Charges & Depreciation	664,516	3,238,497*
Less :		
Finance charges	2,574	–
Depreciation	86,815	75,639
Profit before Taxation	575,127	3,162,858
Less : Provision for Taxation		
Current Tax	–	–
Deferred Tax	37,483	–
Fringe Benefit Tax	–	12,081
Profit after Tax	537,644	3,150,777
Balance brought forward from previous year	(1,541,614)	(4,752,547)
Preference Dividend paid including Dividend Tax	37,099	–
Transfer from General Reserve	–	60156
Transfer to capital redemption reserve	160,000	–
Balance carried to Balance Sheet	<u>(1,201,069)</u>	<u>(1,541,614)</u>

*Including gain on extraordinary items

2. DIVIDEND

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

3. REVIEW OF OPERATION

Your Company completed another year of steady performance with strong topline growth and high quality

earnings. All business segments posted sound growth in revenues and enhanced their market standing.

Gross Turnover for the year grew by 19.8% to Rs 607.61 crores. Net Turnover other than service & other income at Rs 508.08 crores grew by 20.8% driven by higher Engineering business which grew by 23.04% and the continuing steady performance by Appliance business which grew by 18.9%. Pretax Profit (other than extra ordinary items) increased by 50.5% to Rs 57.51 crores. Earning Per share for the year stands at Rs. 16.87.

4. MANAGEMENT DISCUSSION AND ANALYSIS

A) Industry Structure & Developments

With market liberalisation, increasing consumerism and the entry of more foreign players, Indian markets are exhibiting revolutionary changes. The Indian consumer is rapidly evolving and is exposing the consumer to a host of new choices by international brands selling their products at competitive prices. According to a study by the McKinsey Global Institute (MGI), released in May 2007, India's middle class will swell by more than ten times- from 50 million in 2007 to 583 million people by 2025. By 2025, India will also become the 5th largest consumer market, surpassing Germany, moving up from the 12th position it occupied in 2007.

The Indian auto component industry is one of India's sunrise industries with tremendous growth prospects. From a low-key supplier providing components to domestic market alone, the industry has emerged as one of the key auto components centres in Asia and is today seen as a significant player in the global automotive supply chain.

B) Opportunities & Threats

There is scope for growth opportunity of our white goods in the rural market. Over and above our presence in Metros, we are now working on strengthening our distribution system in group 2&3 towns and focussing on marketing programmes for semi-urban markets.

According to the Investment Commission of India, India is among the most competitive manufacturers of auto components in the world. India is also becoming a global

hub for research and development (R&D). Companies like Daimler Chrysler, Suzuki, Johnson Controls etc have set up development centres in India. Many international autocomponent majors including Delphi, Visteon etc. have set up operations in India. Auto manufacturers including GM, Ford, Toyota, etc. as well as auto component manufacturers have set up International Purchasing Offices (IPOs) in India to source for their global operations. In the changed scenario the opportunity for growth of the Company has increased manifold.

It is fair to say that India is now firmly on a higher growth trajectory. With the accelerated reforms, India is expected to achieve 8 percent growth over the next four to five years.

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 :

- Threats from the competitors in the area of pricing.
- Significant rise in material cost and exchange fluctuation that drastically impacts margins.
- 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 increase price pressure. Over the last couple of years the MNCs have eaten up the share of other brand owners and have been consolidating their presence in the market. Today consumers are increasingly looking for price competitive and feature led products.

C) Segment wise performance.

The Home Appliance Division has improved its turnover and profitability as compared to last year. The profitability of the division has grown due to growth in volume and value as also reduction in freight cost and

material cost. Introduction of new models in washing machine and microwave oven category at competitive prices has enabled good growth.

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. Cost reduction has been a major focus area for the plant keeping in mind competition. 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 have performed above industry average. To give more focus to Micro wave ovens, dishwasher and dryers independent managers have been given the responsibility for these product categories. The company has entered the commercial laundry equipment business & has launched the same pan India. Sales/ Enquiry of this segment has been very encouraging and the company expects good sales from these two categories going forward. The Company has also entered kitchen appliances and modular kitchen business.

The Engineering Division also recorded outstanding growth in sales and profitability. Operations team took special drive for work simplification and process improvements. Process improvements helped in fatigue reduction and productivity improvement

D) Outlook

The overall economic outlook seems to be favourable for recovery in the global economic environment and the Indian economy is also poised to grow. According to most indications, industrial growth will be over 15% and the GDP growth will be over 8%. The automobile sector led by passenger cars should grow by over 25% and the two-wheeler industry should grow by about 30%.

IFB has invested in its Fine Blanking operations in order to meet the growing demands of the Indian automobile industry. However, we have also de-risked by marketing our fine blanked products to other industries which are also high growth. We are focusing on domestic demand and have built up capacities to meet the same. We will look at exports at a later date as the long working capital cycle is not suitable for us.

We have decided to invest in modernizing our Tool Room to international standards and we will add new fine blanking presses as well as modernize the old ones. This jump in investments will, we hope, ensure doubling of our sales by 31st March, 2012.

