

INDIA FOILS LIMITED

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ANNUAL REPORT
2007



Directors

Mr. Sandeep Agrawal - CEO & Director
 Mr. R. Kanaan
 Mr. Deb Bandhopadhyay
 Mr. Ashok Alladi - Nominee of ICICI Bank Ltd.

Company Secretary

Manoj Kumar Agarwal

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

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

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INDIA FOILS LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE 45TH ANNUAL GENERAL MEETING OF THE MEMBERS OF INDIA FOILS LIMITED WILL BE HELD AT NAZRUL MANCH, 1 M.M.FEEDER ROAD, KOLKATA - 700 057 ON SATURDAY, THE 1ST SEPTEMBER 2007 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 2007 and the Balance Sheet of the Company as on that date.
2. To appoint a Director in place of Mr. Deb Bandhyopadhyay, who retires by rotation and being eligible offers himself for re-appointment.
3. 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

4. To consider and, if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:
 "RESOLVED that Mr. R. Kannan, who was appointed to fill the casual vacancy caused by the resignation of Shri S.L.Bajaj hold office upto the date of 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 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 are hereby accorded for appointment of Mr. Chiradeep Guha as Manager of the Company from 1st April 2007 to 31st March 2008 for an aggregate period of 1(One) year on the remuneration, as approved by the Board at its meeting held on 28th May 2007, and as set out in the Explanatory Statement attached to the notice convening this meeting, a copy thereof initialed by the Chairmen 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. Chiradeep Guha 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 between the Board and Mr. Chiradeep Guha."
 "RESOLVED FURTHER that the Board be and is hereby authorized to execute all such documents, writings and agreements and do all such acts, deeds, matters and things as may be required or expedient giving effect to this resolution."
6. 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, MCS Limited, 77/ 2A, Hazra Road, Kolkata - 700029, and at such places within Kolkata where the Company's Registrar and Share Transfer Agent, MCS 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

Dated: 30th June 2007

By Order of the Board

Manoj Kumar Agarwal
Company Secretary

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of 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 Registrar of the Company, MCS Limited at 77/2A, Hazra Road, Kolkata-700 029.
4. The Register of Members of the Company will remain closed from 28th August 2007 to 1st September 2007 (both days inclusive).

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.4**

Mr. R. Kannan was appointed by the Board to fill the casual vacancy caused by the resignation of Shri S.L.Bajaj at its meeting held on 30th December 2005, pursuant to the provisions of Section 262 of the Companies Act 1956, hold office of the Directors upto the date of ensuing Annual General Meeting but is eligible for re-appointment. The Company has received the notice in writing, pursuant to Section 257 of the Companies Act 1956, from a members along with requisite deposit proposing the candidature of Mr. R. Kannan for the office of Director.

None of the Directors, except Mr. R. Kannan, is concerned with or interested in the Resolution.

ITEM NO. 5

As the Company is a Public Limited Company with a paid up capital of more than Rs.5.00 crores, it is required to compulsorily appoint, in terms of subsection (1) of section 269, either a managing director, or a whole time director or a manager. The Board of Directors of the Company decided to appoint, by passing of Resolution by circulation on 31st March 2007 which was adopted by the Board of the Company at its meeting held on 28th May 2007, with effect from 1st April 2007, Mr. Chiradeep Guha as a *Manager of the Company in place of Mr. Biswajit Sarkar, Whole Time Director, since resigned with effect from 31st March 2007.*

i) Period:

One year from 01.04.2007 to 31.03.2008

ii) Salary:

Such sum, as may be decided by the Board from time to time but not exceeding 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 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.

INDIA FOILS LIMITED**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 Part 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.

ITEM NO.6

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 MCS Limited, in place of M/s Intime Spectrum Registry Limited with effect from 1st June 2007, 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 is concerned with or interested in the Resolution.

Registered Office: .
1, Sagore Dutta Ghat Road
Kamarhati
Kolkata-700 058
Dated: 30th June 2007

By Order of the Board

Manoj Kumar Agarwal
Company Secretary

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DIRECTORS' REPORT:

Your Directors present the 45th Annual Report of the company with the audited accounts for the year ended 31st March 2007:

Financial Result

	Year ended 31st March 2007 (Rs. in Crores)	Year ended 31st March 2006 (Rs. in Crores)
Total Income	236.93	190.93
Profit/(Loss) before Finance Cost, Depreciation, Extraordinary items and Tax	3.03	6.22
Less: Finance Cost	17.29	16.32
Depreciation	14.78	15.02
Profit/(Loss) before Extraordinary Items and Tax	(29.04)	(25.11)
Add: Extraordinary Item	Nil	12.09
Profit/(Loss) before Tax	(29.04)	(13.02)
Less: Current Tax	Nil	Nil
Fringe Benefit Tax	0.16	0.07
Profit/(Loss) After Tax	(29.20)	(13.09)

