

ANNUAL REPORT 2005

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INDIA FOILS LIMITED



Directors

Mr. Biswajit Sarkar – Wholetime Director
 Mr. Deb Bandyopadhyay
 Mr. Sandeep Kr. Agrawal – Director & Secretary
 Mr. S. L. Bajaj
 Mr. Ashok Alladi - Nominee of ICICI Bank Ltd.

Auditors

M/s. Price Waterhouse

Registrar & Share Transfer Agents

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

Bankers

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

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Registered Office

I, Sagore Dutta Ghat Road
 Kamarhati, Kolkata - 700 058

CONTENTS

Notice	2
Directors' Report	7
Report On Corporate Governance	11
Management Discussion And Analysis	20
Auditors' Report	22
Profit And Loss Account	26
Balance Sheet	27
Cash Flow Statement	28
Schedules	30
Notes On Accounts	39
Balance Sheet Abstract	49

INDIA FOILS LIMITED**NOTICE**

Notice is hereby given that the 43rd Annual General Meeting of India Foils Limited will be held at Nazrul Manch, 1, M. M. Feeder Road, Kolkata-700057 on 30th September, 2005 at 10.00 a.m. to transact the following business:

1. To receive, consider and adopt the Profit & Loss Account of the Company for eighteen months ended 31st March 2005 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors' thereon.
2. To appoint Auditors, to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution:
"RESOLVED that Mr. Biswajit Sarkar who was appointed as an Additional Director by the Board, pursuant to Section 260 of the Companies Act, 1956 and Article of Association of the Company, hold office upto the date of the ensuing Annual General Meeting, but eligible for re-appointment and in respect of whom the Company has received a notice in writing, pursuant to section 257 of the Companies Act, 1956 proposing his candidature as Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
4. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution:
"RESOLVED that Mr. Sandeep Kumar Agrawal who was appointed as an Additional Director by the Board, pursuant to Section 260 of the Companies Act, 1956 and Article of Association of the Company, hold office upto the date of the ensuing Annual General Meeting, but eligible for re-appointment and in respect of whom the Company has received a notice in writing, pursuant to section 257 of the Companies Act, 1956 proposing his candidature as Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
5. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution:
"RESOLVED that Mr. S.L. Bajaj who was appointed as an Additional Director by the Board, pursuant to Section 260 of the Companies Act, 1956 and Article of Association of the Company, hold office upto the date of the ensuing Annual General Meeting, but eligible for re-appointment and in respect of whom the Company has received a notice in writing, pursuant to section 257 of the Companies Act, 1956 proposing his candidature as Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
6. To consider and, if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution:
"RESOLVED that Mr. Deb Bandyopadhyay who was appointed as an Additional Director by the Board, pursuant to Section 260 of the Companies Act, 1956 and Article of Association of the Company, hold office upto the date of the ensuing Annual General Meeting, but eligible for re-appointment and in respect of whom the Company has received a notice in writing, pursuant to section 257 of the Companies Act, 1956 proposing his candidature as Director of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."
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, 309 and 310 and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as 'the said Act') read with Schedule XIII of the Act, the Company hereby accords its approval for the appointment and entering into an agreement with Mr. Indrajit Mookerjee as Managing Director of the Company or with such other designation or designations as the Board may determine and deem fit to give Mr. Indrajit Mookerjee from time to time for a period of two years with effect from 30th October 2004 to 29th October 2006 or such other date as may be mutually agreed upon on such terms and conditions as to remuneration, by way of salary, commission and perquisites provided that the total remuneration (including all perquisite) fall within the overall ceiling of 5% or 10% of the net profit of the company calculated in the manners specified in the Act, provided further that in the event where in any financial year during the currency of tenure Mr. Indrajit Mookerjee, the Company has no profit or inadequate profit, it may pay a remuneration to Mr. Indrajit Mookerjee, the total of which shall not exceed the ceiling limit as provided in



Part II of Section 2 of Schedule XIII of the Act or such other amounts as may be specified by the Government from time to time by any amendment to the Act.”

“RESOLVED FURTHER that 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.”

8. 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, 309 and 310 and all other applicable provisions of the Companies Act, 1956 (hereinafter referred to as ‘the said Act’) read with Schedule XIII of the Act, the Company hereby accords its approval for the appointment and entering into an agreement with Mr. Biswajit Sarkar as Whole-time-director of the Company or with such other designation or designations as the Board may determine and deem fit to give Mr. Biswajit Sarkar from time to time for a period of two years with effect from 26th May 2005 to 25th May 2007 or such other date as may be mutually agreed upon on such terms and conditions as to remuneration, by way of salary, commission and perquisites provided that the total remuneration (including all perquisite) fall within the overall ceiling of 5% or 10% of the net profit of the company calculated in the manners specified in the Act, provided further that in the event where in any financial year during the currency of tenure Mr. Biswajit Sarkar, the Company has no profit or inadequate profit, it may pay a remuneration to Mr. Biswajit Sarkar, the total of which shall not exceed the ceiling limit as provided in Part II of Section 2 of Schedule XIII of the Act or such other amounts as may be specified by the Government from time to time by any amendment to the Act.”

