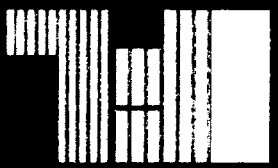


INDIA FOILS LIMITED

ANNUAL REPORT 2008



**Directors**

R. Kannan

Sandeep Agrawal – CEO & Director

Deb Bandhyopadhyay

Ashok Alladi – Nominee of ICICI Bank Ltd.

Company Secretary

Manoj Kumar Agarwal

Registrar & Share Transfer Agent

M/s MCS Limited

77/2A, Hazra Road

Kolkata – 700 029

Auditors

Price Waterhouse

Plot no-Y-14, Block-EP, Sector-V

Kolkata-700 091

Bankers

ABN Amro Bank N.V.

State Bank of India

United Bank of India

Bank of Baroda

Indian Overseas Bank

Canara Bank

Registered Office

1, Sagore Dutta Ghat Road

Kamarhati, Kolkata-700 058

Report Junction.com

CONTENTS

Notice	2
Directors' Report	4
Management Discussion And Analysis	8
Report on Corporate Governance	10
Auditors' Report	19
Profit and Loss Account	24
Balance Sheet	25
Cash Flow Statement	26
Schedules	28
Notes on Accounts	35
Balance Sheet Abstract	46

INDIA FOILS LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE 46TH 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 FRIDAY, 29TH AUGUST 2008 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 2008 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 a Director in place of Mr. Sandeep Agrawal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration.

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

"Resolved that subject to the provisions of Sections 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, Messrs M.P. Chitale & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company, in place of the retiring Statutory Auditors Messrs Price Waterhouse, Chartered Accountants, to examine and audit the accounts of the Company at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors, plus service tax and such other tax, as may be applicable, and reimbursement of out of pocket expenses."

Registered Office:

1, Sagore Dutta Ghat Road

Kamarhati

Kolkata-700 058

Dated: 31st May 2008

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. Members are requested to deposit their shares for transfer/transmission/sub-division etc., and to send all other correspondence to the Registrar & Share Transfer Agent of the Company, MCS Limited at 77/2A, Hazra Road, Kolkata-700 029.
3. The Register of Members and Share Transfer Register of the Company will remain closed from 25th August 2008 to 29th August 2008 (both days inclusive).
4. Members are requested to bring their copy of the Annual Report to the meeting.
5. Pursuant to the requirements of Corporate Governance under clause 49 of the listing agreements entered into with the Stock Exchanges, the information about the Directors proposed to be appointed/reappointed is given under Report on Corporate Governance, part of Annual Report.



EXPLANATORY STATEMENT

ITEM NO. 4 OF ORDINARY BUSINESS:

This is not an explanatory statement under section 173(2) of the Companies Act, 1956 which is applicable only for special business i.e., other than the routine items like appointment of auditors under Section 173(1)(a)(iv).

Messrs Price Waterhouse, Chartered Accountants, who had been re-appointed as auditors by the Members at the 45th Annual General Meeting would be retiring at the conclusion of the forthcoming Annual General Meeting, informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company.

In view of the above, and based on the recommendation of the Audit Committee, the Board of Directors has at its meeting held on 31st May 2008 proposed the appointment of Messrs M.P.Chitale & Co., Chartered Accountants as the Statutory Auditors of the Company.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of Messrs M.P.Chitale & Co., Chartered Accountants as the Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting of the Company. Messrs M.P.Chitale & Co. have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

The Directors recommend the adoption of the Resolution at Item No.4 of the Notice for appointing Messrs M.P.Chitale & Co., Chartered Accountants as the Statutory Auditors of the Company.

None of the Directors is concerned or interested in the Resolution at Item No.4 of the Notice.

Registered Office:

1, Sagore Dutta Ghat Road
Kamarhati
Kolkata-700 058

Dated: 31st May 2008

By Order of the Board

Manoj Kumar Agarwal
Company Secretary

INDIA FOILS LIMITED**DIRECTORS' REPORT**

The Directors hereby presenting the 46th Annual Report of your Company together with the statement of audited accounts for the financial year ended on 31st March 2008.

