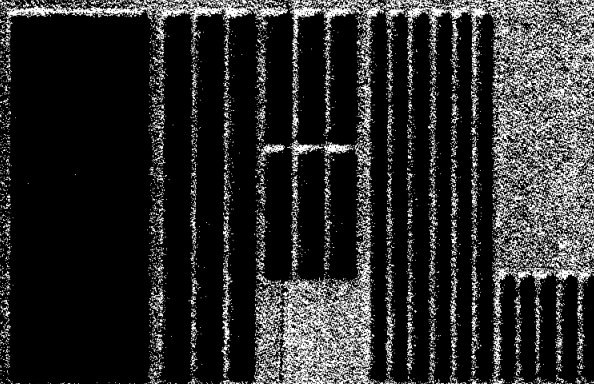


ANNUAL REPORT

2001 - 2002



INDIA FOILS LIMITED

INDIA FOILS LIMITED

Directors

Navin Agarwal
Tarun Jain
S. C. Krishnan
Agnivesh Agarwal
A. Khaitan
Alok Agarwal - *Nominee of ICICI Bank Ltd.*

Secretary

Sandeep Agrawal

Auditors

Price Waterhouse

Registrars & Share Transfer Agents

AXC Computers Pvt. Ltd.
National Council of Education, Bengal
Jadavpur University Campus
Kolkata - 700 032

Bankers

ABN Amro Bank N. V.
State Bank of India
United Bank of India
Bank of Baroda
Indian Overseas Bank
Canara Bank
Bank of India

Registered Office

1, Sagore Dutta Ghat Road
Kamarhati
Kolkata - 700 058

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INDIA FOILS LIMITED**DIRECTORS' REPORT**

Your Directors take pleasure in presenting the Forty First Annual Report of the Company with the audited accounts for the financial year ended 31st March, 2002 :

FINANCIAL RESULTS**(Rs. in Crores)**

Year ended 31st March	2002	2001
Income from operations	245.46	285.24
Profit before Finance Cost and Depreciation	18.50	33.35
Less : Finance Cost	32.24	38.13
Gross Profit	(13.74)	(4.78)
Less : Depreciation	16.09	16.31
Profit/Loss Before Tax	(29.83)	(21.09)
Add : Taxation for the year	8.79	—
Net Profit/(Loss)	(21.04)	(21.09)

OPERATIONAL PERFORMANCE

During the year under review there has been a general slowdown of economy resulting in slackness of domestic demand growth. Most of the major aluminium producers witnessed sluggish off take due to drop in demand accompanied by inventory correction by the end users. The average realizations fell as the manufacturers were forced to offer discounts on the prices due to pressure of capacity utilization. Like the other major aluminium producers, especially in the downstream segment, your Company's operation also suffered during the fiscal 2001-2002. The fall in the turnover is also due to no production in your Company's Taratalla unit during February & March 2002.

Despite the sluggish demand, falling realization and lower operations your Company has been able to reduce its losses mainly by adopting appropriate cost control measures and reduction of finance cost through financial restructuring with the Financial Institutions. Simultaneously your Company has also been able to significantly reduce the working capital employed in the business by Rs. 32.12 crores and this reduction has been primarily employed to fund the cash losses, redemption of preference shares and long-term borrowings.

FUTURE PLANS

In order to increase volume, the Company besides focusing on domestic market is also aggressively pursuing growth opportunities in the export market. The Company has in the recent months made significant breakthrough in the overseas markets and achieved appreciable growth in export volumes. Your Company's products have been well received in new markets in UAE, USA and emerging markets in South-East Asia.

Coupled with the above measures and with a state-of-the-art of rolling mill, backed by technology to manufacture ultra light gauge foil and signs of economic revival in the country, your Directors are optimistic about the current financial year.