“RESOLVED FURTHER that 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.”

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

“RESOLVED that pursuant to provisions of clause 49 of the listing agreement entered with the Stock Exchanges where the Securities of the Company are listed, consent of shareholders be and is hereby accorded for payment of sitting fees not exceeding Rs.5000.00 (Rupees Five Thousands) to each non-executive director for each Board Meetings and Committee Meetings attended.”

Registered Office:

1, Sagore Dutta Ghat Road

Kamarhati

Kolkata-700 058

3rd September, 2005

By Order of the Board

SANDEEP KR. AGRAWAL

Director & Secretary

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 Annual General 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 September 2005 to 30th September 2005 (both days inclusive).

INDIA FOILS LIMITED**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956****ITEM NO.3, 4, 5 and 6**

Mr. Biswajit Sarkar, Mr. Sandeep Kumar Agrawal, Mr. S.L. Bajaj were appointed as an Additional Directors by the Board of Directors of the Company at its meeting held on 27th January 2005 and Mr. Deb Bandyopadhyay was appointed as an Additional Director by the Board of Directors of the Company at its meeting held on 26th May 2005 pursuant to the provisions of Section 260 of the Companies Act 1956 and Articles of Association of the Company. Mr. Biswajit Sarkar, Mr. Sandeep Kumar Agrawal, Mr. S.L. Bajaj and Mr. Deb Bandyopadhyay holds office of the Directors upto the date of ensuing Annual General Meeting, but all are eligible for reappointment. The Company has received the notice in writing pursuant to Section 257 of the Companies Act 1956 from members along with requisite deposits proposing the candidature of Mr. Biswajit Sarkar, Mr. Sandeep Kumar Agrawal, Mr. S.L. Bajaj and Mr. Deb Bandyopadhyay for the office of Director.

The Copy of the notice and Article of Association of the Company is available for inspection by members during business hours, upto the date of ensuing Annual General Meeting.

The Directors recommend these resolutions for your approval.

Mr Biswajit Sarkar, Mr Sandeep Kumar Agrawal, Mr. S.L. Bajaj and Mr Deb Bandyopadhyay are deemed to be concerned in the respective resolution as its pertain to their appointment.

ITEM NO.7

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 30th October 2004 decided to appoint, with effect from 30th October 2004, Mr Indrajit Mookerjee, as Managing Director of the Company in place of Mr. Biswajit Sarkar, Manager.

The salient features of the appointment of Mr Indrajit Mookerjee are as follows:

i) Period:

Two years from 30th October 2004 to 29th October 2006.

ii) Salary:

Such sum as may be decided by the Board from time to time but not exceeding Rs.2,00,000.00 (Rupees 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 Managing Director shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with utilities therefor 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 maybe agreed to by the Board of Directors. Such perquisites to be restricted with 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 encasement of leave at the end of the tenure shall not be included in the computation of limits for the remuneration of perquisites aforesaid.

iv) Minimum Remuneration

During the currency of the tenure of the Managing Director, 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 except Mr. Indrajit Mookerji is concerned with or interested in the Resolution.

ITEM NO.8

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 26th May 2005 decided to appoint, with effect from 26th May 2005, Mr Biswajit Sarkar, as Whole Time Director of the Company in place of Mr. Indrajit Mookerjee, Managing Director, since resigned with effect from 13th May 2005.

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

i) **Period:**

Two years from 26th May 2005 to 25th May 2007.

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 Whole Time Director shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof; house maintenance allowance together with utilities therefor 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 with 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 of perquisites aforesaid.

iv) **Minimum Remuneration**

During the currency of the tenure of the Whole Time Director, 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 except Mr. Biswajit Sarkar is concerned with or interested in the Resolution.

ITEM NO.9

The Securities and Exchange Board of India (SEBI) has issued a circular to all the Stock Exchanges advising them to amend the listing agreement by inserting the revised clause 49 relating to Corporate Governance requirements to be fulfilled by the Companies. The Stock Exchanges where the Company's shares are listed has accordingly amended the listing agreement and the revised clause 49 has to be complied by 31st December 2005. One of the new requirements is that all the fees/compensation payable to the non-executive directors, including independent directors, shall be fixed by the Board and shall require previous approval of the shareholders in General Meeting.

In view of the requirement of revised clause 49 of the Listing Agreement, approval of members is requested for payment of

INDIA FOILS LIMITED

sitting fees as decided by Board from time to time which will not exceed Rs 5000/- for each Non executive Directors of the Company for attending each Board and Committee Meetings.

The Non-Executive Directors may be deemed to be concerned or interested in this resolution to the extend of the sitting fees received by them.

The Board recommends the subject business for consideration and approval.

