

ANNUAL REPORT 2002 - 2003



INDIA FOILS LIMITED

**Directors**

Navin Agarwal
 Tarun Jain
 Deb Bandyopadhyay
 Haigreva Khaitan
 A. Khaitan
 K. M. Jayaroa - *Nominee of ICICI Bank Ltd.*

Secretary

Sandeep Agrawal

Auditors

Price Waterhouse

Registrars & Share Transfer Agents

MCS Limited
 77/2A, Hazra Road
 Kolkata - 700 029

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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**NOTICE**

Notice is hereby given that the 42nd Annual General Meeting of India Foils Limited will be held at Nazrul Manch, 1 M.M. Feeder Road, Kolkata - 700 057 on 31st March 2004 at 11.00 a.m. to transact the following business :

1. To receive, consider and adopt the Profit & Loss Account of the Company for eighteen months ended 30th September 2003 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint Director in place of Mr. Navin Agarwal who retire by rotation, and being eligible, offer himself for re-appointment.
3. To appoint Director in place of Mr. Aditya Khaitan who retire by rotation, and being eligible, offer himself for re-appointment.
4. To appoint Mr. Deb Bandyopadhyay as Director who had been appointed as Additional Director w.e.f. 30th January 2003.
5. To appoint Mr. Haigreve Khaitan as Director who had been appointed as Additional Director w.e.f. 31st May 2003.
6. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution :

"RESOLVED that pursuant to the provisions of Section 198, 269, 387 and 388 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the said Act' including any modification(s) or re-enactment(s) thereof for the time being in force), approval of members be and is hereby accorded for appointment of Mr. Biswajit Sarkar as Manager of the Company from 7th December 2003 to 6th December 2005 for an aggregate period of 2 years on the remuneration as approved by Board of Directors at its meetings held on 4th March 2004, and as set out in the Explanatory Statement attached to the notice convening this meeting, a copy whereof initialed by the chairman for identification is placed before the meeting.

RESOLVED FURTHER that the Board be and is hereby authorized to alter, vary and modify the said terms including salary, allowances, perquisites and designation, in such manner as may be agreed to between the Board and Mr. Biswajit Sarkar within and in accordance with and subject to the limits prescribed in Schedule XIII to the said Act, or as may be stipulated by the Central Government and as may be agreed to between the Board and Mr. Biswajit Sarkar.

RESOLVED FURTHER the Board be and is hereby authorized to execute all such documents, writings and agreements and to do all such acts, deeds, matters and things as may be required or expedient for giving effect to this resolution."

Registered Office :
1, Sagore Dutta Ghat Road
Kamarhati
Kolkata - 700 058
4th March, 2004

By Order of the Board

NAVIN AGARWAL
Director

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead himself/herself/itself and a 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, Kolkata - 700 058, at least 48 hours before the meeting.
2. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item 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, MCS Limited, 77/2A, Hazra Road, Kolkata - 700 029.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 26th March 2004 to 31st March 2004 (both days inclusive).

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

ITEM NO. 5

As the Company is a public limited company with paid-up share capital of more than Rs. 5.00 crores, it is required to compulsorily appoint, in terms of sub-section(1) of section 269, either a managing director or a whole-time director or a manager. The Board of Directors of the Company at its meeting held on 4th March 2004 decided to appoint, with effect from 7th December 2003, Mr. Biswajit Sarkar, as Manager of the Company in place of Mr. Sanjay Samaddar, Manager, since resigned with effect from 6th December 2003.

The salient features of the appointment of Mr. Biswajit Sarkar are as follows :

i) Period :

Two years from 7th December 2003 to 6th December 2005.

ii) Salary :

Such sum as may be decided by the Board from time to time but not exceeding Rs. 2,00,000/- (Rs Two Lacs only) per month being the amount permitted under Schedule XIII to the Act based on the effective capital of the Company .

iii) Perquisites :