During the year your Company appointed one of the leading international consultants to work on a project for achieving a turnaround of the Company. The project initiated is underway and significant improvement has been achieved in the areas of production excellence, metal recoveries, high value-added product volumes and control on cost. The benefits of these measures are expected to be visible from the results of the current year.



The Company is reorienting itself to the fast changing market needs and the increased level of customer's expectations with the philosophy of offering more value for money to its customers.

RESEARCH & DEVELOPMENT

Research & Development (R&D) activities continue to receive priority in the activities of the Company. During the year the R&D infrastructure was strengthened by incorporation of young and energetic engineers/technologists from various disciplines of engineering and technology. Innovation of new cost saving materials and production processes has resulted in addition of new products to the existing range of products. In the current fiscal year, your Company has developed and started marketing of lidding foil, wax-less chewing gum wrap, blister pack for ultra-high speed machines & ultra light gauge foil and foil-laminates through the continued focus on R&D.

ENTERPRISE RESOURCE PLANNING

Your company has successfully implemented the SAP R/3 Enterprise wide Resource Planning software at all its manufacturing locations and branches during the year. The successful implementation of SAP ERP package across the organization has integrated the operations of the Company and has accelerated the decision-making process and the overall efficiency of customers order fulfillment. Successful implementation of SAP has also resulted in bringing the marketing setup of the company closer to the manufacturing facilities.

DIRECTORS

Mr. Tarun Jain and Mr. Agnivesh Agarwal will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Report on Corporate Governance as prescribed by the Listing Agreement is annexed and forms a part of the Annual Report. The Auditors Certificate of the provisions of the Corporate Governance as mentioned in the Listing Agreement is also attached.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

- i) in the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departure, if any.
- ii) they had selected such accounting policies and applied them consistently, and made judgements 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, 2002 and of the loss of the company for that period.
- iii) They had 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.
- iv) they had prepared the annual accounts on a going concern basis.

AUDITORS AND AUDITORS REPORT

M/s. Price Waterhouse, Chartered Accountants, the Auditors of the Company, retire at the forthcoming Annual General Meeting, and are eligible for re-appointment. The Auditor's observation in their report and the relative notes on the accounts are self-explanatory & therefore, do not call for any further comments or explanations.

INDIA FOILS LIMITED

PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Particulars prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is annexed hereto as Annexure A, which forms a part of the Directors 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 Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENT

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

Place : Mumbai
Date : 27th June, 2002

On behalf of the Board
NAVIN AGARWAL
Director

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ANNEXURE 'A' TO DIRECTORS' REPORT

COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

I. CONSERVATION OF ENERGY

A) Power and Fuel Consumption

1. Electricity

	Current Year	Previous Year
(a) Purchased		
Unit (KWH)	29460194	36256148
Total Amount (Rs. Lacs)	1231.66	1487.17
Rate/Unit (Rs./KWH)	4.18	4.10
(b) Own Generation		
i) Through Diesel Generators (KWH)	546610	94822
Unit/Litre of Diesel Oil	2.67	1.33
Cost/Unit (Rs./KWH)	6.23	11.90
ii) Through Steam Turbine Generator		
Unit per Ltr. of Fuel	} Not Applicable	
Oil/Gas		
Cost/Unit		

2. Coal

Qty. (Tonnes)	} Not Applicable	
Total (Cost)		
Average rate		

3. Furnace Oil

Qty. (K.Litres.)	4401.64	5305.00
Total amount (Rs.lacs)	394.90	505.73
Average Rate (Rs./K.Litres)	8971.66	9533.09

4. Other / Internal generation

Qty.	} Not Applicable	
Total		
Rate/Unit		

B) Consumption per Unit of Production

Products (with details of Unit)	Current Year	Previous Year
Aluminium Foils including poly-coated		
Cable Wrap and laminated flexible Packages		
Electricity (KWH/MT)	3080	3712
Furnace Oil (Ltr./MT)	452	542
Coal (Specify Quality)	NA	NA
Others (Specify)	NA	NA

C) Some of the significant measures adopted are :

- Optimisation of loading of furnaces
- Feed water management to reduce furnace oil consumption
- Change in annealing cycle resulted in reduce power consumption.
- Changes in charging schedule of Caster, maintaining proper heel in furnace and regular cleaning of burners, resulted in reduced furnace oil consumption.
- Replacement of high power low lux lamps with low power high lux lamps.

