

2006

**Directors**

Mr. Biswajit Sarkar – Wholetime Director
 Mr. Sandeep Agrawal – Director & Secretary
 Mr. Deb Bandyopadhyay
 Mr. R. Kannan
 Mr. Ashok Alladi - Nominee of ICICI Bank Ltd.

Auditors

M/s. Price Waterhouse

Registrar & Share Transfer Agents

M/s. Intime Spectrum Registry 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


 Report Junction.com
Registered Office

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

CONTENTS

| | |
|------------------------------------|----|
| Notice | 2 |
| Directors' Report | 4 |
| Report On Corporate Governance | 8 |
| Management Discussion And Analysis | 18 |
| CEO & CFO Certificate | 20 |
| Auditors' Report | 21 |
| Profit And Loss Account | 25 |
| Balance Sheet | 26 |
| Cash Flow Statement | 27 |
| Schedules | 29 |
| Notes On Accounts | 38 |
| Balance Sheet Abstract | 47 |

INDIA FOILS LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE 44TH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDIA FOILS LIMITED WILL BE HELD AT NAJRUL MANCH, 1 M.M.FEEDER ROAD, KOLKATA- 700 057 ON TUESDAY 26TH SEPTEMBER 2006 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Auditors' Report and Audited Profit & Loss Account of the Company for the year ended 31st March 2006 and the Balance Sheet of the Company as on that date.
2. To appoint a Director in place of Mr. Biswajit Sarkar, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sandeep Agrawal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modifications, the following resolution as a special resolution:
 "Resolved that in supersession of all earlier resolutions and pursuant to the provisions of Section 163 of the Companies Act, 1956 (including any amendment or re-enactment thereof), the Registers and Index of members of the Company and copies of annual return together with the copies of the certificates and documents required to be annexed thereto under Section 159 and 161 of the Companies Act, 1956 be kept at the office of the Company's Registrar and Share Transfer Agent, Intime Spectrum Registry Limited, 77/2A, Hazra Road, Kolkata - 700029 and at such places within Kolkata where the Company's Registrar and Share Transfer Agent, Intime Spectrum Registry Limited may shift its office from time to time instead of the Registered Office of the Company."


Registered Office:

1, Sagore Dutta Ghat Road
 Kamarhati
 Kolkata-700 058
 Date: 26th June 2006

By Order of the Board

Sandeep 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 meeting.
2. The relevant 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, Intime Spectrum Registry Limited at 7/2A, Hazra Road, Kolkata-700 029.
4. The Register of Members and Share Transfer Register of the Company will remain closed from 23rd September 2006 to 26th September 2006 (both days inclusive).

**EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.****ITEM NO.5**

As per Section 163 of the Companies Act, 1956 certain Registers and documents which are normally required to be kept at the Registered Office of the Company could be kept at a place other than the Registered Office of the Company, provided such other place has been approved by the Members by way of Special Resolution.

The Company has appointed M/s Intime Spectrum Registry Limited, Kolkata-700 029 in place of M/s MCS Limited with effect from 1st August 2006, to act as its Registrar & Share Transfer Agent. Hence the approval of the Members is sought in terms of Section 163(1) of the Companies Act, 1956 for keeping the aforementioned registers and documents at the office of the Registrar & Share Transfer Agent as stated in the resolution. Directors recommend the resolution as proposed in the Notice for member's approval.

None of the Directors of the Company are interested in the resolution.