- a) The Manager shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance, together with utilities there for such as gas, electricity, water, furnishings, repairs, servants' salaries, society charges and property tax, medical reimbursement, medical/accident insurance, leave travel concession for himself and his family, club fees, etc., in accordance with the rules of the Company or as may be agreed to by the Board of Directors. Such perquisites to be restricted within the overall limits prescribed by Schedule XIII of the Companies Act, 1956.
- b) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such rules, perquisites shall be evaluated at actual cost. Provided, use of the Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.
- c) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income-Tax Act. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

iv) Minimum Remuneration

During the currency of the tenure of the Manager, if the Company has no profit or its profits are inadequate in any financial year, the Company shall pay remuneration by way of Salary and Perquisites not exceeding the limits specified in Section II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

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

Registered Office :
1, Sagore Dutta Ghat Road
Kamarhati
Kolkata - 700 058
4th March 2004

By Order of the Board

NAVIN AGARWAL
Director

INDIA FOILS LIMITED**DIRECTORS' REPORT**

Your Directors take pleasure in presenting the Forty Second Annual Report of the Company with the audited accounts for the period ended 30th September 2003 :

FINANCIAL RESULTS

	18 months ended 30th September 2003 (Rs. in Crores)	Year ended 31st March 2002 (Rs. in Crores)
Income from operations	287.80	245.46
Profit before Finance Cost and Depreciation	14.83	18.50
Less : Finance Cost	35.00	32.23
Gross Profit	(20.17)	(13.73)
Less : Depreciation	23.62	16.09
Profit/Loss Before Tax	(43.79)	(29.82)
Add : Taxation	(22.89)	8.79
Net Profit/(Loss)	(66.68)	(21.04)

OPERATIONAL PERFORMANCE

The period under review witnessed decrease in production of foils to 8039 Mt (Annualised to 12 months) from the previous year's 9844 Mt registering a decline of 18.33%. Industry remained plagued by competitive pressures, slackness in the domestic demand growth and over supply position. The average realizations dropped further due to demand supply mismatch and companies were forced to offer discounts on the prices due to pressure of capacity utilization. Like the other major aluminium producers, especially in the downstream product segment, your Company's operation also suffered specially with the substitution of aluminium foils with metallic paper by most of the cigarette manufacturer in India including ITC Limited. Your company was the major supplier of aluminium foil to all these cigarette manufacturers. The fall in the turnover is mainly on account of poor off take from the telecommunication sector, which contributed substantially in the past years and also due to suspension of production in your Company's Taratalla unit from April 2002 and Hoera unit from September 2003.

Despite the sluggish demand, reduced realization and downsize in operations, your Company has been able to sustain its performance and the losses have not further increased as compared to last year operation mainly due to adopting cost control measures at all levels in the operations of the Company, strategy of value addition, a thrust on richer product-mix, improved operational efficiencies and increased focus on the services being provided to the customers. Consequently, gross loss for the year has been reduced to 13.44 crores (Annualised to 12 months) from Rs. 13.73 crores last year.

FUTURE OUTLOOK

The financial results of the last financial year ended on 30th Sept. 2003 together with the losses sustained by the company during last couple of years were not encouraging. After the takeover by Sterlite Group in 2000, the Company is striving hard with the support of the group to align its operations following the international practices. The company had due to unforeseen & unavoidable circumstances suspended the operation of its Taratalla & Hoera Plant temporarily. With the suspension of production at Taratalla & Hoera unit your Company is presently working under the concept of single plant operation with lower manpower and operating cost and higher contribution to sustain the margins and its Kamarhati Plant is running at full swing. As a long-term strategy of single plant operation the company is exploring the possibility of shifting the critical equipment of its other Unit to its



Kamarhati plant in order to achieve increased volumes and increased productivity. The Company has also refurbished its equipment at Kamarhati in order to cater to the demand in the domestic & international market.

CAPITAL RESTRUCTURING

During the 18 months ended 30th September 2003 your Company had issued 2750000, 8% Cumulative Redeemable Preference Shares of Rs.100 each redeemable at par on 29th September 2008.

EXTENTION OF FINANCIAL YEAR

Your Company had, vide Board Resolution dated 27th June 2003, extended the financial year commencing from 1st April 2002 to 31st March 2003 by six months, i.e. upto and inclusive of 30th September 2003 for which necessary permission was obtained from the Registrar of Companies, West Bengal as required under Section 210(4) of the Companies Act, 1956. Necessary permission was also obtained for extension of time for holding corresponding AGM of the Company.