II. TECHNOLOGY ABSORPTION

Research and Development (R & D)

1. Specific areas in which R & D Work is being carried out by the Company

- To develop foil laminates for healthcare industries with capability to suit high productivity packaging lines. It will also incorporate higher package reliability for new sensitive products.
- To develop the products which are technologically supreme in order to compete in international market.
- Improvement of existing products through process optimisation.

iv) Development of products with special emphasis on the application of foil in new areas in the fields of polyester and polypropylene caps for food related industries.

v) Company is contemplating to undertake joint research and investigation on the above areas with premier technological institutions such as DRDO, BARC, IITS, CSIR Laboratories, B E College, ISI and IIT, Kharagpur.

2. Benefits derived as a result of the above R & D

- Import substitution
- More Value Added Products
- Extended Utilisation of Metal
- Improvement in Metal Hygiene
- Development of Alloys for ultra light gauge cold rolling

3. Future Plan of Action

Attention has been paid to develop value added products in order to improve the market share in Indian Sub-Continent and South-East Asia and enter new markets in the United States of America and Australia.

To develop new foil based products, R & D of IFL is constantly involved with different Government agencies to achieve the desired result.

4. Expenditure on R & D

(Rs. in lac)

a) Capital	—
b) Recurring	—
c) Total	—
d) Total as % of Turnover	— (%)

Technology Absorption, Adoption and Innovation

1. Efforts made

Development of blends to improve performance and create import substitution in the area of thermoseal resins for diverse packaging needs.

Morphological & Textural studies being carried on to improve performance as per international quality standards & to increase market share in export market.

2. Benefits

Considerable benefits have been derived through the technology interaction in developing new products and improved quality compatible to international manufacturers i.e. successfully manufactured 5 MT Cigarette Foil without joints, Cigarette Foil with Shellac wash and both side printed foil for pharmaceutical applications.

III. FOREIGN EXCHANGE EARNINGS & OUTGO

i) Activities relating to Export/initiatives taken to increase Export and Export plans

The Company has intensified its efforts in the export market and has plans to substantially enhance the exports.

ii) Total Foreign Exchange used and earned

(Rs.in lac)

Total usage	2036.60
(including Import of Capital Goods of Rs. 24.02 lac)	
Total earnings	3597.08

Mumbai
27th June, 2002

On behalf of the Board
NAVIN AGARWAL
Director

INDIA FOILS LIMITED

REPORT ON CORPORATE GOVERNANCE

The following is a report on the implementation of the Code on Corporate Governance by your Company.

1. Company's Philosophy on Corporate Governance

The Company firmly believes in good corporate governance and has endeavoured to practice and to further improve its focus on it by increasing transparency and accountability to its shareholders in particular and other stakeholders in general.

2. Board of Directors (Board)**Composition**

The Board consists of six members comprising :

- Two Non Executive Independent Directors ;
- One Non Executive Independent Director, being nominee of the Financial Institution.
- Three Non Executive Directors.

The Non Executive Directors bring independent judgement in the Board's deliberations and decisions.

Board Meetings held during the year

During the financial year ended 31st March 2002, Five Board meetings were held on 14th May 2001, 27th June 2001, 30th July 2001, 31st October 2001 and 28th January 2002.

Attendance of Directors at the Board Meetings and the last Annual General Meeting

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM held on 27th September 2001
Mr. Navin Agarwal	Non-Executive	4	No
Mr. Tarun Jain	Non-Executive Independent	5	No
Mr. S. C. Krishnan	Non-Executive Independent	4	Yes
Mr. Agnivesh Agarwal	Non-Executive	1	No
Mr. A. Khaitan	Non-Executive	—	No
Mr. Alok Agarwal	Nominee of Financial Institution - Non-Executive Independent	1	No
Mr. A. Ray*	Managing Director	1	N.A.

