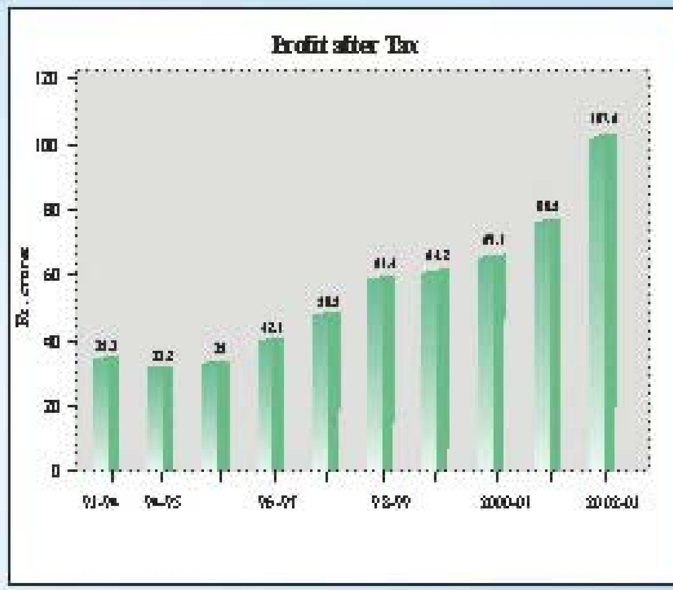
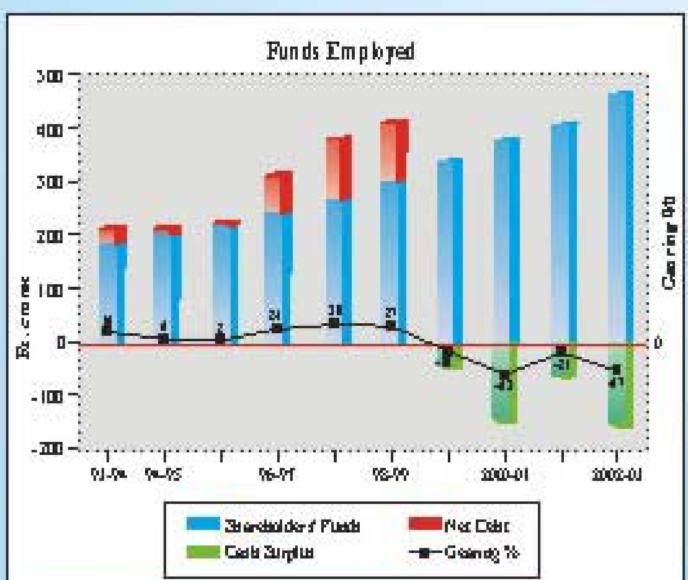
# Annua Report 2002-03

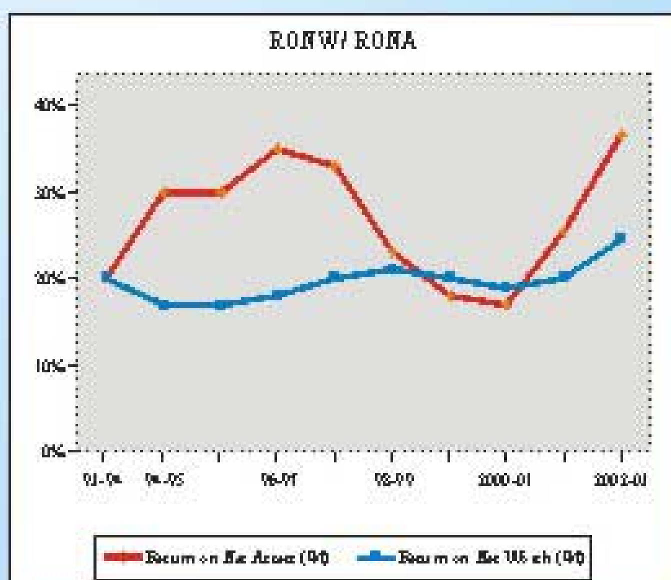
ICI India Limited

# ICI India Limited

## Ten Year Trends

# ICI India Limited

## Annual Report 2002-03

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# ICI India

## Vision

- Our ambition is to be the industry leader in creating value for the customers and shareholders.
- We will be the most admired specialty products Company in India.

## Mission

- We will be the leader in India in chosen specialty products to delight our customers while creating superlative value for the shareholders.
- We will have an inspiring high performance culture underpinned by responsible care for all people and the environment.
- Innovation will be the key driver for our winning in the market place.

## Values

**We shall**

- Show unrivalled understanding  of customers and their markets.
- Seize opportunities rapidly, taking intelligent risks when required to bring measurably better products to the market.
- Meet demanding year on year growth targets above industry norms and constantly improve our operational performance.
- Hire, inspire and develop outstanding people by encouraging initiative, supporting new ideas and rewarding delivery.
- Never compromise our commitment to Safety, Health and Environment.

# ICI INDIA LIMITED
# ANNUAL REPORT 2002-03

## BOARD OF DIRECTORS

**CHAIRMAN**
A Narayan (w.e.f. 3 April 2003)

**MANAGING DIRECTOR**
R L Jain (w.e.f. 1 April 2003)

**DIRECTORS**
M R Rajaram (CFO & Wholetime Director)
R Gopalakrishnan
S Hamlett
D S Parekh
M V Subbiah
S Krishna – Government Nominee
(w.e.f. 23 September 2002)

**SECRETARY**
R Guha

**REGISTERED OFFICE**
34, Chowringhee Road
Kolkata - 700071
Tel : 033-22267462
Fax: 033-22880804

**CORPORATE OFFICE**
10th Floor, DLF Plaza Tower
DLF Qutab Enclave, Phase-1
Gurgaon - 122002
Tel : 0124-2540400
Fax : 0124-2540840

**WEBSITE**
www.iciindia.com

**BOARD COMMITTEES**

**Audit Committee**
D S Parekh (Chairman)
R Gopalakrishnan
S Hamlett
M V Subbiah

**Remuneration and Nominations Committee**
M V Subbiah (Chairman)
R Gopalakrishnan
S Hamlett
D S Parekh

**Shareholders/Investors Grievance Committee**
S Hamlett (Chairman)
R L Jain
M R Rajaram

**AUDITORS**
BSR & Co.

**BANKERS**
Central Bank of India
Citibank NA
Deutsche Bank AG
Standard Chartered Bank

**REGISTRAR AND SHARE TRANSFER AGENT**
C B Management Services (P) Limited
P-22, Bondel Road
Kolkata -700019
Tel. : 033-22806692-94
Fax : 033-22470263
e mail : cbmsl1@cal2.vsnl.net.in

# DIRECTORS' REPORT 2002-03

Your Directors have pleasure in presenting their report for the year ended 31 March 2003.

**BUSINESS ENVIRONMENT**

During 2002-03, the economic environment in India was generally marked by a slow down in growth. The economy registered a growth of about 4.5% compared to 5.4% during the previous year. Whilst the manufacturing and services sectors grew, the agriculture sector suffered a decline by 1% due to a weak monsoon.

Exports from India increased by 18% during 2002-03 to touch a record of $ 51.7 billion, but with imports also growing by 17%, the trade deficit for the year was $ 7.6 billion as compared to $ 6.9 billion in the previous fiscal year. However, the foreign exchange reserves crossed $ 80 billion because of higher exchange earnings of the services sector and overseas remittances. Moody's upgraded India's foreign currency rating to Ba1 from Ba2 citing improvement in the external liquidity position.

The interest rates during the year fell more than 150 bps because of excess liquidity in the market and limited options for banks to deploy their funds. While the average inflation rate for 2002-03 was 3.5%, it reached a two year high of over 6% by the year-end fuelled by petroleum price increases.

The ongoing economic reforms continued albeit at a slower pace. The proposal for introduction of VAT was postponed affecting commercial activity across the country in March 2003.

The growth in the global economy continued to be sluggish and the high oil prices during the latter part of the year affected the growth rates of many developed economies. Under the circumstances, the Indian economy did relatively well to withstand these pressures through growth in the industry and services sectors.

**FINANCE AND ACCOUNTS**

ICI India achieved sales of Rs. 701 crores for the year. Sales from continuing businesses grew by 9% over the previous year in spite of adverse factors like uncertainty in VAT implementation, slowdown in overseas markets, effects of the Iraq war and poor monsoon. Paints, National Starch and Nitrocellulose businesses have performed significantly better compared to the previous year. Operating profit at Rs. 87 crores registered a growth of 18% over last year, which was made possible by a turnaround in the Paints business and a substantially improved performance of the National Starch business.

Exceptional items at Rs. 72.9 crores consist of profit on sale of Catalyst business and profit on disposal of surplus properties partly offset by charge for VRS, business reorganization costs and additional contribution to retiral funds necessitated by decline in interest rates.

With the improved operating profit and high exceptional income, the Company achieved a record Rs. 107.7 crore of profit after tax. Your Board has, as a special case, recommended a dividend of 100% for the year 2002-03.

The performance highlights of the Company for the year are summarised below:

| | | **(Rs Cr)** |
|---|---|---|
| | **2002-03** | 2001-02 |
| Sales | **700.8** | 714.9 |
| Operating Profit from businesses | **87.0** | 74.2 |
| Depreciation | **23.4** | 22.9 |
| Interest | **3.3** | 1.7 |
| Exceptional Items | **72.9** | 57.6 |
| Profit before Tax | **133.2** | 107.2 |
| Tax | **25.5** | 26.7 |
| Profit after Tax | **107.7** | 80.5 |

The appropriations of profit in 2002-03 are as follows:

| | (Rs Cr) |
|---|---|
| Transfer to General Reserve | 30.0 |
| Proposed Dividend | 40.9 |
| Tax on Proposed Dividend | 5.2 |

Balance of Rs. 31.6 crore, together with the opening balance of Rs. 169.5 crore and Rs. 13.2 crore of Debenture Redemption Reserve written back, is carried forward in the Profit & Loss Account.

No fresh fixed deposit was accepted or renewed during the year and unclaimed matured fixed deposits amounting to Rs. 0.13 crores were repaid during the year.

**MANAGEMENT DISCUSSION & ANALYSIS**

**Paints**

The business achieved a much improved outturn compared to the previous year. The special efforts in building the premium DULUX portfolio, in-store tinting machines and innovative colour offers yielded encouraging results with improved channel partnerships and higher consumer satisfaction. The exterior segment continues to be the fastest growing segment and to service the needs of the large institutional segment, the newly constituted Institutional business team established direct relationship with major architects and contractors.

The 2K range of Premium Polyurethane (PU) based automotive refinishes continued to grow strongly and maintained its leadership position in the premium segment. A number of initiatives, viz., introduction of new products, technical training and development of bodyshop management tools, were launched in order to assist the major motor manufacturers in upgrading their dealerships. In the conventional Refinish segment the Company has launched a new range of PU finishes – Belco, which has gained wide acceptance and market share. The Company has pioneered the launch of in-store tinting offer in conventional refinish paints based on its unique ACS technology, leading to the establishment of a large network of its innovative Duco Colour Centres to provide improved service to the customer and access to the vast colour offer.

With improved operations and innovative new products, the business expects to continue to improve its position in the growing market in the times ahead.

**Industrial Specialties**

**Uniqema**

The Uniqema business operated in an environment of uncertainty marked by the economic downturn following 9/11, the communal violence in Gujarat and a weak monsoon. Low market growth in certain segments and a fragmented industry with high competitive intensity led to lower sales. However, the business responded with strong performance in Textiles, Lubricants and the Personal Care sectors but sales to the Crop Protection sector were affected due to the weak monsoon.

Increase in crude oil prices from the third quarter and a sharp upturn in vegetable oil prices escalated the cost of key raw materials. The business focused on innovation and driving down costs to maintain profitability and fuel growth.

With oil prices coming down post the Iraq war, the planned product and cost rationalisation and the continued thrust on innovation, the business expects to improve its performance in the year ahead. A better monsoon this year should also help.

**National Starch & Chemical**

The Adhesives, Starch and Polymer business performed well with an excellent top-line growth of more than 100% over the corresponding period last year. Consolidation of the adhesive business acquired from Hindustan Lever Limited in December 2001 was completed during the year. The business was successful in capturing significant market share in the book-binding, soap-wrapper and wood-working industry. Volumes of polymers used in the personal care segment and starches used by FMCG industry grew handsomely. Expansion of the Adhesives plant was completed and commissioned in September 2002.

Competitive activity and aggressive marketing efforts by international and domestic majors is expected to increase. However, with the emphasis on introduction of new products in several segments, the business looks forward to further improvement in its outturn in the year ahead.

**Industrial Chemicals**

**Rubber Chemicals**

Sales fell compared to the previous year primarily because of continued decline in international prices, strong rupee against the dollar and increased competition from imports. As a result, margins continued to be under pressure. Raw material prices rose with crude oil prices peaking in the last quarter. The business continued to focus on cost reduction and exports of key specialties.

With lower petroleum prices, increased emphasis on specialties and exports and the ongoing cost reduction measures, the business expects better performance in the times ahead.

**Nitrocellulose**

The Nitrocellulose Business continued to perform well growing by 10% with substantially enhanced export volumes while consolidating its position in the domestic market. Planned improvement in product mix by concerted focus on specialties led to better realisations.

With sustained growth, softening of petroleum prices, improved efficiencies and exports, the business expects to more than offset the impending pressures on margins and perform well in the times ahead.

**Trading**

The Trading business achieved increased market penetration of existing product portfolio and addition of new agencies. Despite wide price fluctuations in most of the commodity chemicals, the business successfully maintained its market share in its major product lines.

**Synetix (Catalyst)**

The Synetix business was divested to Johnson Matthey Group ("JM") during the year. As per agreement with JM, the commercial risks associated with the business have been assumed by them with effect from 1 November 2002. Accordingly, the operational results of the Company reflect the performance of the business only up to 31 October 2002. The sale of the business was approved by the shareholders through postal ballot, the results of which were announced on 12 November 2002. The business was thereafter handed over to JM with effect from 2 December 2002.

**RESPONSIBLE CARE - SAFETY, HEALTH, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY**

The Company's on-site safety performance continued to be amongst the best with lowest ever injury rates. However, off-site accidents resulted in the Reportable Injury Rate being worse than last year; special efforts are on to improve in this area too.

Implementation of 'Responsible Care Management System' (RCMS) has helped in achieving an excellent performance in the field of safety, health and environment across the various operations of your Company. Waste reduction achieved good sustained performance.

Recognition of the excellent performance came through a number of prestigious national & international awards - 'Prashansa Puraskar' from National Safety Council of India, a Trophy from the Government of Andhra Pradesh, in recognition of good OHS performance and for securing OSHAS-18001 certification by Paints, Hyderabad site and ICI PLC's Leadership awards for sustained excellence in manufacturing for most of the sites of ICI India. For the second consecutive year, ICI India has won 2 out of 5 coveted ICI PLC's 'SSHE Leadership Awards' competing with entries under Health and Product Stewardship categories from the worldwide operations of ICI Group.

Nitrocellulose manufacturing site at Valsad was awarded the CEO's Leadership Award for SSHE in the health category as well as the Best Factory Award. Further, the site has been recommended for ISO 14001, effective April 2003.

The Company made good progress with its 'Challenge 2005' initiative, which contains specific improvement targets in Safety, Health, Environment and Product Stewardship.

## CONSERVATION OF ENERGY

Continuous efforts to improve energy efficiency resulted in a general improvement in energy consumption across businesses.

Particulars in respect of Conservation of energy, Technology absorption and foreign exchange earnings and outgo, pursuant to section 217(1)(e) of the Companies Act, 1956, are given in Annexure I to this report.

## RESEARCH, DEVELOPMENT & INNOVATION

The innovation intensity in the key businesses improved during the year. In Uniqema, 68 new products/formulations were introduced. Paints achieved success through indigenisation, cost reduction and process development apart from improvement in quality, colour range and consistency in all it major products. The new emulsion DULUX Supreme 3-in-1 has now become a well established product in the market place and a new solvent based product DULUX Super 5-in-1 is currently under test marketing. National Starch business also successfully introduced a number of novel initiatives. Focus on process development and cost reduction through value creating projects made significant contributions to improvement in business performance during the year.

## INFORMATION TECHNOLOGY

In order to improve customer service, your Company has successfully implemented an integrated information system, SAP, in the Paints business. Apart from providing better service to customers, it is expected to enhance efficiency in the supply chain across all the depots and factories.

Uniqema business has launched an E-commerce web-site for its distributors to do business transactions including placing of orders, retrieving key information on the order status, viewing the statement of accounts etc. on a real time basis.

## HUMAN RESOURCES

Cordial relations with the employees prevailed at all the Company locations during the year. The total number of employees of the Company as at 31 March 2003, was 1216. Productivity improved across the Company. The particulars of employees as required under section 217(2A) of the Companies Act, 1956, are attached to this report (refer page 37).

## INTERNAL CONTROL SYSTEMS

Your Company has well established procedures for internal control across its various locations, commensurate with its size and operations. The organisation is adequately staffed with qualified and experienced personnel for implementing and monitoring the statutory and internal control environment. The internal audit function is adequately resourced commensurate with the operations of the Company and reports to the Audit Committee of the Board.

## CORPORATE RESTRUCTURING

In line with its strategy, your Company continued its focus to grow the core businesses, whilst optimising value from the non-core ones. The cost of Business re-organisation triggered by the business divestments has been included under exceptional items.

## CORPORATE GOVERNANCE

The Company has been in full compliance of the norms of Corporate Governance as outlined in clause 49 of the Listing Agreement with the CSE, Kolkata and NSE and BSE, Mumbai. Annexure II to this report summarises the state of compliance by the Company of the mandatory as well as non-mandatory norms of Corporate Governance as provided in the said clause.

## DIRECTORS

In the Board meeting held on 31 January 2003, Dr. A S Ganguly conveyed his desire to retire as Chairman of the Board. The Board reluctantly accepted his request to retire as Chairman with effect from 3 April 2003. The Board records its deep gratitude and appreciation of his highly valued contribution and wise counsel as Chairman of the Company from August 1996 through a period of intense change.

In the same meeting, the Board accepted Mr A Narayan's request to relinquish his office as Managing Director of the Company with effect from 1 April 2003. The Board records its deep appreciation to Mr A Narayan for his significant and valuable contribution to the Company throughout his long and distinguished career with ICI, spreading over a period of 24 years.

The Board has appointed Mr R L Jain as the Managing Director with effect from 1 April 2003, subject to the approval of shareholders in the forthcoming Annual General Meeting on 30 July 2003.

On an invitation from the Board, Mr A Narayan has joined the Board as a non-executive director in the casual vacancy caused by the retirement of Dr A S Ganguly, in accordance with section 262 of the Companies Act, 1956, and was elected as the non-executive Chairman of the Board with effect from 3 April 2003.

Mr S Chandra, Government nominee, resigned from the Board on 5 July 2002. The Board records its deep appreciation of Mr Chandra's valuable contribution to the Company during his tenure on the Board of the Company. Mr S Krishna was appointed as the Government nominee on the Board with effect from 23 September 2002, in the casual vacancy caused by the resignation of Mr Chandra.

Mr M V Subbiah and Mr S Krishna, Directors, are due to retire by rotation in the forthcoming Annual General Meeting and are eligible for reappointment.

A brief resume of Mr R L Jain, Mr M V Subbiah and Mr S Krishna is given in the section on Corporate Governance attached to this Report.

## AUDITORS

M/s B S R & Co (an associate firm of the KPMG Group) retire as the Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;

b) they have selected such accounting policies and applied them consistently and made judgements 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 on 31 March 2003; and
   - the profit for the year ended on that date.

c) 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; and

d) they have prepared the annual accounts on a going concern basis.

### Cautionary Statement

Business Expectations for the year ahead assume that the Indian economy will grow in line with the forecast of about 6% with a reasonable monsoon in 2003. Statements in this report particularly those which relate to Management Discussion and Analysis describing the Company objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those that are expressed or implied.

## SUBSIDIARY COMPANIES

The statement and particulars relating to the Company's subsidiaries Indian Explosives Limited, Initiating Explosives Systems India Limited and Quest International India Limited, pursuant to Sec 212 of the Companies Act, 1956, are attached to this report. (refer page 36 )

In terms of the shareholders agreement with Orica, the Joint Venture partner for Indian Explosives Ltd. ("IEL"), the Company has exercised its PUT option calling upon Orica to buy the 51% holding in IEL held by the Company. Orica have filed two suits in Mumbai High Court, the details of which have been covered in note 15 of Schedule 19 to the Accounts.

## CONSOLIDATED RESULTS

As required under the Listing Agreement, consolidated accounts conforming to the applicable Accounting Standards are attached to the Annual Report. A summary of the consolidated financial performance of the Company and its subsidiaries, after eliminating inter-company transactions, is as follows:

(Rs Cr)

| | **2002-03** | 2001-02 |
|---|---|---|
| Gross Sales | **1011** | 1038 |
| Operating Profit from businesses | **124** | 119 |
| Profit before Tax | **151** | 129 |
| Profit after Tax | **113** | 92 |
| Net assets employed | **615** | 581 |
| Total shareholders' funds | **498** | 440 |

## ACKNOWLEDGEMENT

The Directors wish to convey their gratitude and appreciation to all the employees of the Company for their valuable contributions during the year. They also wish to place on record their appreciation to the Company's customers, shareholders, investors, bankers, agents, suppliers, distributors and other business associates for their cooperation and support.

On behalf of the Board

New Delhi
30 May 2003

A NARAYAN
Chairman

# ANNEXURE I TO THE DIRECTORS' REPORT

## DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956

### A. DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION

| | | 2002-03 | 2001-02 |
|---|---|---|---|
| **1. Power & Fuel Consumption** | | | |
| **a. Electricity** | | | |
| (i) Purchased | | | |
| Unit | Lac Kwh | **249.27** | 292.97 |
| Total amount | Rs.Lacs | **1207** | 1408 |
| Rate | Rs/Kwh | **4.84** | 4.81 |
| (ii) Own generation (Through diesel generator) | | | |
| Unit | Lac Kwh | **0.93** | 0.75 |
| Total amount | Rs.Lacs | **3760** | 2583 |
| Rate | Rs/Kwh | **11.34** | 6.27 |
| **b. Coal** | | | |
| Quantity | Tes | **6019** | 11275 |
| Total amount | Rs Lacs | **123** | 225 |
| Average Rate | Rs/Te | **2041** | 1992 |
| **c. Fuel Oil** | | | |
| Quantity | Kl | **7054** | 7531 |
| Total amount | Rs Lacs | **830** | 750 |
| Average Rate | Rs/Kl | **11769** | 9963 |

N. A. = Not Applicable

**2. Consumption per unit of production**

| | Electricity (Kwh/Te) | | Fuel Oil (Kl/Te) | | Coal (Te/Te) | |
|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Paints | **138** | 142 | **0.01** | 0.01 | **NA** | NA |
| Uniqema | **202** | 202 | **0.06** | 0.07 | **NA** | NA |
| National Starch | **70** | 171 | **0.01** | 0.03 | **NA** | NA |
| Synetix | **2199** | 2906 | **0.65** | 0.99 | **NA** | NA |
| Rubber Chemicals | **2674** | 2734 | **0.41** | 0.40 | **2.05** | 3.45 |
| Pharmaceuticals | **NA** | 7425 | **NA** | NA | **NA** | NA |
| Nitrocellulose | **1940** | 2052 | **1.11** | 1.15 | **NA** | NA |

N. A. = Not Applicable

### B. DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY

**1. Research & Development (R&D)**

**(a) Specific areas in which R&D is carried out by the Company**

- Upgradation of Paints formulations.
- Improvement of existing products through process validation of their manufacturing process.
- New products introduced in the specific market segments like book binding, woodworking and packaging.
- Development & Commercialisation of new surfactants for Textile auxiliaries, Spin Finishes Health & Personal Care, Crop Protection & Polymer & Lubricants Markets.
- Introduction of new application concepts.

**(b) Benefits derived as a result of the above R&D**

- Introduction of new products and increase in market penetration of the use of existing products.
- Cost savings through import substitution.

**(c) Future plan of action**

- Use of alternative cost-effective raw materials for the existing formulations.
- Reduce overall cost and lead time for production.
- Development of new products in chosen segments.

**(d) Expenditure on R&D**

(Rs. Lacs)

| | 2002-03 | 2001-02 |
|---|---|---|
| (i) Capital | - | 6 |
| (ii) Recurring | **206** | 248 |
| (iii) Total | **206** | 254 |
| (iv) Total R & D expenditure as a percentage of turnover | **0.3%** | 0.3% |

**2. Technology Absorption, Adaptation and Innovation**

**(a) Efforts**

- 68 new products were developed and commercialised in 2002-03.

**(b) Benefits**

- 34% of the year's turnover of Uniqema business came from new product/application.

**(c) Particulars of technology imported in the last five years from the beginning of the last financial year**

| Technology imported | Year of import | Has the technology been fully absorbed? | If not fully absorbed, reasons and future plans of action |
|---|---|---|---|
| Hot Melt Adhesives | 1999 | Yes | |
| Tinters Manufacture | 2002 | No | In progress |

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company significantly increased its exports of Rubber Chemicals.

**Future Plans**

Use R & T strengths to improve forex earnings.

**Total Foreign Exchange earned & used**

(Rs. lacs)

| | 2002-03 | 2001-02 |
|---|---|---|
| Earned | **54,63** | 77,33 |
| Used | **114,93** | 102,47 |

On behalf of the Board

New Delhi A NARAYAN
30 May 2003 Chairman

# ANNEXURE II TO THE DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

As required under clause 49 of the Listing agreement with the Stock Exchanges, a report on Corporate Governance practised in the Company is given below:

### A) MANDATORY REQUIREMENTS

**1. Company's philosophy on code of Governance**

Good corporate governance is a continuous process and your Company relentlessly pursues it through full regulatory compliance, transparency, efficient operational practices, strong internal control and risk management systems and operating with fairness and integrity to enhance the interest of all its stakeholders.

The Board believes in and supports the principles of corporate governance and seeks to discharge its operational, strategic and fiduciary responsibilities to ensure good management practices. The Board represents the shareholders' interest in terms of optimizing long-term financial returns and is committed to its responsibilities for all the constituents of its business i.e. customers, employees, suppliers and the general public.

**2. Board of Directors**

**Composition**

The Board composition is in conformity with the provisions of the Companies Act, 1956 and the Listing Agreements. The present strength of the Board is eight Directors comprising 2 Wholetime Directors (WTD) and 6 Non-Executive Directors (NED).