Registered Office:

1, Sagore Dutta Ghat Road

Kamarhati

Kolkata-700 058

3rd September, 2005

By Order of the Board

SANDEEP KR. AGRAWAL

Director & Secretary





Directors' Report:

Your Directors take pleasure in presenting the forty-third Annual Report of the company with the audited accounts for the period ended 31st March 2005:

Financial Result

	18 months ended 31st March 2005 (Rs. in Crores)	18 month ended 30th Sept. 2003 (Rs. in Crores)
Income from operations	242.24	287.80
Profit before Finance Cost, Depreciation & Tax	(22.87)	14.83
Less: Finance Cost	40.62	35.00
Profit before Depreciation & Tax	(63.49)	(20.17)
Less: Depreciation	22.91	23.62
Profit/(Loss) before Tax	(86.40)	(43.79)
Less: Taxation	Nil	(22.89)
Net Profit/(Loss)	(86.40)	(66.68)

OPERATIONAL PERFORMANCE

The period under review has been a year of business uncertainties. For the last few years, the downstream Aluminium Industry is passing through a very critical phase owing to factors such as over-capacity, drop in sales realization etc. Anomalies in custom duty structure on aluminium products have aggravated the situation resulting in inflow of imported foils into the country. At the one hand input cost is on the rising trend due to sharp increase in aluminum prices & crude prices globally, the sales realization is not improving in the desired proportion. You all are aware that the Company has to declare suspension of operation at its Hoera unit in middle of September 2003. This created a tremendous pressure on the Kamarhati unit, not only to maintain the production & sales level but also to increase the same. The production and sales of the Kamarhati unit in the current period increased from 9099 M.T. to 9726 M.T registering a increase of nearly 7% and sales increased to Rs. 214.37 Crores from Rs.197.69 crores in terms of value on period to period basis. In overall basis the Company witnessed decrease in production of foils to 9726 M.T. from the previous year's 12059 M.T. and sales of Rs.242.24 crores from Rs.287.80 crores on period-to-period basis.

During the period under review, the realization per M.T. has increased to Rs.2.50 Lacs per M.T. from Rs.2.38 Lacs per M.T reflecting an increase of 5%, which is around 30% of the input cost increase during the period. The Net Loss has increased to Rs.86.40 crores from Rs.66.68 crores mainly due to lower sales volume, increase in input costs and expenses related to suspended units. This includes provision made for debts amounting to Rs. 16.39 crores, realization of which seems doubtful.

FUTURE OUTLOOK

The financial results of the Company for the period ended on 31st March 2005 together with the losses sustained by the company during last couple of years were not encouraging. Presently the Company is working under the concept of single plant operation with the lower manpower and operating cost and higher contribution to sustain the margins and its Kamarhati Plant, which is running in full swing. The company is in process of restructuring its entire loans from Banks & Financial Institutions. In this process, ICICI Bank Ltd, the lead term lender has already approved the restructuring proposal of the company and the impact of which will reflect in the coming year. Discussion with the other lenders is also on the advance stage.

The domestic sector outlook remains good and the company expects to increase its market share in the years to come by catering to the new customers. The global aluminium industry is looking excellent and thereby new opportunities are coming. Entering new markets through exports is going to be the main focus area of the Company. Your Company is trying to enter new markets in Asia, the Middle East and even Africa, where competitive pressures are lower and Indian manufacturers have a price advantage.

INDIA FOILS LIMITED**EXTENTION OF FINANCIAL YEAR**

Your Company had, vide Board Resolution dated 30th October 2004, extended the financial year commencing from 1st October 2003 to 30th September 2004 by six months, i.e upto and inclusive of 31st March 2005 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. Navin Agarwal, Sri Tarun Jain, Sri H. Khaitan, Sri A.Kahitan & Sri Indrajit Mookerjee, Directors of the Company resigned from the Board during the period under review. Your Directors wish to place on record and acknowledge the substantial and valuable contribution made by him towards the growth of the Company.

Sri Deb Bandyopadhyay, Director of the Company resigned from the Board as on 27.01.2005 and on request again inducted as additional director in the Board w.e.f. 26.05.2005. His appointment is subject to approval by shareholders at general meeting.

Sri Biswajit Sarkar & Sri Sandeep Kumar Agrawal and Sri S. L. Bajaj have been appointed as Additional Directors w.e.f. 27th January 2005. Their appointments are subject to approval by shareholders at the general meetings. Your Directors recommend their appointment.

EROSION OF NET WORTH

The Report on Erosion of Net Worth of your company by more than 50% has already approved at the EGM dated 27.09.2001 and the same was reported to BIFR in terms of section 23(1)(a)(ii) of the Sick Industrial Companies (Special) Provision 1985. Since the net worth of your company has been fully eroded due to continuous losses, your director will explore various alternatives for improving the financial position of the company and will take necessary steps as may be required by law in this regard.

CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has prescribed certain corporate governance standards. Your Directors reaffirm their commitment to these standards and this annual report carries a section on Corporate Governance.

AUDITORS REPORT

The notes on accounts referred to in the Auditors Report are self explanatory & therefore does 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.

PUBLIC DEPOSITS

The Company has not accepted any Deposits from Public during the period. As at 31st March 2005 principle fixed deposit outstanding with the Company stood at Rs. 13.00 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 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 as at 31st March 2005 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 gratefully acknowledge the Co-operation and assistance received from the Central and State Government, our valued customers, our suppliers, the Financial Institutions and 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.

On behalf of the Board

Place: Mumbai

Date: 3rd September, 2005

Biswajit Sarkar

Wholetime Director