* Resigned with effect from 4th June 2001
(N.A. indicates Not Applicable)



Number of other Directorships or Board Committees of which Director is a member :

Name of Director	No. of other Directorship(s) in Public Limited Companies incorporated in India	No. of Membership(s) in other Board Committees*	No. of Chairmanship(s) in other Board Committees*
Mr. Navin Agarwal	10	5	—
Mr. Tarun Jain	3	2	—
Mr. S. C. Krishnan	2	2	—
Mr. Agnivesh Agarwal	2	—	—
Mr. A. Khaitan	11	5	—
Mr. Alok Agarwal	4	—	—

* Only Committee positions held in Audit, Remuneration and Shareholders' Grievance Committee in Public Limited Companies have been considered.

3. Audit Committee

The Audit Committee was constituted by the Board in January 2001 and specifically laid out to fully comply with the requirements of Clause 49 of the Listing Agreements with the Stock Exchanges and the spirit of Corporate Governance. The Committee also oversees compliance with the Companies Act.

A) Composition

The Committee consists of three members, all being non-executive directors including one director having financial and accounting knowledge. The Chief Financial Officer is a permanent invitee in all meetings of the Committee. The Company Secretary acts as the Secretary to the Committee. The names of the members of the Committee are Mr. Navin Agarwal, Mr. Tarun Jain and Mr. S. C. Krishnan.

B) Terms of Reference

The brief description of the terms of reference of the Audit Committee is :

- Overview of the Company's financial reporting process and the disclosure of its financial information.
- Recommendation in respect of appointment/removal, nature and scope of audit, fixation of audit fee and approval for payment of any other services to the external auditors.
- Review of half yearly and annual financial statements before submission to the Board.
- Review of internal audit reports and statutory auditor's reports.
- Review of adequacy and effectiveness of internal audit functions, accounting and financial controls of the Company, compliance with the Companies' policies and applicable laws and regulations.

The Audit Committee may also review such matters as considered appropriate by it or referred to it by the Board.

C) Meetings and Attendance during the year

The Audit Committee meets at least thrice a year. One meeting is held before finalisation of annual accounts and one every six months inter-alia, for review of half yearly financial statements. An independent director is elected as the Chairman of the Committee meeting by the members present at each meeting. During the financial year 2001-2002, the Committee met on 27th June 2001, 31st October 2001 & 28th January 2002 under the Chairmanship of Mr. S. C. Krishnan.

The attendance of the members at these meetings was as follows :

INDIA FOILS LIMITED

Name of the Member	Status	No. of Meetings Attended
Mr. Navin Agarwal	Non-Executive Director	2
Mr. Tarun Jain	Non-Executive Independent Director	3
Mr. S. C. Krishnan	Non-Executive Independent Director	3

4. Remuneration Committee

In terms of Clause 49 of the Listing Agreement, the Remuneration Committee of the Company, consisting of three Non-Executive Directors namely, Mr. Navin Agarwal, Mr. Tarun Jain and Mr. Agnivesh Agarwal was formed with effect from 14th May 2001. The Chairman of the meeting is elected by the members present at each meeting. The remuneration package and the terms of appointment of the Executive Directors/Managers and Senior Officers are reviewed by the Committee.