The current composition of the Board (as on 30 May 2003) is as follows:

| Name of Director | Category of Directorship |
|---|---|
| Mr A Narayan | *Non Executive Chairman |
| Mr R L Jain | **Managing Director and Chief Executive Officer, Paints |
| Mr M R Rajaram | Chief Financial Officer and WTD |
| Mr S Hamlett | NED |
| Mr D S Parekh | NED – Independent |
| Mr M V Subbiah | NED – Independent |
| Mr R Gopalakrishnan | NED – Independent |
| Mr S Krishna | ***NED (Government Nominee) |

*Mr A Narayan resigned as Managing Director w.e.f. 1 April 2003 and joined the Board as Non Executive Chairman of the Company w.e.f. 3 April 2003.

**Mr R L Jain was appointed Managing Director of the Company w.e.f. 1 April 2003.

***Mr S Krishna was appointed w.e.f. 23 September 2002 in the casual vacancy caused by resignation of Mr S Chandra (Govt Nominee) w.e.f. 5 July 2002.

**Directorship on Board and Membership in Committees of Companies including ICI India Limited (as on 30 May 2003)**

| Name of Directors | Directorship in Companies# | | Membership in specified Committees* |
|---|---|---|---|
| | Public | Private/Ltd by Guarantee | |
| Mr A Narayan | 2 | - | 3 |
| Mr R L Jain | 3 | 1 | 2 |
| Mr M R Rajaram | 4 | 2 | 4 |
| Mr S Hamlett | 7 | - | 3 |
| Mr D S Parekh | 15 | – | 9 |
| Mr M V Subbiah | 15 | - | 8 |
| Mr R Gopalakrishnan | 14 | - | 10 |
| Mr S Krishna (Govt. Nominee) | 7 | - | - |

# Excludes Alternate Directorship

*Specified Committees – Audit, Remuneration, Shareholders/Investors Grievance

**Number and dates of Board Meetings held**

5 Board Meetings were held during the year 2002-03 (On 22 May, 30 July, 23 September, 23 October 2002 and 31 January 2003)

**Attendance details of Directors at the Board Meetings and the last AGM**

| Name of Director | No. of Board Meetings attended | Attendance at the last AGM |
|---|---|---|
| Dr. A S Ganguly* | 4 | Yes |
| Mr A Narayan | 5 | Yes |
| Mr R L Jain | 5 | Yes |
| Mr M R Rajaram | 5 | Yes |
| Mr S Hamlett | 3 | Yes |
| Mr D S Parekh | 3 | Yes |
| Mr M V Subbiah | 4 | Yes |
| Mr R Gopalakrishnan | 2 | Yes |
| Mr S Krishna (Govt. Nominee)** | 3 | NA** |

*Retired from the Board w.e.f. 3 April 2003

** Appointed with effect from 23 September 2002.

In the forthcoming Annual General Meeting on 30 July 2003, Mr R L Jain's appointment as the Managing Director w.e.f. 1 April 2003 is due to be approved. Mr M V Subbiah and Mr S Krishna are due to retire by rotation and are seeking reappointment. A brief resume of each of the above Directors is given below:

**Directors to be appointed/reappointed**

**Mr R L Jain**

Born in January 1951, Mr R L Jain is a Chemical Engineer with B. Tech Hons. from IIT, Kharagpur and MBA from the USA.

Mr R L Jain joined the Company on 1 August 1974, and progressively held several senior positions in the Company. He was appointed as Wholetime Director of the Company on 1 June 1997 and became the Chief Operating Officer and Wholetime Director effective 1 February 2000 and thereafter the Chief Executive Officer, Paints and Wholetime Director with effect from 1 April 2002.

Mr R L Jain was appointed the Managing Director of ICI India Limited with effect from 1st April 2003 subject to approval of the Shareholders.

Apart from ICI India Ltd, his other directorships are:

**Public**

Chairman — Indian Explosives Ltd.
Initiating Explosives Systems India Limited

**Private/ Guarantee Company**

Chairman — ICI India Research & Technology Centre

He is also a Member of the Executive Committee of the Federation of Indian Chambers of Commerce and Industry (FICCI).

**Mr M V Subbiah**

Mr M V Subbiah has been a Non Executive Director of ICI India Limited since July 1997.

Born in February 1939, Mr Subbiah has studied in the University of Aston and has attended specialized management development programmes at the Harvard Business School. He is keenly interested in the human resources development and was given National HRD Award in 1988. All India Management Association has conferred him with the JRD Tata Corporate Leadership Award in February 2002.

He has several successful turnarounds to his credit in various companies of the Murugappa Group and has made significant contribution towards encouraging innovation, which will be a key value driver in the years to come. As a Non-Executive Director in many companies, he brings with him his rich and varied experience in improving business processes and enhancing stakeholder value.

He is an active member of the CII and was President of AIEI (forerunner of CII) in 1983-84. He is also associated with many trusts and foundations in the areas of rehabilitating the handicapped, healthcare, arts and crafts.

Apart from ICI India Ltd, his other directorships are:

**<u>Public</u>**

| | |
|---|---|
| Chairman (Exec) | 1. E I D Parry (India) Ltd. |
| Chairman | 1. M M Muthiah Research Foundation<br>2. Parrys Confectionery Ltd.<br>3. Parrys Confectionery Investments & Finance Co. Ltd.<br>4. Parry Nutraceuticals Ltd.<br>5. Parry Agro Industries Ltd. |
| Director | 1. Triveni Engineering & Industries Ltd.<br>2. Coromandel Fertilisers Ltd.<br>3. Lakshmi Machine Works Ltd.<br>4. Parry Murray & Co. Ltd., UK<br>5. Confectionery Specialities Limited<br>6. Chennai Willington Corporate Foundation<br>7. Chennai Heritage (Sec 25 Co)<br>8. SRF Ltd. |

**<u>Private</u>**

| | |
|---|---|
| Member | 1 New Ambadi Estates Pvt. Ltd. |

**Mr S Krishna**

Mr S Krishna, Joint Secretary, Department of Fertilizers, Ministry of Chemicals and Fertilizers, was appointed on the Board of ICI India Limited on 23 September 2002 as a nominee of Government of India in place of Mr S Chandra.

Born in July 1954, Mr Krishna is a Post Graduate in Physics and Master of Public Administration, from Carnegie Mellon University, USA. He had joined Indian Administrative Services in 1977 (Karnataka cadre). Immediately prior to joining the Ministry of Fertilizers, he served as a Member of the 11$^{th}$ Finance Commission. He has also served as the Commissioner for Commercial Taxes, Government of Karnataka.

Apart from his assignment with the Central Government, he is on the Board of the following Companies:

| | |
|---|---|
| CMD | 1. Fertilizer Corporation of India<br>2. FCI Aravali Gypsum & Minerals Ltd. |
| Director | 1. ICI India Limited<br>2. Paradeep Phosphates Ltd.<br>3. Fertilizers & Chemicals Travancore Ltd.<br>4. Industries Chimnique du Senegal, Dakar (Senegal)<br>5. IFFCO (A multi-state cooperative society registered under MSCS Act) |

Summary of membership of Committees of the Board in different companies held by the above Directors is covered elsewhere in this report.

**Disclosure of transactions where Non Executive Directors have pecuniary interest**

None of the six NEDs have any pecuniary relationship or transactions vis-à-vis the Company, except to the extent of Pension and other benefits due to Mr A Narayan consequent to his early retirement from the services of the Company with effect from 2 April 2003, and of the Government of India holding 9.2% of the equity shares of the Company pursuant to which the Government of India has nominated Mr S Krishna to the Board of the Company.

The directors periodically disclose their interest in different companies and transactions/contracts of the Company with such companies, which are taken on record at the Board meetings.

**3. Audit Committee**

The Audit Committee comprises 4 directors, all of whom are Non Executive Directors. The Managing Director, Director in charge of Finance, the Internal Auditors and Statutory Auditors are permanent invitees to the meetings. The Company Secretary acts as the Secretary to this Committee. Any other Person/Executive, where necessary, is also required to attend the meetings. The terms of reference of this committee are in line with the norms specified under Section 292A of the Companies Act 1956, and the Listing Agreements with the Stock Exchanges.

**Meetings and attendance during the year**

There were 4 Meetings of Audit Committee during the year 2002-03 (21 May, 30 July, 23 October 2002 and 31 January 2003). The attendance of each member of the Committee is given below:

| Name of Director | No. of Meetings Attended |
|---|---|
| Mr D S Parekh | 4 |
| Mr R Gopalakrishnan | 2 |
| Mr S Hamlett | 3 |
| Mr M V Subbiah | 4 |

**4. Remuneration & Nominations Committee**

The Remuneration & Nominations Committee (R&N Committee) has four members all of whom are NEDs. The Chairman is a permanent invitee to the R&N Committee meetings. The Director in charge of Human Resources acts as the Secretary to this Committee. While salary, allowances and perquisites payable to MD/WTDs are recommended by the R&N Committee, any remuneration payable to NEDs is decided by the Board based on the recommendation of the Managing Director.

The Committee had three meetings during the year 2002-03 (22 May 2002, 31 January and 27 March 2003). The attendance of each member is given below:

| Name of Director | No. of Meetings Attended |
|---|---|
| Mr M V Subbiah | 3 |
| Mr R Gopalakrishnan | 2 |
| Mr S Hamlett | 3 |
| Mr D S Parekh | 1 |

**Remuneration of Directors**

As mentioned earlier, the remuneration and changes therein of Managing/Wholetime Directors is recommended by the Remuneration and Nominations (R&N) Committee of the Board.

The remuneration to the Non-Executive Directors is approved by the Board. The NEDs are also eligible for Sitting Fees for attending Board/Committee meetings where they have been nominated as Members.

The details of remuneration paid to the Directors during the year 2002-03 are given below:

Figures in Rs. lacs

| | Total Remuneration (Rs/lacs) | Fixed component (Rs/lacs) | Performance linked payments (Rs/lacs) |
|---|---|---|---|
| | a | b | c |
| | (b + c) | Salary, Allowances & Perquisites | Commission |
| Mr A Narayan | 177.65 | 177.65 | – |
| Mr R L Jain | 104.85 | 104.85 | – |
| Mr M R Rajaram | 82.43 | 82.43 | – |
| **Total** | **364.93** | **364.93** | **–** |
| **Non-Executive Directors** | | | |
| Dr A S Ganguly | 5.20 | 0.20# | 5.00 |
| Mr D S Parekh | 5.40 | 0.40# | 5.00 |
| Mr M V Subbiah | 5.55 | 0.55# | 5.00 |
| Mr R Gopalakrishnan | 5.30 | 0.30# | 5.00 |
| Mr S Krishna (Govt. nominee) | 0.10 | 0.10# | - |
| **Total** | **21.55** | **1.55** | **20.00** |

# Represents sitting fee for attending Board/Committee meetings

**Note:**

a) The Service Contracts with the Managing/ Wholetime directors are normally for a period of five years terminable at six months notice on either side. Extracts of such contracts are communicated to the shareholders as required under law.

b) Presently, the Company does not have any Stock Option Scheme.

c) Attention is also invited to the note appearing in Schedule 19, Note 11 to the Accounts.

**5. Shareholders/Investors Grievance Committee**

The Company has a Shareholders/Investors Grievance Committee under the Chairmanship of Mr S Hamlett, a Non-Executive Director. The other members are Mr R L Jain and Mr M R Rajaram, Managing/Wholetime Directors. Mr R Guha, the Company Secretary, who is also the Compliance Officer under the Stock Exchange requirements, acts as the Secretary to this Committee.

The Committee had two meetings (8 October 2002 and 27 March 2003). The attendance of each member is given below:

| Name of Director | No. of Meetings Attended |
|---|---|
| Mr S Hamlett | 2 |
| Mr R L Jain | 2 |
| Mr M R Rajaram | 2 |

The Company received a total of 361 complaints from its shareholders for the period 1 April 2002 to 31 March 2003, all of which were resolved within 30 days. No share transfers arising out of the financial year in question are pending beyond the normal service time of 2 weeks from the date of receipt of complete documentation required to effect the transfer.

**6. General Body Meetings**

Details of location of the last three Annual General Meetings of the Company are given below:

| Date of AGM | Time | Place |
|---|---|---|
| 30 July 2002 | 11.00 a.m. | Science City Auditorium, J B S Halden Avenue, G K Road Post Office, Kolkata 700046 |
| 26 July 2001 | 10.30 a.m. | -do- |
| 22 September 2000 | 10.30 a.m. | -do- |

All the resolutions set out in the respective notices were passed by the shareholders.

**7. Postal Ballot**

In accordance with Section 293(1)(a) read with Section 192A of the Companies Act, 1956 and the applicable rules, the Company successfully carried out the postal ballot process for passing of the resolution for sale of the Synetix business of the Company, during the year.

Hon'ble Justice G N Ray (former Judge of the Supreme Court of India) was appointed as Scrutinizer for conducting the postal ballot process in a fair and transparent manner. The shareholders approved the resolution with an overwhelming majority of 99.95% with 270,08,465 votes in favour of the resolution and 13,251 against it. The result of the postal ballot was announced at a meeting on 12 November 2002.

**8. Disclosures**

Disclosure on materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large : None

Disclosures as required under Accounting Standard 18 have been incorporated in the notes to the Accounts.

Details of Non-Compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets, during the last three years : None

**9. Means of Communication:**

| | |
|---|---|
| Half yearly results to each household of shareholders | No, as the quarterly results of the Company are generally published in a leading English |

| | |
|---|---|
| | Newspaper & in a local language Newspaper. |
| Quarterly Results | As above |
| Newspapers in which results are normally published | Statesman (English)<br>Ananda Bazar Patrika (Bengali) |
| Any website, where displayed | Yes at the Company's website www.iciindia.com |
| Whether, it also displays official news Releases | Yes |
| Presentations made to institutional investors or to the analysts | No |
| Whether Management Discussion and Analysis is a part of Annual Report | Yes, incorporated in the Directors' Report |

**10. General Shareholder Information**

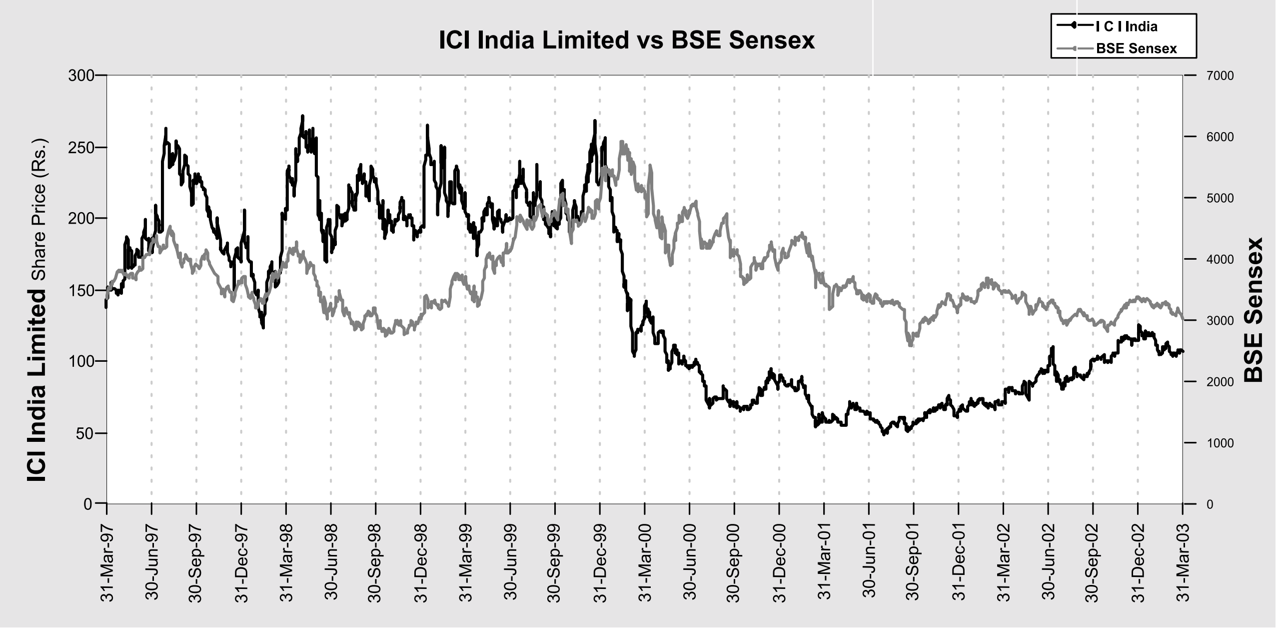
- AGM: Date, Time and Venue — 30th July 2003 at 1430 hours at Science City Auditorium J B S Halden Avenue Kolkata - 700 046
- Financial Calendar —
  a. Financial Year – April to March
  b. First Quarter results – normally, last week of July
  c. Half yearly results –normally, last week of October
  d. Third Quarter results – normally, last week of January
  e. Results for the year ending 31 March – normally May/June
- Date of Book Closure — 16 July 2003 to 30 July 2003 (both days inclusive)
- Dividend payment date(s) — Around 5 August 2003 (if declared at the AGM)
- Listing on Stock Exchange — CSE, BSE, NSE
  The Company has paid the listing fee for the period 1 April 2002 to 31 March 2003
- Stock Code - Physical — The Stock Exchange, Mumbai : 710
  National Stock Exchange, Mumbai : EQ BE

ISIN Number for NSDL & CDSL — INE133A01011

**Market price data and Stock performance in the last financial year**

BSE monthly Highs and Lows

| Month | High | Low |
|---|---|---|
| Apr-02 | 84.80 | 71.00 |
| May-02 | 89.70 | 71.00 |
| Jun-02 | 97.70 | 84.50 |
| Jul-02 | 111.75 | 76.30 |
| Aug-02 | 96.65 | 82.30 |
| Sep-02 | 104.05 | 87.50 |
| Oct-02 | 106.90 | 98.50 |
| Nov-02 | 119.90 | 99.15 |
| Dec-02 | 121.00 | 110.25 |
| Jan-03 | 129.40 | 115.65 |
| Feb-03 | 120.80 | 99.25 |
| Mar-03 | 113.85 | 103.10 |



- Registrar and Transfer Agents — M/s C B Management Services (P) Ltd. P-22, Bondel Road, Kolkata-700019

  All the work relating to shares in both dematerialised and physical mode, are handled by the same agency, in compliance with SEBI's circular of 27 December 2002.
- Share Transfer System — All the transfers received are processed and approved by the Seal and Share Transfer Committee, which normally meets once a week.
- **Distribution of shareholding and shareholding pattern as on 31 March 2003**

| Shareholders | Total No. of shares | Percentage to total issued shares |
|---|---|---|
| Imperial Chemical Industries PLC | 207,76,213 | 50.8 |
| President of India | 37,60,783 | 9.2 |
| Govt. of West Bengal | 276 | – |
| Domestic Financial Institutions & Mutual Funds | 21,69,893 | 5.3 |
| Foreign Institutions | 12,48,067 | 3.1 |
| Banks & Insurance Companies | 67,55,713 | 16.5 |
| Other categories, incl. individuals | 61,59,667 | 15.1 |
| TOTAL | 408,70,612 | 100.0 |

- **Distribution of Shareholding as on 31 March 2003**

| Range (No. of shares) | No. of shareholders | No. of shares (lacs) | % to Total |
|---|---|---|---|
| 1-50 | 32,390 | 6.9 | 1.7 |
| 51-500 | 20,824 | 30.9 | 7.5 |
| 501-5,000 | 1,796 | 19.3 | 4.7 |
| 5,001-50,000 | 51 | 5.6 | 1.4 |
| 50,001-10,00,000 | 13 | 51.0 | 12.5 |
| 10,00,001 & above | 6 | 295.0 | 72.2 |
| **Total** | 55,080 | 408.7 | 100.0 |

- Dematerialisation of Shares and Liquidity — The Company has entered into agreements with NSDL & CDSL for smooth operation of demat mode of shareholding. The Company's Equity Shares have been notified for trading only in demat form w.e.f. 17 January 2000.

  The Number of folios held in demat form is 18529 (covering about 87% of the non ICI PLC shares) as on 31 March 2003.
- Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity — None issued/outstanding
- Plant Locations — The Company's plants are located at Hyderabad, (Andhra Pradesh) Mohali (Punjab), Rishra (West Bengal), Thane (Maharashtra) and Valsad (Gujarat)
- Address for Correspondence — Shareholders' correspondence may be addressed to:

  1. C B Management Services (P) Ltd.
     P-22, Bondel Road
     Kolkata-700019

     Or

  2. The Company Secretary
     ICI India Limited
     DLF Plaza Tower, 10th floor
     DLF Qutab Enclave Phase-1,
     Gurgaon-122002
     Haryana.

**B) NON-MANDATORY REQUIREMENTS**

**a) Chairman of the Board**

Whether Chairman of the Board is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties — The non executive Chairman has been provided with an office in the Corporate Office. Expenses incurred by the Chairman in the performance of his duties are reimbursed.

**b) Remuneration Committee** — Please refer Para A(4) above

**c) Shareholders' Rights**

Quarterly declaration of financial performance including summary of the significant events last 3 months should be sent to each household of the shareholders — As the Company's quarterly results are published in a leading daily English newspaper and a local language newspaper and also displayed on the Company's website, the same are not sent to the shareholders of the Company.

d) **Postal Ballot** — Refer para A(7) above

**Certification by the Auditors**

As required under Clause 49 of the Listing Agreement, the Auditors of the Company have verified the compliance of the Corporate Governance norms by the Company. Their report is given in page 15.

On behalf of the Board

New Delhi
30 May 2003

A NARAYAN
Chairman

# AUDITORS' REPORT

TO THE MEMBERS OF ICI INDIA LIMITED

We have audited the attached Balance Sheet of ICI India Limited as at 31 March 2003 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;

(ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;

(v) on the basis of written representations received from the Directors of the Company, as on 31 March 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2003, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

(vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2003;

b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Gurgaon
30 May 2003

AKHIL BANSAL
Partner

# ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1. The Company has maintained reasonable records showing full particulars, including quantitative details and situation of its fixed assets. As explained to us the fixed assets are physically verified by the management in accordance with a phased programme designed to cover all items of fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and nature of its fixed assets. In accordance with the programme, fixed assets at certain locations have been physically verified by the management during the year and discrepancies noticed on such verification have been properly dealt with in the books of account.

2. The fixed assets of the Company have not been revalued during the year.

3. Physical verification has been conducted by management at reasonable intervals in respect of inventory of raw materials, stores and spare parts and finished goods in the Company's possession. The existence of stocks lying with third parties as at 31 March, 2003, has been confirmed based on confirmations or statements of account received from such third parties. In our opinion, the frequency of physical verification is reasonable.

4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed between the physical stocks as verified and the book records were not material.

6. In our opinion, the valuation of stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceding year.

7. In our opinion, the rate of interest and the terms and conditions of an unsecured loan taken during the year from a Company under the same management, as defined under section 370 (1B) of the Companies Act, 1956, are prima facie not prejudicial to the interests of the Company. The Company has not taken any other loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

8. In our opinion, the rate of interest and terms and conditions of unsecured loans granted during the current year to the Companies

under the same management, as defined under Section 370 (1B) of the Companies Act, 1956, are prima facie not prejudicial to the interests, of the Company. The Company has not granted any other loan, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

9. The parties including employees to whom loans or advances in the nature of loans have been given by the Company, where applicable, are regular in repaying the principal amounts as stipulated and are also regular in the payment of interest.

10. In our opinion, the internal control procedures employed by the Company for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods, are commensurate with the size of the Company and the nature of its business.

11. The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and necessary adjustment for the loss have been made in the accounts.

13. The Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A of the Companies Act, 1956, and the rules framed thereunder, with regard to deposits accepted from the public.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of scrap. As informed to us, the Company's operations do not generate any by-products.

15. In our opinion, the existing internal audit system employed by the Company is commensurate with the size of the Company and nature of its business.

16. According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, for any products of the Company.

17. The Company has been regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities during the year.

18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31 March 2003, for a period exceeding six months from the date they became payable.

19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. The Company is not a sick industrial company within the meaning of clause (o) of sub- section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In respect of the Company's trading activities, adequate provision has been made for damaged goods identified.

For BSR & Co.
Chartered Accountants

Gurgaon
30 May 2003

AKHIL BANSAL
Partner

## AUDITORS' REPORT

(On Corporate Goverance - refer page 13)

TO THE MEMBERS OF ICI INDIA LIMITED

We have examined the compliance of conditions of corporate governance by ICI India Limited ("the Company") for the year ended 31 March 2003, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month, as at 31 March 2003, against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BSR & Co.
Chartered Accountants

Gurgaon
30 May 2003

AKHIL BANSAL
Partner

## BALANCE SHEET

| | Schedule | As at 31 March 2003 | (Rs. lacs) | As at 31 March 2002 | (Rs. lacs) |
|---|---|---|---|---|---|
| **I) SOURCES OF FUNDS:** | | | | | |
| **1. Shareholders' funds** | | | | | |
| a) Capital | 1 | **40,87** | | 40,87 | |
| b) Reserves and surplus | 2 | **428,60** | **469,47** | 368,55 | 409,42 |
| **2. Loan funds** | | | | | |
| a) Secured loans | 3 | – | | 23,33 | |
| b) Unsecured loans | 4 | – | – | 21 | 23,54 |
| **Total** | | | **469,47** | | 432,96 |
| **II) APPLICATION OF FUNDS:** | | | | | |
| **1. Fixed assets** | 5 | | | | |
| a) Gross block | | **363,40** | | 362,11 | |
| b) Less : Accumulated depreciation | | **176,07** | | 144,32 | |
| c) Net block | | **187,33** | | 217,79 | |
| d) Capital work-in-progress at cost, including advances | | **11,72** | **199,05** | 5,20 | 222,99 |
| **2. Investments** | 6 | | **341,27** | | 235,34 |
| **3. Current assets, loans and advances** | | | | | |
| a) Inventories | 7 | **105,10** | | 105,20 | |
| b) Sundry debtors | 8 | **85,45** | | 95,85 | |
| c) Cash and bank balances | 9 | **28,72** | | 19,65 | |
| d) Loans and advances | 10 | **36,97** | | 33,18 | |
| | | **256,24** | | 253,88 | |
| ***Less:* Current liabilities and provisions** | | | | | |
| a) Current liabilities | 11 | **158,01** | | 142,97 | |
| b) Provisions | 12 | **156,93** | | 119,51 | |
| | | **314,94** | | 262,48 | |
| **Net current assets** | | | **(58,70)** | | (8,60) |
| **4. Deferred tax liability (net)** | | | **(17,29)** | | (24,71) |
| **5. Miscellaneous expenditure not written off** | | | **5,14** | | 7,94 |
| **Total** | | | **469,47** | | 432,96 |
| **Significant accounting policies** | 18 | | | | |
| **Notes to the accounts** | 19 | | | | |

The accompanying schedules form an integral part of the Balance Sheet.