Registered Office:

1, Sagore Dutta Ghat Road

Kamarhati

Kolkata-700 058

Date: 26th June 2006

By Order of the Board

Sandeep Agrawal

Director & Secretary

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INDIA FOILS LIMITED**DIRECTORS' REPORT:**

Your Directors take pleasure in presenting the 44th Annual Report of the Company with the audited accounts for the period ended 31st March 2006:

Financial Result

| | 12 months ended 31st March 2006 (Rs. in Crores) | 18 month ended 31st March 2005 (Rs. in Crores) |
|---|--|---|
| Total Income | 190.93 | 242.24 |
| Profit/(Loss) before Finance Cost, Depreciation, Extraordinary items and Tax | 6.20 | (22.87) |
| Less: Finance Cost | 16.29 | 40.62 |
| Depreciation | 15.02 | 22.91 |
| Profit/(Loss) before Extraordinary Items and Tax | (25.11) | (86.40) |
| Add: Extraordinary Item | 12.09 | Nil |
| Profit/(Loss) before Tax | (13.02) | (86.40) |
| Less: Current Tax | Nil | Nil |
| Fringe Benefit Tax | 0.07 | Nil |
| Profit/(Loss) After Tax | (13.09) | (86.40) |

OPERATIONAL PERFORMANCE

The period under review has been a year of consolidation for single plant operation. During the current year aluminium foil industry was badly affected due to unexpected and frequent serial increase in LME prices worldwide particularly in the second half of the year. Further, not only metal but also other raw material prices were also in their highs. The increase was so sudden and fast that your Company and foil industry in general were unable to pass on in full, these increases to its customer. As a result the sales realization has not improved in the desired proportion of the increase in the raw material prices. The sales of the Kamarhati unit in the current period increased from Rs. 164.26 crores to Rs. 190.93 crores registering a growth of 16% on year-to-year basis. Due to higher capacity utilization and better mix the production has increased from 6672 M.T. to 7803 M.T. in the same period. With the increase capacity utilization and sales, the Company has been able to reduce its losses from Rs. 64.53 Crores to Rs. 13.09 Crores for the year under review. Your Company is continuously focusing on the cost reduction for achieving the desired result.

FUTURE OUTLOOK

The financial result of the Company for the year under review was better compared to last couple of years. Though the Company is still making losses but the same has come down and your Company has started showing operational profit in the year under review. The concept of working under single plant with the lower manpower and operating cost from last few years has started yielding results. The margin is always an area of concern in the foil business therefore, your Company has given absolute focus on cost reduction with success.

Domestic Aluminium Foil sector outlook remains good and your Company expects to increase its market share by catering to new customers both domestic and export front. The global Aluminium Foil outlook is steady and your Company is taking opportunities to enter new export markets in Asia, Africa, and Middle East, where our products are established & Indian manufacturers have a price advantage as well.

FINANCIAL YEAR

The reporting for the current period is being made for 12 months i.e. from April 2005 to March 2006 unlike the previous year, which consists of 18 months. Hence, the figures for the current year are not comparable.

DIRECTORS

Sri Biswajit Sarkar, Wholetime Director and Sri Sandeep Agrawal, Director & Secretary retire by rotation at the ensuing Annual



General Meeting and being eligible, offer themselves for re-appointment.

Sri S. L. Bajaj, Director of the Company resigned from the Board during the year under review. Your Directors wish to place on record and acknowledge his valuable contribution towards the growth of the Company.

Sri R. Khanna has been appointed as an Independent Director Under Section 262 of the Companies Act, 1956 w.e.f. 30th December 2005 to fill the casual vacancy caused by the resignation of Sri S. L. Bajaj.

EROSION OF NET WORTH

Your company had made a reference under section 15(1) of the Sick Industrial Companies (Special) Provision Act, 1985 to Board for Industrial and Financial Reconstruction (BIFR). Subsequently, the Hon'ble Bench of BIFR vide its letter 9th May 2006 declared the company a sick industrial company in terms of Section 3(1)(o) of the Act.

CORPORATE GOVERNANCE

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

AUDITORS REPORT

With reference to the submissions of the Auditors in 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 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 recommends 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 2006 principle fixed deposit outstanding with the Company stood at Rs.8.79 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 have been followed along with proper explanation relating to material departure, if any.
- ii) they have selected such accounting policies and applied them consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March 2006 and of

INDIA FOILS LIMITED

the loss of the company for that period.

- iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- iv) they have 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, 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: 26th June, 2006

Biswajit Sarkar

Wholetime 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 & Fuel Consumption

| | Current Year | Previous Year |
|--|-----------------|------------------|
|--|-----------------|------------------|

1. Electricity

(a) Purchased

| | | |
|------------------------|----------|----------|
| Unit (KWH) | 14626392 | 21868398 |
| Total Amount(Rs Lacs) | 647.69 | 1050.12 |
| Rate / Unit (Rs / KWH) | 4.43 | 4.80 |

(b) Own Generation

| | | |
|--------------------------------------|-----|-----|
| (i) Through Diesel Generators (KWH) | Nil | Nil |
| Unit/Litre of Diesel Oil | Nil | Nil |
| Cost Unit(Rs/KWH) | Nil | Nil |
| (ii) Through Steam Turbine/Generator | | |
| Unit per Ltr. Of Fuel | | |
| Oil/Gas | | |
| Cost/Unit | | |

2. Coal

| | | |
|--------------|--|--|
| Qty.(Tonnes) | | |
| Total (Cost) | | |
| Average rate | | |

3. Furnace Oil

| | | |
|----------------------------|-----------|----------|
| Qty. (K. Litres) | 1057.49 | 1619.28 |
| Total Amount(Rs lacs) | 1562.22 | 192.72 |
| Average Rate (Rs /K.Litre) | 147729.06 | 11901.59 |

4. Other/Internal generation

| | | |
|-----------|--|--|
| Qty. | | |
| Total | | |
| Rate/Unit | | |

(B) Consumption per Unit of Production

| Products(with details of Unit) | Standard (if any) | Current Year | Previous Year |
|--------------------------------|----------------------|-----------------|------------------|
|--------------------------------|----------------------|-----------------|------------------|

| | | | |
|--|----|------|------|
| Aluminium Foils including poly - coated | | | |
| Cable Wrap and laminated flexible Packages | | | |
| Electricity (KWH/MT) | | 1874 | 2249 |
| Furnace Oil (Ltr/MT) | | 136 | 166 |
| Coal(Specify Quality) | NA | | NA |
| Others(Specify) | NA | | NA |

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

- Improved quality and increase in sales volume, with major growth in export
- Increased productivity.

3. Future Plan of Action

- More emphasis on production of value added product.
- Development of new foil based products.

4. Expenditure on R & D

(Rs in lac)

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

Technology Absorption, Adaptation and Innovation

1. Efforts made

- The company had interactions with Technical consultants both at home and abroad in areas of rolling and conversion. This has resulted in major improvement in production process by minimizing opportunity losses.
- The company has also planned new product development based on market trends and needs.

2. Benefits

Considerable benefits have been derived through technology interaction in developing new products and process with improved quality that can be benchmarked to international quality standards.

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 |
| Total earnings | 6728.34 |

II. TECHNOLOGY ABSORPTION

Research & Development

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

- Regular interaction with the major raw material supplier for quality and yield improvement through a) regular visits b) design of experiments at production process and c) Joint action plans on specific issues.
- Modifications and improvement in heat-seal grade resulting in improved product specification for Pharmaceutical customers.
- Development of new approved vendors for direct raw material (non metal) and thus making the production planning process more flexible.

On behalf the Board

Mumbai
26th June 2006

Biswajit Sarkar
Whole Time Director

INDIA FOILS LIMITED

REPORT ON CORPORATE GOVERNANCE

In accordance with clause 49 of the Listing Agreement entered into with the Stock Exchanges in India, the details of compliance by the Company with the norms on Corporate Governance are as under:

1. Company's philosophy on Corporate Governance

The Company firmly believes in good corporate governance and has endeavored 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. The Company has also adopted a Code of Conduct for Prevention of Insider Trading.