Financial Results**Rs. In crores.**

Year ended March 31	2008	2007
Turnover (Gross)	192.66	236.93
Profit/(Loss) before interest, tax, depreciation, amortization and extraordinary items	3.58	4.40
Less: Interest	19.93	17.29
Profit/(Loss) before tax, depreciation and amortization	(16.35)	(12.89)
Less: Depreciation	14.35	14.78
Amortization	1.22	1.37
Profit/(Loss) before tax and extraordinary items	(31.92)	(29.04)
Add: Extraordinary income	4.03	—
Profit/(Loss) before tax	(27.88)	(29.04)
Less: Current Tax	—	—
Fringe benefit tax	0.08	0.16
Profit/(Loss) after tax	(27.96)	(29.20)

OPERATIONAL PERFORMANCE

The period under review has been a year of uncertainties. For the last few years downstream Aluminum Industry is passing through a very difficult phase owing to factors, which are over capacity, increase in resource cost, drop in sales realization etc. At the one hand input cost is on the rising trend due to sharp and sudden increase in aluminum prices & crude prices globally, the sales realization is not improving in desired proportion.

On overall basis your Company witnessed decrease in production of foil from 8552 M.T. in the previous year to 7098 M.T. in the current year, and accordingly sales has also decreased. Overall loss of the Company has decreased to Rs. 27.88 crores from Rs.29.04 crores in previous year mainly due to an extra-ordinary gain of Rs.4.03 crores on account of one time settlement of dues of IDBI Bank Ltd. and Stressed Assets Stabilization Fund.

FUTURE OUTLOOK

Though the financial result of the Company for the year under review is not encouraging, the fundamentals of the business remain strong. Looking forward, your Directors foresee significant improvement in the business and bottomline of your Company in view of the business and financial restructuring envisaged in the years to come. The Madras Aluminum Company Limited (MALCO), the parent Company has join hands with Ess Dee Aluminum Company Limited (EDAL) for revival of your Company through a Rehabilitation Scheme submitted to Board for Industrial and Financial Reconstruction (BIFR). The Scheme envisages infusion of substantial funds in the Company by MALCO and EDAL to make your Company debt free and more competitive and profitable in the years to come.

The domestic sector outlook remains good and increasing at around 8 to 10 percent per annum. The global aluminium industry is also looking excellent and thereby new opportunities are coming. Entering new market through exports is going to be the main focus area of the Company.

Our expertise in secondary foil products and focus on quality will definitely keep us ahead of competition. The margin is always an area of concern in the foil business therefore your Company has given absolute focus on cost reduction.



FINANCIAL YEAR

The reporting for the current period is for 12 months i.e. from April 2007 to March 2008.

DIRECTORS

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

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

EROSION OF NET WORTH

The Board for Industrial and Financial Reconstruction (BIFR) in terms of section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 declared your Company as a sick industrial company, vide its letter 9th May 2006. The ICICI Bank, operating agency has prepared and submitted a draft rehabilitation scheme to BIFR for revival of your Company pending approval.

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 this 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 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

Messrs Price Waterhouse, Chartered Accountants, who are the Statutory Auditors of the Company hold office in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting, communicated to the Company that they are not seeking re-appointment at the ensuing Annual General Meeting. The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying its intention to propose the appointment of Messrs M.P.Chitale, Chartered Accountants as the Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting until the conclusion of next Annual General Meeting. Messrs M.P.Chitale have also expressed their willingness to act as Statutory Auditors of the Company, if appointed, and have confirmed their eligibility. In this regard, attention of the Members is invited to the Item No. 4 of the Notice.

PUBLIC DEPOSITS

The Company has not accepted any Deposits from the Public during the period. As at 31st March 2008 principle fixed deposit outstanding with the Company stood at Rs.2.88 lacs.

PARTICULARS OF TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO

Information as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, 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

The Company has no employee whose remuneration is more than the limit specified in Section 217 (2A) of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975.

INDIA FOILS LIMITED**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirms that:

- i) in the preparation of annual accounts, the applicable accounting standards have been followed, other than those reported by the statutory auditors and for which appropriate disclosures have been made in the financial statements.
- 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 2008 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

The Directors acknowledge the co-operation received from the employees. The Directors acknowledge with gratitude the co-operation and assistance received from the State Government, Financial Institutions, Banks, Shareholders and others during the year under review.