As per our report attached.

For BSR & Co.
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner

A NARAYAN
Chairman

R L JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
30 May 2003

New Delhi
30 May 2003

## PROFIT AND LOSS ACCOUNT

| | Schedule | **For the year 31 March 2003 (Rs. lacs)** | For the year 31 March 2002 (Rs. lacs) |
|---|---|---|---|
| **Income** | | | |
| Gross sales | | **700,83** | 712,19 |
| Less : Excise duty | | **79,92** | 80,31 |
| Net sales | | **620,91** | 631,88 |
| Other income | 13 | **27,21** | 20,33 |
| Total income | | **648,12** | 652,21 |
| **Expenditure** | | | |
| Materials consumed | 14 | **349,74** | 352,57 |
| Other expenditure | 15 | **211,34** | 225,40 |
| Depreciation (net) | | **23,37** | 22,96 |
| Interest (net) | 16 | **3,34** | 1,70 |
| | | **587,79** | 602,63 |
| **Profit before taxation from operations** | | **60,33** | 49,58 |
| Exceptional items | 17 | **72,85** | 57,64 |
| **Profit before taxation** | | **133,18** | 107,22 |
| Provision for taxation : | | | |
| - Current tax | | **32,90** | 13,41 |
| - Deferred tax | | **(7,41)** | 13,29 |
| **Profit after taxation** | | **107,69** | 80,52 |
| Balance brought forward | | **169,53** | 153,88 |
| Transfer from debenture redemption reserve | | **13,20** | – |
| **Balance available for appropriation** | | **290,42** | 234,40 |
| **Appropriations** | | | |
| General reserve | | **30,00** | 24,00 |
| Proposed dividend | | **40,87** | 40,87 |
| Tax on proposed dividend | | **5,24** | – |
| | | **76,11** | 64,87 |
| **Balance carried to the Balance Sheet** | | **214,31** | 169,53 |
| **Basic and diluted earnings per equity share (in Rs.)** | | **26.35** | 19.70 |
| **Significant accounting policies** | 18 | | |
| **Notes to the accounts** | 19 | | |

The accompanying schedules form an integral part of the Profit and Loss Account.

As per our report attached.

For BSR & Co.
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner

A NARAYAN
Chairman

R L JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
30 May 2003

New Delhi
30 May 2003

## CASH FLOW STATEMENT

| | For the year ended | | 31 March 2003 (Rs. lacs) | | 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **A.** | **Cash flow from operating activities** | | | | |
| | Profit before taxation from operations | | **60,33** | | 49,58 |
| | **Adjusted for :** | | | | |
| | Depreciation | **23,37** | | 22,96 | |
| | Loss/(Profit) on sale of fixed assets (net) | **5** | | – | |
| | Provisions/Liabilities no longer required written back | **(2,60)** | | (43) | |
| | Bad debts/Advances | **3,44** | | 4,05 | |
| | Provision for doubtful debts and advances (net) | **(1,24)** | | (1,87) | |
| | Investment income and other income | **(4,69)** | | (5,20) | |
| | Provision for diminution in value of investments | **(23)** | | 57 | |
| | Profit on sale of investments (mutual funds) | **(7,08)** | | – | |
| | Interest (net) | **3,34** | **14,36** | 1,70 | 21,78 |
| | *Operating profit before working capital changes* | | **74,69** | | 71,36 |
| | **Changes in :** | | | | |
| | Trade and other receivables | **(8,77)** | | (14) | |
| | Inventories | **(8,60)** | | (10,87) | |
| | Trade payables and other creditors | **26,31** | **8,94** | 11,11 | 10 |
| | **Cash generated from operations** | | **83,63** | | 71,46 |
| | Direct taxes paid | | **(21,91)** | | (8,52) |
| | Exceptional items (relating to outflow on account of VRS, cost of business reorganisation and additional contribution to retiral funds) | | **(16,70)** | | (27,16) |
| | **Net cash before investments & financing activities (A)** | | **45,02** | | 35,78 |
| **B.** | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | | **(28,08)** | | (26,16) |
| | Investment in subsidiary Quest International India Limited | | **–** | | (151,98) |
| | Acquisition of Catalyst and Adhesives business | | **–** | | (27,58) |
| | Sale of properties (including advance received) | | **3,87** | | 38,39 |
| | Sale of businesses [Gross consideration Rs 15753.43 lacs; (2001-02 : Rs 7277.42 lacs)] | | **156,76** | | 70,19 |
| | Payments relating to divested businesses | | **(3,92)** | | (78) |
| | Sale of other fixed assets | | **4** | | 48 |
| | Purchase of investments | | **(40,00)** | | – |
| | Sale of investments | | **–** | | 5,00 |
| | Profit on sale of investments (mutual funds) | | **7,08** | | – |
| | Interest received | | **71** | | 6,82 |
| | Investment and other income {including Rs. 386.33 lacs from subsidiary; (2001-02 : Rs. 436.05 lacs)} | | **4,69** | | 5,20 |
| | **Net cash from investing activities (B)** | | **101,15** | | (80,42) |
| **C.** | **Cash flow from financing activities** | | | | |
| | Borrowings repaid during the year | | **(23,54)** | | (12,13) |
| | Premium paid on premature redemption of debentures | | **(1,28)** | | – |
| | Dividend paid | | **(40,54)** | | (21,28) |
| | Tax on Dividend | | **–** | | (2,29) |
| | Interest paid | | **(6,05)** | | (6,81) |
| | **Net cash used in financing activities (C)** | | **(71,41)** | | (42,51) |
| | **Net changes in cash & cash equivalents (A+B+C)** | | **74,76** | | (87,15) |
| | Cash and cash equivalents - opening balance | | **94,66** | | 181,81 |
| | Cash and cash equivalents - closing balance | | **169,42** | | 94,66 |

## CASH FLOW STATEMENT (contd.)

**Note to the cash flow statement**

| Cash and cash equivalents comprise of : | **As at 31 March 2003** | As at 31 March 2002 |
|---|---|---|
| Cash, cheques in hand and in transit | **53** | 3,56 |
| Current and Dividend Account | **28,19** | 16,10 |
| Govt. of India Securities | **52** | – |
| Tax free bonds | **10,18** | – |
| Fixed Maturity Debt Mutual Funds | **130,00** | 75,00 |
| | **169,42** | 94,66 |

As per our report attached.

For BSR & Co.
Chartered Accountants

AKHIL BANSAL
Partner

Gurgaon
30 May 2003

For ICI India Limited

A NARAYAN — Chairman
R L JAIN — Managing Director
M R RAJARAM — Wholetime Director
R GUHA — Secretary

New Delhi
30 May 2003

# SCHEDULES TO THE ACCOUNTS

| SCHEDULE 1 : CAPITAL | **As at 31 March 2003** | As at 31 March 2002 |
|---|---|---|
| | **(Rs. lacs)** | (Rs. lacs) |
| **Authorised** | | |
| 4,16,90,000 equity shares of Rs. 10 each | **41,69** | 41,69 |
| **Issued, Subscribed and Paid Up** | | |
| 4,08,70,612 equity shares of Rs. 10 each | **40,87** | 40,87 |

Of the above equity shares :-

(a) 85,32,667 were allotted as fully paid up bonus shares by capitalisation of share premium and reserves.
(b) 29,68,824 were issued on part conversion of debentures.
(c) 2,07,76,213 are held by the holding company, Imperial Chemical Industries PLC, UK.
(d) 89,18,121 were issued as fully paid up otherwise than for cash.

**SCHEDULE 2 : RESERVES AND SURPLUS** **(Rs lacs)**

| | As at 1 April 2002 | Additions | Deductions | **As at 31 March 2003** |
|---|---|---|---|---|
| Capital reserves | 23,92 | – | – | **23,92** |
| Share premium * | 2,43 | – | 1,28 | **1,15** |
| Revaluation reserve ** | 5,93 | – | 25 | **5,68** |
| Debenture redemption reserve *** | 13,20 | – | 13,20 | **–** |
| General reserve | 153,54 | 30,00 | – | **183,54** |
| Profit and loss account | 169,53 | 44,78 | – | **214,31** |
| **Total** | 368,55 | 74,78 | 14,73 | **428,60** |
| Previous year | 339,91 | 39,64 | 11,00 | 368,55 |

* Deduction represents premium of Rs. 128.26 lacs paid on premature repayment of 12.75% debentures during the current year.

** Deduction represents withdrawal on account of :

(a) Fixed assets disposed / written off, Rs. 17.85 lacs (2001-02 : Rs. 621.49 lacs)
(b) Depreciation on revalued assets, Rs. 7.59 lacs (2001-02 : Rs. 16.46 lacs) (Refer note 7, Schedule 19)

*** Transferred to Profit and Loss Account as the reserve is no longer required following premature redemption of 12.75% debentures during the current year.

| SCHEDULE 3 : SECURED LOANS | As at 31 March 2003 | As at 31 March 2002 |
|---|---|---|
| | (Rs. lacs) | (Rs. lacs) |
| 12.75% redeemable non convertible debentures of Rs. 100 lacs each (privately placed) | – | 23,33 |
| | – | 23,33 |

**Note :**

35 no. 12.75% debentures of Rs. 100 lacs each allotted on 16 March 1998 were redeemable at the end of 4th, 5th and 6th year in equal instalments. The first instalment of Rs. 1166.67 lacs had been paid on 15 March 2002. The debentures were prematurely redeemed during the current year. These debentures were secured by a first charge on plant and machinery of Paints at Hyderabad, Rubber Chemicals at Rishra, and land and building of Uniqema at Thane. The Company has written to the Debenture Trustees for vacation of the charge.

| SCHEDULE 4 : UNSECURED LOANS | | |
|---|---|---|
| (a) Fixed deposits | – | 14 |
| (b) Other loan | – | 7 |
| | – | 21 |

**SCHEDULE 5 : FIXED ASSETS** (Rs. lacs)

| Particulars | Gross block | | | | Accumulated Depreciation | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value at cost or revalued amounts as at 1 April 2002 | Additions at cost | Disposals / adjustments at book book value | **Book value at cost or revalued amounts as at 31 March 2003** | As at 1 April 2002 | Depreciation for the year | In respect of disposals/ adjustments | **As at 31 March 2003** | **As at 31 March 2003** | As at 31 March 2002 |
| Land leasehold | 1,42 | – | – | **1,42** | 28 | 1 | 21 | **50** | **92** | 1,14 |
| Land freehold | 6,14 | – | – | **6,14** | – | – | – | **–** | **6,14** | 6,14 |
| Buildings | 69,26 | 1,96 | (82) | **70,40** | 12,98 | 1,70 | 2,56 | **17,24** | **53,16** | 56,28 |
| Plant and machinery | 231,21 | 10,60 | (8,82) | **232,99** | 114,99 | 15,78 | 5,93 | **136,70** | **96,29** | 116,22 |
| Railway sidings and jetties | 3 | – | – | **3** | 3 | – | – | **3** | **–** | – |
| Rolling stock, motor vehicles etc. | 59 | 5 | – | **64** | 40 | 3 | 10 | **53** | **11** | 19 |
| Furniture, fittings and equipment | 24,58 | 2,56 | (30) | **26,84** | 13,45 | 2,34 | 3 | **15,82** | **11,02** | 11,13 |
| Patents, Trademarks, Knowhow, etc. | 15,10 | – | (10,25) | **4,85** | 22 | 59 | (50) | **31** | **4,54** | 14,88 |
| Assets under operating leases | 13,78 | 6,39 | (8) | **20,09** | 1,97 | 3,00 | (3) | **4,94** | **15,15** | 11,81 |
| Total | 362,11 | 21,56 | (20,27) | **363,40** | 144,32 | 23,45 | 8,30 | **176,07** | **187,33** | 217,79 |
| Previous year | 367,47 | 43,68 | (49,04) | 362,11 | 156,22 | 23,13 | (35,03) | 144,32 | 217,79 | |
| **Capital work-in-progress including advances on capital account** | | | | | | | | | **11,72** | 5,20 |

**Notes :**

(1) Land and buildings at certain locations were revalued in 1983.

(2) Gross book value of buildings includes Rs. 6.93 lacs being cost of 50 shares of Rs. 10 each fully paid up, in Del House Apartments Co-operative Society Limited.

(3) The Company has sold its Catalyst business to Johnson Matthey Chemicals India Private Limited (JMCIPL) on 2 December 2002. As per the terms of the toll conversion agreement :

(i) the fixed assets of the Panki site will be used by ICI India Limited to carry out toll manufacturing operations on behalf of JMCIPL; and

(ii) JMCIPL has an option to purchase these fixed assets having a net block of Rs. 1026.78 lacs (gross block Rs 2403.81 lacs) at an agreed value on a mutually agreed date; consequently the depreciation in respect of disposals/adjustments includes the writedown of the net book value of the above assets to the agreed value.

**SCHEDULE 6 : INVESTMENTS #**
(At cost less write offs/provisions)

| | | Number | Face Value Rs. per unit | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **(A)** | **LONG TERM INVESTMENTS** | | | | |
| **(i)** | **Investment in subsidiaries** | | | | |
| | **Equity shares - unquoted** | | | | |
| | – Indian Explosives Limited | 76,50,000 | 10 | **7,65** | 7,65 |
| | – Quest International India Limited | 14,40,001 | 100 | **151,98** | 151,98 |
| **(ii)** | **TRADE** | | | | |
| | **Equity shares - unquoted** | | | | |
| | Belvedere Estates Ltd. | 40,020 | 10 | **5** | 5 |
| | Adyar Property Holding Co Ltd * (Paid-up Rs. 65 per share) | 205 | 100 | **–** | – |
| | **Debentures - unquoted** | | | | |
| | 0.5% Belvedere Estates Ltd - redeemable | 1 | 624,420 | **6** | 6 |
| | 5% Woodlands Research Foundation - non-redeemable | | 86,000 | **–** | – |
| | 0.5% Woodlands Research Foundation - (Book Value Re 1 only) | 110 | 100 | **–** | – |
| | 6.5% Bengal Chamber of Commerce and Industry | 19 | 1,000 | **–** | – |
| **(iii)** | **NON-TRADE** | | | | |
| | **Equity shares - quoted** | | | | |
| | ICICI Limited | 1,15,836 | 10 | **21** | 21 |
| | **Equity shares - unquoted** | | | | |
| | Kohinoor Mills Ltd | 5 | 100 | **–** | – |
| | Maneck-Chowk & Ahmedabad Manufacturing Co Ltd. (Book Value Re 1 only) | 144 | 250 | **–** | – |
| | **Debentures - unquoted** | | | | |
| | 6% Sholapur Spinning & Weaving Co. Ltd. (in Liquidation) (Book Value Re 1 only) | 523 | 100 | **–** | – |
| | **Capital Gains Bond - unquoted** | | | | |
| | 7.00% National Highways Authority of India | 2,000 | 100,000 | **20,00** | – |
| | 6.10% Rural Electrification Corporation Limited | 10,000 | 10,000 | **10,00** | – |
| | 5.50% National Housing Bank | 10,000 | 10,000 | **10,00** | – |
| **(B)** | **CURRENT INVESTMENTS - Non Trade** | | | | |
| | **Units - unquoted** | | | | |
| | Unit Trust of India - Unit ’64 Scheme {net of diminution in value of Rs. 33.77 lacs (2001-02 : Rs. 57.24 lacs)} | 6,19,505 | 10 | **62** | 39 |
| | **Investment in Fixed Maturity Debt Mutual Funds - unquoted** | | | | |
| | Birla Sun-Life Mutual Fund (March 2003) | 2,95,43,261 | 10 | **30,00** | – |
| | HDFC Mutual Fund (March 2003) | 3,50,00,000 | 10 | **35,00** | – |
| | Standard Chartered Mutual Fund (March 2003) | 4,00,00,000 | 10 | **40,00** | – |
| | Prudential ICICI Mutual Fund (March 2003) | 2,34,55,678 | 10 | **25,00** | – |
| | HDFC Mutual Fund (February 2002) | | | **–** | 35,00 |
| | Zurich India Mutual Fund (February 2002) | | | **–** | 40,00 |

| | Number | Face Value Rs. per unit | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|
| NAV per unit as at 31 March 2003 (Rs) : | | | | |
| – Birla Sun-Life Mutual Fund : 10.16 | | | | |
| – HDFC Mutual Fund : 10.03 | | | | |
| – Standard Chartered Mutual Fund : 10.00 | | | | |
| – Prudential ICICI Mutual Fund : 10.67 | | | | |
| **Government of India Securities - quoted** | | | | |
| 12.50% Government of India, March 2004 ** | 49 | 1,00,000 | **52** | – |
| **Tax Free Bonds - quoted** | | | | |
| 10.50% Konkan Railway Corporation Limited ** | 1,00,000 | 1,000 | **10,18** | – |
| | | | **341,27** | 235,34 |

* Indicates shares are partly paid up.
** Net of amortisation of premium
# for investments purchased and sold during the year, refer note 16, Schedule 19.

| | **As at 31 March 2003** | | As at 31 March 2002 | |
|---|---|---|---|---|
| | **Book Value (Rs. lacs)** | **Market Value (Rs. lacs)** | Book Value (Rs. lacs) | Market Value (Rs. lacs) |
| Quoted investments | **10,91** | **12,74** | 21 | 71 |
| Unquoted investments | **330,36** | | 235,13 | |
| | **341,27** | | 235,34 | |

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 7 : INVENTORIES *** | | |
| Stores and spare parts | **3,77** | 3,27 |
| Packing materials | **1,71** | 1,17 |
| Raw materials | **22,01** | 26,21 |
| Finished products | **71,19** | 67,55 |
| Work-in-process | **6,42** | 7,00 |
| | **105,10** | 105,20 |

* Refer note 8, Schedule 19

| | | |
|---|---|---|
| **SCHEDULE 8 : SUNDRY DEBTORS** | | |
| Secured - considered good | | |
| - Debts outstanding over six months | **32** | 46 |
| - Other debts | **2,43** | 2,64 |
| | **2,75** | 3,10 |
| Unsecured | | |
| - Debts outstanding over six months | | |
| Considered good | **2,02** | 3,47 |
| Considered doubtful | **12,91** | 13,75 |
| | **14,93** | 17,22 |
| Less : Provision for doubtful debts | **12,91** | 13,75 |
| | **2,02** | 3,47 |
| Other debts - considered good # | **76,82** | 84,68 |
| Due from a subsidiary company (Indian Explosives Limited) | **20** | 31 |
| Dues relating to sale of businesses / property | **3,66** | 4,29 |
| | **85,45** | 95,85 |

# Includes amount of Rs 68.40 lacs (2001-02 : Rs 308.58 lacs) due from bodies corporate under the same management as defined in Section 370(1B) of the Companies Act, 1956. For details refer note 25 (4), Schedule 19.

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 9 : CASH AND BANK BALANCES** | | |
| Cash and cheques in hand and in transit | **53** | 3,56 |
| With scheduled banks : | | |
| Current accounts | **26,66** | 14,89 |
| Dividend accounts | **1,53** | 1,20 |
| | **28,72** | 19,65 |
| **SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)** | | |
| Advances recoverable in cash or in kind or for value to be received : | | |
| Considered good ** | **28,45** | 25,72 |
| Considered doubtful | **1,19** | 1,60 |
| | **29,64** | 27,32 |
| Less : Provision for doubtful advances | **1,19** | 1,60 |
| | **28,45** | 25,72 |
| Balances with Customs, Port Commissioners, Railways, Excise Authorities, etc. | **2,87** | 3,01 |
| Other Deposits | **4,89** | 4,45 |
| Interest accrued on investments | **76** | – |
| | **36,97** | 33,18 |
| ** Includes | | |
| (a) Held on fixed deposit / margin money with a scheduled bank | **32** | 13 |
| (b) Due from Directors | **1,82** | 1,61 |
| Maximum amount due at any time during the year | **1,84** | 3,61 |
| (c) Due from Officer | **20** | 21 |
| Maximum amount due at any time during the year | **21** | 25 |
| (d) Amount due from companies under the same management | **–** | – |
| (e) Maximum amount due from the companies under the same management at any time during the year | | |
| - Indian Explosives Limited | **5,05** | 9,00 |
| - Initiating Explosives Systems India Limited | **2,00** | 1,25 |
| - Quest International India Limited | **–** | 1,50 |
| **SCHEDULE 11 : CURRENT LIABILITIES *** | | |
| Acceptances | **25,48** | 15,28 |
| Sundry creditors - SSI units ** | **2,69** | 4,53 |
| Sundry creditors - others | **123,19** | 111,30 |
| Due to a subsidiary company (Quest International India Limited) | **10** | – |
| Advance on sale of property | **1,10** | 5,35 |
| Unpaid and unclaimed dividends | **1,53** | 1,20 |
| Interest accrued but not due on loans | **–** | 1,23 |
| Other liabilities | **3,92** | 4,08 |
| | **158,01** | 142,97 |
| * Refer note 4, Schedule 19. | | |
| ** Refer note 5, Schedule 19. | | |
| **SCHEDULE 12 : PROVISIONS** | | |
| Proposed dividend on equity shares | **40,87** | 40,87 |
| Tax on dividend | **5,24** | – |
| Provision for Taxation (net of advance tax) | **22,72** | 11,72 |
| Provision for VRS liability | **39,35** | 47,75 |
| Provision for retirement benefits | **13,69** | 6,31 |
| Other provisions | **35,06** | 12,86 |
| | **156,93** | 119,51 |

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 13 : OTHER INCOME *** | | |
| **From businesses** | | |
| Insurance claims received | **14** | 25 |
| Commission | **4,62** | 4,21 |
| Lease rentals | **2,45** | 1,45 |
| Provisions / liabilities no longer required written back | **2,60** | 43 |
| Miscellaneous receipts | **4,38** | 4,09 |
| | **14,19** | 10,43 |
| **Other operating items** | | |
| Income from investments : | | |
| - Trade [Refer note 10 (b), Schedule 19] | **3,86** | 4,36 |
| - Others | **83** | 84 |
| Profit on sale/maturity of investments (mutual funds) | **7,08** | – |
| Profit / (Loss) on disposal of fixed assets (net) | **(5)** | – |
| Provision for diminution in value of investments written back | **23** | – |
| Miscellaneous receipts | **1,07** | 4,70 |
| | **13,02** | 9,90 |
| | **27,21** | 20,33 |

* Refer note 6, Schedule 19

| | | |
|---|---|---|
| **SCHEDULE 14 : MATERIALS CONSUMED** | | |
| **Opening stock** | | |
| Raw materials | **26,21** | 29,49 |
| Packing materials | **1,17** | 1,99 |
| Finished products | **67,55** | 65,80 |
| Work-in-process | **7,00** | 6,62 |
| | **101,93** | 103,90 |
| **Add : Purchases** | | |
| Raw materials | **265,91** | 268,76 |
| Packing materials | **33,86** | 27,16 |
| Finished products | **55,93** | 67,51 |
| | **355,70** | 363,43 |
| **Add / (Less) : Inventory adjustments in respect of acquired/divested businesses (net)** | | |
| Raw materials | **(3,37)** | (6,40) |
| Packing materials | **(1)** | 2 |
| Finished products | **(5,32)** | (7,68) |
| | **(8,70)** | (14,06) |
| **Less : Closing stock** | | |
| Raw materials | **22,01** | 26,21 |
| Packing materials | **1,71** | 1,17 |
| Finished products | **71,19** | 67,55 |
| Work-in-process | **6,42** | 7,00 |
| | **101,33** | 101,93 |
| **Excise duty adjustment for movement in finished goods inventory (including duty on inventory of divested business)** | **2,14** | 1,23 |
| **Materials consumed** | **349,74** | 352,57 |

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 15 : OTHER EXPENDITURE** | | |
| Stores and spare parts | **7,56** | 7,82 |
| Repairs to buildings | **75** | 83 |
| Repairs to plant and machinery | **4,70** | 5,57 |
| Power and fuel | **17,88** | 20,16 |
| Salaries, wages, and bonus | **41,97** | 47,90 |
| Contributions to provident and other funds | **5,94** | 6,56 |
| Workmen and staff welfare | **5,47** | 5,99 |
| Travelling | **8,97** | 10,33 |
| Rates and taxes | **4,35** | 6,18 |
| Rent | **5,27** | 5,76 |
| Communication | **5,37** | 6,46 |
| Insurance | **3,43** | 3,37 |
| Freight and transport charges | **21,05** | 19,86 |
| Selling commission | **2,66** | 5,08 |
| Publicity and sales promotion | **27,24** | 22,79 |
| Royalty and technical fees | **64** | 57 |
| Cash discount on sales | **17,34** | 15,32 |
| Formulation / processing charges | **65** | 1,11 |
| Bad debts / advances | **3,44** | 4,05 |
| Provision for doubtful debts and advances (net) | **(1,24)** | (1,87) |
| Research and development | **2,12** | 2,54 |
| Directors' fees | **2** | 2 |
| Sundries (including consultancy, godown maintenance, seminars, etc.) | **25,76** | 29,00 |
| | **211,34** | 225,40 |
| **SCHEDULE 16 : INTEREST** | | |
| Interest on fixed loans | **1,25** | 4,42 |
| Interest on other loans | **3,56** | 2,27 |
| | **4,81** | 6,69 |
| Less : Interest income from banks and others * | **1,47** | 4,99 |
| Net interest | **3,34** | 1,70 |
| * Refer note 6, Schedule 19 | | |
| **SCHEDULE 17 : EXCEPTIONAL ITEMS** | | |
| Profit on sale of properties (Refer note 12, Schedule 19) | **6,70** | 30,23 |
| Profit on sale of Catalyst business (Refer note 13, Schedule 19) | **84,22** | – |
| Profit on sale of Pharmaceuticals business | **–** | 42,91 |
| Profit on sale of Polyurethanes business (Refer note 14, Schedule 19) | **2,08** | 2,75 |
| Profit on sale of Motor and Industrial Paints business | **–** | 43 |
| Charge for Voluntary Retirement Scheme | **(3,86)** | (6,83) |
| Charge for additional contribution to employees retiral funds (Refer note 17, Schedule 19) | **(10,12)** | (6,61) |
| Cost of business reorganisation (Refer note 18, Schedule 19) | **(6,17)** | (5,24) |
| | **72,85** | 57,64 |

## SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES

**Accounting convention**

The financial statements are prepared on the accrual basis under the historical cost convention, in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

**Fixed assets / Depreciation**

Fixed Assets are stated at cost or at revalued amounts less accumulated depreciation.