2. Board of Directors (Board)

Composition as on 31st March 2006

The Board consists of five members comprising:

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

The composition of the Board during the financial year was in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Board Meetings held during the financial year ended 31st March 2006.

During the financial year ended 31st March 2006 five Board Meetings were held on 26th May 2005, 3rd September 2005, 25th October 2005, 30th December 2005 and 30th January 2006. At each meeting of the Board one non-executive director is selected to Chair the meeting. The gap between any two consecutive meetings did not exceed four months.

Information placed before the Board

Necessary information as required under the statute and as per the revised guidelines on Corporate Governance are placed before and reviewed by the Board from time to time.

Attendance of Directors at the Board Meetings during the financial year ended 31st March 2006 and the last Annual General Meeting (AGM).

| Name of Directors | Category of Directorship | No. of Board Meetings attended | Attendance at the last AGM held on 30 th September 2005 |
|-----------------------|---|--------------------------------|--|
| Mr. Biswajit Sarkar | Whole Time Director (WTD) | 4 | Yes. |
| Mr. Sandeep Agrawal | Executive | 5 | Yes. |
| Mr. Deb Bandyopadhyay | Non Executive Independent | 1 | No |
| Mr. S.L. Bajaj (1) | Non Executive Independent | 3 | No |
| Mr. K. Kannan (2) | Non Executive Independent | 1 | No |
| Mr. Ashok Alladi (3) | Nominee of ICICI Bank Ltd. (Lender)- Non Executive Independent | 3 | No |
| Mr. K.M. Jayarao (4) | Nominee of ICICI Bank Ltd. (Lender)- Non Executive Independent | - | No |

(1) Resigned w.e.f. 30.12.2005

(2) Appointed w.e.f. 30.12.2005

(3) Appointed w.e.f. 04.08.2005

(4) Resigned w.e.f. 04.08.2005



Number of other Directorships and Board Committees of which Director is a member as on 31st March 2006:

| 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. Biswajit Sarkar | - | - | - |
| Mr. Sandeep Agrawal | - | - | - |
| Mr. Deb Bandyopadhyay | - | - | - |
| Mr. R. Kannan | - | - | - |
| Mr. Ashok Alladi | 3 | 2 | - |

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

Code of Conduct

The Company's Code of Conduct (Code), as adopted by the Board of Directors, is applicable to all Directors, senior management and employees of the Company. This Code is derived from three interlinked fundamental principles, viz. good corporate governance, good corporate citizenship and exemplary personal conduct. The Code is posted on the Company's website. All Directors and senior management of the Company as on 31st March 2006 have individually affirmed compliance of the code. A declaration signed by the Whole Time Director (CEO) to this effect is enclosed at the end of this report.

CEO/CFO Certification

Certificate from the Whole Time Director (CEO) and the Head-Finance (CFO) of the Company in terms of Clause 49(V) of the Listing Agreements for the year ended 31st March 2006 was placed before the Board of Directors of the Company in its meeting held on 26th June 2006.

The Company has an established internal control systems and procedures.

3. Audit Committee

The Board constituted the Audit Committee in January 2001 with powers and role specifically laid out to comply with the requirements of Clause 49 of the Listing Agreements with the Stock Exchanges and the spirit of Corporate Governance. In the Board Meeting held on 30th December 2005 the powers and role of the revised Clause 49 was adopted by the Board. The Audit Committee also oversees compliance with Section 292A of the Companies Act, 1956.

A) Composition as on 31st March 2006.

As on 31st March 2006 the Audit Committee comprised three members, all being non-executive independent Director, all having financial and accounting knowledge. The members of the Audit Committee are Mr. R. Kannan, Mr. Ashok Alladi and Mr. Deb Bandyopadhyay. The Director and Secretary who is also the Head - Finance is a permanent invitee in all the meetings of the Audit Committee and acts as the Secretary of the Committee.

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 to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.