DIRECTORS

Sri S. C. Krishnan and Sri Agnivesh Agarwal, Directors of the Company resigned from the Board during the year under review. Your Directors wish to place on record and acknowledge the substantial and valuable contribution made by them towards the growth of the Company.

Mr. Deb Bandyopadhyay has been appointed as additional director w.e.f. 30th January 2003. Mr. Haigreve Khaitan has been appointed as additional director w.e.f. 31st May 2003. Their appointments are subject to approval by shareholders. Your Directors recommend their appointment.

Sri Navin Agarwal and Sri Aditya Khaitan will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

EROSION OF NET WORTH

The Report on Erosion of Net Worth of Your company by more than 50% has already approved at the Extra Ordinary General Meeting dated 27th September 2001 and the same was Reported to BIFR in terms of Section 23(1)(a)(ii) of Sick Industrial Companies (Special Provision) Act, 1985. However during the current financial period the net worth of your company has been fully eroded due to reversal of deferred tax assets recognized in the previous year. Your directors will obtain appropriate legal advice on the further course of action in this regard particularly in view of provisions contained in the Companies (second Amendment) Act 2002 and the Sick Industrial Companies (Repeal) Act, 2003.

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.

AUDITORS REPORT

With reference to the submissions of the Auditors in Para 4 of their report, the Board of Directors of the Company have to submit that the notes on accounts referred to in the Auditors Report are self explanatory & therefore do not require any further comments under section 217(3) of the Companies Act, 1956.

AUDITORS

M/s. Price Waterhouse, Auditors of your Company, retires at the forthcoming Annual General Meeting and being eligible under Section 224(1B) of the Companies Act, 1956, offers themselves for re-appointment. Your Directors recommend that the retiring auditors be re-appointed to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting.

INDIA FOILS LIMITED

PUBLIC DEPOSITS

The Company has not accepted any Deposits from Public during the year. As on 30th September 2003 fixed deposit outstanding with the company stood at Rs.0.22 lacs.

PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

Information as prescribed under 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, viz., a report on the conservation of energy, technology absorption, foreign exchange earnings and outgo, is given in the annexure A attached hereto and forms part of this Directors Report.

PARTICULARS OF EMPLOYEES

Information as required under Section 217(2A) of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975, is 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirms 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 on 31st March 2003 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.

ACKNOWLEDGEMENT

Your Directors greatly acknowledged the Co-operation and assistance received from the Central and State Government, our valued customers, our suppliers, the Financial Institutions and the Company's Bankers.

Your Directors would also like to acknowledge the continued support of the Company's shareholders.

In conclusion, your Directors would like to record its deep appreciation of the dedicated support and services rendered by the Company's employees at all levels during a very difficult period in the life of this Company.

Place : Mumbai
Date : 4th March 2004

On behalf of the Board
NAVIN AGARWAL
Director



ANNEXURE 'A' TO DIRECTORS' REPORT

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

I. CONSERVATION OF ENERGY		Current	Previous
A) Power and Fuel Consumption		Year	Year
1. Electricity			
(a) Purchased			
Unit (KWH)		41054584	29460194
Total Amount (Rs. Lacs)		1828.34	1231.66
Rate/Unit (Rs./KWH)		4.45	4.18
(b) Own Generation			
i) Through Diesel Generators (KWH)		530771	546610
Unit/Litre of Diesel Oil		2.80	2.67
Cost/Unit (Rs./KWH)		6.43	6.23
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.)		4763.78	4401.64
Total amount (Rs.lacs)		547.49	394.90
Average Rate (Rs./K.Litres)		11494.89	8971.66
4. Other / Internal generation			
Qty.	} Not Applicable		
Total			
Rate/Unit			
B) Consumption per Unit of Production		Current	Previous
Products (with details of Unit)		Year	Year
Aluminium Foils including poly-coated			
Cable Wrap and laminated flexible Packages			
Electricity (KWH/MT)		3448	3080
Furnace Oil (Ltr./MT)		395	452
Coal (Specify Quality)		NA	NA
Others (Specify)		NA	NA

II. TECHNOLOGY ABSORPTION

Research and Development (R & D)

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

- Modification in Charge-Mix and development in Metal Treatment Techniques through improved Grade of Flux, methods of dressing and optimising Burner usage through Controls have resulted in a substantial decrease in both Oil consumption and Melting Loss.
- Better recovery of metal from Dross.
- Developing improved Annealing Practices by re-designing Air Flow in Furnace to achieve lesser variation in end-products thus deriving higher customer satisfaction and resulting in lesser rejections.
- Improvements in Heat Seal Grade and Application Techniques for achieving better products in Pharma Applications.
- Major Modifications carried out to operate the Caster on UPS instead of Diesel Generator thus having a substantial Energy Saving.
- Stabilise Process and technology through gradual improvements in order to increase Export Volumes.