OPERATIONAL PERFORMANCE

In the year under review, your company has focused on volume growth to unlock the potential of the plant and thereby reduced the cost. During the year under review your company has achieved the highest ever production and sale under single plant operation. Predominantly, the focus was given on all round cost reduction measures, as final prices for the products are market driven. In this cost reduction process your company has achieved the lowest ever cost of production. The focus is continued to be on reduction of cost. A relatively stable LME for the reported year has helped the secondary players recover from the uncertainty faced last year and focus on consolidation and expansion and to pass the gap of LME increase to the customer and thereby improve the margins.

With higher capacity utilization and better mix, the production has increased from 7803 M.T to 8552 M.T registering a growth of about 10%. In revenue term sale has been increased from Rs. 190.93 crores to Rs. 236.93 crores.

With the cut throat competition, both domestic and internationally, pricing remain a concern, which bearing a negative impact on the company. For the year under review your company incurred a net loss of Rs.29.20 crores, which remains a concerns.

FUTURE OUTLOOK

The financial result of the Company for the year ended 31st March 2007, together with the losses sustained by the Company during last couple of years is not encouraging. Despite the above losses, the outlook of the foil business continues to be promising. Packaging accounts for around 11% of aluminium usage in India as compared to a global share of around 20%. As the Indian economy matures, this share is expected to move towards the global levels of 20%. Our expertise in secondary foil products and focus on quality will definitely keep us ahead of competition for years to come. Our unique policy of high volumes at the best prices will ensure that the contribution remains positive even under unfavourable market conditions. The Company is working under the concept of single plant operation with the lower manpower, operating cost and higher contribution to sustain its margin. The margin is always an area of concern in the foil business therefore your company has given absolute focus on cost reduction, which was successfully achieved for the year under review.

INDIA FOILS LIMITED**FINANCIAL YEAR**

The reporting for the current period is for 12 months i.e. from April 2006 to March 2007.

DIRECTORS

Mr. Deb Bandyopadhyay, Director retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

Mr. R. Kannan who was appointed to fill the casual vacancy caused by resignation of Shri S L Bajaj, retires at the ensuing annual general meeting and eligible for re-appointment.

Mr. Biswajit Sarkar, Whole Time Director and CEO of the Company resigned from the Board w.e.f 31st March 2007. Your Directors wish to place on record and acknowledge his valuable contribution towards the growth of the Company.

EROSION OF NET WORTH

Your company had been declared as a sick industrial company by the Board for Industrial and Financial Reconstruction in terms of section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its letter 9th May 2006. The ICICI Bank Limited has been appointed as an Operating Agency for preparation of a Draft Rehabilitation Scheme for onward submission to the Board for Industrial and Financial Reconstructions. The scheme is under preparatory stage.

CORPORATE GOVERNANCE

A separate section on corporate governance as well as Certificate from Auditors of the Company regarding compliance to Corporate Governance as stipulated under Clause 49 of the Listing Agreement with stock exchanges forms part of the Annual Report.

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 in note 7, 8 and 9 on schedule 25 and para 4 under Risk and Concerns of Management Discussion and Analysis 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 the Public during the year. As at 31st March 2007 principle fixed deposit outstanding with the Company stood at Rs.6.97 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 2007 and of 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 wish to place on record their sincere appreciation of contribution by the employees at all levels and employees' unions and various organizations in the difficult times of the company. Your Directors appreciate the wholehearted support, assistant and co-operation extended to the company by the Banks, Institutions, State Government, Shareholders and all others whose continued support has been a source of strength to the Company.

On behalf of the Board

Place: Mumbai

Date: 30th, June, 2007

Sandeep Agrawal
CEO & Director

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INDIA FOILS LIMITED

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)	14158260	14626392
Total Amount(Rs Lacs)	634.22	647.69
Rate / Unit (Rs / KWH)	4.48	4.43
(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	} Not Applicable	
Oil/ Gas		
Cost/Unit		

2. Coal

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

3. Furnace Oil

Qty. (K. Litres)	982.94	1057.49
Total Amount(Rs lacs)	170.88	165.00
Average Rate (Rs/K.Litre)	17384.58	15602.98

4. Other/Internal generation

Qty.	} Not Applicable
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)		1656	1874
Furnace Oil (Ltr/MT)		115	136
Coal(Specify Quality)	NA		NA
Others(Specify)	NA		NA

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

- Higher sales volume.
- Increased productivity.
- Manufacturing Cost Reduction

3. Future Plan of Action

- Development of value added product, currently being imported.
- Development of foil for Asceptic Packaging.