Depreciation for the year is computed on the straight line method over the useful life of the assets determined on the basis of life expectancy or as per SLM Schedule XIV rates prescribed by the Companies Act, 1956, whichever is higher.

Intangible assets comprising patents, trademarks and knowhow arising from the acquisition of businesses are being amortised on a straight line method over their estimated useful lives as determined by the management.

**Revenue recognition**

Revenue from sale of products is recognised when the products are despatched against orders from customers in accordance with the contract terms. Sales are stated net of rebates, discounts and sales tax.

**Income from sale of properties**

Income from the sale of properties is accounted on transfer of the risk and benefits in the property to the purchaser.

**Investments**

Long term investments are stated at cost less amount written off, where there is a permanent diminution in value. Current investments are stated at lower of the cost and net realisable value. In respect of fixed income securities, premium paid on purchase of securities is amortised over the period of the investment.

**Current assets**

- Stores and spare parts are valued at cost. Cost is determined on the basis of weighted average method.
- Finished goods including traded items, raw material, packing material and work-in-process are valued at the lower of cost and net realisable value. Cost includes an appropriate portion of manufacturing overheads, where applicable. Excise duty on finished goods produced is included in the value of finished goods inventory.
- All other items of current assets are stated after adequate provisions for any diminution in the carrying value.

**Foreign currency transactions**

- Foreign currency transactions are accounted for at the rate prevailing on the date of the transaction.
- All monetary foreign currency balances are converted at the exchange rates prevailing at the date of the balance sheet or on the basis of the forward contracts. The cost of the forward exchange contracts is amortised over the period of the contract. Any profit or loss arising on the cancellation or renewal of a forward exchange contract is recognised as income or expense for the year, except in case of a forward exchange contract relating to liabilities incurred for acquiring fixed assets, in which case, such profit or loss is adjusted in the cost of fixed assets.
- All exchange differences other than those relating to the acquisition of fixed assets are dealt with in the Profit and Loss Account. Exchange gain or loss relating to fixed assets are adjusted in the cost of the respective fixed assets.

**Retirement benefits**

Liability for leave encashment, gratuity and pension is accrued on the basis of actuarial valuation as at the date of the Balance Sheet. Contributions to the recognised provident fund are charged to the Profit and Loss Account as incurred.

**Accounting for Voluntary retirement scheme liability**

- The total liability under the voluntary retirement scheme is amortised to the Profit and Loss Account over the period of expected future benefits commencing from the year the employee opts for the scheme. The unamortised amount to the extent not written off has been disclosed as "Miscellaneous expenditure not written off".
- The unamortised voluntary retirement scheme liability related to the business unit which is hived off is adjusted against the disposal proceeds of the respective business units.

**Research and Development**

Revenue expenditure on Research and Development including contribution to research associations is charged to Profit and Loss Account. Capital expenditure on Research and Development is shown as additions to Fixed Assets.

**Deferred taxation**

Income tax expense comprises current tax and deferred tax charge or release. The deferred tax charge or credit is recognised using current tax rates. Deferred tax assets arising from unabsorbed depreciation or carry forward losses are recognised only if there is virtual certainty of realisation of such amounts. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess the realisation.

**SCHEDULES (19) : NOTES TO THE ACCOUNTS**

| | | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|
| 1. | Capital expenditure : | | |
| | (a) Estimated amount of contracts remaining to be executed on capital account (net of advances) | **13** | 3,62 |
| | (b) Demand for enhanced compensation in respect of leasehold land at Mohali, under dispute. | **5,88** | 4,66 |
| 2. | Contingent liabilities not provided for: | | |
| | (a) Uncalled liability on shares partly paid up | **–** | – |
| | (b) Sales tax matters under Appeal | **13,34** | 14,03 |
| | (c) Excise matters in dispute / under Appeal | **5,18** | 13,80 |
| | (d) Customs matters in dispute / under Appeal | **3,74** | 3,46 |
| | (e) Industrial relations matters under Appeal | **19** | 16 |
| | (f) Income tax matters in dispute / under Appeal See note below * | | |
| | * The Income tax assessments for the Company have been completed up to the financial year ended 31 March 2000. Arising from the completed assessments and also appellate orders, there is a net demand of Rs. 983 lacs (2001-02 : net refund of Rs. 147 lacs) comprising total refund of Rs. 1721 lacs (2001-02 : Rs. 1617 lacs), excluding interest, and demand / liability of Rs. 2704 lacs (2001-02 : Rs. 1470 lacs), excluding interest. The Company as well as the Income tax department have gone on further appeal. Pending progress in the appeals, neither the refund nor the liability for the demand has been recognised in the accounts. | | |
| | (g) Bills discounted | **1,33** | 1,30 |
| 3. | Loans due within a year | | |
| | Secured loans : Debentures | **–** | 11,67 |
| | Unsecured loans : | | |
| | Fixed deposit | **–** | 14 |
| | HDFC | **–** | 7 |

4. Sundry creditors - others (Schedule 11) include unclaimed matured fixed deposits from public amounting to Rs. 15.44 lacs (2001-02 : Rs. 28.67 lacs).

5. The names of small scale industrial units to whom the Company owes a sum which is outstanding for more than 30 days at the Balance Sheet date, computed on a unit wise basis, are :

Advance Detchem Limited
Anand Casein Udyog
Apollo Plastic Industries
B. R.Fibres
BSA Polycontainer
Chemicone Chemicals Industries Pvt. Ltd.
Dhanashree Polymers Pvt. Ltd.
Doshi & Sons
Elkay Chemicals Pvt. Ltd.
Fibro Chem Industries
Fineotex Chemical Industries
Jaju Chemicals Pvt. Ltd.
Key Organics Pvt. Ltd.
Laxmi Polyplast Industries
Lignin Research Centre
Mas Sealing Systems Pvt. Ltd.
Mistry Brothers
Mukut Plastics Pvt. Ltd.
Pankaj Organics Pvt. Ltd.
Party Time Ice Pvt. Ltd.
Rajesh Dye Chem Industries Pvt. Ltd.
Sabari Chemicals Pvt. Ltd.
Safaty Wear Co-Op Soc. Ltd.
Shirpa Footwear
Shree Ganesh Enterprises
Shree Sai Industries
Silicon Carbide Grinding Mills Pvt. Ltd.
Speciality Organics Pvt. Ltd
Spectra Specialities
Venus Waterproof Products Mfg
Vikram Plasticizers
Vishal Chemical Industries
Yash Synthetics Pvt. Ltd.

The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.

6. Income from investments, rents, commission and interest are stated at gross amounts. The amount of Income Tax deducted thereon is Rs. 61.67 lacs {2001-02 : Rs. 174.28 lacs}.

7. Gross depreciation for the year amounts to Rs. 2344.67 lacs (2001-02 : Rs. 2312.60 lacs), includes a sum of Rs. 7.59 lacs (2001-02 : Rs. 16.46 lacs) being the depreciation on revalued assets transferred to revaluation reserve.

8. The Company has not made a provision for customs duty on stocks lying at the year end in bonded warehouse, estimated at Rs. 137.50 lacs (2001-02 : Rs. 138.09 lacs) and accordingly, not included the said amount in valuation of inventories. This has no effect on the profit for the year.

9. Profit / (Loss) on account of foreign exchange transactions for the year is Rs. 2.78 lacs (net) {2001-02 : (Rs. 3.92 lacs) (net)}.

10. (a) Sales excludes sales of equipment amounting to Rs. 331 lacs (2001-02: Rs. 275 lacs) at cost.

10. (b) Income from Investments - Trade ( Schedule 13), comprises dividend received from Indian Explosives Limited Rs. 386.33 lacs (2001-02 : Rs 436.05 lacs).

| | | 2002-03 (Rs. lacs) |
|---|---|---|
| 11. **Directors' remuneration *** | | |
| Salaries and allowances | | 3,15 |
| Commission | | 20 |
| Estimated cost of benefits | | 50 |
| | | 3,85 ** |
| **Computation of Directors' remuneration** | | |
| Profit before depreciation, taxation & exceptional items | | 83,70 |
| Add : Directors' remuneration | 3,85 | |
| Provision for doubtful debts and advances (net) | (1,24) | 2,61 |
| | | 86,31 |
| Less : Depreciation as per section 350 | 23,37 | |
| Profit on sale of investments | 7,08 | |
| Voluntary retirement scheme provision | 3,86 | |
| Cost of business reorganisation | 1,39 | |
| Pension provision | 10,12 | 45,82 |
| Net profit under section 198 of the Companies Act, 1956 | | 40,49 |
| Maximum remuneration payable to Directors - | | |
| - Managing / Wholetime Directors @10% of Net Profit | | 4,05 |
| - Directors not in wholetime employment @1% of Net Profit | | 40 |
| | | 4,45 |

* The above amounts do not include provisions for / contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations carried on an overall Company basis rather than separately for Directors.

** Excludes a sum of Rs. 341.75 lacs accrued in the books of account and paid subsequent to the year end to Mr Aditya Narayan, erstwhile Managing Director, for his early retirement from services of the Company with effect from 2 April 2003.

12. Income from sale of properties of Rs. 670.42 lacs (2001-02 : Rs. 3022.53 lacs) represents net profit on sale of land at Chennai after adjusting for related provisions of Rs 16.18 lacs (2001-02 : Rs 388.76 lacs).

13. The Catalyst business of the Company was transferred to Johnson Matthey Chemicals India Private Limited (JMCIPL) on 2 December 2002 for a consideration of Rs 14191.22 lacs, and an additional consideration of Rs 1329.26 lacs on account of adjustment for net assets of the business between the period 31 December 2001, and 31 October 2002. As per the business transfer agreement executed between the Company and JMCIPL, the commerical risks were assumed by JMCIPL on 1 November 2002. Accordingly, the earnings for the business for the period 1 November 2002 to 1 December 2002, have not been included in the accounts of the current year, the details of which are as follows :

| | (Rs. lacs) |
|---|---|
| Sales ( net of excise) | 3,87 |
| Other Income | 2 |
| | 3,89 |
| Material consumed | (1,50) |
| Other expenditure | (1,01) |
| | (2,51) |
| **Earnings before interest, depreciation and tax** | **1,38** |

Of the above amount, a sum of Rs 81.26 lacs was paid back to JMCIPL on account of trading profit after giving effect for capital expenditure, movement in working capital and tax adjustments.

The profit on sale of Catalyst business has been computed after adjusting the value of net assets (including provision for retained assets) as on the date of transfer amounting to Rs. 3698.81 lacs, adjustment of Panki assets amounting to Rs. 1025.78 lacs and related transactions cost/ provisions of Rs. 2374.17 lacs which include Rs. 1500 lacs in respect of a probable land cost liability to be incurred by the Company under the terms of the agreement executed with JMCIPL. Based on the decision taken by the Company so far, the above land cost liability has been provided in the books of account and, adjusted against the sale consideration of Catalyst business.

During the period 2 December 2002 till 31 March 2003, JMCIPL reimbursed ICI India Ltd an amount of Rs 242.78 lacs on account of costs incurred for tolling operations which have not been reflected in the financial statements.

14. The Polyurethanes business of the Company was sold to Hunstman International (India) Private Limited on 31 March 2001. As per the business transfer agreement, a sum of Rs. 1000 lacs was receivable from the buyer over a three year period, the eligibility for and quantum of which will depend on the performance of the business during these three years against agreed parameters.

Pursuant to this clause, the Company has accrued as income (net of provisions amounting to Rs 25 lacs) a sum of Rs 207.84 lacs, including interest of Rs 52 lacs [2001-02 : Rs 274.80 lacs (including interest of Rs 35 lacs)] during the current year. The amount has since been received by the Company.

15. The Explosives business of the Company together with its 70% shareholding in Initiating Explosvies Systems India Ltd. was transferred on 29 September 1999, to Indian Explosives Limited (IEL), a joint venture with Orica Investments Pty Limited (Orica), Australia. The Company holds 51% of the share capital in IEL. In accordance with the Shareholders' Agreement, the Company has the right to exercise a put option at anytime between 30 September 2001 and 30 September 2004, in respect of its 51% shareholding in IEL.

During the current year, Orica has filed a suit in the Bombay High Court (Court) for the modification of certain clauses of the Shareholders' Agreement, including those dealing with the valuation of shares of IEL, and also raised certain claims on the Company. In the meantime, the Company has also exercised its put option by calling upon Orica to buy the 51% shareholding of the Company in IEL. In a separate suit, Orica has also contended that the Company is not authorised to exercise the put option as the terms of the agreement have not been met. The Company has taken appropriate legal advice and is contesting both the suits in the Court. Pending the final outcome of the above legal suits, the impact of the put option and certain claims raised by Orica have not yet been recognised in the financial statements.

16. During the year the Company invested the temporary surplus funds for short periods in the following Liquid/Cash Mutual Fund schemes, which were purchased and sold during the year :

| | **Number of units** | Purchase value (Rs lacs) |
|---|---|---|
| HSBC Cash fund | **2,98,09,060** | 30,00 |
| Templeton India Liquid Fund - Growth Plan | **1,55,73,704** | 23,00 |
| Templeton India Treasury Management - Growth Plan | **46,68,155** | 7,00 |
| Grindlays Cash Fund - Growth Option | **1,78,58,648** | 20,00 |
| Grindlays Cash Fund Plan B (Inst plan) - Growth Plan | **1,78,57,059** | 20,06 |
| Birla Cash Plus Plan B - Growth Plan | **92,70,414** | 15,00 |
| Birla Cash Plus Plan A - Dividend Reinvestment | **1,86,62,941** | 20,04 |
| ING Treasury Portfolio - Growth Plan | **54,88,732** | 7,00 |
| JM High Liquidity Fund - Growth Plan | **47,94,209** | 8,00 |
| | | 150,10 |

17. During the current year, a deficit in the employees pension fund amounting to Rs 966 lacs (2001-02 : Rs. 661 lacs) has been determined on the basis of actuarial valuation carried out by the Company. The above deficit arising primarily because of lower interest rate in the actuarial valuation assumptions, has been provided for as an exceptional item in the Profit and Loss Account. Further, the Company has provided Rs. 46 lacs (2001-02 : nil) as additional contribution for meeting liabilities of various retiral funds and the same is shown as an exceptional item in the Profit and Loss Account.

18. The cost of business reorganisation includes :

(i) An amount of Rs. 552 lacs (2001-02 : Rs. 421.24 lacs) accrued in the books of account in respect of voluntary compensation (including amounts provided for various retirement benefit funds), for certain employees who have accepted premature retirement.

(ii) An amount of Rs. 48 lacs (2001-02 : nil) accrued in the books of accounts in respect of write down of assets at Mumbai and other related expenses.

(iii) Restructuring of Rubber Chemicals business activities at the Rishra factory. The reorganisation expenses of Rs 17.07 lacs (2001-02 : Rs. 102.69 lacs) comprise mainly salary and overhead costs of personnel engaged in the restructuring exercise.

19. Payments to Auditors :

| | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|
| (i) As Audit fee | **12** | 6 |
| (ii) Reimbursement of expenses / service tax | **4** | 5 |
| (iii) Tax Audit fee | **3** | 3 |
| (iv) Certification work / Other matters | **10** | 6 |
| | **29** | 20 |

20. (a) **Particulars in respect of goods manufactured**

| | **Unit** | **Licensed Capacity** | | **Installed Capacity** | | **Actual Production meant for sale** | |
|---|---|---|---|---|---|---|---|
| | | **2002-03** | **2001-02** | **2002-03** | **2001-02** | **2002-03** | **2001-02** |
| Adhesives | Tonnes | **N.A.** | N.A. | **2,500** | 1,200 | **3,370** | 741 |
| Catalysts | Tonnes | N.A. | **N.A.** | **2,480** | 2,480 | **797** | 904 |
| Nitrocellulose | Dry Tonnes | **5,080** | 5,080 | **4,500** | 4,000 | **4,222** | 3,451 |
| Paints-Liquid | Kl | **N.A.** | N.A. | **40,740** | 41,940 | **26,330** | 23,290 |
| Paints-Stiff | Tonnes | **N.A.** | N.A. | **10,000** | 10,000 | **7,628** | 7,029 |
| Pharmaceuticals | Kl | **N.A.** | N.A. | **–** | – | **–** | 48 |
| Pharmaceuticals | Tonnes | **N.A.** | N.A. | **–** | – | **–** | 199 |
| Rubber Chemicals & Diphenylamine | Tonnes | **N.A.** | N.A. | **8,600** | 8,600 | **2,943** | 3,166 |
| Textile Auxiliaries | Tonnes | **N.A.** | N.A. | **@** | @ | **10,095** | 10,927 |
| Thinners | Kl | **N.A.** | N.A. | **4,460** | 3,260 | **1,774** | 1,667 |

Notes :

1. N A - Not Applicable.
2. Production meant for sale is after adjustment of shortages, handling losses and excludes quantity internally consumed.
3. Licensed and Installed Capacity in respect of intermediates used entirely for captive consumption have not been furnished.
4. Except for Nitrocellulose, the other items are delicenced.
5. Installed Capacities are as certified by the management.
6. @ - Dependent on the Product Mix.
7. Production of Catalysts in 2002-03 was for the period 1 April 2002 to 31 October 2002.
8. Production of Pharmaceuticals in 2001-02 was for the period 1 April 2001 to 31 December 2001.

20 **(b) Particulars in respect of sales, opening and closing stocks of finished goods :**

| | Unit | Sales | | Opening Stock | | Closing Stock | |
|---|---|---|---|---|---|---|---|
| | | Quantity | Value (Rs. lacs) | Quantity | Value (Rs. lacs) | Quantity | Value (Rs. lacs) |
| | | **2002-03** 2001-02 | **2002-03** 2001-02 | **2002-03** 2001-02 | **2002-03** 2001-02 | **2002-03** 2001-02 | **2002-03** 2001-02 |
| Adhesives | Tonnes | **3,679** | **41,42** | **141** | **1,60** | **241** | **2,46** |
| | | 1,637 | 19,80 | 59 | 87 | 141 | 1,60 |
| Catalysts * | Tonnes | **981** | **34,48** | **318** | **7,96** | **–** | **–** |
| | | 978 | 45,17 | 172 | 3,43 | 318 | 7,96 |
| Nitrocellulose | Dry Tonnes | **4,052** | **70,83** | **110** | **1,38** | **280** | **3,36** |
| | | 3,577 | 64,14 | 236 | 2,86 | 110 | 1,38 |
| Paints-Liquid | K.Litres | **27,124** | **379,31** | **3,407** | **33,61** | **3,691** | **41,52** |
| | | 23,940 | 334,61 | 3,256 | 32,22 | 3,407 | 33,61 |
| Paints-Stiff * | Tonnes | **8,195** | **36,05** | **1,640** | **8,03** | **1,565** | **5,32** |
| | | 7,131 | 29,10 | 895 | 4,62 | 1,640 | 8,03 |
| Pharmaceuticals * | K.Litres | **–** | **–** | **–** | **–** | **–** | **–** |
| | | 49 | 9,14 | 4 | 61 | – | – |
| Pharmaceuticals * | Tonnes | **–** | **–** | **–** | **–** | **–** | **–** |
| | | 198 | 39,68 | 20 | 2,33 | – | – |
| Rubber Chemicals & Diphenylamine | Tonnes | **3,830** | **86,25** | **424** | **6,53** | **391** | **6,58** |
| | | 4,090 | 100,77 | 450 | 9,07 | 424 | 6,53 |
| Textile auxiliaries | Tonnes | **11,595** | **102,51** | **890** | **6,05** | **846** | **6,25** |
| | | 12,118 | 109,92 | 864 | 5,82 | 890 | 6,05 |
| Thinners | K Litres | **1,831** | **19,10** | **162** | **86** | **153** | **1,23** |
| | | 1,737 | 16,83 | 193 | 1,22 | 162 | 86 |
| Others | Various | | **18,07** | | **1,53** | | **4,47** |
| | | | 27,89 | | 2,75 | | 1,53 |
| Less : Rebates | | | **87,19** | | | | |
| | | | 84,86 | | | | |
| | | | **700,83** | | **67,55** | | **71,19** |
| | | | 712,19 | | 65,80 | | 67,55 |

* Closing Stocks as on date of divestment, have been transferred to the respective buyers.

20 (c) **Particulars in respect of purchases of finished products :**

| | Unit | Quantity | | Value (Rs. lacs) | |
|---|---|---|---|---|---|
| | | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Acrylics | Tonnes | **2,013** | 1,675 | **8,80** | 10,37 |
| Adhesives | Tonnes | **409** | 978 | **7,29** | 4,07 |
| Catalysts | Tonnes | **7** | 220 | **19** | 6,19 |
| Paints - Liquid | K.Litres | **1,078** | 801 | **19,29** | 23,44 |
| Paints - Stiff | Tonnes | **492** | 847 | **1,67** | 3,20 |
| Rubber Chemicals & DPA | Tonnes | **854** | 898 | **9,73** | 11,47 |
| Textile Auxiliaries | Tonnes | **1,456** | 1,217 | **5,84** | 6,65 |
| Thinner | Tonnes | **48** | 39 | **38** | 31 |
| Others | Various | **NA** | NA | **2,74** | 1,81 |
| | | | | **55,93** | 67,51 |

20 (d) **Details of raw materials consumed :**

| | Unit | Quantity 2002-03 | Quantity 2001-02 | Value (Rs. lacs) 2002-03 | Value (Rs. lacs) 2001-02 |
|---|---|---|---|---|---|
| Alcohol | Tonnes | **479** | 510 | **2,98** | 2,91 |
| Alcohol | K.Litres | **562** | 887 | **96** | 1,37 |
| Amines | Tonnes | **1,316** | 1,684 | **7,20** | 8,44 |
| Metals | Tonnes | **10,402** | 3,804 | **52,69** | 41,68 |
| Organic Chemicals | Tonnes | **20,799** | 13,200 | **59,38** | 41,35 |
| Other Chemicals | Tonnes | **26,460** | 30,073 | **50,57** | 61,20 |
| Solvents | Tonnes | **6,122** | 7,940 | **15,17** | 16,62 |
| Others | Various | | | **77,79** | 92,07 |
| | | | | **266,74** | 265,64 |

Raw materials consumed are after adjustments including shortage / excess and provision for losses.

20 (e) **Value of raw materials, stores and spare parts consumed:**

| | Raw Materials | | | | Stores and spares parts packing materials (Excluding capital jobs) | | | |
|---|---|---|---|---|---|---|---|---|
| | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) | **2002-03 %** | 2001-02 % | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) | **2002-03 %** | 2001-02 % |
| Imported | **109,77** | 94,34 | **41** | 36 | **5** | – | **–** | – |
| Indigenous | **156,97** | 171,30 | **59** | 64 | **40,82** | 35,82 | **100** | 100 |
| | **266,74** | 265,64 | **100** | 100 | **40,87** | 35,82 | **100** | 100 |

Raw materials, stores and spare parts consumed are after adjustment including shortage/excess and provision for losses.

