

ANNUAL **REPORT** **1999-2000**

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INDIA FOILS LIMITED



NOTICE

NOTICE is hereby given that an Extraordinary General Meeting of the Members of India Foils Limited, as required under Section 23(1)(a)(ii) of the Sick Industrial Companies (Special Provisions) Act, 1985 will be held at Nazrul Manch, Kamarhati Municipality, 1 M.M. Feeder Road, Rathtala, Calcutta 700 057, on Thursday, the 28th September, 2000 at 11.00 a.m. to consider the erosion of 50% or more of Company's Peak Net Worth (as envisaged in the said Act), and as briefly set out in the enclosed Report of the Directors as to the causes for such erosion and to consider such other matters as specified in Section 23(1) of the said Act.

Registered Office :

1, Sagore Dutta Ghat Road
Kamarhati
Calcutta 700 058
6th July, 2000

By Order of the Board
A. Ray
Managing Director

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his state and the proxy need not be a member of the Company. Such proxies, in order to be effective, must be received by the Company at its Registered Office at 1, Sagore Dutta Ghat Road, Kamarhati, Calcutta 700 058, at least 48 hours before the meeting.
2. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of items of Special Business is annexed hereto.
3. Members are requested to kindly bring their copies of the enclosed Report to the Meeting.

**EXPLANATORY STATEMENT UNDER
SECTION 173 (2) OF THE COMPANIES ACT, 1956**

The Company has been incurring huge losses and the accumulated losses as at 31st March, 2000 stood at Rs. 40.80 crore. This exceeds 50% of the peak net worth of the Company during the immediately preceding four financial years of Rs. 115 crore. In terms of Section 23(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, the Company is required to place the report of the Board of Directors on the erosion of Net Worth and the causes thereof to its members and report the fact of such erosion to the Board for Industrial and Financial Reconstruction (BIFR), which is enclosed.

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A. Ray
Managing Director



REPORT ON EROSION OF NET WORTH

POSITION AS AT 31ST MARCH

	1998 Year of Peak Net Worth	2000 Year of erosion of more than 50% of Peak Net Worth	Rs. lacs 2000 Year of Last Audited Accounts
Share Capital, Reserves & Surplus	11613	9985	9985
Less : Debit Balance in P&L Account	—	4080	4080
Less : Miscellaneous Expenses not written off	153	420	420
NET WORTH	11460	5485	5485

REASONS FOR EROSION

The Company after a detailed market evaluation decided to upgrade and enhance the capacity of Foil Mills and invested about Rs.120 crores in the New Foil Mill. However, when the Company stabilised the production from New Mill, a clutch of manufacturers set up low cost facilities in the Western India. These manufacturers enjoyed substantial tax benefits which resulted drop in price realisation. The Company could not utilise these facilities to the full extent. Furthermore, the entire expansion was financed through borrowings, in view of difficult market conditions. The Company could not service its debts and the losses accumulated to such an extent that the Net Worth of the Company has been eroded more than 50%.

The Company's net worth position in the last three years are as under :

POSITION AS AT 31ST MARCH

	1997	1998	Rs. lacs 1999
Share Capital, Reserves & Surplus	9423	11613	7319
Less : Debit Balance in P&L Account	—	—	290
Less : Miscellaneous Expenses not written off	133	153	376
NET WORTH	9290	11460	6653

STEPS FOR IMPROVEMENT

The Company has taken steps to infuse equity, reduce borrowing costs through restructuring and with the initiatives for operational improvements, the Directors of the Company are confident of achieving a quick turn around of the Company.

**Directors**

Navin Agarwal

S. C. Krishnan

Tarun Jain

Agnivesh Agarwal

A. Khaitan

Dr. P. K. Basu – *Nominee of ICICI*Amitava Ray – *Managing Director***Auditors**

Price Waterhouse

Solicitors & Advocates

Khaitan & Co.

Registrars & Share**Transfer Agents**

ABC Computers Pvt. Ltd.

National Council of Education,
BengalJadavpur University Campus
Calcutta 700 032**Bankers**

ABN Amro Bank N. V.