Details of remuneration to Directors

Name	*Salary Rs.	Contribution to Provident & Other Funds Rs.	Perquisites Rs.	Sitting Fees Rs.	Total Rs.
Mr. Navin Agarwal	NA	NA	NA	NIL	NIL
Mr. Tarun Jain	NA	NA	NA	NIL	NIL
Mr. S. C. Krishnan	NA	NA	NA	NIL	NIL
Mr. Agnivesh Agarwal	NA	NA	NA	NIL	NIL
Mr. A. Khaitan	NA	NA	NA	NIL	NIL
Mr. Alok Agarwal	NA	NA	NA	2000	2000
Mr. A. Ray	7,20,830	1,20,699	1,34,625	NA	9,76,154

* Salary includes performance bonus and leave salary on demission of Office.
(NA indicates not applicable)

The above remuneration is within the limit as approved by the Central Government.

5. Share Transfer and Shareholders' / Investors' Grievance Committee

In terms of Clause 49 of the Listing Agreement, the Share Transfer and Shareholders' / Investors' Grievance Committee was constituted with effect from 14th May 2001.

Composition

The Share Transfer and Shareholders' / Investors' Grievance Committee presently consists of three Non-Executive Directors, viz. Mr. Navin Agarwal, Mr. Tarun Jain and Mr. S. C. Krishnan. The Chairman of the meeting is elected by the members present at each meeting. The Company Secretary acts as the Secretary to the Committee. The Committee deals with matters relating to shareholders/investors including complaints and grievances received from them.

Compliance Officer

AXC computers Private Limited, the Share Registrars, is acting as a Compliance Agent in respect of matters relating to shareholders/investors including complaints and grievances received from them. Mr. Sandeep Agrawal, the Company Secretary of the Company has been appointed as the Compliance Officer on behalf of the Company and is responsible for monitoring the Share Transfer process and report to the Company's Share Transfer and Shareholders'/Investors' Grievance Committee.



Shareholders' Complaints

During the year, the Company received ninety three complaints from the shareholders. As on date, no complaints are pending as all the complaints were attended and resolved to the satisfaction of the shareholders.

Pending Share Transfers

The Company's shares are compulsorily tradable in electronic form and as such the Company receives few transfers in physical form. During the year ended 31st March 2002, the Company processed 53,74,983 shares for transfer. As on 31st March 2002, 510 shares were pending for transfer which were subsequently transferred within 30th April 2002.

6. General Body Meeting

A. Location and time for last three Annual General Meetings :

Financial Year Ended	Date of AGM	Venue	Time
31st March 2001	27th September 2001	Nazrul Manch 1, M. M. Feeder Road, Kolkata - 700 057	11.00 am.
31st March 2000	28th September 2000	Nazrul Manch 1, M. M. Feeder Road, Kolkata - 700 057	10.00 am.
31st March 1999	16th September 1999	G. D. Birla Sabhaghar 29, Ashutosh Chowdhury Avenue, Kolkata - 700 019	11.00 am.

B. No resolution was put through postal ballot during the year ended 31st March 2002 nor any proposed to be conducted in the ensuing Annual General Meeting.

C. Information about Directors proposed to be re-appointed as required under Clause 49 VI(A) of the Listing Agreement with the Stock Exchanges is furnished below.

Brief Resume and other Information of the Directors proposed to be Re-appointed

1. **Mr. Tarun Jain**, aged 42 years, is a Chartered Accountant and also a member of The Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India with wide expertise in the field of accounting, finance and other related areas. He is presently holding the following offices :

Name of Company	Nature of Office
Bharat Aluminium Company Ltd.	Director
The Madras Aluminium Company Ltd.	Director and Member - Audit Committee and Shareholders'/ Investors' Grievance Committee
Sterlite Opportunities & Ventures Ltd.	Director
Trimbhak Investment & Finance Services (P) Ltd.	Director
TJ Stockbroking Services (P) Ltd.	Director
First Dynasty Mines	Director

2. **Mr. Agnivesh Agarwal**, aged 26 years, is a noted industrialist with wide experience in Aluminium Flexible Packaging and other related products and is presently holding the following offices :

Name of Company	Nature of Office
The Madras Aluminium Company Ltd.	Director
Shree Cements Ltd.	Director
Agarwal Galvanising Ltd.	Director