20 (f) **Earnings in foreign exchange:**

| | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|
| Export of goods (FOB basis) | **49,68** | 72,27 |
| Direct sales commission | **4,62** | 4,17 |
| Others | **33** | 89 |

20 (g) **Value of imports (CIF basis) :**

| | | |
|---|---|---|
| Raw materials | **99,79** | 84,28 |
| Stores and spare parts | **24** | 5 |
| Capital goods | **38** | 73 |
| Other items | **12,01** | 14,16 |

20 (h) **Expenditure in foreign currencies (on payment basis; net of tax where applicable) :**

| | | |
|---|---|---|
| Royalty and technical fees | **78** | 79 |
| Professional and consultation fees | **63** | 1,18 |
| Others | **1,10** | 1,28 |

20 (i) **Remittance in foreign currencies on account of dividends on equity shares :**

| **Dividend relating to** | **No. of Non-Resident Share holders** | **No. of Shares in (000's)** | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|---|---|
| 2001-02 | 1 | 2,07,76 | **17,50** | – |
| 2000-01 | 1 | 2,07,76 | **–** | 11,43 |

21 **Earnings per share**

| | **2002-03** | 2001-02 |
|---|---|---|
| (a) **Calculation of weighted average number of equity shares of Rs. 10 each** | | |
| Number of shares at the beginning of the year | **4,08,70,612** | 4,08,70,612 |
| Shares issued during the year | **–** | – |
| Total number of equity shares outstanding at the end of the year | **4,08,70,612** | 4,08,70,612 |
| (b) Net profit after tax available for equity shareholders (Rs. lacs) | **1,07,69** | 80,52 |
| (c) Basic and diluted earnings per share (Rs.) | **26.35** | 19.70 |

22. **Details of provision for deferred taxation** ( Rs. lacs)

| **Timing differences on account of :** | **Deferred Tax Assets** | | **Deferred Tax Liability** | |
|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Difference between book depreciation and depreciation under Income-tax Act, 1961 | | | **36,37** | 39,50 |
| Expenditure deferred under section 43B of Income Tax Act, 1961 | **1,46** | 1,54 | | |
| Provision for doubtful debts and advances | **5,06** | 5,64 | | |
| Voluntary retirement scheme liability | **4,13** | 5,25 | | |
| Liability for leave encashment and pension provision | **4,64** | 2,36 | | |
| Other items | **3,79** | – | | |
| Total | **19,08** | 14,79 | **36,37** | 39,50 |
| Net deferred tax liability | | | **17,29** | 24,71 |

23. **Operating lease**

(a) The Company has given colour solution machines under operating leases. The future minimum lease rentals receivable as on 31 March 2003 in respect of these assets are as under:

| **Amount receivable** | **Total mimum lease rentals receivable as on 31 March 2003 (Rs. lacs)** | Total minimum lease rentals receivable as on 31 March 2002 (Rs. lacs) |
|---|---|---|
| Within one year | **3,36** | 2,07 |
| Later than one year and not later than five years | **3,12** | 2,01 |
| Later than five year | **2** | 1 |
| Total | **6,50** | 4,09 |

(b) **Obligation on long term non-cancellable operating leases**

The lease rental charge during the year and maximum obligations on long term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

| | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|
| - Lease rentals charged during the year | 88 | 49 |

| - **Lease obligations** | **Total minimum lease rentals payable as on 31 March 2003 (Rs. lacs)** | Total minimum lease rentals payable as on 31 March 2002 (Rs. lacs) |
|---|---|---|
| Within one year | **88** | 88 |
| Later than one year and not later than five years | **39** | 1,27 |
| Later than five years | **–** | – |
| Total | **1,27** | 2,15 |

24. **Segment Information**

**A. Information about primary business segments :**

(1) The Company's primary business segments comprises Paints, Industrial Specialties, Industrial Chemicals and Pharmaceuticals (up to 31 December 2001). The businesses included in these primary business segments are given below :

| | | |
|---|---|---|
| - Paints | : | Decorative and Refinish Paints. |
| - Industrial Specialties | : | Uniqema, Food Starch, Polymers and Adhesives. |
| - Industrial Chemicals | : | Rubber Chemicals, Nitrocellulose, Trading in monomers and tioxide and (up to 31 October 2002) Catalysts |
| - Pharmaceuticals | : | (up to 31 December 2001) Cardiovascular and Critical care range of products |

**(2) Segment revenues, results and other information (Rs. lacs)**

| | Paints | | Industrial Specialties | | Industrial Chemicals | | Pharmaceuticals | | Total of Reportable Segments | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| External sales | **369,66** | 320,51 | **140,37** | 126,26 | **190,80** | 210,78 | **–** | 54,64 | **700,83** | 712,19 |
| Inter segment sales | **13** | 8 | **1,60** | 1,24 | **4,20** | 3,95 | **–** | – | **5,93** | 5,27 |
| Other business related income | **3,42** | 1,57 | **4,29** | 4,09 | **6,48** | 4,76 | **–** | – | **14,19** | 10,42 |
| Segment revenues | **373,21** | 322,16 | **146,29** | 131,59 | **201,48** | 219,49 | **–** | 54,64 | **720,95** | 727,88 |
| Segment results | **9,56** | (9,37) | **20,80** | 18,20 | **25,87** | 29,88 | **–** | 9,40 | **56,23** | 48,11 |
| Segment assets | **235,80** | 209,51 | **77,33** | 74,49 | **97,83** | 157,09 | **–** | – | **410,96** | 441,09 |
| Segment liabilities | **98,15** | 73,59 | **31,18** | 24,55 | **32,73** | 43,52 | **–** | – | **162,06** | 141,66 |
| | **137,65** | 135,92 | **46,15** | 49,94 | **65,10** | 113,57 | **–** | – | **248,90** | 299,43 |
| Capital expenditure | **11,54** | 11,66 | **3,74** | 6,12 | **6,22** | 24,48 | **–** | 71 | **21,50** | 42,97 |
| Depreciation / Amortisation (net of adjustment from revaluation reserve) | **12,77** | 11,02 | **2,84** | 2,48 | **6,83** | 7,72 | **–** | 51 | **22,44** | 21,73 |

**(3) Reconciliation of reportable segments with the financial statements (Rs. lacs)**

| | Revenues | | Results/Net Profit | | Assets | | Liabilities | |
|---|---|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Total of reportable segments | **720,95** | 727,88 | **56,23** | 48,11 | **410,96** | 441,10 | **162,06** | 141,66 |
| Corporate - Unallocable / Others (net) | **13,02** | 9,91 | **7,44** | 3,17 | **225,09** | 186,64 | **174,56** | 148,17 |
| Inter segment adjustments | **(5,93)** | (5,27) | **–** | – | **(4,39)** | (2,64) | **(4,39)** | (2,64) |
| Interest expense (net) | | | **(3,34)** | (1,70) | | | | |
| Exceptional items | | | **72,85** | 57,64 | | | | |
| Taxes | | | **(25,49)** | (26,70) | | | | |
| **As per financial statements** | **728,04** | 732,52 | **107,69** | 80,52 | **631,66** | 625,10 | **332,23** | 287,19 |

**B. Information about secondary segment (by geographical segment) (Rs. lacs)**

| | India | | Outside India | | Total | |
|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Revenue * | **659,45** | 643,87 | **55,57** | 78,74 | **715,02** | 722,61 |
| Carrrying amount of segment assets * | **405,20** | 427,32 | **2,97** | 11,50 | **408,17** | 438,82 |
| Additions to fixed assets | **21,56** | 43,68 | **–** | – | **21,56** | 43,68 |

* Excludes inter segment and corporate/unallocable revenue/assets

**Notes:-**

i) The business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of products, risks and return, organisation structure and internal reporting system.

ii) Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.

iii) Segment revenue, results and assets and liabilities figures include the respective amounts identifiable to each of the segments. Other un-allocable items in segment results include income from investment of surplus funds of the Company and corporate level expenses. Unallocable / others in assets includes unallocable fixed assets / current assets (excluding cash and bank balances) / miscellaneous expenditure not written off and investments(excluding current investments). Unallocable / others liabilities includes unallocable current liabilities and net deferred tax liability.

25. **Related Party Disclosures**

1. List of related parties :

a) Holding Company : Imperial Chemical Industries PLC, UK

b) Subsidiaries of the Company :

- Indian Explosives Limited
- Initiating Explosives Systems India Limited (a subsidiary of Indian Explosives Limited)
- Quest International India Limited

c) Other related parties in the ICI Group where common control exists and with whom transactions during the year have taken place :

| | | | |
|---|---|---|---|
| Elotex AG | National Starch, Indonesia | National Starch, UK | Uniqema Asia Pacific |
| Glidden | National Starch & Trading Co. | National Starch, USA | Uniqema Chemie B. V. |
| ICI Autocolor | National Starch, Italy | Quest International BV | Uniqema South Africa |
| ICI Espana, S A | National Starch, Thailand | Quest International, Egypt | Uniqema, UK |
| ICI Paints, Thailand | National Starch, France | Quest International, Singapore | Uniqema, Germany |
| ICI Paints, UK | National Starch, G'dong | Synetix, UK (till 31 October 2002) | Uniqema, Indonesia |
| ICI Woobang Co. Ltd., Korea | National Starch, Korea | Synetix, USA (till 31 October 2002) | Uniqema, Malaysia |
| National Starch, Singapore | National Starch, Malaysia | Unichema Chemicals Ltd. | Uniqema, Malaysia |
| National Starch, Taiwan | Uniqema, USA | | |

d) Directors (as at 31 March 2003)

| | |
|---|---|
| Dr. A S Ganguly | Chairman |
| Mr A Narayan | Managing Director |
| Mr R L Jain | Wholetime Director |
| Mr M R Rajaram | Wholetime Director |
| Mr R Gopalakrishnan | Non-Executive Director |
| Mr S Hamlett | Non-Executive Director |
| Mr D S Parekh | Non-Executive Director |
| Mr M V Subbiah | Non-Executive Director |
| Mr S Krishna | Non-Executive Director (Government Nominee) |

2. The following transactions were carried out with related parties referred to in items 1 (a), (b) and (c) above in the ordinary course of business:

(Rs. lacs)

| | Holding Company | Subsidiaries of the Company | Other Related Companies in the Group |
|---|---|---|---|
| | **2002-03**<br>2001-02 | **2002-03**<br>2001-02 | **2002-03**<br>2001-02 |
| Purchase of materials / finished goods | **–**<br>– | **–**<br>– | **12,78**<br>11,91 |
| Sale of finished goods | **–**<br>– | **1**<br>24 | **14,50**<br>27,87 |
| Purchase of fixed assets | **–**<br>– | **–**<br>– | **3**<br>– |
| Expenses incurred and recovered from other companies | **–**<br>– | **1,06**<br>1,50 | **3,20**<br>70 |
| Expenses recovered by other companies | **–**<br>– | **11**<br>– | **2,70**<br>4 |
| Inter Corporate Deposits placed (maximum outstanding balance) | **–**<br>– | **26,00**<br>11,75 | **–**<br>– |
| Interest income on Inter Corporate Deposits placed | **–**<br>– | **16**<br>43 | **–**<br>– |
| Inter Corporate Deposit taken and repaid during the year | **–**<br>– | **25,00**<br>– | **–**<br>– |
| Interest Expense on Inter Corporate Deposits taken | **–**<br>– | **14**<br>– | **–**<br>– |
| Royalty paid / booked | **–**<br>– | **–**<br>– | **58**<br>44 |
| Dividend paid | **17,50**<br>11,43 | **–**<br>– | **–**<br>– |
| Dividend received | **–**<br>– | **3,86**<br>4,36 | **–**<br>– |
| Due to related parties | **–**<br>– | **10**<br>– | **2,68**<br>2,34 |
| Due from related parties | **–**<br>– | **20**<br>31 | **68**<br>3,09 |

3. The following transactions were carried out with related parties referred to in item 1 (d), above in the ordinary course of business:
   Remuneration : Refer note 11, Schedule 19
   Outstanding loans receivable : Refer Schedule 10

4. Details of amount due as at 31 March 2003, from bodies corporate under the same management as defined in Section 370 (1B) of the Companies Act, 1956, as referred to in Schedule 8, are given below :

| | **As at 31 March 2003 (Rs lacs)** | As at 31 March 2002 (Rs lacs) |
|---|---|---|
| National Starch, Indonesia | **–** | – |
| National Starch, G'dong | **4** | – |
| National Starch, Malaysia | **–** | – |
| National Starch, Singapore | **2** | – |
| National Starch, USA | **3** | – |
| Quest International, Singapore | **6** | – |
| Synetix, UK | **–** | 2,30 |
| Synetix, USA | **–** | 79 |
| Uniqema Asia Pacific | **25** | – |
| Uniqema Chemie B. V. | **2** | – |
| Uniqema, UK | **25** | – |
| Uniqema, Malaysia | **1** | – |
| **Total** | **68** | **3,09** |

26. The figures relating to previous year have been regrouped wherever necessary.

A NARAYAN
Chairman

R L JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

New Delhi
30 May 2003

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 21-21516 State Code 21

Balance Sheet Date: 31-03-2003 (Date Month Year)

**II Capital raised during the year (Amount in Rs. Lacs)**

| | |
|---|---|
| Public Issue: NIL | Rights Issue NIL |
| Bonus Issue NIL | Private Placement NIL |

**III Position of mobilisation and deployment of funds (Amount in Rs. Lacs)**

| | |
|---|---|
| **Total Liabilities** 46947 | **Total Assets** 46947 |

**Sources of Funds**

| | |
|---|---|
| Paid-up Capital 4087 | Reserves and Surplus 42860 |

**Application of Funds**

| | |
|---|---|
| Net Fixed Assets 19905 | Investment 34127 |
| Net Current Assets (5870) | Misc. Expenditure 514 |
| Deferred Tax Liability (1729) | |

**IV Performance of Company (Amount in Rs. Lacs)**

| | |
|---|---|
| Turnover 64812 | Total Expenditure 58779 |
| Profit/(Loss) before Tax 13318 | Profit/(Loss) after Tax 10769 |
| Earnings per share in Rs. 26.35 | Dividend rate % 100 |

**V Generic Names of Three Principal Products of the Company**

Item Code No. (ITC Code) 3209
Product Description Emulsion Paints
Item Code No. (ITC Code) 3912
Product Description Nitrocellulose
Item Code No. (ITC Code) 3812
Product Description Rubber Chemicals

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**STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(3) OF THE COMPANIES ACT, 1956**

| | | | |
|---|---|---|---|
| 1 | **Name of the subsidiary company** | **Indian Explosives Limited** | **Quest International India Limited** |
| 2 | The financial year of the subsidiary ended on | 31 March 2003 | 31 March 2003 |
| 3 | Holding company's interest | | |
| | Number of equity shares | 76,50,000 shares of Rs. 10 each | 14,40,001 shares of Rs. 100 each |
| | Percentage holding | 51% | 50% and one share |
| 4 | The net aggregate amount of profits of the subsidiary companies so far as it concerns the members of ICI India Limited | | |
| | a). Not dealt with in the accounts of ICI India Limited | | |
| | i) for the subsidiary's current financial year | Rs. 205.59 lacs | Rs 34.22 lacs |
| | ii) for the previous financial years since it became a subsidiary of ICI India Limited | Rs. 209.76 lacs | Rs 351.79 lacs |
| | b). Dealt with in the accounts of ICI India Limited | | |
| | i) for the subsidiary's current financial year | Rs. 386.33 lacs | Nil. |
| | ii) for the previous financial years since it became a subsidiary of ICI India Limited | Rs. 627.30 lacs | Nil. |

| | | | |
|---|---|---|---|
| A NARAYAN | R L JAIN | M R RAJARAM | R GUHA |
| Chairman | Managing Director | Wholetime Director | Secretary |

New Delhi
30 May 2003

**STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956**

| Name | Designation / Nature of Duties | Remuneration (Rs) | Qualification | Experience (years) | Joining Date | Age (years) | Previous Employment |
|---|---|---|---|---|---|---|---|
| **(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR** | | | | | | | |
| Ahmad A | General Manager, Supply Chain & Information Systems, Paints | 34,93,382 | Masters Engineering | 18 | 7-Jan-85 | 42 | First Employment |
| Batra S | General Manager, Finance, Paints | 29,56,422 | ACA | 15 | 25-Jan-88 | 38 | First Employment |
| Chadha P | Chief Executive - Industrial Chemicals | 50,57,544 | B Tech | 20 | 6-Jun-83 | 42 | First Employment |
| Ghosh A Dr | Chief Executive, Performance Chemicals | 46,42,979 | Ph D, DIC | 26 | 6-Oct-93 | 50 | Atul Products |
| Ghoshal T | Works Manager, Synetix | 25,50,160 | B Tech | 28 | 8-Oct-92 | 51 | India Linoleums |
| Jain R L | Wholetime Director & Chief Executive Officer, Paints | 89,37,867 | MBA, B Tech | 31 | 18-Apr-83 | 52 | CAFI |
| Kapoor S K (Dr) | General Manager, Rubber Chemicals | 31,14,230 | Ph D, M Sc | 27 | 1-Apr-82 | 54 | ARC |
| Khullar S | General Manager, Refinish, Paints | 26,68,362 | B Tech | 20 | 12-Sep-94 | 43 | Apex Pvt Ltd, Singapore |
| Krishna A P | General Manager, Adhesives | 33,85,923 | B Tech | 24 | 12-Aug-99 | 48 | Hindustan Lever Ltd. |
| Mahato D C | General Manager, HR, Paints | 31,02,334 | PGD PM & IR | 27 | 25-Mar-85 | 51 | Bharat Wagon & Engineering Company |
| Mitra I | Manufacturing Manager, Deco & Autocolor, Paints | 27,80,304 | B Tech | 19 | 9-Oct-84 | 44 | M/S Turnkey International Ltd |
| Nagarajan H(Ms.) | General Manager, Marketing (Decoratives) | 37,71,992 | MBA | 16 | 12-Oct-00 | 38 | Nestle India |
| Narayan A | Managing Director | 1,28,10,674 | MS, LLB, B Tech | 30 | 1-May-94 | 51 | Duncans Industries Ltd |
| Rajaram M R | Wholetime Director | 82,98,490 | ACA, B Com | 34 | 1-Oct-84 | 57 | ACCI |
| Tripathi S | Works Manager, Nitrocellulose | 2,6,65,378 | B Tech | 21 | 15-Dec-83 | 44 | Indian Aluminium Ltd |
| Venkatakrishnan R | Taxation Controller | 3,0,70,189 | ACA | 28 | 1-Jan-76 | 52 | J K Synthetics Ltd. |
| Wagle P G | Corporate Engineering & SHE Manager | 3,1,95,721 | B Tech | 27 | 2-May-96 | 49 | Terene Fibres India Ltd. |
| **(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR** | | | | | | | |
| Dasgupta P P | Corporate Employee Relations Manager | 9,75,568 | PGD PM & IR | 24 | 13-Dec-94 | 49 | Duncans Industries Ltd |
| Khetan A | General Manager, Synetix | 19,84,038 | MBA, B Tech | 16 | 2-Jul-87 | 39 | First Employment |
| Krishnan V | Vice President, Finance | 9,72,502 | ACA | 25 | 3-Jul-78 | 49 | Indian Aluminium Co. Ltd |
| Mitra A K | Chief Information Officer | 28,61,316 | M Tech, B.E | 33 | 1-Oct-81 | 55 | ACCI |
| Rajagopal B | Director, Paints | 31,40,522 | MBA, B Tech | 23 | 1-Feb-97 | 47 | Indus Venture Management |
| Sharma R | Chief Executive, Decorative Paints | 37,28,373 | MBA, B Com | 17 | 2-Jan-97 | 40 | Arun Processors |
| Singh D | Director, HR, Communications & SSHE | 51,58,132 | B Tech | 28 | 2-Jun-80 | 49 | ACCI |
| Vishwanath C R | General Manager, Special Assignment | 3,69,972 | ACA, B Com | 30 | 31-Oct-94 | 54 | Duncans Industries Ltd. |

Notes

1. Remuneration includes all allowances, perquisites , commission payable if any to the Directors, employer's contribution to provident fund and employer's contribution to pension fund (if covered under defined contribution scheme). It excludes employer's contribution to gratuity fund, leave encashment, special awards and compensation for early retirement.
2. All appointments are / were contractual and are subject to the rules of the Company from time to time.
3. None of the employees is a relative of any director of the Company.
4. In the above statement ACCI means The Alkali & Chemical Corporation of India Limited, CAFI means Chemical and Fibres of India Limited, CDC means Crescent Dyes and Chemicals Limited and ARC means Alchemie Research Centre (Now known as ICI India Research and Technology Centre), where applicable.

On behalf of the Board

New Delhi
30 May, 2003

A NARAYAN
Chairman

# DIRECTORS' REPORT 2002-03

The Directors have pleasure in presenting their Report for the financial year ended 31 March 2003.

### BUSINESS ENVIRONMENT

During the year 2002-03, Coal India produced 291 million tonnes of coal (against a target of 286 million tonnes). This was 3.8% higher as compared to 2001-02. While open cast coal production at 242 million tonnes grew by 5.2%, underground coal production at 48 million tonnes witnessed a 2% decline over previous year. Coal being the major source of power in India, the long-term demand scenario for coal is expected to experience a healthy growth.

### FINANCE AND ACCOUNTS

The performance highlights for the period ended 31 March 2003 are summarised below:

| | (Rs. in lac) | |
|---|---|---|
| **Year ended 31 March** | **2003** | 2002 |
| Total Income (Gross) | **18985** | 18671 |
| Total Income (Net of excise) | **16617** | 16441 |
| Profit before taxation from operations | **1664** | 1292 |
| Exceptional items | **-29** | -25 |
| Profit before tax | **1635** | 1267 |
| Tax | **474** | 373 |
| Profit after tax | **1161** | 894 |
| **Appropriations** | | |
| Interim dividend – paid @ 47.50% (Previous year 40%) | **713** | 600 |
| Final dividend – recommended (Previous year 3%) | - | 45 |
| Total dividend | **713** | 645 |
| Dividend tax | - | 61 |
| Transfer to/(from) Debenture Redemption Reserve | **(104)** | 104 |
| Transfer to General Reserve | **126** | 79 |
| Balance carried forward to the Balance Sheet (including balance brought forward from previous year) | **454** | 28 |

### COMPANY PERFORMANCE

Bulk and small diameter explosives continued to be a thrust area for the Company. The Bulk market had witnessed entry of several new competitors at CIL, resulting in loss of market share at CIL. Despite intense competition, the Company has managed to achieve a marginal growth of 3% in bulk volume.

Another ROG contract was secured in the coal segment, close on the successful implementation of the first contract, which is being successfully managed. ROG business from the coal-mining segment is expected to grow in the coming years.

### SAFETY, HEALTH & ENVIRONMENT

The Safety, Health and Environment performance continued to be satisfactory and no lost time injury has occurred. The year ended with a total score of 3.19 million 'Lost Time Incident-free man-hours, since the formation of the Company. The Company has achieved 96.8% RCMS (Responsible Care Management System) compliance and 100% Environmental compliance during the year.

### RESEARCH & DEVELOPMENT

In order to have a complete range of emulsion products for effectively competing with NG-based equivalents, development work is underway for use in French Gallery Blasting Application in underground coal mining.

### HUMAN RESOURCES

During the year under review, the Company continued its efforts to establish a culture of high performance through focused training and development of employees. Employee relations remained cordial at all locations.

Statement of particulars of employees, pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 is attached.

### RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors confirm that:

a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;

b) it has 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 on 31 March 2003, and
   - the profit for the year ended on that date;

c) it has 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; and

d) it has prepared the annual accounts on a going concern basis.

### DIRECTORS

Mr M R Rajaram, Director, retires at the forthcoming Annual General Meeting, and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

The Board had appointed Mr R Guha, a nominee of ICI India Limited as a Director on 13 May 2002, to fill the casual vacancy caused by the resignation of Mr V Krishnan, Director.

Pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Mr Guha holds office only up to the date of the forthcoming Annual General Meeting at which Mr Krishnan would have otherwise retired, had he not resigned as aforesaid.

The Company has received a Notice under Section 257 of the Companies Act, 1956, from ICI India Limited, a Member along with the necessary deposit signifying its intention to propose the name of Mr Guha as a Director of the Company, liable to retire by rotation.

Ms. J A Bottomley, a nominee of Orica Ltd., Australia was appointed an Alternate Director to Mr P G Etienne, Director, with effect from 23 September 2002, and resigned, as such, with effect from 31 December 2002. The Board of Directors placed on record its appreciation the services rendered by Ms. Bottomley during her tenure.

Mr P G Etienne, Director, resigned with effect from 6 February, 2003. The Board of Directors places on record its appreciation the valuable services rendered by Mr Etienne, during his tenure.

Mr B Karcz, a nominee of Orica Ltd., Australia, was appointed a Director, with effect from 28 March 2003, in the casual vacancy caused by the resignation of Mr Etienne, Director.

### AUDIT COMMITTEE

The Audit Committee of the Company, comprising M/s M R Rajaram, V Krishnan (R Guha) and G Liebelt, held four Meetings during the year.

Mr V Krishnan, a Member of the Committee, resigned from the Committee with effect from the close of business on 10 May 2002. Mr R Guha was appointed a Committee Member in his place with effect from 13 May 2002.

**AUDITORS**

The current Auditors, Messrs BSR & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility under Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

**SUBSIDIARY COMPANY**

The statement and particulars relating to the Company's subsidiary, Initiating Explosives Systems India Limited, pursuant to Section 212 of the Companies Act, 1956, are attached to the Balance Sheet.

**CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars in respect of conservation of energy etc. as required under Section 217 (1) (e) of the Companies Act 1956 are given in the Annexure.

**ACKNOWLEDGEMENT**

The Directors wish to convey their appreciation to all the employees of the Company for their invaluable support during the year. They also wish to place on record their appreciation to the Company's customers, shareholders, bankers, agents, suppliers, transporters, government agencies and other business associates for their continued support, cooperation and assistance.

On behalf of the Board

Gurgaon R L JAIN

13 May 2003 Chairman

# ANNEXURE TO THE DIRECTORS' REPORT

**DISCLOSURE OF PARTICULARS WITH THE RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION. FOREIGN EXCHANGE EARNINGS AND OUTGO PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956.**

**A. CONSERVATION OF ENERGY**

| | | 2002-03 | 2001-02 |
|---|---|---|---|
| **1. Power & Fuel consumption** | | | |
| **(a) Electricity** | | | |
| (i) Purchased | | | |
| Unit | Lac Kwh | **83.21** | 81.11 |
| Total amount | Rs. Lacs | **363** | 378 |
| Rate | Rs./Kwh | **4.36** | 4.66 |
| (ii) Own generation through diesel generator | | | |
| Units | Lac Kwh | **2.8** | 2.6 |
| Units/KL of diesel oil | Lac Kwh | **0.03** | 0.03 |
| Cost / Unit | Rs./Kwh | **7.55** | 7.94 |
| **(b) Coal** | | | |
| Quantity | Tes | **3161** | 2945 |
| Total Cost | Rs. Lacs | **57** | 48 |
| Average rate | Rs./Te | **1806** | 1628 |
| **2. Consumption per unit of production** | | | |
| Electricity | Kwh/Te | **35.87** | 36.21 |
| Coal | Te/Te | **0.04** | 0.04 |

**B. DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY**

**1. Research & Development (R&D)**

**(a) Specific areas in which R&D is carried out by the Company.**

New applications for the Company's third generation emulsion explosives is the main area of focus.

**(b) Benefits derived as a result of R&D**

The R&D effort has resulted in development of safer and more environment-friendly products.

**(c) Future plan of action**

Efforts have been initiated for development of new products for niche sectors.

**(d) Expenditure on Research & Development (R&D)**

(Rs. in lacs)

| Period ended March 31 | 2003 | 2002 |
|---|---|---|
| (i) Capital | **Nil** | Nil |
| (ii) Recurring | **28** | 53 |
| (iii) Total | **28** | 53 |
| (iv) Total R&D expenditure as a percentage of turnover | **0.2%** | 0.3% |

**2. Technology Absorption, Adaptation & innovation. There was no new imported technology currently under absorption.**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(Rs. in lacs)

| Year ended 31 March | 2003 | 2002 |
|---|---|---|
| Earned | **1,17** | 35 |
| Used | **58** | 1,61 |

On behalf of the Board

Gurgaon R L JAIN

13 May 2003 Chairman

**STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003.**

| NAME | DESIGNATION | REMUNERATION (Rs) | QUALIFICATIONS | EXPERIENCE (years) | DATE OF JOINING | AGE (years) | LAST EMPLOYMENT |
|---|---|---|---|---|---|---|---|
| L Subhash Babu | Director & Manager | 26,13,889 | B.Sc. (Mining); MBA | 28 | 29 September 1999 | 50 | ICI India Limited |

Note 1. Remuneration includes all allowances, perquisites , commission payable if any to the Directors, employer's contribution to provident fund and employer's contribution to pension fund (if covered under defined contribution scheme). It excludes employer's contribution to gratuity fund, leave encashment and special awards .

2. Appointment of Mr L Subhash Babu is contractual and subject to the rules and regulations of the Company from time to time.
3. Mr L Subhash Babu is not a relative of any director of the Company.
4. Mr L Subhash Babu has been seconded to Indian Explosives Limited from ICI India Limited.