With the expected GDP growth, we expect Appliances growth in our product categories to be robust and thus we would expect 20%+ sales growth. Our focus would be to improve our service function as well as to invest in technology to improve visibility across the company - we are thus implementing SAP and this will help us to bring down inventory as well as to react faster to market needs apart from bringing about other improvements. Our focus would also be to improve our distribution channel by penetrating deeper into smaller towns.

The other area of focus would be to complete the expansion-cum-modernization of our washing machine factory - we expect the same to be completed by end October'2010. This expansion would ensure state-of-the-art new generation washing machines of higher capacities and the excess capacity we would use to market for OEM sales to buyers in Europe, Africa, Asian countries, etc.

We would also like to strengthen our direct sales channel as well as our customer retention programs in order to sell more IFB products to the same customer leading to more business per customer on a recurring basis due to recurring service income via AMC's as well as sale of additives, etc.

Thus for the year we expect more working capital requirements and for that purpose we may use banking facilities from Standard Chartered Bank from time-to-time. However, at this point in time, the company continues to be completely "zero" debt.

E) Concerns

Our concern in the Fine Blanking business is pressure for price reduction from customers' end as well as pressure for higher material costs due to upward revision of commodity prices from time-to-time.

Our major concern in Appliances is the same apart from HR challenges which is, however, a concern for every growing company.

To overcome the same, we have substantially increased our investment in training and we hope to increase the same further as well as bring in better HR practices in order to reduce attrition. We, however, feel that at the Senior Management level, more face-to-face contacts with others working in IFB and solving their problems will lead to lowering of the attrition rate.

G) Internal Control Systems and their adequacy

The Company has adequate system of internal controls and checks and balances to ensure that its assets are safeguarded and protected against loss from unauthorized use. The strength of these systems is continuously being monitored by the internal auditors and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the statutory auditors and the Company has not received any adverse comments from them on the adequacy of internal control system.

H) Human Resources

IFB is a knowledge-driven organization and its greatest asset is the experience and skill of its employees. Recognizing that the workforce will provide critical competitive edge in its growth endeavor, IFB has laid major emphasis on acquiring, maintaining and developing its human asset base. We offer wide range of career development programs including on the job training, job rotation etc. Our belief is that by investing in these programs we will have a highly motivated work force. During the year the Company also offered shares to eligible employees under Employees Stock Purchase Scheme. Due to changes in H.R Policy the attrition rate of the executives of the company has been reduced to minimum.

As a result of focused attention the employees at all levels have actively participated in the effort to sustain and improve the performance of the Company even in the most difficult times. The Company had 986 nos. employees at the end of March 2010. As in the past, industrial relations continued to remain cordial at all locations of the Company.

I) Risk Management

The Company is exposed to several risks. They can be categorised as operational risks and strategic risks.

Some of the major risks in each category are described below. There are other risks that could have a material effect on the Company's performance and financial position. The Company has taken several mitigating actions, applied many strategies and introduced control and reporting systems to reduce and mitigate these risks.

OPERATIONAL RISKS

Environmental issue

The company has no pending material environment related issues. Since most of the Company's manufacturing process consist of the assembly of components, the environmental impact from the company's plants are remote.

However, environmental requirements are complex and tend to become more stringent with time & the Company will constantly innovate to keep up with requirements as per law.

Product warranty and recalls

It has become almost mandatory to incorporate such clause in International contracts. However, the Company has so far not accepted any contract with such draconian clause but in the event the company accepts contracts with such clause, the company is exposed to product liability and warranty clause in the event our product fails to perform as expected. A recall claim or a product liability claim brought against the Company in excess of the Company's coverage may have a material adverse effect on the Company's business.

STRATEGIC RISKS

Dependence on supplier

The company largely depends on vendors in order to meet its delivery commitments. Consequently, there is a risk that disruption in supply chain could lead to the company not being able to meet its delivery commitments and as a consequence to incur extra costs. The Company's strategy is to reduce this risk by maintaining two suppliers in all significant component areas.

Patent & Proprietary Technology

The Company's strategy is to protect its innovations with patents and to vigorously defend its trademarks and knowhow against infringements and unauthorized use. There can be no assurance that any patent now owned by the company will have protection against competitor that develop

similar technology.

CAUTIONARY STATEMENT

Statement in this Management discussion and Analysis describing the Company's objectives, projection, estimates and expectations may be 'forward looking statement' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include market competition, significant change in political & economic environment in India, litigation, exchange rate fluctuation, change in interest rates etc.