State Bank of India

American Express Bank Limited

United Bank of India

Bank of Baroda

Indian Overseas Bank

Canara Bank

Bank of India

Registered Office

1, Sagore Dutta Ghat Road

Kamarhati

Calcutta 700 058



Notice

NOTICE is hereby given that the 39th Annual General Meeting of India Foils Limited will be held at Nazrul Manch, Kamarhati Municipality, 1 M.M. Feeder Road, Rathala, Calcutta-700 057, on Thursday, the 28th September 2000 at 10.00 am to transact the following business :

1. To receive, consider and adopt the Profit & Loss Account of the Company for the Financial Year ended 31st March 2000 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr A Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :
RESOLVED that Mr Navin Agarwal, in respect of whom the Company has received a Notice in writing, from a member proposing Mr Navin Agarwal as a candidate for the Office of Director under Provision of Section 257 of the Companies Act 1956 along with a deposit of Rs. 500/-, and who is eligible for appointment to the office of Director, be and is hereby appointed a Director of the Company.
5. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :
RESOLVED that Mr S C Krishnan, in respect of whom the Company has received a Notice in writing, from a member proposing Mr S C Krishnan as a candidate for the Office of Director under Provision of Section 257 of the Companies Act 1956 along with a deposit of 500/-, and who is eligible for appointment to the office of Director, be and is hereby appointed a Director of the Company.
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :
RESOLVED that Mr Tarun Jain, in respect of whom the Company has received a Notice in writing, from a member proposing Mr Tarun Jain as a candidate for the Office of Director under Provision of Section 257 of the Companies Act 1956 along with a deposit of Rs. 500/-, and who is eligible for appointment to the office of Director, be and is hereby appointed a Director of the Company.
7. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :
RESOLVED that Mr Agnivesh Agarwal, in respect of whom the Company has received a Notice in writing, from a member proposing Mr Agnivesh Agarwal as a candidate for the Office of Director under Provision of Section 257 of the Companies Act 1956 along with a deposit of Rs. 500/-, and who is eligible for appointment to the office of Director, be and is hereby appointed a Director of the Company.
8. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :
RESOLVED that in supersession of the Resolution passed at the Annual General Meeting held on 22nd August 1995, the Company hereby accords its consent under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors to borrow any sum or sum of money from time to time that they may deem required for the purpose of the business of the Company from any one or more of the Company's bankers and/or from any one or more persons, firms, bodies corporate or financial institutions notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount up to which the monies may be borrowed by the Board of Directors shall not exceed Rs.500,00,00,000.00 (Rupees five hundred crore only) at any one time.



9. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution :

RESOLVED that pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof), and in accordance with the provisions of the Memorandum and Articles of Association of the Company and the regulations / guidelines, prescribed by the Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions which the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall include a Compensation Committee constituted by the Board to exercise its powers, including the powers conferred by this resolution) is hereby authorised to accept, the Board be and is hereby authorised on behalf of the Company to create, issue, offer and allot at any time, to or for the benefit of such person or persons who are in the permanent employment of the Company and the Directors of the Company, equity shares of the Company under any Employee Stock Option Scheme at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide prior to the issue and offer thereof, for, or which upon exercise or conversion could give rise to the issue of equity shares not exceeding in the aggregate five per cent of the issued equity shares of the Company on 31st March, 2000.

RESOLVED FURTHER that subject to the terms stated herein, the equity shares allotted pursuant to the aforesaid resolution shall in all respects rank *pari passu inter se* as also with the then existing equity shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to any offer, issue or allotment of equity shares or securities or instruments representing the same, as described above, under any Employee Stock Option Scheme, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such issue(s) or allotment(s) (including to amend or modify any of the terms of such issue or allotment), without being required to seek any further consent or approval of the members, as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER that the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors, or the Managing Director of the Company.

Registered Office :

1, Sagore Dutta Ghat Road
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Calcutta 700 058
6th July, 2000

By Order of the Board
A. Ray
Managing Director

Notes :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and the proxy need not be a member of the Company. Such proxies, in order to be effective, must be received by the Company at its Registered Office at 1, Sagore Dutta Ghat Road, Kamarhati, Calcutta-700 058, at least 48 hours before the meeting.
2. The relative Explanatory Statements pursuant to Section 173 (2) of the Companies Act, 1956 in respect of items of Special Business is annexed hereto.
3. Members are requested to deposit their shares for transfer / transmission / sub-division etc. and to send all other correspondence to the Registrars of the Company, ABC Computers Pvt. Ltd., National Council of Education, Bengal, Jadavpur University Campus, Calcutta 700 032.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 27.09.2000 to 28.09.2000 (both days inclusive).



EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No. 4

Mr Navin Agarwal has been appointed a Director with effect from 30th March 2000 in the casual vacancy caused by the resignation of Mr B M Khaitan and is eligible for reappointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice, in writing along with a deposit of Rs. 500.00 from a member signifying his intention to propose the candidature of Mr Navin Agarwal for the office of Director.

Except Mr Navin Agarwal, no Director is in any way concerned with or interested in the Resolution at Item No.4 of the Notice.

Item No. 5

Mr S C Krishnan, has been appointed a Director with effect from 30th March 2000 in the casual vacancy caused by the resignation of Mr P Magor and is eligible for reappointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice, in writing, along with a deposit of Rs. 500.00 from a member signifying his intention to propose the candidature of Mr S C Krishnan for the office of Director.

Except Mr S C Krishnan, no Director is in any way concerned with or interested in the Resolution at Item No.5 of the Notice.

Item No. 6

Mr Tarun Jain, has been appointed a Director with effect from 30th March 2000 in the casual vacancy caused by the resignation of Mr D Khaitan and is eligible for reappointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice, in writing, along with a deposit of Rs. 500.00 from a member signifying his intention to propose the candidature of Mr Tarun Jain for the office of Director.

Except Mr Tarun Jain, no Director is in any way concerned with or interested in the Resolution at Item No.6 of the Notice.

Item No. 7

Mr Agnivesh Agarwal has been appointed a Director with effect from 30th March 2000 in the casual vacancy caused by the resignation of Mr S Goenka and is eligible for reappointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice, in writing, along with a deposit of Rs. 500.00 from a member signifying his intention to propose the candidature of Mr Agnivesh Agarwal for the office of Director.

Except Mr Agnivesh Agarwal, no Director is in any way concerned with or interested in the Resolution at Item No.7 of the Notice.

Item No. 8

Section 293 (1)(d) of the Companies Act, 1956 provides that the Board of Directors shall not, except with the consent of Company in General Meeting, borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves not set apart for any specific purpose.

At the Annual General Meeting of the Company held on 22nd August 1995, a Resolution was passed by the members authorising the Board of Directors to borrow monies upto a limit of Rs.300,00,00,000 (Rupees three hundred crore only).

The aforesaid existing limit is not sufficient in view of the fact that the Company's requirement of funds sometime may exceed the limit. Further, with enhancement of the limit, the Company can borrow short term funds at lower rates of interest to reduce the borrowings carrying high rates of interest.

In order to overcome the above limitation and to have flexibility of borrowings of right amount at reasonable rate to finance operations of the Company, it is necessary to enhance the existing limit. The consent of the members under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, is therefore



sought to enable the Board of Directors to borrow monies (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) as and when required up to a limit of Rs.500,00,00,000 (Rupees five hundred crore only).

None of the Directors of the Company is concerned with or interested in the Resolution.

Item No. 9

In the long term interest of the Company and its shareholders, it is necessary that the Company adopts measures for attracting and retaining qualified, talented and competent personnel. It is also necessary to keep them continuously motivated to create value for shareholders. Towards this end, it is proposed to introduce the following Stock Option Scheme for the permanent employees of the Company and its Directors, in accordance with the provisions of the prevailing law :

OTHER FEATURES OF THE SCHEME

(a) The total number of options to be granted

The total number of Options that could be issued, under the above Scheme:

Upto 5% of the issued equity shares of the Company (i.e. 1,12,12,388 shares).

(b) Identification of classes of employees entitled to participate in the Schemes

Persons as are in permanent employment in the covenanted cadre of the Company including Directors, as may be decided by the Compensation Committee, constituted by the Board.

(c) Vesting, requirement of vesting and period of vesting

Vesting to commence after a period of one year from the date of grant and may extend upto four years from the date of grant. The vesting may occur in tranches subject to the terms and conditions of vesting as may be stipulated by the Compensation Committee, which may include satisfactory performance of the employee.

(d) Pricing Formula

The employees will be granted Stock Option/Stock Appreciation Rights based on performance and other parameters as may be decided by the Compensation Committee. The price for the purpose of grant will be computed on the basis of the average of the high & low National Stock Exchange Quotes during the year for which performance is evaluated. Vesting commences after a period of one year from the date of grant and may extend up to 4 years. For ascertaining the appreciation, the price for the purpose of exercise will also be computed as the average of high & low National Stock Exchange Quotes during the period of 12 months ending on the date of 'exercise'.

In the case of Stock Options, the shares are allotted to the employee on exercise of the options and the employee pays the balance grant price per share.