By the order of the Board

Gurgaon R L JAIN

13 May 2003 CHAIRMAN

# AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS OF INDIAN EXPLOSIVES LIMITED

We have audited the attached Balance Sheet of Indian Explosives Limited ('the Company') as at 31 March 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

(v) On the basis of written representations received from the Directors, as on 31 March 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2003;

b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Gurgaon — AKHIL BANSAL
13 May 2003 — Partner

# ANNEXURE TO THE AUDITORS' REPORT

With reference to the annexure referred in the auditor's report to the members of Indian Explosives Limited on the financial statements for the year ended 31 March 2003, we report the following:

(i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. A certain portion of the fixed assets of the Company has been physically verified by management in the current year. As informed to us, this is in pursuance of the Company's policy of physical verification of all fixed assets once every three years. In our opinion, the frequency of physical verification is reasonable. Material discrepancies noticed on such verification were dealt properly in the books.

(ii) The fixed assets of the Company have not been revalued during the year.

(iii) Physical verification has been conducted by management at reasonable intervals in respect of inventory of raw materials, packing materials, stores and spare parts and finished goods in the Company's possession. Physical existence of inventory of raw materials lying with third parties at 31 March 2003 has been confirmed based on certificates received from such third parties. In our opinion, the frequency of physical verification is reasonable.

(iv) In our opinion, the procedures of physical verification of stocks followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(v) The discrepancies noticed on such physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.

(vi) On the basis of our examination of the stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with normally accepted accounting principles, and is on the same basis as in the preceding year.

(vii) The Company has not taken any loans, secured and unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956**,** and/or from companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

(viii) The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

(ix) The Company had given an advance in nature of loan to a supplier, Fertilizer Corporation of India, which has been provided for during the current year. In case of other loans or advances, the parties including employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.

(x) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of raw materials, stores and spare parts, finished goods, plant and machinery, equipment and other assets and for the sale of goods.

(xi) There are no transactions for purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements with any party entered in the register maintained under Section 301 of the Companies Act, 1956, during the year.

(xii) As informed to us, the Company has a regular procedure for the determination of unserviceable or damaged raw materials, packing materials, stores and spare parts and finished goods. Adequate provision has been made in the financial statements for losses arising on the items so determined.

(xiii) The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956, and the rules framed thereunder and the directives issued by Reserve Bank of India.

(xiv) Reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any by-products.

(xv) The Company has an internal audit system, which is commensurate with its size and the nature of its business.

(xvi) As informed to us, the Central Government has not prescribed the requirement of maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of goods manufactured by the Company.

(xvii) The Company has been regular in depositing Provident Fund dues as well as Employees' State Insurance dues with the appropriate authorities during the year.

(xviii) There were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty as at 31 March 2003 which were outstanding for a period of more than six months from the date they became payable.

(xix) According to the information and explanations given to us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

(xx) The Company is not a sick industrial company within the meaning of Clause (o) of Sub Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

(xxi) For the service activities of the Company:

a) as explained to us by management, there is no consumption of stores, spares and materials for the service activities of the Company and hence the system of recording receipts, issues and consumption of stores and allocating materials and stores to the Company's service jobs and activities is not applicable;

b) Considering the nature of services rendered, it is not considered necessary to have a system of allocating man-hours utilised to the Company's service jobs and activities; and;

c) in view of (a) and (b) above, clause (iv) of subsection (B) related to service activities of the Company is not applicable.

For BSR & Co.
Chartered Accountants

Gurgaon
13 May 2003

AKHIL BANSAL
Partner

# BALANCE SHEET

| | | Schedule | As at 31 March 2003 (Rs. lacs) | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|---|
| **I)** | **SOURCES OF FUNDS** | | | | | |
| | **Shareholders' funds** | | | | | |
| | a) Share capital | 1 | **15,00** | | 15,00 | |
| | b) Reserves and surplus | 2 | **71,86** | **86,86** | 67,38 | 82,38 |
| | **Loan funds** | | | | | |
| | a) Secured loans | 3 | | **16,40** | | 17,95 |
| | **Deferred tax liability (refer note 2 - Schedule 18)** | | | **8,59** | | 5,69 |
| | **Total** | | | **111,85** | | 106,02 |
| **II)** | **APPLICATION OF FUNDS** | | | | | |
| | **Fixed assets** | | 4 | | | |
| | a) Gross block | | **67,86** | | 66,01 | |
| | Less : Accumulated depreciation | | **12,48** | | 8,69 | |
| | Net block | | **55,38** | | 57,32 | |
| | b) Capital work-in-progress at cost (including capital advances) | | **1,29** | **56,67** | 1,05 | 58,37 |
| | **Investments** | 5 | | **20,10** | | 20,10 |
| | **Current assets, loans and advances** | | | | | |
| | a) Inventories | 6 | **20,10** | | 16,99 | |
| | b) Sundry debtors | 7 | **27,32** | | 28,78 | |
| | c) Cash and bank balances | 8 | **9,17** | | 82 | |
| | d) Loans and advances | 9 | **14,17** | | 14,44 | |
| | | | **70,76** | | 61,03 | |
| | **Less: Current liabilities and provisions** | | | | | |
| | a) Current liabilities | 10 | **34,91** | | 32,73 | |
| | b) Provisions | 11 | **1,49** | | 1,52 | |
| | | | **36,40** | | 34,25 | |
| | **Net current assets** | | | **34,36** | | 26,78 |
| | **Miscellaneous expenditure** (to the extent not written off or adjusted) | 12 | | **72** | | 77 |
| | **Total** | | | **111,85** | | 106,02 |
| | Notes on the Balance Sheet | 13 | | | | |

# PROFIT AND LOSS ACCOUNT

| | Schedule | | For the year ended 31 March 2003 (Rs. lacs) | | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **Income** | 14 | | | | |
| Sales and services (gross) | | **172,29** | | 167,44 | |
| Less : Excise duty | | **23,68** | | 22,30 | |
| Sales and services (net) | | | **148,61** | | 145,14 |
| Other income | | | **17,56** | | 19,27 |
| **Total** | | | **166,17** | | 164,41 |
| **Expenditure** | | | | | |
| Materials consumed | 15 | | **96,19** | | 98,20 |
| Other expenditure | 16 | | **46,54** | | 46,12 |
| Excise duty (gross) | | **24,12** | | 22,86 | |
| Less: Excise duty realised | | **23,68** | | 22,30 | |
| Excise duty (net) | | | **44** | | 56 |
| Depreciation | | | **3,79** | | 3,68 |
| Interest (net) | 17 | | **2,57** | | 2,93 |
| **Total** | | | **149,53** | | 151,49 |
| **Profit before taxation from operations** | | | **16,64** | | 12,92 |
| Exceptional items (refer Note 3 - Schedule 13) | | | **(29)** | | (25) |
| Profit before taxation | | | **16,35** | | 12,67 |
| Provision for taxation | | | | | |
| - Current taxation | | **1,84** | | 66 | |
| - Deferred taxation | | **2,90** | | 3,07 | |
| | | | **4,74** | | 3,73 |
| **Profit after taxation** | | | **11,61** | | 8,94 |
| Balance brought forward | | | **28** | | 23 |
| Transfer from Debenture redemption reserve | | | **1,04** | | - |
| | | | **12,93** | | 9,17 |
| **Appropriations** | | | | | |
| General reserve | | | **1,26** | | 79 |
| Debenture redemption | | | - | | 1,04 |
| Interim dividend | | | **7,13** | | 6,00 |
| Tax on interim dividend | | | - | | 61 |
| Proposed final dividend | | | - | | 45 |
| | | | **8,39** | | 8,89 |
| **Balance carried to the Balance Sheet** | | | **4,54** | | 28 |
| **Basic/ diluted earnings per share** (Refer to note 8 of Schedule 18 ) | | | | | |
| **Notes on the Profit and Loss Account** | 18 | | **7.74** | | 5.95 |

The statement of significant accounting policies and the notes to the financial statements form an integral part of the Balance Sheet and Profit and Loss account.

In terms of our report of even date.

For BSR & Co.
Chartered Accountants

For and on behalf of the Board

| | | | | | |
|---|---|---|---|---|---|
| AKHIL BANSAL | R L JAIN | M R RAJARAM | S DAYAL | L SUBHASH BABU | M SEAL |
| Partner | Chairman | Director | Director | Director | Company Secretary |

Gurgaon
13 May 2003

## CASH FLOW STATEMENT

**For the year ended**

| | | 31 March 2003 (Rs. lacs) | | 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|
| **A. Cash flow from operating activities** | | | | |
| Profit before taxation from operations | | **16,64** | | 12,92 |
| Adjusted for : | | | | |
| Depreciation | **3,79** | | 3,67 | |
| Misc expenses written off | - | | 3 | |
| Liabilities no longer required written back | **(59)** | | (1,08) | |
| Unrealised Foreign Exchange Gain | - | | - | |
| Disposal of fixed assets | - | | (5) | |
| Provision for doubtful debtors | - | | 1,00 | |
| Investment and other income | **(4,03)** | | (5,12) | |
| Provision for doubtful advances | **2,84** | | | |
| Advances written off | | | 23 | |
| Interest (net) | **2,57** | **4,58** | 2,93 | 1,61 |
| **Operating profit before working capital changes** | | **21,22** | | 14,53 |
| Changes in : | | | | |
| Trade and other receivables | **(1,10)** | | (4,85) | |
| Inventories | **(3,10)** | | (3,80) | |
| Trade payables and other creditors | **3,06** | **(1,14)** | 3,34 | (5,31) |
| **Cash generated from operations** | | **20,08** | | 9,22 |
| Direct taxes paid | | **(1,56)** | | (70) |
| **Cash flow before exceptional items** | | **18,52** | | 8,52 |
| Exceptional items | | | | |
| - VRS payments | | **(41)** | | (24) |
| **Net cash before investments & financing activities** | | **18,11** | | 8,28 |
| **B. Cash flow from investing activities** | | | | |
| Purchase of fixed assets | | **(2,10)** | | (2,01) |
| Interest received | | **2** | | 3 |
| Investment and other income | | **4,03** | | 5,12 |
| **Net cash used in investing activities** | | **1,95** | | 3,14 |
| **C. Cash flow from financing activities** | | | | |
| Borrowings during the year | | - | | 7 |
| Borrowings repaid during the year | | **(1,29)** | | - |
| Dividend paid | | **(7,57)** | | (8,55) |
| Tax on Dividend | | - | | (87) |
| Interest paid | | **(2,85)** | | (2,64) |
| **Net cash used in financing activities** | | **(11,71)** | | (11,99) |
| **Net changes in cash & cash equivalents (A+B+C)** | | **8,35** | | (57) |
| Cash and cash equivalents - opening balance | | **82** | | 1,39 |
| Cash and cash equivalents - closing balance | | **9,17** | | 82 |
| | | **8,35** | | 57 |

**Notes to the cash flow statement**

1. Cash and cash equivalents comprise of :

| | As at 31 March 2003 | As at 31 March 2002 |
|---|---|---|
| Cash in hand | **44** | 60 |
| Balance with scheduled banks on current account | **8,73** | 22 |
| | **9,17** | 82 |

In terms of our report of even date.

For BSR & Co.
Chartered Accountants

For and on behalf of the Board

AKHIL BANSAL, Partner
R L JAIN, Chairman
M R RAJARAM, Director
S DAYAL, Director
L SUBHASH BABU, Director
M SEAL, Company Secretary

Gurgaon
13 May 2003

# SCHEDULES TO THE ACCOUNT

**SCHEDULE 1 : SHARE CAPITAL**

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **Authorised** | | |
| 1,50,00,000 equity shares of Rs 10 each | **15,00** | 15,00 |
| **Issued, subscribed and paid up** | | |
| 1,50,00,000 equity shares of Rs 10 each | **15,00** | 15,00 |

Of the above, 76,50,000 equity shares are held by ICI India Limited, the holding company. ICI PLC, UK is the holding company of ICI India Limited.

**SCHEDULE 2 : RESERVES AND SURPLUS** (Rs. lacs)

| | As at 1 April 2002 | Additions | Deductions | As at 31 March 2003 |
|---|---|---|---|---|
| Share premium | 64,91 | - | - | **64,91** |
| General reserve | 1,15 | 1,26 | - | **2,41** |
| Debenture redemption reserve | 1,04 | - | (1,04) | - |
| Profit and loss account | 28 | 4,26 | - | **4,54** |
| **Total** | **67,38** | **5,52** | **(1,04)** | **71,86** |
| Previous year | 65,86 | 1,88 | 36 | 67,38 |

**SCHEDULE 3 : SECURED LOANS**

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| (a) 13% redeemable non convertible debentures of Rs 50 lacs each (privately placed) (refer note (a) below ) | – | 5,00 |
| (b) Loans and advances from banks | | |
| - Cash credit accounts (refer note (b) below ) | **34** | 10,63 |
| - Commercial paper (refer note (c) below ) | - | 2,00 |
| - Working capital demand loans (refer note (d) below) | **16,00** | - |
| - Interest accrued and due on secured loans | **6** | 32 |
| | **16,40** | 17,95 |

**Notes :**

(a) 10 no. 13% debentures of Rs 50 lacs each allotted on 26 October 1999, have been redeemed in October 2002, after thirty-six months from the allotment date as per the offer letter. The debentures were secured by a first charge on plant and machinery, which has been discharged in the course of the year.

(b) Loans from banks are secured by hypothecation of raw materials, finished goods, stores and book debts of the Company.

(c ) Commercial paper has been repaid in October 2002. The Commercial paper had been issued earmarking cash credit limits.

(d) Working capital demand loans have been issued earmarking cash credit limits.

**SCHEDULE 4 : FIXED ASSETS** (Rs lacs)

| Description | Gross block | | | | Accumulated depreciation/amortisation | | | | Net block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost as at 1 April 2002 | Additions during the year | Disposals/ adjustments | **Cost as at 31 March 2003** | As at 1 April 2002 | In respect of disposals/ adjustments | Depreciation for the year | **As at 31 March 2003** | **As at 31 March 2003** | As at 31 March 2002 |
| Leasehold land | 10 | - | - | **10** | - | - | - | - | **10** | 10 |
| Freehold land | 34 | - | - | **34** | - | - | - | - | **34** | 34 |
| Buildings | 11,63 | 8 | - | **11,71** | 72 | - | 31 | **1,03** | **10,68** | 10,91 |
| Plant and machinery | 45,17 | 1,76 | - | **46,93** | 6,77 | - | 2,99 | **9,76** | **37,17** | 38,40 |
| Furniture and fittings | 45 | 1 | - | **46** | 5 | - | 3 | **8** | **38** | 40 |
| Patents and trademarks | 7,62 | - | - | **7,62** | 95 | - | 38 | **1,33** | **6,29** | 6,67 |
| Rolling stock, motor vehicles, etc. | 70 | - | - | **70** | 20 | - | 8 | **28** | **42** | 50 |
| | 66,01 | 1,85 | - | **67,86** | 8,69 | - | 3,79 | **12,48** | **55,38** | 57,32 |
| **Previous year** | 63,79 | 2,22 | - | **66,01** | 5,06 | 5 | 3,68 | **8,69** | **57,32** | |

**Notes :**

1. Registration of title deeds for freehold land at Gomia, State of Jharkhand, valued at Rs 26.29 lacs (previous year Rs. 26.29 lacs) together with the structures thereon is under progress.
   Stamp duty liability, if any, on registration of title deeds will be borne by the Company. The amount of such stamp duty is not ascertainable at this stage.
2. Patents and trademarks are in the process of being registered with the appropriate authorities in the name of the Company.

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 5 : INVESTMENTS** | | |
| **Investment in subsidiary** | | |
| Initiating Explosives Systems India Limited - unquoted, long term (at cost) | | |
| 84,00,000 equity shares of Rs 10 each, fully paid up | **20,10** | 20,10 |

**SCHEDULE 6 : INVENTORIES**

| | | |
|---|---|---|
| Raw materials - at cost | **12,54** | 8,89 |
| Stores and spare parts - at cost | **3,81** | 3,18 |
| Packing materials - at cost | **1,11** | 1,06 |
| Finished products - at lower of cost or net realisable value | **2,64** | 3,86 |
| | **20,10** | 16,99 |

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 7 : SUNDRY DEBTORS** | | |
| **Secured - considered good** | | |
| Debts outstanding over six months | **27** | 16 |
| Other debts | **5** | 1 |
| | **32** | 17 |
| **Unsecured** | | |
| Debts outstanding over six months | | |
| - Considered good | **2,17** | 1,45 |
| - Considered doubtful | **1,97** | 1,97 |
| | **4,14** | 3,42 |
| Less : Provision for doubtful debts | **1,97** | 1,97 |
| | **2,17** | 1,45 |
| Other debts - considered good | **24,83** | 27,16 |
| | **27,32** | 28,78 |
| **SCHEDULE 8 : CASH AND BANK BALANCES** | | |
| Cash in hand | **44** | 60 |
| Balances with scheduled banks on current account | **8,73** | 22 |
| | **9,17** | 82 |
| **SCHEDULE 9 : LOANS AND ADVANCES (UNSECURED)** | | |
| Loans and advances recoverable in cash or in kind or for value to be received | | |
| - Considered good * | **10,02** | 10,03 |
| - Considered doubtful | **2,91** | 7 |
| | **12,93** | 10,10 |
| Less : Provision for doubtful advances | **2,91** | 7 |
| | **10,02** | 10,03 |
| Advance tax | **43** | 43 |
| Deposits - considered good | | |
| With excise authorities | **1,82** | 2,18 |
| With others | **1,90** | 1,80 |
| | **14,17** | 14,44 |
| * includes | | |
| (a) Advance to subsidiary, Initiating Explosives Systems India Limited | **6,43** | 5,65 |
| (b) Due from Director | **24** | 26 |
| Maximum amount due at any time during the year | **26** | 26 |
| **SCHEDULE 10 : CURRENT LIABILITIES** | | |
| Sundry creditors | | |
| - small scale industrial undertakings | **1,22** | 53 |
| - others | **23,68** | 18,04 |
| Other liabilities | **10,01** | 14,16 |
| | **34,91** | 32,73 |

Note : Small scale industrial undertakings to whom amounts are outstanding for more than thirty days are disclosed under note 2 of Schedule 13.

| | | |
|---|---|---|
| **SCHEDULE 11 : PROVISIONS** | | |
| Current taxes [Net of advance tax amounting to Rs 91 lacs (Previous Year Rs 41 lacs ) and tax deducted at source Rs 51 lacs (Previous Year Rs 13 lacs )] | **42** | 13 |
| Proposed dividend | **-** | 45 |
| Other provisions | **1,07** | 94 |
| | **1,49** | 1,52 |
| **SCHEDULE 12 : MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED )** | | |
| Voluntary Retirement Scheme liability (refer note 3 - Schedule 13) | **72** | 77 |

**SCHEDULE 13 : NOTES ON THE BALANCE SHEET**

**1** Estimated amount of contracts remaining to be executed on capital account as on 31 March 2003 is Rs. 1.78 lacs (previous year Rs 28.85 lacs).

**2** Small Scale Industrial Undertakings to whom the Company owes sums outstanding for more than 30 days are :

Industrial Chemicals
Kiran Enterprises
Penguin Paper Plast Pvt. Ltd.
Ranchi Chemical Industries
Srilab Neo-Packs Pvt. Ltd.
Manoharlal Hiralal Ltd.

**SCHEDULE 13 : NOTES ON THE BALANCE SHEET (contd..)**

The above information has been determined to the extent such parties have been identified on the basis of the information available with the Company.

**3** The total liability under the Voluntary Retirement Scheme is being amortised over the period of expected future benefits commencing from the year the employee opts for the Scheme. Accordingly, an amount of Rs 29.33 lacs (previous year Rs 25.17 lacs) has been charged to the Profit and Loss account during the year and the balance amount of Rs 71.97 lacs (previous year Rs 77.42 lacs) has been carried forward under the head "Miscellaneous Expenditure (to the extent not written off or adjusted)".

| | **For the year ended 31 March 2003 (Rs. lacs)** | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 14 : INCOME** | | |
| **Net sales and services** | | |
| Net Sales | **147,57** | 140,79 |
| Services | **1,04** | 4,35 |
| | **148,61** | 145,14 |
| **Other income** | | |
| Commission | **10,43** | 10,73 |
| Miscellaneous receipts | **2,51** | 2,34 |
| Dividend from subsidiary, Initiating Explosives Systems India Limited | **4,03** | 5,12 |
| Liabilities no longer required written back | **59** | 1,08 |
| | **17,56** | 19,27 |
| **SCHEDULE 15 : MATERIALS CONSUMED** | | |
| **Opening stock** | | |
| Raw materials | **8,89** | 6,89 |
| Packing materials | **1,06** | 50 |
| Finished products | **3,86** | 3,14 |
| | **13,81** | 10,53 |
| **Add : Purchases** | | |
| Raw materials | **91,68** | 93,79 |
| Packing materials | **6,99** | 7,69 |
| Finished products | **-** | - |
| | **98,67** | 101,48 |
| **Less : Closing stock** | | |
| Raw materials | **12,54** | 8,89 |
| Packing materials | **1,11** | 1,06 |
| Finished products | **2,64** | 3,86 |
| | **16,29** | 13,81 |
| **Materials consumed** | **96,19** | 98,20 |
| **SCHEDULE 16 : OTHER EXPENDITURE** | | |
| Stores and spare parts | **77** | 64 |
| Repairs to buildings | **42** | 39 |
| Repairs to plant and machinery | **1,95** | 2,33 |
| Power and fuel | **5,13** | 5,79 |
| Salaries, wages and bonus | **8,12** | 8,37 |
| Contributions to provident and other funds | **1,17** | 1,15 |
| Workmen and staff welfare | **81** | 66 |
| Rates and taxes | **1,02** | 62 |
| Rent | **78** | 77 |
| Insurance | **79** | 75 |
| Freight and transport charges (net) | **8,39** | 8,97 |
| Commission to consignment agents (net) | **5,26** | 4,79 |
| Lease and hire charges | **1,05** | 1,16 |
| Provision for doubtful debts & advances | **2,84** | 1,00 |
| Advances written off | **-** | 23 |
| Sundries | **8,04** | 8,50 |
| | **46,54** | 46,12 |
| **SCHEDULE 17 : INTEREST (NET)** | | |
| Interest on debentures | **37** | 65 |
| Interest on other loans | **2,22** | 2,31 |
| | **2,59** | 2,96 |
| Less : Interest income from banks and others | **2** | 3 |
| | **2,57** | 2,93 |
| **SCHEDULE 18 : NOTES TO THE PROFIT AND LOSS ACCOUNT** | | |
| **1 Payments to auditors:** | | |
| (i) As Audit fee (including service tax) | **5** | 5 |
| (ii) Reimbursement of expenses | **1** | – |
| (iii) Tax audit fee (including service tax) | **1** | 1 |
| | **7** | 6 |

| SCHEDULE 18 : NOTES TO THE PROFIT AND LOSS ACCOUNT (Contd.) | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|
| 2. To comply with Accounting Standard 22 - Taxes on Income issued by The Institute of Chartered Accountants of India, which is mandatory with effect from 1 April 2001, the Company has recognised deferred tax asset / liability to recognise timing differences. | | |
| Deferred tax comprise of: | | |
| **Deferred tax assets** | | |
| Provision for doubtful debts | **1,73** | 73 |
| Carried forward business loss | **-** | 2,79 |
| Others | **20** | 14 |
| **Sub total** | **1,93** | 3,66 |
| **Deferred tax liabilities** | | |
| Fixed assets | **(10,36)** | (8,67) |
| Others | **(16)** | (68) |
| **Sub total** | **(10,52)** | (9,35) |
| **Net deferred tax asset / (liability)** | **(8,59)** | (5,69) |

**3. (a) Particulars in respect of goods manufactured:**

| Particulars | Unit | Licensed capacity | | Installed capacity | | Actual production meant for sale | |
|---|---|---|---|---|---|---|---|
| | | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Commercial/blasting explosives | Tonnes | **150,263** | 100,263 | **160,000** | 160,000 | **86,193** | 82,311 |

**Notes :**

1. Production meant for sale is after adjustment of shortages and handling losses.
2. Licenced and installed capacities in respect of intermediates used entirely for captive consumption have not been furnished.
3. Installed capacity has been computed by management based on triple shift operations.

**3. (b) Particulars in respect of sales, purchases and closing stock of finished goods:**
**Commercial/blasting explosives**

| | **2002-03** | | 2001-02 | |
|---|---|---|---|---|
| | **Quantity (Tonnes)** | **Value (Rs. lacs)** | Quantity (Tonnes) | Value (Rs. lacs) |
| Sales (net of excise duty) | **86,021** | **147,57** | 82,214 | 140,79 |
| Purchases | **-** | **-** | - | - |
| Closing stock | **1,742** | **2,64** | 1,570 | 3,86 |

**3. (c) Details of raw materials consumed :**

| | Unit | **2002-03** | | 2001-02 | |
|---|---|---|---|---|---|
| | | **Quantity** | **Value (Rs. lacs)** | Quantity | Value (Rs. lacs) |
| Ammonium nitrate | Tonnes | **62,323** | **66,90** | 61,205 | 71,81 |
| Organic chemicals | Tonnes | **4,307** | **11,17** | 4,276 | 9,81 |
| Other chemicals | Tonnes | **3,547** | **7,75** | 1,183 | 4,60 |
| Metals | Tonnes | **119** | **1,26** | 126 | 1,47 |
| Others | Various | | **95** | | 4,11 |
| Total | | | **88,03** | | 91,80 |

Note: Raw material consumption is after adjustments for shortage/excess of stock and provisions for losses.

**3. (d) Value of raw materials, packing materials and stores and spare parts consumed:**

| | **2002-03** | | 2001-02 | |
|---|---|---|---|---|
| **Raw materials :** | **(Rs. lacs)** | **%** | (Rs. lacs) | % |
| Imported | **23,85** | **27** | 1,37 | 1 |
| Indigenous | **64,18** | **73** | 90,43 | 99 |
| **Total** | **88,03** | **100** | 91,80 | 100 |
| **Packing materials:** | | | | |
| Imported | **-** | **-** | - | - |
| Indigenous | **6,94** | **100** | 7,13 | 100 |
| **Total** | **6,94** | **100** | **7,13** | **100** |
| **Stores and spare parts:** | | | | |
| Imported | **1** | **1** | 5 | 8 |
| Indigenous | **76** | **99** | 59 | 92 |
| **Total** | **77** | **100** | 64 | 100 |

Note: Consumption is after adjustments for shortage/excess of stock and provisions for losses.