On behalf of the Board

R.Kannan
Director

Sandeep Agrawal
CEO & Director

Place: Mumbai

Date: 31st May 2008

REPORT  junction.com



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)	13522240	14158260
Total Amount(Rs Lacs)	633.09	634.22
Rate / Unit (Rs / KWH)	4.68	4.48

(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)	894.77	982.94
Total Amount(Rs lacs)	178.20	170.88
Average Rate (Rs /K.Litre)	19915.73	17384.58

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 -			
Electricity (KWH/MT)		1905	1656
Furnace Oil (Ltr/MT)		126	115
Coal(Specify Quality)	NA		NA
Others(Specify)	NA		NA

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

- Improved recovery.
- More flexible production planning process.
- Cost reduction.

3. Future Plan of Action

- Development of Alu - Alu blister pack
- Development of ultra light gauge foil for cigarette foil, capacitor foil and other foil based specifications for niche market.

4. Expenditure on R & D

(Rs in lac)

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

Technology Absorption, Adaption and Innovation

1. Efforts made

- Trying to adapt indigenous software in embedded systems of key machineries in place of imported embedded systems.

2. Benefits

Product quality is comparable to any international manufacturer.

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

Total usage	(Rs.in lac)
Total earnings	602.77
	1938.76

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

- Quality improvement of major raw material through structural design of experiments.
- Established cost effective substitutes of various HSL lacquers.
- Developed and established new vendors for raw materials like ink, poly film and paper.

Mumbai
31st May, 2008

R Kannan
Director

Sandeep Agrawal
CEO & Director

INDIA FOILS LIMITED**MANAGEMENT DISCUSSION AND ANALYSIS**

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

INDUSTRY STRUCTURE & DEVELOPMENT

Globally, the Aluminium Industry continues to witness expansion at a feverish pace with every major manufacturer vying for the topmost slot either through capacity expansion or by merging to form a giant conglomerate. Value addition is the order of the day and undoubtedly serviceability continues to be the key differentiator. Close on the heels of the parent metal, the Aluminium Packaging Industry continues to grow at a rapid pace of 10% with more and more innovative product offerings being added everyday. The divide between urban and rural India is fading away faster than ever before, thereby enhancing the need for packaged products.

Aluminium at the London Metal Exchange continued to be volatile throughout the Financial Year with rapid rise and fall in prices which were difficult to keep pace with, especially for converters operating in localized markets. The prices however reached their zenith towards the end of the year, its impact being felt by all secondary manufacturers across the Globe. Customer retention and increasing internal efficiency to curb its spiraling effect on the final price of products was top priority on everybody's agenda. Even manufactures in China, with their impregnable control over Asian and African markets, were unable to absorb the steep rise in the price of Aluminium and substantially raised prices of their converted products in response to the volatile primary prices.

The price of Aluminium in the short and medium term is expected to remain fairly high and this is bound to have its effect on the smaller players who are totally dependent on the primary manufacturers for their raw material. The stage is thus set for serious players with easy access to the primary metal to dominate the world market while smaller converters continue to fade away gradually.

OPPORTUNITIES AND STRENGTHS

Your Company has been quick to respond to this changing scenario and has stepped up its marketing activities, both in the domestic and international sectors. Your company has used its intrinsic strength in the value added segment to not only broaden its customer base in selected geographies, but has also successfully raise its existing prices in the export market keeping pace with the Global LME trends. This two-prong strategy has immensely helped the company to consolidate its position particularly in the pharma markets of India, Bangladesh and Africa. Progress has also been made in the bare foil realizations in the international business where prices have touched record levels. In the domestic market, the prices have not been passed on completely due to unexpected increase in LME prices in one hand and intense competition amongst the players on the other hand. The "blister foil" business of your company has increased by approx 20% over the last two years. Being actively involved with the new growth initiatives of Companies undoubtedly gives your Company a strong edge over competition.

