



**INDAL**



Indian Aluminium Company, Limited

ANNUAL REPORT 2006-2007

Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.  
We live by their values.  
Integrity, Commitment, Passion, Seamlessness and Speed



## BOARD OF DIRECTORS

A. K. Agarwala  
*Chairman*

P. K. Choksey

N. J. Jhaveri

S. Misra

A. L. Mudaliar

B. L. Shah

MANAGER  
Pankaj R. Shah

COMPANY SECRETARY  
Seema Agarwal

AUDITORS  
Price Waterhouse

BANKERS  
State Bank of India  
Punjab National Bank  
The Hongkong & Shanghai Banking  
Corporation Limited

COST AUDITORS  
Mani & Co.

REGISTERED OFFICE  
1 Prafulla Chandra Sen Sarani,  
Kolkata 700 071  
Tel- 2280 9710-19  
Fax- 2288 3964

KOLLUR FOIL PLANT  
Village Kollur  
R C Puram Mandal, via Mutangi  
Medak Dist - 502 300, AP

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## REPORT OF THE DIRECTORS

Dear Shareholders

Your Directors would like to present the 69th Annual Report, together with the audited accounts for the financial year April 2006 to March 2007.

### Financial Results

	April 2006 – March 2007	(Rs Thousand) April 2005 – March 2006
Sales and Operating Revenues	876,001	729,664
Of which exports	102,727	101,457
Operating profit (profit before Depreciation, Interest and Tax)	10,142	19,595
Interest	3,615	2,570
Depreciation	36,066	34,622
Profit/(Loss) before tax	(29,539)	(17,597)
Tax – Current	NIL	4,345
– Deferred	(5,443)	(9,166)
– Fringe Benefit	468	' 551
Profit/(Loss) after tax	(24,564)	(13,327)

Sales and Operating Revenues stood at Rs.876,001 thousand (previous year Rs 729,664 thousand). Net Loss was Rs.24,564 thousand (previous year Net Loss Rs. 13,327 thousand).

### Dividend

Since your Company has not made any profit, your Directors have not recommended any dividend.

### Corporate Developments

Hindalco Industries Ltd., the holding company of Indal, holds approximately 97.06% of the share capital of the Company as on 31 March 2007.

### Operational Review

Your Company has consistently focussed on value-added products and made inroads into new markets. The major highlights:

- With increased demand in the Pharma sector, production volumes grew at 2942 tonnes during FY07 as against 2451 tonnes in FY06, registering a growth of 20%.
- Your Company widened its customer base by developing new customers in the export and domestic markets.
- Overall delivery performance improved from 90% in 2005-06 to over 94%.
- Customer complaint settlement time reduced significantly from 65 days in 2005-06 to 50 days in 2006-07.

Programmes on 5S - Housekeeping and Good Manufacturing Practice (GMP) were launched during the year to meet the stringent quality standards of pharma customers.

### Engineering Achievements

Major Engineering activities completed include:

- Installation of Bending System in the Rolling Mill with reversing and separating operations, thereby improving foil quality in terms of shape.
- Complete revamp of Furnace-1 which has helped reduce energy consumption.
- Installation of 13 Nos. Turbo Ventilators on the Poly Extruder machine to improve working conditions on the shop floor.
- New Dry Air System for the Foil Rolling Mill which prevents moisture getting into the foil, and eliminates the possibility of any corrosion.



- Procurement of New Chill Roll for the Poly Extruder
- Installation of New DC Drive in the Paper Laminator machine.

#### Corporate Governance

Your Company re-affirms its commitment to the standards of corporate governance.

#### Human Resource Development and Industrial Relations

Your Company recognises the value of people as its most valuable asset and believes that your Company's employees are central to its sustainable success.

Industrial Relations have remained cordial throughout the year with good co-operation from all Operatives in improving the overall performance of the Plant.

The plant has remained accident free over the last few years including 2006-07. It has achieved 2.64 million accident free man-hours up to 31 March 2007.

#### Corporate Social Responsibility

Your Company continues to strengthen its efforts towards sustainable development with new initiatives and consistent improvements in the economic, environmental and social aspects of the business.

In line with the Social Vision of the Aditya Birla Group your Company has played an active role in various social activities for making a difference to the surrounding community.

#### Quality, Environment Protection and Pollution Control

Your Company was presented the "Appreciation Award" from the National Safety Council for obtaining OHSAS: 18001 (1999) Certification.

Surveillance audit for ISO: 9001 (2000), ISO 14001 (1996) and OHSAS : 18001 Systems certifications were carried out successfully by the certification body BVQI.

#### Investor Services

In terms of the provisions of Section 205C of the Companies Act, 1956, your Company transferred an amount of Rs. 21,27,613.00 to the Investor Education and Protection Fund, relating to amounts lying as unclaimed dividend for more than seven years from the due date.

#### Directors

Mr. A. K. Agarwala and Mr. A. L. Mudaliar retire by rotation from the Board in accordance with Article 117 of the Articles of Association of the Company and are eligible for re-appointment.