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

- Better Quality & increased Export Volumes
- Improvement in Metal Recovery & thereby reduction in Input Cost
- Extended Utilisation of Metal
- More Value Added Products

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 Middle East. 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)

- Capital
- Recurring
- Total
- Total as % of Turnover

Technology Absorption, Adoption and Innovation

1. Efforts made

- The Company has had interactions with Technology Consultatants in areas of Casting, Rolling and Conversion and also with major Equipment / Roll Suppliers for increase in productivity, quality and decrease in costs. The action plans drawn out for these technological improvements will bring in further improvements in our business.
- Product Development has been planned with a Special Focus in Export Areas in both Bare and Pharma segments in order to make major break throughs in our market shares in the years to come.

2. Benefits

Considerable benefits have been derived through the technology interaction in developing new products and improved quality comparable to international manufacturers.

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	231.12
Totalearnings	6728.34

Mumbai
4th March 2004

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 as on 30th September, 2003.

The Board consists of six members comprising :

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

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

Board Meetings held during the financial year ended 30th September, 2003.

During the financial year ended 30th September, 2003, Eight Board meetings were held on 27th May 2002, 27th June 2002, 30th July 2002, 29th October 2002, 30th January 2003, 31st May 2003, 27th June 2003 and 31st July, 2003.

Attendance of Directors at the Board Meetings during the financial year ended 30th September 2003 and the last Annual General Meeting (AGM).

Name of Director	Category of Directorship	No. of Board Meetings Attended	Attendance at the last AGM held on 30th September 2002
Mr. Navin Agarwal	Non-Executive	7	No
Mr. Tarun Jain	Non-Executive Independent	8	No
Mr. Deb Bandyopadhyay (a)	Non-Executive Independent	2	N.A.
Mr. Agnivesh Agarwal (b)	Non-Executive	1	No
Mr. A. Khaitan	Non-Executive	—	No
Mr. Alok Agarwal (Nomination withdrawn w.e.f. 09.09.2003)	Nominee of ICICI Bank Ltd. Non-Executive Independent	5	No
Mr. K. M. Jayarao (Appointed w.e.f. 09.09.2003)	Nominee of ICICI Bank Ltd. Non-Executive Independent	—	N.A.
Mr. S. C. Krishnan (c)	Non-Executive Independent	1	Yes
Mr. Haigreve Khaitan (d)	Non-Executive Independent	—	N.A.

(a) Appointed as Additional Director w.e.f. 30.01.2003 (b) Resigned w.e.f. 31.05.2003 (c) Resigned w.e.f. 30.01.2003
(d) Appointed as Additional Director w.e.f. 31.05.2003

(N.A. — indicates Not Applicable)



Number of other Directorships and Board Committees of which Director is a member as on 30th September 2003 :

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	12	3	1
Mr. Tarun Jain	4	5	—
Mr. Deb Bandyopadhyay	1	—	—
Mr. K. M. Jayarao	—	—	—
Mr. A. Khaitan	8	3	—
Mr. Haigreve Khaitan	14	5	—

* 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 with powers and role 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 Audit Committee also oversees compliance with Section 292A of the Companies Act, 1956.

A) Composition as on 30th September 2003

The Audit 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 Audit Committee are Mr. Navin Agarwal, Mr. Tarun Jain and Mr. Deb Bandyopadhyay.

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 auditors' reports.
- Review of adequacy and effectiveness of internal audit functions, accounting and financial controls of the Company, compliance with the Company's 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 financial year ended 30th September, 2003

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 2002-2003, the Committee met on 27th June 2002, 30th July 2002, 29th October 2002, 30th January 2003, 27th June 2003 and 31st July 2003.

The attendance of the members at these meetings were as follows