RISKS & CONCERNS

Your company faces risks which are similar to those faced by companies operating in the non-ferrous metal sector. The volatility of the primary metal price continues to be a key issue and success or failure is hinged on how effectively companies are able to manage their resources to tide over these critical periods. The cost of crude is also a major contributor to the overall cost of the final product and this might leave lesser option to insulate the customer from a frequent hike in prices. This invariably, would lead to change in the customer's procurement pattern and unless great care is exercised and could ultimately lead to a loss of market share, especially for those products without much scope for value addition.

The duty structure in some African countries is also favourably inclined towards imports originating from Europe, which acts as a natural entry barrier for many Asian suppliers. Many reputed manufacturers are therefore opting for a multi-locational model to leverage the specific advantages that each distinct geography has on offer. Once, established, they would immediately have an advantage over manufacturers who supply from one location without any local presence in different markets.

USD has been volatile throughout the financial year. INR has had the largest swing either ways, vis-à-vis the USD, amongst all major currencies globally, making export pricing a difficult proposition. The ever rising crude oil prices is expected to keep INR weak, but a degree of uncertainty still remains which will make it difficult to make any short of medium term pricing schedule.



The company is concerned over losses that can be attributed to unstable LME, high crude oil prices, high over-head costs and competition from new players. Process improvements and cost cutting measures are being continuously adapted to curtail the losses.

OUTLOOK

Your Company has shown resilience time and again by fighting against all odds and marching ahead at every step. The accelerated growth of the Pharmaceutical, Food & Beverage & Tourism sector would create additional demands and your Company is geared up to convert new opportunities into successful businesses going forward. External factors would continue to play an important role but through effective risk management processes, it would be possible to steer ahead in turbulent times, based on your Company's high level of engagement and commitment both internally as well as externally.

Your Company is declared a sick industrial company by the Board for Industrial and Financial Reconstruction (BIFR) in terms of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 vide its letter dated 9th May 2006. Madras Aluminium Company Limited, promoter of your Company has joined hands with Ess Dee Aluminium Company Limited for revival of your Company and accordingly submitted a draft rehabilitation scheme to BIFR through its operating agency, ICICI Bank Limited.

SEGMENTWISE\ PRODUCTWISE PERFORMANCE

Your Company is mainly in one line of business namely aluminium foil. Your Company has no activity outside India except export of its products manufactured in India.

INTERNAL CONTROL & SYSTEMS AND THEIR ADEQUACY

Your Company has appropriate internal control systems and procedures in place with regard to effective utilization of resources, efficiency in operation, financial reporting and compliance with various rules and regulations. Your Company has well defined documented policies, guidelines and procedures in place.

The internal control system is designed to ensure that the financial and other records are reliable for preparing financial statements and other data and for maintaining accountability of assets and further supplemented by extensive audits conducted by the best of the Auditors. The regular audits are conducted to review the adequacy and effectiveness of the internal controls and suggest improvement, if any, for strengthening the existing system.

ENVIRONMENT & SAFETY

Safety and Environment Management continues to be one of the key result areas for your company. The Company is committed to providing a safe and healthy workplace for all of its employees including contract workmen. Appropriate training is provided to all of its employees and associates to minimize the risk. The company has adopted a Framework of Standards aligned to ISO 9001 standards. IFL is committed to the environmental improvement of its products. The Company will continue to devote significant resources to control air and water pollutants, to dispose of wastes and to provide risk free environment around the work place and in the neighbourhood. Concern for environment and safety are integral to IFL's business and part of business ethos.

INDUSTRIAL RELATIONS & HUMAN RESOURCE MANAGEMENT

The Company constantly endeavors to attract and recruit the best talent and to retain, nurture and groom to meet its current and future challenges. It places utmost importance to the quality of its human resources. As on March 31, 2008 the Company had employed 657 employees. It places great emphasis on the training and development of employees at all levels and seeks to achieve closer alignment between their objectives and the strategic objective of business through intensive communication of the corporate strategic objectives to all employees.

As a policy the Company recruits people in a manner that a cosmopolitan mix is maintained in the Organization.

Through out the year, employee-employer relations were cordial. Training and development continued to receive top priority. The Directors wish to acknowledge the efforts of all the employees.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws, labour policies and other statutes and other incidental factors.