#### Board of Directors

Your Company's Board includes six Non-Executive Directors, of which, three Directors are independent directors. The Board met four times during the year.

#### Audit Committee

Your Company has an audit committee at the Board level. The Committee acts as a link between the management, the statutory auditors and the Board of Directors and oversees the financial reporting process. All members of the Committee are Non-Executive Directors. The Chairman is an independent director with sound financial and accounting knowledge.

The details of the composition of the Committee are as follows :

Name of Director	Nature of Director	Audit Committee Meetings	
		Held	Attended
Mr. P. K. Choksey, Chairman	Independent Director	2	2
Mr. A. K. Agarwala, Member	Non-executive Director	2	2
Mr. A. L. Mudaliar, Member	Independent Director	2	1
Mr. B. L. Shah, Member	Non-executive Director	2	2

The Audit Committee met twice, on 28 April 2006 and 27 November 2006. The Committee recommended the approval and adoption of the annual accounts for the financial year 2005-06 and reviewed the Accounts for the seven months ended 31 October 2006.

**Auditors**

At the Annual General Meeting held on 11 July 2006, the members had appointed Messrs Price Waterhouse, Chartered Accountants, as auditors of your Company, at a remuneration as may be mutually agreed upon between the Board of Directors and the Auditors. Accordingly, it was agreed to pay Rs. 4,50,000/- to Messrs Price Waterhouse as auditors of the Company from the conclusion of the sixty-eighth Annual General Meeting to the conclusion of the next Annual General Meeting. Messrs Price Waterhouse, being eligible, offer themselves for re-appointment.

**Subsidiaries**

The Company has no subsidiary company.

**Appendices**

Energy Conservation and Foreign Exchange Earnings and Outgo, details are given in Appendix I.

Information in terms of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - NIL

Disclosures in compliance with Accounting Standard-18 on "Related Party Disclosures" form a part of this Annual Report.

**Directors' Responsibility Statement**

The Audited Accounts containing Financial Statements for the financial year ended 31 March 2007 are in full conformity with the requirements of the Companies Act, 1956. Your Directors believe that the Financial Statements reflect fairly, the form and substance of transactions carried out during the year and reasonably present your Company's financial condition and results of operations.

Your Directors further confirm that:

- (i) in the presentation of the annual accounts, applicable accounting standards have been followed;
- (ii) the accounting policies have been consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31 March 2007 and of the profit for the financial year ended 31 March 2007;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities;
- (iv) the annual accounts of your Company have been prepared on a going concern basis.

**Appreciation**

Your Directors place on record their deep appreciation of the assistance and support provided by the financial institutions and banks associated with your Company.

Your Directors recognise the commitment and contribution of your Company's employees.

Your involvement as shareholders is greatly valued.

For and on behalf of the Board



Askaran Agarwala  
Chairman

Mumbai  
5 May 2007

**ANNEXURE TO DIRECTORS' REPORT****A. Conservation of Energy**

- As part of Energy savings programme, kilowatt hours per tonne consumed was lower at 2498 kWhrs/tonne against 2916 kWhrs/tonne in the previous year.

**B. Technology**

- Please refer to Form – B.

**C. Foreign Exchange Earnings and Outgo**

Foil exported from Kollur was marginally lower at 440 tonnes (FY06 449 tonnes) on account of vacating export capacities in favour of more remunerative domestic loads.

The focus was on export of Light Gauge Foil, Lidding Foil and Plain Pharmaceutical Foil. The major markets serviced were Syria, Lebanon, Dubai, Turkey and Iran. New customers were successfully developed for Light Gauge and Pharmaceutical Foil in Saudi Arabia and Sri Lanka. We expect regular orders from these customers.

Going forward, the main thrust will remain on exporting Light Gauge, Lidding and Pharmaceutical foil to these countries. Our target is to substantially increase volumes.

**Foreign Exchange used and earned :**

	2006-2007 Rs. Thousand	2005-2006 Rs. Thousand
Earnings on account of Export	102,727	101,457
Outgo on account of Imports, Commission	15,291	36,215
Net foreign exchange earned/(spent)	<u>87,436</u>	<u>65,242</u>

**FORM A****Disclosure of particulars with respect to conservation of energy****A. Power & Fuel Consumption**

	2006-2007	2005-2006
<b>1 Electricity</b>		
a) Purchased (For Production)		
Units - '000 kWh	7189	7277
Total Rs million	26.21	29.5
Rate Rs/kWh	3.65	4.05
b) Own Generation		
i) Through Diesel Generator		
Unit - '000 kWh	160.4	26.8
Total Rs million	1.88	0.24
Rate Rs/kWh	11.70	8.85
<b>2 Others</b>		
a) Low Sulphur Heavy Stock (LSHS)		
Quantity – tonne	–	–
Total Rs million		
Cost Rs/tonne		
(b) High Speed Diesel (HSD)		
Quantity - kilo litre	56.77	9.64
Total Rs million	1.88	0.24
Cost Rs/kilo litre	33.07	24.62
(c) Light Diesel Oil (LDO)		
Quantity - kilo litre	–	–
Total Rs million		
Cost Rs/kilo litre		
<b>Power consumption (kWh/t)</b>	<b>2498</b>	<b>2916</b>