None of the Directors of the Company is concerned with or interested in the Resolution.

Registered Office :

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6th July, 2000

By Order of the Board
A. Ray
Managing Director



Directors' Report

The Directors hereby present the Annual Report and Accounts for the Financial Year ended 31st March, 2000.

COMPANY'S PERFORMANCE

	Year ended 31st March, 2000 (Rs. in crores)
Profit before Finance Cost and Depreciation	25.62
Finance Cost	49.51
Depreciation	16.51
Taxation	—
Net Profit/(Loss)	(40.40)*
Loss brought forward from previous year	(2.90)
Write Back of Excess Income Tax Provision	2.50
Profit/(Loss) carried to Balance Sheet	(40.80)

* Include Rs. 25.07 crore write off on account of claims/rebates and discount pertaining to earlier years.

STRATEGIC ALLIANCE WITH STERLITE GROUP

The Company has entered into a strategic alliance with the Sterlite Group consequent upon which The Madras Aluminium Co. Ltd. (MALCO), a Group Company of Sterlite acquired 38.80% of shares in the Company. The Company is implementing a major restructuring plan in the following areas :

- i. Focus on value-added products
- ii. Financial Re-engineering
- iii. Significant cost reduction drive
- iv. Reduction in employment cost through Voluntary Separation Scheme

Your Directors are confident that with the implementation of the restructuring programme, the Company with its inherent strength and potential and emphasis on adherence to systems and corporate governance will be able to re-establish itself as a formidable market force in the foil and flexible packaging industry.

ISSUE OF CAPITAL

Consequent upon the Subscription Agreement, The Madras Aluminium Co. Ltd. (MALCO) has been allotted 1,10,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 23.50 per share (inclusive of premium) and 10% of 1,00,00,000 warrants with an option to convert the same into equal number of Equity Shares of Rs. 10/- each at a price of Rs. 23.50 per share (inclusive of premium).

RESEARCH & DEVELOPMENT

Research & Development (R&D) continues to receive priority in the activities of the Company. The R&D set-up is being strengthened to enable introduction of new products as also new cost saving process and adding products-plus to its existing range of products. During the year under review, the Company had



already developed and started marketing a wide range of extrusion coated laminates, ultra light gauge foil and laminates and cold formed laminates for packaging of pharmaceutical formulations.

QUALITY MANAGEMENT

Kamarhati, Hoera and Taratala factories had successfully gone through the Re-certification Audit for continuance of ISO 9002:1994 Certification. Substantial reduction in non-conformance from documented procedures were noticed in the revitalised internal Quality Audits.

THE ENVIRONMENT

With the increasing awareness on pollution control and environment, the Company continues to give high priority to safety and environmental issues. Taratala and Hoera units have successfully gone through their Annual Surveillance Audit for continuance of ISO 14001:1996 Environmental Management Systems Standards Certification. Marked improvement has been noticed through achievement of objectives and targets under ISO 14001:1996 in the area of better utilisation of contaminated Rolling Oil.

Y2K COMPLIANCE

The Company has successfully rolled over Y2K without having any effect on its operations.

DIRECTORS

Consequent to the strategic alliance the following Directors have resigned :

Mr B M Khaitan, Mr Deepak Khaitan, Mr R B Magor, Mr P Magor, Mr P K Kaul, Mr S Goenka, Lt. Gen. K S Brar and H. H. Maharaja Gaj Singh and the following Directors viz. Mr Navin Agarwal, Mr. Agnivesh Agarwal, Mr Tarun Jain and Mr S C Krishnan have joined the Board as Directors in the casual vacancies created by the resignations of Mr B M Khaitan Mr S Goenka, Mr D Khaitan and Mr P Magor respectively. Mr A Khaitan will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for reappointment.

AUDITORS

The Auditors, Price Waterhouse, Chartered Accountants, retire at the forthcoming Annual General Meeting, and are eligible for reappointment.

CONSERVATION OF ENERGY

Pursuant to the provisions of Section 217 (i)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, full particulars are given in statement as Annexure 'A' which forms a part of this Report.

PARTICULARS OF EMPLOYEES

As required by the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975 the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956 the Report and the Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company at its Registered Office.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continuing support from our valued customer, our suppliers, the Financial Institutions, Company's Bankers, the Government of West Bengal, Shareholders and our employees, during a very difficult period in the life of this Company.

On behalf of the Board

Calcutta
6th July, 2000

A. Ray
Managing Director