GLOBAL INDIAN

INTERNATIONAL CONVEYORS LIMITED | Annual Report, 2009-10

Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

Contents

Corporate Identity 04 | 10 Minutes with the Managing Director 06 | Strengths 10
Financial Review 14 | Notice 16 | Director's Report 19 | Management Discussion and Analysis Report 22
Risk Management 23 | Corporate Governance Report 25 | Auditor's Report 33 | Balance Sheet 36
Profit & Loss Account 37 | Schedules 38 | Cash Flow Statement 56 | Balance Sheet Abstract 58

Corporate Information

Directors

Shri M. P. Jhunjhunwala

Shri L. K. Tibrawalla

Shri A. Hussain

Smt. R. Dalmia

Shri J. S. Vanzara

Managing Director

Shri R. K. Dabriwala

Company Secretary

Ms. Alka Malpani

Auditors

M/s. Lodha & Co.
Chartered Accountants
14, Government Place East, Kolkata - 700 069

Bankers

State Bank of India

Registered Office

10, Middleton Row, Kolkata - 700 071

Works

E-39, MIDC Industrial Area
Chikalthana
Aurangabad - 431 210, (Maharashtra)

Registrar & Share Transfer Agents

Maheshwari Datamatics Pvt. Ltd.
6, Mangoe Lane, 2nd Floor, Kolkata - 700 001

International Conveyors Limited is a rare instance within the global PVC conveyor belting industry, where a company with a relatively modest turnover compared with global giants, demonstrating competitiveness at par with the best companies in the world.

Evolving from a domestic company into a global Indian.

Mineral resources need to move from face to pithead. Safely. Quickly. Economically.

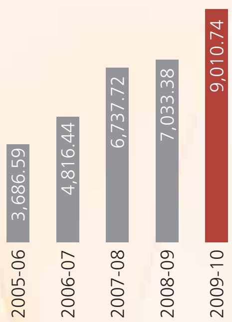
International Conveyors Limited manufactures solid-woven, fabric-reinforced, PVC-impregnated and PVC-coated fire retardant anti-static conveyor belting, making this a reality.

At the world's single largest manufacturing plant (Aurangabad) for PVC belting.

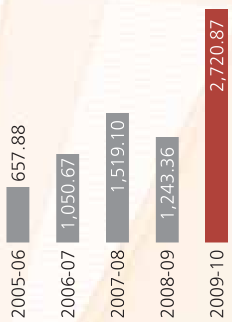
Helping make the core economy efficient.

Key financials, 2009-10

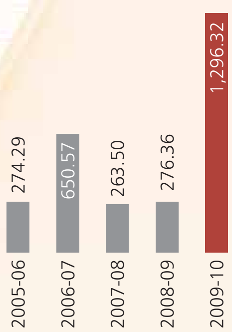
Revenues (gross) *(Rs. in lacs)*



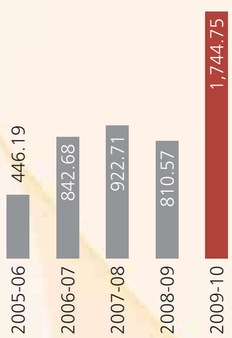
EBIDTA *(Rs. in lacs)*



Post-tax profit *(Rs. in lacs)*



Cash profit *(Rs. in lacs)*



Credentials

International Conveyors Limited (established in 1973) is one of the fastest-growing manufacturers of PVC conveyor belting, promoted and managed by Mr. R. K. Dabriwala and Mr. Anver Hussain. The Company is listed at the Bombay Stock Exchange Limited and the Calcutta Stock Exchange Limited.

Customers

The Company's customers comprise coal/potash mining and material handling companies in India and abroad. The Indian clients comprise South Eastern Coalfields Ltd (SECL Bilaspur, Chhattisgarh), Western Coalfields Ltd (WCL Nagpur, Maharashtra), Mahanadi Coalfields Ltd (MCL Sambalpur, Orissa), Eastern Coalfields Ltd (ECL Asansol, West Bengal), Bharat Coking Coal Ltd (BCCL Dhanbad, Jharkhand), Central Coalfields Ltd (CCL Ranchi, Jharkhand), The Singareni Collieries Co. Ltd (SCCL Kothagudam, Andhra Pradesh), IISCO (Burnpur, West Bengal), Jayaswal Neco Ind. Ltd (Raipur, Chhattisgarh), Monnet Ispat & Energy Ltd (New Delhi) and Uranium Corporation of India Ltd (Jaduguda, Jharkhand). The Company exports growing volumes to the US, Canada and Australia.