**ANNEXURE TO DIRECTORS' REPORT****B. Consumption per unit of production**

Products	Electricity kWh/tonne		Fuel Oil Kg/tonne	
	2006-07	2005-06	2006-07	2005-06
Foil & foil laminates	2498	2916	16.07	3.3

**FORM B****Disclosure of particulars with respect to technology absorption****Research and Development (R&D)****1. Specific areas in which R&D carried out by the Company:**

- a) Roll Grinding Practices: To improve the overall productivity of the Rolling mill, speed improvement was brought about by experimenting with various grit of grinding wheels and grinding practices.
- b) Modification in Annealing practices: To improve the quality of light gauge foil, annealing practices were modified after carrying out extensive research work. The annealing temperature and cycle time were experimented to achieve better machinability of the foil.
- c) Coolant Oil Hygiene: Acceptable levels of Contamination percentage were established through experimentation to avoid excess oil carry over in the foil.

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

- a) Productivity in the rolling mill improved by over 5% consequent to the changes made in the roll grinding practices.
- b) Improved quality of Blister RGF. No major rejections on account of excess oil carry over on the surface of the foil.
- c) Improved quality of light gauge foil. Customer satisfaction rating from the major customers improved from 76% to 86%.

**3. Future plan of action**

Developmental work is underway to reduce the cost of Blister coating without affecting quality.

**4. Expenditure on R & D**

Expenditure during the financial year was 1,75,000/- approximately.

**Technology — absorption, adaptation & innovation**

Technology support was obtained from Hindalco Industries Limited Corporate Technology Cell for improving the rolling productivity and in the improvement of Light Gauge Foil quality.



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 of India.

**FIXED ASSETS** (comprising both tangible and intangible items) are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation. The cost of machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are allocated over useful life of the related asset. Pre-operative expenses for major projects are also capitalised, where appropriate. Capital subsidies under Government schemes are credited to Capital Reserve.

Impairment loss is recognised when carrying amount of asset exceeds its recoverable amount. Reversal of such loss is also accounted whenever situation so warrants.

**DEPRECIATION** (including amortisation) on fixed assets is calculated on straight-line basis at rates which are in conformity with the requirements of the Companies Act, 1956. The cost of machinery spares are amortised over the useful life of the related asset.

**REVENUE** is recognised on completion of sale of goods, rendering of services to third parties and / or use of the Company's resources by third parties.

**BORROWING COST** attributable to the acquisition and construction of qualifying assets are added to the cost up to the date when such assets are ready for their intended use. Other borrowing costs are recognised as expense in the period in which these are incurred.

**INVENTORIES** are valued at lower of cost and net realisable value. The costs are, in general, ascertained under weighted average method on the basis of rates per unit of measurement determined after recording receipts for individual items of inventories.

**LONG TERM INVESTMENTS** are stated at cost less write down for any permanent diminution in carrying amount. **CURRENT INVESTMENTS** are stated at lower of cost and fair value. Fair value is determined on the basis of realisable or market value.

**EARNINGS FROM INVESTMENTS**, where appropriate, are accrued or taken into revenue in full on declaration or receipt and the tax at source thereon is treated as advance tax.

**TRANSACTIONS IN FOREIGN CURRENCY** outstanding at the Balance Sheet date (monetary items) are accounted at the contracted rate when covered by forward contracts and at exchange rates prevailing on the Balance Sheet date in case of others. Exchange differences are dealt with in the Profit and Loss Account, other than those relating to acquisition of Fixed Assets which are capitalised. Such capitalisation is restricted to only acquisition of fixed assets from a country outside India in case related foreign currency transactions are entered into on or after 1st April 2004.

**EMPLOYEE BENEFITS** under defined benefit schemes are actuarially determined at the year end and accounted for using the Projected Unit Credit Method. Actuarial gains and losses are recognised in full in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise the same is amortised on a straight-line basis over the average period until the benefits become vested.

Contributions payable for the year under defined contribution plans are recognised as expenses during the year.

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service.

**COMPENSATION UNDER VOLUNTARY RETIREMENT SCHEME** is treated as Deferred Revenue Expenditure and amortised over a period of thirty six months.

**PRIOR PERIOD** and **EXTRAORDINARY** items and changes in **ACCOUNTING POLICIES** having material impact on the financial affairs of the Company are disclosed.

**CURRENT TAX** is determined as the amount of tax payable in respect of taxable income for the period based on applicable tax rates and laws. **DEFERRED TAX** is recognised, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is measured using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are reviewed at each Balance Sheet date to re-assess realisation. **FRINGE BENEFIT TAX** is accounted for based on the estimated value of fringe benefits for the period as per the related provisions of the Income-tax Act.

**PROVISION** is recognised when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Disclosure of **CONTINGENT LIABILITY** is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources. No provision is recognised or disclosure for contingent liability is made when there is a possible obligation or a present obligation and the likelihood of outflow of resources is remote.