5. STATUS OF REFERENCE TO THE BOARD FOR INDUSTRIAL AND FINANCIAL RESTRUCTURING (BIFR)

The company filed Misc Application No: 296/BC/2009 dt 14.12.2009 intimating that Statutory Auditors of the company vide their letter dated 2.12.2009 has confirmed that the net worth of the company has become positive as on 31.03.2009, and therefore the company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and its name should be de-registered from BIFR. A hearing was held on 22.12.2009 where representatives of the company and IDBI (MA) were present. The Bench, on consideration of the facts, merits of the case, materials on records and submissions made by the concerned agencies noted that as per company's accounts as on 30.9.2009, company's networth turned positive. The Bench also noted that the company is continuing its manufacturing operations, earning profits, has implemented provisions of the sanctioned scheme and has been able to revive itself on sustainable basis. The direction of the Bench interalia includes-

The company M/s IFB Industries Ltd ceases to be a sick industrial company, within the meaning of section 3(1)(o) of the SICA and is, therefore, discharged from the purview of SICA/ BIFR.

The un-implemented provisions of the SS-09, as may be there, would be implemented by the company/promoter and concerned agencies and their implementation would be monitored by BOD of the company.

The company would complete necessary formalities with concerned 'Registrar of Companies' (ROC), as may be required.

The company filed necessary returns to R.O.C and intimated the information of de-registration from BIFR to Stock Exchanges and public at large by news paper advertisement.

6. DIRECTORS' RESPONSIBILITY STATEMENT IN TERMS OF SECTION 217 (2AA) OF THE COMPANIES ACT, 1956

To the best of knowledge and belief and according to the confirmations and explanations obtained by them, your directors make the following statements in terms of Section 217(2AA) of the Companies Act, 1956:

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) The Directors have selected such accounting policies and applied them consistently and 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 at the end of the financial year and of the profits of the Company for that period;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) These accounts are prepared on a going concern basis.

7. CORPORATE GOVERNANCE

As stipulated by Clause 49 of the Listing Agreement, a Report on Corporate Governance along with a Certificate from the Auditors is given separately in this Annual Report.

8. DELISTING FROM DELHI STOCK EXCHANGE

The application for delisting to Delhi Stock Exchange is pending.

9. AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. They have signified their willingness to accept reappointment and have further confirmed their eligibility under section 224(1B) of the Companies Act, 1956

10. DIRECTORS

In view of Sec 274(1) (g) of the Companies Act prescribing disqualification for directors in the event of non-redemption of debentures (privately-placed), a writ-petition was filed before the High Court at Calcutta challenging the applicability of said section 274(1) (g) which is pending for final disposal. An interim order dated 14.05.2004 has been passed by the Hon'ble Calcutta High Court directing Union of India and its authorized agents, servants or otherwise from giving any effect or further effect to or taking any step in pursuance of the provisions contained in section 274(1)(g) of the Companies Act, 1956.

In the mean time all the debentures have been fully redeemed by December 2007.

Mr. Somen Bal and Mr. R.Bhattacharya retire as directors by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The particulars of directors seeking appointment/reappointment are given in Corporate Governance section of this Report.

11. PERSONNEL

The Directors would like to place on record their appreciation of the dedication and hard work put in by employees at all levels.

Particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with rules thereunder, forms part of this Report. However, as per the provision of Section 219(1) (b) (iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particular of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary of the Company.

12. ESPS

The Company implemented the Employees Stock Purchase Scheme 2008 in accordance with the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guide lines, 1999 ('the SEBI Guidelines'). The Compensation committee, constituted in accordance with the SEBI Guidelines, administers and monitors the scheme.

The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2010 (cumulative position) are given below :

- a) Total no of equity shares issued to employees in ESPS 8,91,599.
- b) Exercise price Rs. 10/- per share to employees belonging to workers category and for rest of employees Rs. 15/- per share, plus applicable taxes, as per law.
- c) Employee wise details of shares allotted under ESPS to:
 - i. Senior managerial person :
 1. Mr. Gautam Dasgupta 35,000
 2. Mr. Dipak Mitra 50,000
 3. Mr. A. K. Nag 30,000
 4. Mr. S. Bhattacharya 12,500
 5. Mr. Indroneel Goho 12,500
 6. Mr. B. M. Shetye 12,500
 7. Mr. Probir Chatterjee 12,500
 8. Mr. Siddhartha Chatterjee 12,500
 9. Mr. G. Ray Chowdhury 12,500
 10. Mr. Rajshankar Ray 7,500
 11. Mr. A.S. Negi 12,500

- ii Any other employee who is issued shares in any one year amounting to 5 % or more shares during the year — nil
- iii. Identified employees, who were issued shares during any one year, equal to or exceeding 1% of the issued capital of the company at the time of issuance — nil
- d) Diluted Earning Per share (EPS) pursuant to issuance of shares under ESPS Rs 16.87.
- e) Consideration received against the issuance of shares Rs.129.77 lacs plus applicable taxes.

17. ENVIRONMENT, CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

As required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant data are given in the Annexure to this Report.

18. ACKNOWLEDGMENTS

Your Directors would like to place on record their sincere appreciation to the employees, Customers, Shareholders and also Central & State Government Offices and all others for their co-operation and support.

On behalf of the Board
Bikram Nag
Joint Executive Chairman
& Managing Director

Place : Kolkata
Dated : 31st May, 2010

Somen Bal
Director