Capacities

- A 7,00,800 metres per annum manufacturing unit in Aurangabad, Maharashtra
- A 3.85 MW wind turbine generator (around 9.3 mn KWH a year)

PVC conveyor belt manufacturing unit	Aurangabad, Maharashtra
Windmill 1 (0.6 MW)	Chitradurga, Karnataka
Windmill 2 (0.8 MW)	Tumkur, Karnataka
Windmill 3 (0.8 MW)	Ahmednagar, Maharashtra
Windmill 4 (1.65 MW)	Kutch, Gujarat

Certifications

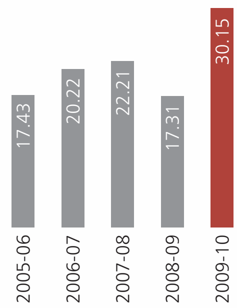
- Director General of Mines Safety approval, Dhanbad India
- Director General of Supplies and Disposals Registration, India
- A Dun & Bradstreet-registered company with D-U-N-S number 86-225-1696
- US Mine Safety and Health Administration – Part 14 and Part 18, Title 30 (CFR)
- Council South African Bureau of Standards – SABS 971-2003
- Bureau of Indian Standards – IS 3181:1992 (Second Revision)
- Canadian Standards Association – CAN/CSA M422-M87 (reaffirmed 2000), Category A1
- Test Safe Australia 4606:2006
- MSHA and OHSAS compliances
- ISO 9001:2008 accreditation for its manufacturing and marketing of solid woven, fire resistant, anti-static PVC conveyor belts for mines and industrial applications

Highlights, 2009-10

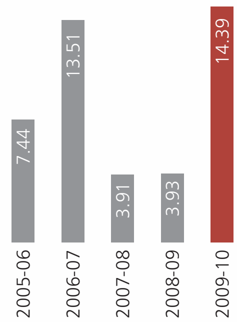
- Increased production volume from 270,802 metres in 2008-09 to 349,330 metres
- Strengthened average realisation from Rs. 2,411.30 a metre in 2008-09 to Rs. 2,473.50 a metre
- Graduated from the MSHA 18 certification to the more demanding MSHA 14 certification

Key financials, 2009-10

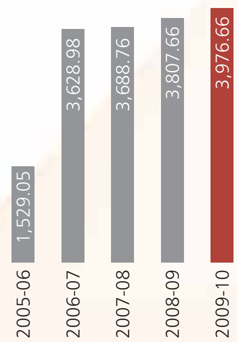
EBIDTA margin *(%)*



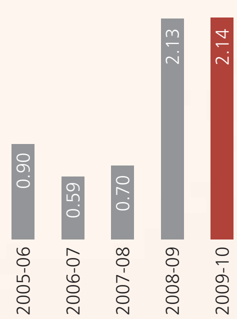
Post-tax profit margin *(%)*



Gross block *(Rs. in lacs)*



Debt-equity ratio



10 minutes with the Managing Director

"If there is a singular message that can be derived from our 2009-10 performance, it is that the Company established itself as a global Indian."

Mr R. K. Dabriwala analyses the Company's positioning, performance and prospects.

Were you satisfied with the Company's performance in 2009-10?

The performance in 2009-10 was our best ever. While our topline grew 25.62% from Rs. 7,184.00 lacs in 2008-09 to Rs. 9,024.61 lacs, our bottomline strengthened 369% from Rs. 276.36 lacs in 2008-09 to Rs.1,296.32 lacs and our EBIDTA margin strengthened from 17.31% to 30.15%. This performance was creditable as the international market continued to be in a state of slowdown, affecting the capital expenditures of industries addressed by our Company.

What factors made these record results a reality even the challenges notwithstanding?