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

- Interactions with overseas consultants have resulted in improvement in rolling & conversion.

2. Benefits

Continual 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	654.38
Total earnings	2692.31

On behalf of the Board

II. TECHNOLOGY ABSORPTION

Research & Development

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

- Ongoing cross functional interaction with metal supplier for quality and yield improvement through jointly designed experiments.
- Established low cost heat seal resin without compromising final product quality.
- Developed new vendors for direct raw materials other than metal, thereby increasing operational flexibility.
- Developed new specifications like Tube Cap & Lidding Foil for domestic and export market.

Mumbai
30th June, 2007

Sandeep Agrawal
CEO & Director



MANAGEMENT DISCUSSION AND ANALYSIS

The Core business of the Company is manufacturing and marketing of aluminum foils. The management discussion and analysis is given hereunder:

INDUSTRY STRUCTURE & DEVELOPMENT

Globally Aluminium Industry is witnessing a lot of action with large capacities being added and Aluminium behemoths being created through M&A activities. Demand for Aluminium is expected to grow significantly in the coming years and all major producers are leaving no stone unturned to get a larger piece of the Aluminium Pie.

Aluminium Foil industry is also not lagging behind with capacity additions in China and Middle East and several new projects announced in other parts of the world including India. A relatively stable LME has helped the secondary players recover from the uncertainty faced last year and focus on consolidation and expansion.

Rapid growth, urbanization, rural marketing, increased awareness of healthy lifestyles and changing food habits have led to increased demand for packaged food products. Foil consumption has been growing steadily at 10% p.a. for the last three years and this increasing demand for foil and foil products has come as a welcome relief to the Indian Aluminium Foil Industry, which was saddled with overcapacity in the recent past. This has also created opportunities to increase capacities and invest in development of new products. Aluminium Foil, owing to its inherent characteristic properties continues to be the most favoured packaging medium for Pharmaceutical and Food Packaging companies.

OPPORTUNITIES AND STRENGTHS

Your company is the single largest manufacturer in terms of capacity and the second largest in terms of production of aluminium foils in India. With over 100 years of experience in this line, it is clearly ahead of its competitors who are relatively new to this business. During the current year the volumes have increased by 7%. Your Company has followed a four-legged strategy price increase, impeccable quality, product rationalization & new product development and delivery as per schedule. The Pharmaceutical Companies in India have shown promising growth in top line, which opens a very large opportunity for foil companies. Your Company has been successful in capitalizing opportunities in niche export markets like Sri Lanka, Ghana and Kenya and its traditional exports business in Bangladesh has shown excellent growth which is further expected to enhance contributions in the coming years. New markets in exports are also being tapped specially in the Pharmaceutical segment which will propel the company to a new level.

RISKS & CONCERNS

Your Company by the virtue of its being in the aluminium business has risks which are similar to other ferrous and non-ferrous metal operators in the country. The international prices for aluminium were more or less stable this year with phases of volatility, but it is very difficult to predict where the prices would be in the next financial year. Though the prices are expected to be stable or slightly lower than current levels, a sudden increase similar to that witnessed from September 2005 - April 2006 can pose a threat to the bottom line.

The Chinese Aluminium exporters are riding on the extremely high Export Tax Rebate offered by their government and are flooding the domestic as well as the world market with cheap aluminium foil. This can affect the prices in the domestic market and adversely affect exports.

INR has appreciated against USD in the last quarter and if this trend continues it would affect the bottom line of the Company. Rising interest rates witnessed in the last quarter is also a matter of concern as this would further burden your Company with increase in interest payments.

In view of the suspension of operations at Hoera unit, regular physical verification of inventory is difficult. However the Company has taken adequate security arrangements for safety of assets.

OUTLOOK

Despite the above risks, the outlook of the foil business continues to be promising. Packaging accounts for around 11% of aluminium usage in India as compared to a global share of around 20%. As the Indian economy matures, this share is expected to move towards the global levels of 20%. Our expertise in secondary foil products and focus on quality will definitely keep us ahead of competition for years to come. Our unique policy of high volumes at the best prices will ensure that the contribution remains positive even under unfavourable market conditions. The appreciation of INR will help in the reduction of foil stock prices which will offset any loss that may arise due to exchange rate fluctuation. Needless to mention that the success of any business lies in many external factors,