**3. (e) Earnings in foreign exchange:**

| | **2002-03 (Rs lacs)** | 2001-02 (Rs lacs) |
|---|---|---|
| Export of goods (FOB basis) | **1,17** | 35 |
| **3. (f) Value of imports (CIF basis):** | | |
| Raw materials | **20,19** | 1,52 |
| Stores and spare parts | **3** | 5 |
| **3. (g) Expenditure in foreign currency (net of tax where applicable):** | | |
| Foreign travel | **1** | 5 |

**3. (h) Remittance in foreign currency on account of dividends on equity shares:**

| Particulars | No. of non-resident shareholders | No. of shares (000) | Paid during year ended 31 March (Rs. lacs) 2003 | 2002 |
|---|---|---|---|---|
| Final dividend for the fiscal year 2001-2002 | 1 | 73,50 | **22** | - |
| Interim Dividend for the fiscal year 2002-2003 | 1 | 73,50 | **3,49** | - |
| Dividend for the fiscal year 2000-2001 | 1 | 73,50 | - | 1,25 |
| Interim Dividend for the fiscal year 2001-2002 | 1 | 73,50 | - | 2,94 |

**4. Related Party Disclosures**

**a. List of related parties:**

ICI India Limited (Holding Company).
Initiating Explosives Systems India Limited (Subsidiary Company)
Orica Investments Pty Limited (Having Substantial Interest)
Imperial Chemical Industries PLC (Having Substantial Interest)

**b. Directors :**

R L Jain
S Dayal (Alternate to G. Liebelt)
M R Rajaram
L Subhash Babu
R Guha
G Liebelt
B Karcz

**c. Transactions with related parties mentioned in 4 (a).**

(Rs lacs)

| | ICI India Limited | Initiating Explosives System India Limited | Orica Investments Pty Limited |
|---|---|---|---|
| i. Purchase of Raw Materials, Stores & Spares | - | – | 65 |
| ii. Commission received | - | (10,42) | - |
| iii. Expenditure/ (Receipt) for Other Services | 1,04 | (3,29) | - |
| iv. Outstanding Balance as on 31 March 2003 - Debtor / (Creditor) | 20 | 6,43 | (17) |
| v. Interest for Inter Corporate Deposit Paid | 16 | - | - |
| vi. Inter Corporate Deposit ( Maximum Outstanding) | 5,00 | - | - |
| vii. Dividend Paid/ (Received) | 3,86 | (4,03) | 3,71 |

**d. Transactions with related parties mentioned in 4 (b).**

i. Managerial remuneration to L Subhash Babu Rs 26 lacs.
ii. Loans outstanding from L Subhash Babu Rs 24 lacs.

**5.** Loss on account of foreign exchange transactions for the year is Rs 0.08 lacs (previous year - gain Rs 0.46 lacs).

**6. Directors' remuneration**

| | 2002-03 (Rs lacs) |
|---|---|
| Salaries | 22 |
| Estimated cost of benefits | 4 |
| | 26 |
| **Computation of Director's remuneration** | |
| Profit before taxation | 16,35 |
| Add : Director's remuneration | 26 |
| Voluntary Retirement Scheme expenditure | 30 |
| Provision for doubtful advances | 2,84 |
| | 19,75 |
| Less : Liabilities no longer required written back | (59) |
| **Net profit under Section 198 of the Companies Act** | 19,16 |
| **Maximum remuneration payable to Director/Manager @ 5% of net profit** | 96 |

**7. Earning per share**

| | 2002-03 (Rs lacs) | 2001-02 (Rs lacs) |
|---|---|---|
| Profit attributable to equity shareholders | **11,61** | 8,94 |
| Basic/ weighted average number of equity shares outstanding for the year | **1,50,00,000** | 1,50,00,000 |
| Nominal value of equity shares | **10** | 10 |
| Basic/ diluted earnings per share | **7.74** | 5.95 |

**8.** The previous year's figures have been regrouped or reclassified wherever necessary.

For and on behalf of the Board

| | | | | |
|---|---|---|---|---|
| R L JAIN | M R RAJARAM | S DAYAL | L SUBHASH BABU | M SEAL |
| Chairman | Director | Director | Director | Company Secretary |

Gurgaon
13 May 2003

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**.

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards issued by the Institute of Chartered Accountants of India, on the accrual basis of accounting and in accordance with the presentational requirements of the Companies Act, 1956.

**2. FIXED ASSETS AND DEPRECIATION**

Fixed assets are stated at cost less accumulated depreciation. All costs, including financing costs till the assets are ready to be put to use and adjustments arising from foreign exchange rate variations relating to borrowings attributable to fixed assets, are capitalized.

Depreciation has been charged at rates as prescribed in Schedule XIV to the Companies Act, 1956 or as per estimated useful lives of the assets as per a certified valuer, whichever is higher.

The value of leasehold land is amortised over the lease period.

The values of application software and patents and trademarks are amortised over their estimated useful lives of five years and twenty years respectively.

**3. INVESTMENTS**

Long term investments are stated at cost. Appropriate adjustments are made for permanent diminution in value, if any.

**4. INVENTORIES**

(a) Raw materials, packing materials and stores and spare parts are valued based on the weighted average cost.

(b) Finished goods are valued at the lower of cost and net realizable value. Cost includes direct materials and labour cost and appropriate factory overheads.

(c) Excise duty liability is included in the valuation of closing inventory of finished goods.

**5. REVENUE RECOGNITION**

Revenue from sale of goods is recognized on dispatch of goods to customers.

Revenue from services is recognized when services have been rendered in accordance with contract terms.

Commission income relates to commission received from subsidiary Initiating Explosives Systems India Limited in respect of selling and marketing activities undertaken for their products. The same has been accrued based on sale of products of the subsidiary company.

**6. RESEARCH AND DEVELOPMENT.**

Research and development expenditure of a revenue nature, including contributions to research associations, is charged to the profit and loss account in the year in which it is incurred and expenditure of a capital nature is capitalized.

**7. FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are recorded in the books of the Company at the foreign exchange rated prevailing on the dates of the transactions. Foreign currency current assets and liabilities are translated at year-end exchange rates. The foreign exchange gain/losses arising at the time of settlement/translation are charged to the profit and loss account except for the foreign exchange differences relating to the acquisition of fixed assets, which are adjusted in the carrying cost of the fixed assets.

**8. EMPLOYEE BENEFITS**

Liabilities for pension and gratuity for non management staff are provided on the basis of actuarial valuation.

Contributions to retiral funds in respect of management staff of the company, who are on secondment from ICI India Limited, are made to the respective funds managed by ICI India Limited.

Liability for leave encashment is provided on the basis of actuarial valuation.

**9. ACCOUNTING FOR VOLUNTARY RETIREMENT SCHEME LIABILITY**

The total liability under the Voluntary Retirement Scheme is amortised over the period of expected future benefits commencing from the year the employee opts for the Scheme. The unamortised amount to the extent not written off has been disclosed under the head "Miscellaneous expenditure (to the extent not written off or adjusted)".

**10. INCOME TAX**

Provision is made for income tax estimated to arise on the results for the year at the current rate of tax in accordance with the Income Tax Act, 1961.

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or a deferred tax liability is recorded for timing differences, namely that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on the prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

| | |
|---|---|
| R L JAIN | Chairman |
| M R RAJARAM | Director |
| S DAYAL | Director |
| L SUBHASH BABU | Director |
| M SEAL | Company Secretary |

Gurgaon
13 May 2003

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 21-89431 State Code 21

Balance Sheet Date: 31-03-2003 (Date Month Year)

**II Capital Raised During the Year (Amount in Rs. lacs)**

| | |
|---|---|
| Public Issue: NIL | Rights Issue: NIL |
| Bonus Issue: NIL | Private Placement: NIL |

**III Position of Mobilisation and deployment of Funds (Amount in Rs. lacs)**

| | |
|---|---|
| **Total Liabilities** 11185 | **Total Assets** 11185 |

**Sources of Funds**

| | |
|---|---|
| Paid-up Capital 1500 | Reserves and Surplus 7186 |
| Secured Loans 1640 | Unsecured Loans – |
| Deferred Tax Liability 859 | |

**Application of Funds**

| | |
|---|---|
| Net Fixed Assets 5667 | Investment 2010 |
| Net Current Assets 3436 | Misc. Expenditure 72 |
| Accumulated Losses NIL | |

**IV Performance of Company (Amount in Rs. lacs)**

| | |
|---|---|
| Turnover (Including other income) 16617 | Total Expenditure 14953 |
| Profit/(Loss) before Tax 1635 | Profit/(Loss) after Tax 1161 |
| Earnings per share in Rs. 7.74 | Dividend rate % 47.50 |

**V Generic Names of the Products of Company**

Item Code No. (ITC Code) 3602

Product Description Industrial Explosives

## STATEMENT REGARDING SUBSIDIARY COMPANIES PURSUANT TO SECTION 212(3) OF THE COMPANIES ACT, 1956

| | | |
|---|---|---|
| 1 | Name of the subsidiary company | Initiating Explosives Systems India Limited |
| 2 | The financial year of the subsidiary company ended on | 31 March 2003 |
| 3 | Holding company's interest<br>Number of equity shares | 84,00,000 Shares of Rs. 10 each |
| | Percentage holding | 70% |
| 4 | a) The net aggregate amount of profits of the subsidiary company so far as it concerns the members of Indian Explosives Limited | |
| | b) Not dealt with in the accounts of Indian Explosives Limited | |
| | i) for the subsidiary's current financial year | Rs. 79.81 lacs |
| | ii) for the previous financial years since it became a subsidiary of Indian Explosives Limited | Rs. 164.42 lacs |
| | c) Dealt with in the accounts of Indian Explosives Limited | |
| | i) for the subsidiary's current financial year | Rs. 403.20 lacs |
| | ii) for the previous financial years since it became a subsidiary of Indian Explosives Limited | Rs. 827.40 lacs |

For and on behalf of the Board

| | | | | |
|---|---|---|---|---|
| R L JAIN<br>Chairman | M R RAJARAM<br>Director | S DAYAL<br>Director | L SUBHASH BABU<br>Director | M SEAL<br>Company Secretary |

Gurgaon
13, May 2003

# DIRECTORS' REPORT FOR 2002-03

### BUSINESS ENVIRONMENT

The estimated GDP growth rate for 2002-03 has been pegged at 4.4 %, down from 5.6 %, last year. However, the industrial sector experienced a significant revival with overall growth of 5.8 % during 2002-03, as compared to 3.2 % in the previous year. Indian exports registered strong growth of over 18% in 2002-03, after a relatively stagnant performance in 2001-02.

### FINANCE AND ACCOUNTS

The performance highlights for the year ended 31 March 2003, are as summarised below:

| | | Rs. Lac |
|---|---|---|
| | **2002-03** | 2001-02 |
| Income from business | **6876** | 7066 |
| Profit before Tax from operations | **997** | 1380 |
| Exceptional items | **(43)** | (64) |
| Tax | **360** | 458 |
| Profit after Tax | **594** | 858 |
| The disposition of profit is as follows: - | | |
| Interim Dividends | **480** | 600 |
| Proposed Final Dividend | **–** | 96 |
| Corporate Dividend Tax on interim dividends | **–** | 61 |
| Transfer to General Reserve | **59** | 90 |

The balance, together with the brought forward balance of Rs. 42 lacs, is retained in the Profit & Loss Account. (Total Rs. 97 lacs, Previous year - Rs. 42 lacs).

### COMPANY PERFORMANCE

While Non-electric detonators remained the thrust area for the Company, several new products launched both in the domestic and export markets have been received well by the customers.

Profitability was affected owing to lower trade prices for conventional detonators coupled with stiff competition and low margins in the export sector.

### RESEARCH AND DEVELOPMENT

Research and Development efforts resulted in introduction of new products for oil prospecting / tunnelling sectors and significant reduction in variable costs of products.

### SAFETY, SECURITY, HEALTH AND ENVIRONMENT

The Company continues to maintain high standards in Safety, Security, Health and Environment related areas, with no lost time incident reported during the year. All statutory norms with respect to air and water pollution have been met.

### HUMAN RESOURCES

Cordial industrial relations prevailed during the year with continued support from all employees. During the year, the Company has sustained a high level of training man-days per employee, with special emphasis on on-the-job-training.

Statement of particulars of employees, pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, is attached.

### FUTURE OUTLOOK

The Company expects new products to contribute significantly in future performance. Growth in exports and cost competitiveness remains the thrust areas.

### DIRECTORS

Mr M R Rajaram, Director, retires at the forthcoming Annual General Meeting, and being eligible offers himself for re-appointment. The Board recommends his re-appointment.

Mr R G Pallank, Alternate Director to Mr J M Feasler, resigned from the Board of Directors with effect from the close of business on 26 December 2002.

Mr R P Dave, a nominee of Ensign Bickford Company, USA ("EBCo."), was appointed an Alternate Director to Mr J M Feasler, Director with effect from 27 December 2002, who resigned from the Board of Directors with effect from the close of business on the same day.

Mr Pallank, a nominee of EBCo., was once again appointed an Alternate Director to Mr Feasler, Director with effect from 28 December 2002.

Mr Feasler resigned from the Board of Directors with effect from the close of business on 28 March 2003. Mr Pallank, Alternate Director to Mr Feasler also resigned with effect from the said date. The Board placed on record its appreciation for the valuable services rendered by both M/s. Feasler and Pallank during their tenure of directorship.

Mr M T Long was appointed a Director by the Board of Directors on 13 May 2003 to fill in the casual vacancy caused by the resignation of Mr J M Feasler, Director on 28 March 2003. Pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr Long holds office only up to the date of the forthcoming Annual General Meeting, at which Mr Feasler would have otherwise retired, had he not resigned as aforesaid.

The Company has received a Notice Under Section 257 of the Companies Act, 1956, from EBCo., USA, a Member, along with the necessary deposit signifying its intention to propose the name of Mr Long as a Director of the Company, liable to retire by rotation.

### AUDIT COMMITTEE

The Audit Committee of the Company, comprising M/s R L Jain, M R Rajaram and J M Feasler, held four Meetings during the year.

Mr J M Feasler, a Member of the Committee, resigned from the Committee with effect from the close of business on 28 March 2003. Mr M T Long was appointed a Committee Member in his place with effect from 13 May 2003.

### AUDITORS

Messrs Lovelock & Lewes, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, are willing to continue in office. The Board recommends their re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
b) 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 on 31 March 2003 and
   - the profit for the year ended on that date;
c) 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; and
d) they have prepared the annual accounts on a going concern basis.

### ACKNOWLEDGEMENT

The Directors wish to convey their appreciation to all the employees of the Company for their valuable support during the year. The Directors also wish to place on record their appreciation to the Company's customers, stakeholders, bankers, agents, suppliers, government authorities and other business associates for their continued support, cooperation and assistance.

For and on behalf of the Board

Gurgaon
13 May 2003

R L JAIN
Chairman

# ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2003.

**I. CONSERVATION OF ENERGY**

**A Power & Fuel consumption**

| | Unit | 2002-03 | 2001-02 |
|---|---|---|---|
| **(a) Electricity** | | | |
| (i) Purchased | Lac Kwh | **21.9** | 11.9 |
| Total Amount | Rs. Lac | **121.98** | 104.6 |
| Rate | Rs./Kwh | **5.57** | 5.27 |
| (ii) Own Generation Through Diesel Generator | | | |
| Units Generated | Lac Kwh | **1.69** | 1.36 |
| Units/KL of Diesel | Lac Kwh | **2980** | 2887.7 |
| Rate | Rs./Kwh | **6.5** | 5.9 |
| **(b) Consumption per unit of production** | | | |
| Electricity | KWH/M Nos. | **12450** | 10347 |
| Steam | Tes/M Nos. | **52.7** | 52.1 |

**II. PARTICULAR AS PER FORM B**

**A. Research and Development**

1. **Specific areas where Research and Development is carried out by the Company:**

   Efforts were mainly focused on development of new products for oil prospecting /tunnelling sectors and rationalisation of packaging for electric detonator and detonating cord. Vendor development initiatives were undertaken to develop alternate (import substitution), cost effective materials for Non-electric detonators.

2. **Benefits derived as a result of Research and Development:**

   The Research and Development effort has resulted in adding versatility to the product range and significant reduction in variable costs.

3. **Future plan of action:**

   Development effort has been initiated to make new products in Cord and Electrics with improved delay timing for domestic and export markets.

4. **Expenditure on Research and Development:** **(Rs. Lac)**

| | 2002-03 | 2001-02 |
|---|---|---|
| i) Capital | **13** | - |
| ii) Recurring | **44** | 40 |
| iii) Total | **57** | 40 |
| iv) Total Research and Development expenditure as a percentage of turnover | **0.8%** | 0.6% |

**B. Technology Absorption, Adaptation and Innovation**

1. **Benefits:**

   Benefits are expected in the areas of safety, usage efficiencies and development of products for wider applications.

2. **Particulars of imported technology in the last five years from the beginning of the financial year:**

| Technology imported | Year of import | Has technology been fully absorbed | If not fully absorbed, reasons and future plans of action |
|---|---|---|---|
| Non electrics | 1997 and continuing | Yes | N.A. |

**III. FOREIGN EXCHANGE – EARNINGS AND OUTGO**

Export earnings in foreign currency grew by 7.50%, over the previous year.

**Future Plans:**

To develop products for select export markets.

**Total Foreign Exchange used and earned:** **(Rs. Lac)**

| | 2002-03 | 2001-02 |
|---|---|---|
| Earned | **860** | 805 |
| Used | **558** | 791 |

For and on behalf of the Board

Gurgaon R L JAIN

13 May 2003 Chairman

**STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956**

**EMPLOYED THROUGHOUT THE YEAR**

| NAME | DESIGNATION | REMUNERATION (Rs) | QUALIFICATIONS | EXPERIENCE (years) | DATE OF JOINING | AGE (years) | LAST EMPLOYMENT |
|---|---|---|---|---|---|---|---|
| Mohan K (Dr) | Director and Manager | 24,79,341 | MSc; PhD | 24 | 1 April 2002 | 50 | Indian Explosives Ltd. |

Note 1. Remuneration includes all allowances, perquisites , commission payable if any to the Directors, employer's contribution to provident fund and employer's contribution to pension fund (if covered under defined contribution scheme). It excludes employer's contribution to gratuity fund, leave encashment and special awards.

2. Appointment of Dr K Mohan is contractual and subject to the rules of the Company from time to time.

3. Dr K Mohan is not a relative of any Director of the Company.

For and on behalf of the Board

Gurgaon R L JAIN

13 May 2003 Chairman

# AUDITORS' REPORT

TO THE MEMBERS OF INITIATING EXPLOSIVES SYSTEMS INDIA LIMITED

1. We have audited the attached Balance Sheet of Initiating Explosives Systems India Limited as at 31 March 2003, the related Profit and Loss Account for the year ended on that date annexed thereto, and the Cash Flow Statement for the year ended on that date, which we have signed under the reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;

e) On the basis of written representations received from the Directors, as on 31 March 2003, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2003, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2003;

ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Kolkata
13 May 2003

PARTHA MITRA
(Partner)

# ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date)

i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The management has physically verified the fixed assets of the Company during the year based on a phased programme. The frequency of verification based on the phased programme is considered reasonable. No material discrepancies were noticed on such verification.

ii) The fixed assets of the Company have not been revalued during the year.

iii) Physical verification of the finished goods, stores, spare parts and raw materials in the possession of the Company, was conducted by the management during the year. Stock in possession and custody of third parties as on 31 March 2003, have been verified by the management with reference to confirmation or statement of account.

iv) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

v) The discrepancies noticed on physical verification of stocks as compared to book records, which, in our opinion, were not material in relation to the operations of the Company, have been properly dealt with in the books of account.

vi) In our opinion, the valuation of stocks of finished goods, stores, spare parts and raw materials has been fair and proper in accordance with the normally accepted accounting principles as followed in India and is on the same basis as in the preceding year.

vii) The Company has not taken / granted during the year, any loan, secured or unsecured, from / to companies, firms or other parties listed in the Register maintained under section 301 of the Act. In terms of section 370(6) of the Act, the provision of section 370 (1B) of the Act is not applicable to a Company on or after 31 October 1998.

viii) The parties, to whom loans and advances in the nature of loans have been given, are repaying the principal amount as stipulated and are also regular in payment of interest wherever applicable.

ix) In our opinion, the Company has an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

x) As per entries made in register of contracts maintained under section 301 of the Act, the Company has made purchases of goods, materials and services during the financial year aggregating to Rs 50,000 or more in respect of each party. In our opinion, the prices paid for such purchases are reasonable taking into account such factors as competitive quotation/ price lists, limited alternative sources, quality, delivery schedule and/ or from the information and explanations given to us. There are no transactions of sale of goods, materials and services made in pursuance of contracts or agreements entered in the register under section 301 of the Act, aggregating during the year to Rs. 50,000/- or more in value in respect of each party.

xi) The Company has a system of determining unserviceable or damaged stores, raw materials or finished goods on the basis of technical evaluation and on such basis, in our opinion, necessary adjustments for the loss have been made in the accounts.

xii) The Company has not accepted any deposit within the meaning of section 58A of the Act and the rules framed hereunder.

xiii) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scraps, where applicable and significant. The Company has no by-products.

xiv) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

xv) As informed to us, the Central Government of India has not prescribed maintenance of cost records under section 209(1)(d) of the Act in respect of any of the products of the Company.

xvi) The Company is regular in depositing Provident Fund dues with the appropriate authorities during the year. We have been informed that no payment of Employees' State Insurance Scheme contribution has been made during the year, as the employees are not coming under the purview of the Employees' State Insurance Act.

xvii) At the last day of the financial year, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty, which were due for more than six months from the date they became payable.

xviii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses of employees or Directors which have been charged to Profit and Loss Account, nor have we been informed of such case by the management, other than those payable under contractual obligations and/or in accordance with generally accepted business practice.

xix) The Company is not a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985, of India.

xx) In our opinion, the other clauses of the Order are not applicable for the Company in the year under review.

For and on behalf of
LOVELOCK & LEWES
Chartered Accountants

Kolkata
13 May 2003

PARTHA MITRA
( Partner)

# BALANCE SHEET

| | Schedule | As at 31 March 2003 (Rs. lacs) | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **I. SOURCES OF FUNDS** | | | | | |
| **1. Shareholders' funds** | | | | | |
| a) Share capital | (1) | **12,00** | | 12,00 | |
| b) Reserves and surplus | (2) | **7,34** | **19,34** | 6,20 | 18,20 |
| **2. Loan funds** | | | | | |
| a) Secured loans | (3) | | – | | 1,98 |
| **Total** | | | **19,34** | | 20,18 |
| **II. APPLICATION OF FUNDS** | | | | | |
| **1. Fixed assets** | (4) | | | | |
| a) Gross block | | **28,05** | | 26,83 | |
| b) Less : Depreciation | | **10,59** | | 8,32 | |
| c) Net block | | **17,46** | | 18,51 | |
| d) Capital work-in-progress at cost including advances | | **32** | **17,78** | 42 | 18,93 |
| **2. Current assets, loans and advances** | | | | | |
| a) Inventories | (5) | **8,84** | | 9,60 | |
| b) Sundry Debtors | (6) | **10,31** | | 8,81 | |
| c) Cash & Bank Balances | (7) | **1,67** | | 53 | |
| d) Loans & advances | (8) | **1,55** | | 1,39 | |
| | | **22,37** | | 20,33 | |
| ***Less:* Current Liabilities & Provisions** | | | | | |
| a) Liabilities | (9) | **16,42** | | 14,51 | |
| b) Provisions | (10) | **3,82** | | 3,87 | |
| | | **20,24** | | 18,38 | |
| **Net current assets** | | | **2,13** | | 1,95 |
| **3. Miscellaneous expenditure** (Cost of Voluntary Retirement Scheme to the extent not written off or adjusted)) | | | **39** | | 45 |
| **4. Net Deferred Tax Liability** | [18(9)] | | **(96)** | | (1,15) |
| **Total** | | | **19,34** | | 20,18 |
| **Significant Accounting Policies** | (17) | | | | |
| Notes to the Accounts | (18) | | | | |

# PROFIT AND LOSS ACCOUNT

| | Schedule | | For the year ended 31 March 2003 (Rs. lacs) | | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Sales | | **68,77** | | 70,66 | |
| Less : Excise Duty on sales | | **8,04** | | 8,37 | |
| | | | **60,73** | | 62,29 |
| Other Income | (11) | | **1,37** | | 1,80 |
| Total Income | | | **62,10** | | 64,09 |
| **Expenditure** | | | | | |
| Materials, etc. | (12) | | **22,00** | | 21,45 |
| Other Expenditure | (13) | | **27,82** | | 26,76 |
| Depreciation | | | **2,27** | | 1,97 |
| Interest (Net) | (14) | | **4** | | 11 |
| | | | **52,13** | | 50,29 |
| **Profit before Taxation from operations** | | | **9,97** | | 13,80 |
| Exceptional items | (15) | | **(43)** | | (64) |
| **Profit before taxation** | | | **9,54** | | 13,16 |
| Provision for taxation | (16) | | **3,60** | | 4,58 |
| **Profit after taxation** | | | **5,94** | | 8,58 |
| Balance brought forward | | | **42** | | 31 |
| **Balance available for appropriation** | | | **6,36** | | 8,89 |
| **Appropriations** | | | | | |
| General Reserve | | | **59** | | 90 |
| Interim Dividend | | | **4,80** | | 6,00 |
| Tax on Interim Dividend | | | **-** | | 61 |
| Proposed Final Dividend | | | **-** | | 96 |
| | | | **5,39** | | 8,47 |
| **Balance carried forward** | | | **97** | | 42 |
| Basic Earnings per equity share (in Rs) | | | **4.95** | | 7.15 |
| **Significant Accounting Policies** | (17) | | | | |
| **Notes to the Accounts** | (18) | | | | |

The Schedules referred to above and the Statement on Accounting Policies from an integral part of the Balance Sheet and Profit and Loss Account.

This is the Balance Sheet and Profit and Loss Account referred to in our Report of even date.