If there was a singular message that could be derived from this performance it is that the Company finally established itself as a global Indian. The evidence is in the numbers. There was a gradual correction in an excessive India-centric presence that we created over the last decade. We increased exports by a CAGR of 202% from Rs. 18.99 lacs in 2001-02 to Rs.5,604.19 lacs in 2009-10. Nearly 63.77% of our revenue comprised exports in 2009-10, about 80% of which were made to First World countries – probably the most challenging market segment for our products in the world where only multinational corporations enjoyed a monopoly until now. This significant international presence established some key realities: one, that our costs are globally competitive; two, our product is technologically benchmarked with the best standards in the world; and three, we possess the managerial bandwidth to recognise global trends and compete against larger companies.

What highlights translated into a superior performance during 2009-10?

We countered various challenges through the following initiatives:

- We recognise that usually the most competitive manufacturer is the one with the largest capacity. In view of this, we expanded our annual installed capacity from 575,000 metres in 2008-09 to 700,800 metres. Correspondingly, we increased our production from 270,802 metres in 2008-09 to 349,330 metres, which translated into increased revenue.

- We are convinced that the future of competitive manufacturers lies in value-addition beyond the commodity segment. In view of this, we evolved our product mix through the increasing manufacture of value-added products (8,000 lb/sq. inch and 10,000 lb/sq. inch products and mirror-finish PVC beltings). In doing so, we strengthened our average realisations from Rs. 2,411.30 per metre in 2008-09 to Rs. 2,473.50 per metre.

- We feel that truly competitive global manufacturers of the future will be those with a presence across diverse global markets, which protect them from a selective downturn in any one. In view of this, we grew our international presence from 37.99% of our turnover in 2005-06 to 63.77% in 2009-10. In doing so, we derisked ourselves from an excessive dependence on one market (India), emphasising our robust global viability.

- We recognise that companies that work with large and growing international clients must possess excellent credentials when it comes to product durability and safety; for instance, we received ISO 9001:2008 certification and Mine Safety and Health Administration (MSHA) 30 CFR Part 14 (USA) certification.

How did the Company address the challenge of strengthening of the rupee?

The Company responded to this challenge by doing all within its control to manage costs and raise efficiencies:

- We leveraged our in-house engineering excellence to use an optimum amount of raw material while completely matching customer specifications.
- We shifted from Europe-based raw material providers to Korean and Chinese suppliers with corresponding cost advantages without compromising on quality.
- We derisked against the increasing cost of paste grade PVC, a key input material, by booking bulk quantity through forward contracts.
- We engaged in value-engineering in our existing plant and machinery to reduce conversion costs.

You indicated an extension into value-added products?

This is an important point. We could have done what we had always done, which is, make the same kind of products for the same kind of customer, expanding capacities each time to graduate to a lower cost of production in a commodity product segment. However, in the last few years, we embarked on something different – we began the challenging journey to graduate to the value-added segment. In the business of PVC belting, product grades are classified according to 'Types' (denotes strength per inch width). Type 3 (3,500 lb per inch) to Type 6 (6,500 lb per inch) refers to a category marked by intense competition whereas Type 8 (8,000 lb per inch) and above refers to a category that is value-added, marked by competition. As a forward-looking manufacturer, we began to manufacture Type 8 to 10 in 2006-07 (a space occupied by only few manufacturers in the world) and reinforced our position in this space in 2009-10, strengthening our brand in peer and customer communities. This had a number of benefits: our counter-competition positioning strengthened, our average realisation increased, we began to service the demanding requirement of large customers, we raised our technology maturity, we strengthened our peer respect and we are now at a stage where no major product enquiry is floated without checking for what our Company has to offer. In a lot of ways, this extension represents an inflection point in our existence.

What is the optimism for the space in which you operate?

India is at the cusp of a boom in metal manufacture which will need to be back-ended with considerable investments in mining, widening the prospects for our business. Thermal power will continue to be the preferred mode of power generation in India, accounting for nearly 60% of the country's electricity generation capacity. In turn, this will warrant underground coal mining, which is expected to grow from a 50-million tonne per annum industry to a 75-million tonne in a short period. Besides, the demand for coal (coking and thermal) will continue to grow to feed the growing appetite of the second-fastest growing economy, making it imperative to secure its energy needs through increased mining investments as opposed to imports.

In India, mines are allotted with government stipulations on mine commercialisation dates, creating a sense of urgency. Besides, surface mining is practiced extensively but underground mining will gain importance following technology infusion and process mechanisation, which will strengthen our prospects. For instance, China, the US and Australia, the world's largest coal-producing countries, produce coal from underground mining at 95%, 33% and 23%, whereas India's figure is just 19%.

From our corporate perspective, optimism comes from the fact that much of our international presence is still centred around North America, the most demanding market in the world. We are yet to enter the growing markets of China, South Africa, Australia and Latin America.

What is the Company's strategy to capitalise on these emerging realities?

The Company has either strengthened its business or is strengthening it in the following ways:

Geographic presence: The growth that we have reported was derived out of an active presence in only three countries; we expect to enter China and Australia in 2010-11.

PVC belting: We commissioned an

electronically controlled integrated coating plant (ICP2) and a six-storey vacuum-impregnation tower to enhance product quality, durability and realisations.

Quality certifications: We strengthened our credentials through the ISO 9001:2008 quality certification and MSHA 14 certification from the US in 2009-10.

Besides, favourable referrals by existing customers drive the prospect of increased offtake. Our competitors are also engaged in capacity expansion, making it imperative for us to expand quicker at a lower cost. Besides, we will be able to widen our presence to more countries now that we have demonstrated our credentials in North America. Going ahead, our expansion will result in a larger quantity and wider range, leading to a one-stop customer convenience.

How would you encapsulate the Company's competitive advantage and outlook?

From a major perspective it is important to consider the following, given our size and scale:

- Normally, a Company achieves a large global exposure after it has acquired scale. We are a relatively rare company to be able to market products across three countries.
- Normally, only large companies possess competencies in Type 6-plus products. We are a rare company, deriving over 50% of our revenues from Type 6-and-above products.
- Normally, only large companies compete for orders from large North American customers. We are a rare company to have accounted for a large order from a North American mining giant after having competed successfully against the world's largest conveyor belting company.

What gives me optimism is that we have demonstrated these competencies when our annual revenues are not even Rs. 100 cr out of a global market estimated at US$2 bn. In view of this, I am confident that we have the potential to grow sustainably in the future.

How much of this optimism is also derived from the fact that the Company is located in India?

The Indian market of 500 km a year of our product is largely the sub-Type 6 variety; the Type 6 segment accounts for a mere 60 km of this market. There is a specific reason why the country's breadth and depth has not translated into a commensurately large market for our products – the mining practices carried out in India are not fully mechanised as most mineral reserves are extracted from as close to the surface as possible. As surface reserves are progressively depleting, the country will need to mine deeper, engage in long wall and continuous miners (coal-cutting machines), which in turn will warrant a growing investment in a higher Type of product mix. Until this happens, ICL will focus on the developed global market (America, Australia and China) where the deep nature of mining and corresponding mechanisation have translated into a sustainable offtake for our products.

How does the Company intend to capitalise on these realities?

Given this reality, ICL is responding through the following:

- We modernised the plant with an investment of Rs. 400 lacs, to help produce larger volumes within the existing infrastructure.
- We expect to widen our geographic presence from three countries to five countries. We expect to expand our presence across companies needing modern mechanical mining transportation solutions within each geography.
- We expect the full impact of our doubled capacity to be available in 2011-12. We expect to report two years of straight growth and since our expansion was funded through accruals and debt – no equity – we expect to enhance shareholder value in an attractive way.

However, I must caution shareholders that our principal objective in 2010-11 is to enhance our capacity utilisation and capture additional market share which may require us to be content with more modest realisations, margins and profits for the moment. However, we are convinced that we will be able to enhance profits thereafter resulting in enhanced shareholder value over the foreseeable future.

Our optimism

- Low equity capital of Rs. 675 lacs (as on March 31, 2010)
- Low working capital cycle of 107 days of turnover equivalent
- Attractive tax savings derived from wind power generation
- Widening global footprint across five countries
- Migration to niche and value-added product grades
- Market leader in India enjoying 45% market share