For LOVELOCK & LEWES
Chartered Accountants

PARTHA MITRA
Partner

Kolkata
13 May 2003

For and on behalf of the Board
R L JAIN — Chairman
M R RAJARAM — Director
C R DUA — Director
K MOHAN — Director
J SENGUPTA — Secretary

Gurgaon
13 May 2003

# CASH FLOW STATEMENT

**For the year ended**

| | | | 31 March 2003 (Rs. lacs) | | 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **A.** | **Cash flow from operating activities** | | | | |
| | Profit before taxation from operations | | **9,97** | | 13,80 |
| | **Adjusted for :** | | | | |
| | Depreciation | **2,27** | | 1,97 | |
| | Interest (net) | **4** | | 11 | |
| | Unrealised exchange gain | **-** | **2,31** | (1) | 2,07 |
| | Operating profit before working capital changes | | **12,28** | | 15,87 |
| | **Changes in :** | | | | |
| | Trade and other receivables | **(1,66)** | | 2,55 | |
| | Inventories | **77** | | (1,86) | |
| | Trade payables and other creditors | **1,91** | **1,02** | (2,01) | (1,32) |
| | Cash generated from operations | | **13,30** | | 14,55 |
| | Direct taxes paid (net of refunds) | | **(2,34)** | | (4,58) |
| | **Cash flow before exceptional items** | | **10,96** | | 9,97 |
| | **Exceptional items** | | | | |
| | - relating to operations (VRS) | | **(55)** | | (47) |
| | Net cash before investments & financing activities | | **10,41** | | 9,50 |
| **B.** | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | | **(1,13)** | | (3,11) |
| | Interest received | | **4** | | 2 |
| | Net cash used in investing activities | | **(1,09)** | | (3,09) |
| **C.** | **Cash flow from financing activities** | | | | |
| | Borrowings during the year | | **1,00** | | 2,75 |
| | Borrowings repaid during the year | | **(1,00)** | | (2,75) |
| | Dividend paid | | **(5,76)** | | (7,32) |
| | Dividend tax paid | | **(37)** | | (38) |
| | Interest paid | | **(7)** | | (13) |
| | Net cash used in financing activities | | **(6,20)** | | (7,83) |
| | Net changes in cash & cash equivalents (A+B+C) | | **3,12** | | (1,42) |
| | Cash and cash equivalents - opening balance | | **(1,45)** | | (3) |
| | Cash and cash equivalents - closing balance | | **1,67** | | (1,45) |

**Notes :**

1. Cash and cash equivalents comprise of :

| | As at 31 March 2003 | As at 31 March 2002 |
|---|---|---|
| Cash and bank balances | **1,67** | 53 |
| Bank - cash credit accounts | **-** | (1,98) |
| | **1,67** | (1,45) |

2. The above cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

| | | |
|---|---|---|
| For LOVELOCK & LEWES | For and on behalf of the Board | |
| Chartered Accountants | R L JAIN | Chairman |
| | M R RAJARAM | Director |
| PARTHA MITRA | C R DUA | Director |
| Partner | K MOHAN | Director |
| | J SENGUPTA | Secretary |
| Kolkata | Gurgaon | |
| 13 May 2003 | 13, May 2003 | |

# SCHEDULES TO THE ACCOUNTS

**SCHEDULE 1 : CAPITAL**

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **Authorised** | | |
| 1,50,00,000 equity shares of Rs 10 each | **15,00** | 15,00 |
| **Issued, subscribed and paid up** | | |
| 1,20,00,000 Equity Shares of Rs 10 each, fully paid | **12,00** | 12,00 |

**Of the above Equity Shares :-**

84,00,00 Equity shares are held by Indian Explosives Limited, the holding company, which is a subsidiary of ICI India Limited.

**SCHEDULE 2 : RESERVES & SURPLUS**

| Particulars | As at 01 April 2002 | Additions | Deductions | **As at 31 March 2003** |
|---|---|---|---|---|
| Share premium | 2,88 | - | - | **2,88** |
| General reserve | 2,90 | 59 | - | **3,49** |
| Profit and loss account | 42 | 55 | - | **97** |
| | 6,20 | 1,14 | - | **7,34** |

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 3 : SECURED LOANS** | | |
| Bank - Cash credit account | – | 1,98 |

**Note :** Loans from banks are secured by hypothecation of raw materials, finished goods, stores and books debts of the Company.

**SCHEDULE 4 : FIXED ASSETS** **(Rs lacs)**

| | **Gross Block** | | | | **Accumulated Depreciation** | | | | **Net Block** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | At cost as at 1 April 2002 | Additions at cost | Disposals/ Adjust- ments at Book Value | **At cost as at 31 March 2003** | As at 1 April 2002 | In respect of Dispo- sals/Adj- ustments | Depreciation for the year | **As at 31 March 2003** | **As at 31 March 2003** | As at 31 March 2002 |
| Buildings | 4,29 | 7 | - | **4,36** | 51 | - | 6 | **57** | **3,79** | 3,78 |
| Plant & Machinery | 22,15 | 1,15 | - | **23,30** | 7,68 | - | 2,15 | **9,83** | **13,47** | 14,47 |
| Rolling Stock, Motor Vehicles etc. | 2 | - | - | **2** | 2 | - | - | **2** | - | - |
| Furniture, Fittings & Equipment | 37 | - | - | **37** | 11 | - | 6 | **17** | **20** | 26 |
| **Total** | 26,83 | 1,22 | - | **28,05** | 8,32 | - | 2,27 | **10,59** | **17,46** | 18,51 |
| Previous Year | 22,13 | 4,70 | - | **26,83** | 6,35 | - | 1,97 | **8,32** | 18,51 | |

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 5 : INVENTORIES** | | |
| Stores and Spares Parts | **1,23** | 95 |
| Raw Materials | **4,88** | 4,70 |
| Packing Materials | **33** | 40 |
| Work-in-process | **31** | 55 |
| Finished Products | **2,09** | 3,00 |
| | **8,84** | 9,60 |
| **SCHEDULE 6 : SUNDRY DEBTORS** | | |
| Unsecured - Considered Good | | |
| Debts outstanding exceeding six months | **6** | - |
| Other Debts | **10,25** | 8,81 |
| | **10,31** | 8,81 |
| **SCHEDULE 7 : CASH & BANK BALANCES** | | |
| Cash & cheques in hand | **1** | 1 |
| With Scheduled Banks : | | |
| Current Accounts | **64** | 6 |
| Fixed Deposits | **1,02** | 46 |
| | **1,67** | 53 |
| **SCHEDULE 8 : LOANS AND ADVANCES (UNSECURED)** | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| Considered good * | **1,36** | 1,22 |
| Considered doubtful | **7** | 7 |
| | **1,43** | 1,29 |
| Less : Provision for doubtful advances | **7** | 7 |
| | **1,36** | 1,22 |
| **Deposits** | | |
| With Customs, Port Commissioners, Railways, Excise Authorities, etc. | **12** | 10 |
| Deposit Others | **7** | 7 |
| | **1,55** | 1,39 |
| * includes | | |
| Due from Director + | **10** | 4 |
| Maximum amount due at any time during the year | **10** | 4 |

+ Above loan has been given before becoming Director.

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 9 : LIABILITIES** | | |
| Sundry Creditors | | |
| Amount due to SSIs | **70** | 54 |
| Others Creditors | **12,78** | 11,83 |
| Other Liabilities | **2,94** | 2,14 |
| | **16,42** | 14,51 |
| **SCHEDULE 10 : PROVISIONS** | | |
| Provision for Taxation (net of advance tax) | **1,65** | 19 |
| Provision for VRS liability | **2,17** | 2,35 |
| Proposed Final Dividend | **-** | 96 |
| Tax on Interim Dividend | **-** | 37 |
| | **3,82** | 3,87 |

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 11 : OTHER INCOME** | | |
| Miscellaneous Income | **1,37** | 1,80 |
| **SCHEDULE 12 : MATERIALS, ETC.** | | |
| **Opening Stock** | | |
| Raw Materials | **4,70** | 2,87 |
| Packing Materials | **40** | 42 |
| Finished Products | **3,00** | 3,12 |
| Work-in-process | **55** | 40 |
| | **8,65** | 6,81 |
| **Add : Purchases** | | |
| Raw Materials | **19,82** | 22,22 |
| Packing Materials | **1,13** | 1,07 |
| | **20,95** | 23,29 |
| **Less : Closing Stock** | | |
| Raw Materials | **4,88** | 4,70 |
| Packing Materials | **33** | 40 |
| Finished Products | **2,09** | 3,00 |
| Work-in-process | **30** | 55 |
| | **7,60** | 8,65 |
| **Materials consumed** | **22,00** | 21,45 |
| **SCHEDULE 13 : OTHER EXPENDITURE** | | |
| Salaries, Wages and Bonus | **5,77** | 5,42 |
| Contributions to Provident and Other Funds | **91** | 77 |
| Workmen and Staff Welfare | **66** | 41 |
| Stores and Spare Parts | **74** | 78 |
| Repairs to Buildings | **7** | 7 |
| Repairs to Machinery | **58** | 54 |
| Power and Fuel | **2,01** | 1,88 |
| Travelling | **27** | 33 |
| Rates and Taxes | **59** | 58 |
| Rent | **7** | 12 |
| Insurance | **47** | 41 |
| Freight and Transport Charges | **2,63** | 2,38 |
| Selling Commission | **10,59** | 10,93 |
| Publicity | **1** | – |
| Royalty & Technical Fees | **85** | 77 |
| Provision for doubtful advances | **–** | 2 |
| Sundries | **1,60** | 1,35 |
| | **27,82** | 26,76 |
| **SCHEDULE 14 : INTEREST** | | |
| Interest on Other Loans | **7** | 13 |
| *Less* : Interest Income from Banks and Others | **3** | 2 |
| [Gross of TDS Rs 0.33 lac (2001-02 Rs 0.31 lac)] | | |
| | **4** | 11 |
| **SCHEDULE 15 : EXCEPTIONAL ITEMS** | | |
| Provision for Voluntary Retirement Scheme payments. | **43** | 64 |
| **SCHEDULE 16 : PROVISION FOR TAXATION** | | |
| Taxation for Current Year | **3,80** | 4,94 |
| Deferred Taxation | **(20)** | (36) |
| | **3,60** | 4,58 |

## SCHEDULE - 17

### SIGNIFICANT ACCOUNTING POLICIES

**Accounting Convention**

The financial statements are prepared on accrual basis under the historical cost convention, in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

**Sales**

Sales are stated inclusive of excise duty and net of discounts and sales tax.

**Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Depreciation has been charged on the straight-line method at the rates as prescribed in schedule XIV of the Companies Act, 1956.

**Inventories**

(a) Raw Materials, packing materials and stores and spare parts are valued at lower of weighted average cost and net realisable value.
(b) Finished Goods are valued at the lower of cost and net realisable value. Cost includes direct materials and labour cost and appropriate factory overheads.

**Foreign Currency Transactions**

(a) Foreign currency transactions are accounted for at the rate prevailing on the date of the transaction.
(b) All exchange differences on settled transactions other than those relating to the acquisition of fixed assets are dealt with in the Profit and Loss Account. Exchange gain or loss relating to fixed assets is adjusted in the cost of the fixed assets.
(c) All foreign currency balances are converted at the exchange rates prevailing at the date of the Balance Sheet.

**Retirement Benefits**

Liability for pension, gratuity and leave encashment is provided on the basis of actuarial valuation as at the date of the Balance Sheet. Contributions to the recognised provident fund are charged to the Profit and Loss Account.

**Voluntary Retirement**

Payment under the voluntary retirement scheme is treated as deferred revenue expenditure, which is charged as an exceptional item in the Profit and Loss Account over a period of five years from the year in which such liability arises. The unamortised amount to the extent not written off has been disclosed as "Miscellaneous expenses not written off".

**Research Development**

All revenue expenditure on research and development is charged to Profit and Loss Account in the year it is incurred. Capital expenditure on Research and Development is shown as addition to fixed assets and depreciated as indicated hereinabove.

**Deferred Tax Provision**

Provision for deferred taxation is made using the liability method, at the current rates of taxation, on all timing differences to the extent that it is probable that a liability or asset will crystallize.

## SCHEDULE 18 : NOTES TO ACCOUNTS

| | | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|
| 1 | Estimated amount of contracts remaining to be executed on Capital Account | **71** | 64 |
| 2 | Contingent liability not provided for : | | |
| | Customs matter in dispute | **1,27** | - |
| 3 | a) Stores & Spares in aggregate included under various heads of expenses is | **56** | 43 |
| | b) Payment to Auditors : | | |
| | i) As Audit Fee | **1** | 1 |
| | ii) Tax Audit Fee | **-** | - |
| | iii) Certification Work / Other Matters including service tax | **-** | 1 |

4. a) **Particulars in respect of goods manufactured:**

| | Unit | Licensed Capacity | | Installed Capacity | | Actual production meant for Sale | |
|---|---|---|---|---|---|---|---|
| | | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Detonating Fuse | Mn Mtr. | **25.00** | 8.21 | **18.00** | 10.26 | **8.84** | 10.83 |
| Detonators | Mn Nos. | **81.50** | 81.50 | **81.50** | 81.50 | **52.37** | 59.43 |

Notes :
1) Production meant for sale is after adjustment of shortages, handling losses and excludes quantity internally consumed.
2) Licensed and Installed Capacity in respect of intermediaries used entirely for captive consumption have not been furnished.
3) Installed Capacities are as certified by the management based on a standard product mix.
4) Letter of Intent from Govt. of India , dated 25 April 2001, for enhancement of Detonating Fuse licenced capacity to 25 Mn mtrs. per annum was received in 2001-02.

4. b) **Particulars in respect of Sales, Opening & Closing Stocks of Finished Goods :**

| | Unit | Year | Sales Quantity | Sales Value (Rs. lacs) | Opening Stock Quantity | Opening Stock Value (Rs. lacs) | Closing Stock Quantity | Closing Stock Value (Rs. lacs) |
|---|---|---|---|---|---|---|---|---|
| Detonating Fuse | Mn Mtr. | **2002-03** | **9.13** | **5,61** | **0.72** | **23** | **0.43** | **15** |
| | | 2001-02 | 10.60 | 5,56 | 0.49 | 13 | 0.72 | 23 |
| Detonators | Mn Nos. | **2002-03** | **52.73** | **60,01** | **2.38** | **2,58** | **2.02** | **1,83** |
| | | 2001-02 | 59.80 | 61,84 | 2.75 | 2,80 | 2.38 | 2,58 |
| Others | Tes | **2002-03** | **132.88** | **3,15** | **10.96** | **19** | **6.02** | **11** |
| | | 2001-02 | 91.30 | 3,26 | 12.20 | 19 | 10.96 | 19 |
| | | | | **68,77** | | **3,00** | | **2,09** |
| | | | | 70,66 | | 3,12 | | 3,00 |

4. c) **Details of Raw Materials Consumed :**

| | Unit | Quantity 2002-03 | Quantity 2001-02 | Value (Rs. lacs) 2002-03 | Value (Rs. lacs) 2001-02 |
|---|---|---|---|---|---|
| Metals | Tes. | **625** | 733 | **4,36** | 5,75 |
| Organic Chemicals | Tes. | **4,926** | 4,716 | **3,37** | 3,06 |
| Other Chemicals | Tes. | **521** | 515 | **1,53** | 1,78 |
| Yarn & Paper | Tes. | **32** | 34 | **40** | 43 |
| LLDPE Tube | Th Mtrs | **17,630** | 19,204 | **4,61** | 5,95 |
| Other Items | | | | **5,37** | 3,42 |
| | | | | **19,64** | 20,39 |

4. d) **Value of Raw Materials, Stores & Spare Parts Consumed :**

| | Raw Materials | | | | Stores & Spares including Packing Material | | | |
|---|---|---|---|---|---|---|---|---|
| | (Rs. lacs) | | Percentage | | (Rs. lacs) | | Percentage | |
| | 2002-03 | 2001-02 | 2002-03 | 2001-02 | 2002-03 | 2001-02 | 2002-03 | 2001-02 |
| Imported | **6,47** | 8,28 | **33%** | 41% | **5** | 6 | **2%** | 3% |
| Indigenous | **13,17** | 12,11 | **67%** | 59% | **2,44** | 2,25 | **98%** | 97% |
| Total | **19,64** | 20,39 | **100%** | 100% | **2,49** | 2,31 | **100%** | 100% |

Raw Materials, Stores & Spare Parts consumed are after adjustments including shortage / excess and provision for losses.

4. e) **Earnings in Foreign Exchange**

| | 2002-03 (Rs. lacs) | 2001-02 (Rs. lacs) |
|---|---|---|
| Export of Goods (F O B basis) | **8,61** | 8,05 |

4. f) **Value of Imports (CIF basis)**

| | | |
|---|---|---|
| Raw Materials | **4,31** | 6,47 |
| Stores & Spare Parts | **7** | 2 |
| Capital Items | **17** | 60 |

4. g) **Expenditure in Foreign Currencies**

| | | |
|---|---|---|
| Royalty & Technical Fees (Gross) | **84** | 51 |
| [TDS : Rs 16.78 lac, (2001-02 - Rs 10.16 lac.)] | | |
| Others | **19** | 41 |

4. (h) **Remittance in foreign currency on account of dividends on equity shares:**

| Particulars | No. of Non- Resident Shareholders | No. of Shares in (lacs) | Net Dividend Remitted (Rs. lacs) 2002-03 | Net Dividend Remitted (Rs. lacs) 2001-02 |
|---|---|---|---|---|
| Final Dividend for the fiscal year 2001-2002 | 1 | 3,600 | **27** | |
| Interim Dividend for the fiscal year 2002-2003 | 1 | 3,600 | **1,36** | |
| Final Dividend for the fiscal year 2000-2001 | 1 | 3,600 | | 40 |
| Interim Dividend for the fiscal year 2001-2002 | 1 | 3,600 | | 1,80 |

Dividend (net of tax deducted at source is reported on cash basis.

5. Other income includes profit on account of foreign exchange transactions for the year Rs 2.37 lac (2001-02 - Rs 9.07 lac).

6. **Managerial Remuneration**

| | 2002-03 (Rs. lacs) | 2001-02 (Rs. lacs) |
|---|---|---|
| Salaries | **23** | 28 |
| Estimated Cost of Benefits | **2** | 2 |
| | **25** | 30 |
| **Computation of Managerial Remuneration** | | |
| Profit Before Taxation | **9,54** | 13,16 |
| Add : Managerial Remuneration | **25** | 30 |
| Add : Provision for doubtful advances. | – | 2 |
| | **9,79** | 13,48 |
| Maximum remuneration payable to Director / Manager / Managing -Wholetime Director @ 5% of Net Profit. | **49** | 67 |

Contribution to Gratuity Fund which is based on actuarial valuation done on an overall Company basis is excluded above.

7. **List of Small Scale Suppliers where the outstanding are over thirty days :**

| | | |
|---|---|---|
| Arihant Industries | Azide & Allied Chemicals | Chawra Plastics |
| Clad Material Systems | Eastern Chemical & Industries | Industrial Protective Equipments |
| Kiren Enterprises | Magnesium Product Pvt Ltd | Penguin Paper Plast Pvt Ltd |
| R Chem | Shiva Cables | Shree Smelting P Ltd. |
| Sneh Enterprises | Swati Enterprises | |

8. Revenue expenditure on Research & Development for the year amounting to Rs 44.02 lac (2001-02 Rs 40.00 lac) has been charged to Profit & Loss Account.

9. **Components of Deferred Tax Asset / Liability**

(Rs lacs)

| | **31 March 2003** | | 31 March 2002 | |
|---|---|---|---|---|
| | **Asset** | **Liability** | Assets | Liability |
| Difference between book depreciation & depreciation under Income-tax Act, 1961 | **-** | **2,59** | - | 2,47 |
| Expenditure under Section 43B of the Income-tax Act, 1961 | **61** | **-** | 39 | - |
| Others | **1,01** | **-** | 93 | - |
| | **1,62** | **2,59** | 1,32 | 2,47 |
| Net Deferred Tax Liability | | **96** | | 1,15 |

10. **Related Party Disclosures**

a. List of related parties where control exists:
Orica Investments Pty Ltd., Australia.

b. List of related parties where control exists & with whom transactions have taken place during the year:
Indian Explosives Limited. (Holding Company). (IEL)
ICI India Limited. (Holding Company of Indian Explosives Limited) (ICII)
Ensign Bickford Company, Mauritius. (Having Substantial Interest - Associate)
The Ensign Bickford Company, USA. (Having Substantial Interest - Associate)

c. Other Related parties with whom transactions have taken place:
Director Dr. K Mohan

d. Transactions with related parties mentioned in 10 (b).

(Rs lacs)

| | **2002-03** | | | 2001-02 | | |
|---|---|---|---|---|---|---|
| | **IEL** | **ICI I** | **Associates** | IEL | ICI I | Associates |
| i. Sale of Raw Materials | **-** | **-** | **-** | - | - | - |
| ii. Purchase of Raw Materials, Stores & Spares | **-** | **1** | **3,20** | - | 1 | 4,66 |
| iii. Purchase of Capital Equipment | **-** | **-** | **8** | - | - | 62 |
| iv. Payment of Royalty | **-** | **-** | **84** | - | - | 51 |
| v. Expenditure on Commission | **10,42** | **-** | **-** | 10,72 | - | - |
| vi. Expenditure for Other Services | **3,29** | **2** | **-** | 2,96 | - | - |
| vii. Expenditure on Interest for Inter Corporate Deposit | **-** | **-** | **-** | - | 4 | - |
| viii. Outstanding Balance as on 31st March - Creditors | **6,43** | **-** | **1,28** | 5,65 | - | 1,72 |
| ix. Inter Corporate Deposit (Maximum Outstanding) | **-** | **1,00** | **-** | - | 1,25 | - |
| x. Dividend Paid (Cash Basis - Gross) | **4,03** | **-** | **1,73** | 5,12 | - | 2,20 |

e. Transactions with related parties mentioned in 10 (c).

(Rs lacs)

| | **2002-03** | 2001-02 |
|---|---|---|
| i. Managerial Remuneration | **25** | 29 |
| ii. Loan Outstanding | **10** | 4 |

11. **Segment Information**

The Company is engaged in manufacturing and sale of Initiating Explosive products having the manufacturing facility located at Gomia, Jharkand. The products and their application are homogeneous in nature. The business segments are organised as Domestic and Export markets. In arriving at the segment results indirect overheads including depreciation have been allocated with reference to revenues.

a.) **Segment Results**

(Rs lacs)

| | Year | Domestic | Export | Total |
|---|---|---|---|---|
| **Segment Revenues** | **2002-03** | **57,85** | **12,29** | **70,14** |
| | 2001-02 | 60,34 | 12,12 | 72,46 |
| **Segment Results** | **2002-03** | **8,56** | **1,45** | **10,01** |
| | 2001-02 | 11,59 | 2,32 | 13,91 |
| **Segment Assets (Debtors)** | **2002-03** | **6,26** | **4,05** | **10,31** |
| | 2001-02 | 5,75 | 3,06 | 8,81 |
| **Depreciation** | **2002-03** | **1,92** | **35** | **2,27** |
| | 2001-02 | 1,58 | 39 | 1,97 |

b.) **Reconciliation of Reportable Segments with Financial Statements**

(Rs lacs)

| | Year | Revenues | Profit | Assets | Liabilities |
|---|---|---|---|---|---|
| **Total of Reported Segments** | **2002-03** | **70,14** | **10,01** | **10,31** | |
| | 2001-02 | 72,46 | 13,91 | 8,81 | |
| **Interest** | **2002-03** | | **4** | | |
| | 2001-02 | | 11 | | |
| **Exceptional items** | **2002-03** | | **43** | | |
| | 2001-02 | | 64 | | |
| **Taxes** | **2002-03** | | **3,60** | | |
| | 2001-02 | | 4,58 | | |
| **Unallocated Items** | **2002-03** | | | **30,23** | **21,20** |
| | 2001-02 | | | 30,91 | 21,51 |
| **As per Financial Statements** | **2002-03** | **70,14** | **5,94** | **40,54** | **21,20** |
| | 2001-02 | 72,46 | 8,58 | 39,72 | 21,51 |

12. Previous year's figures have been regrouped wherever necessary.

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

| | | | |
|---|---|---|---|
| Registration No. | 21-73210 | State Code | 21 |
| Balance Sheet Date: | 31-03-2003 (Date / Month / Year) | | |

**II Capital Raised During the Year**

| | | | |
|---|---|---|---|
| Public Issue: | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Public Placement | NIL |

**III Position of Mobilisation and deployment of Funds (Amount in Rs. lacs)**

| | | | |
|---|---|---|---|
| **Total Liabilities** | 1934 | **Total Assets** | 1934 |
| **Sources of Funds** | | | |
| Paid-up Capital | 1200 | Reserves and Surplus | 734 |
| Secured Loans | NIL | Unsecured Loans | NIL |
| **Application of Funds** | | | |
| Net Fixed Assets | 1778 | Investment | NIL |
| Net Current Assets | 213 | Misc. Expenditure not written off | 39 |
| Accumulated Losses | NIL | Deferred Tax Liability | (96) |

**IV Performance of Company (Amount in Rs. lacs)**

| | | | |
|---|---|---|---|
| Turnover | 6073 | Total Expenditure | 5213 |
| Profit/(Loss) before Tax | 954 | Profit/(Loss) after Tax | 594 |
| Earnings per share in Rs. | 4.95 | Dividend rate % | 40 |

**V Generic Names of two Principal Products/Services of Company**

| | |
|---|---|
| Item Code No. (ITC Code) | 360300 |
| Product Description | Detonators |
| Item Code No. (ITC Code) | 360300 |
| Product Description | Detonating Cord |

For and on behalf of the Board

| | | |
|---|---|---|
| | R L JAIN | Chairman |
| | M R RAJARAM | Director |
| Gurgaon | C R DUA | Director |
| 13 May 2003 | K MOHAN | Director |
| | J SENGUPTA | Secretary |

# DIRECTORS' REPORT FOR 2002-03

Your Directors have pleasure in presenting their Annual Report and audited accounts of your company for the year ended 31 March 2003.

**FINANCIAL RESULTS** :

(Rs Lacs)

| | **2002-03** | 2001-02 |
|---|---|---|
| Gross Turnover | **6903** | 8825 |
| Turnover, net of excise | **5949** | 7617 |
| Profit before tax | **531** | 923 |
| Provision for Taxation | **242** | 219 |
| Profit after tax | **289** | 704 |
| Deferred tax adjustment – previous year | **(221)** | – |
| Balance brought forward from previous period | **722** | 18 |
| Balance carried to Balance Sheet | **791** | 722 |

**BUSINESS PERFORMANCE :**
The year under review 2002-03 is the first full year of operations of the new business which your Company acquired from Hindustan Lever Limited as a going concern in June 2001.

The business environment continues to reel under poor demand and recovery of the economy seems to get postponed. The Fast Moving Consumer Goods (FMCG) industry on which your Company is dependent on had a particularly difficult year with demand being sluggish. A number of product launches by the customers were deferred leading to reduced opportunities for your Company. Moreover, the product portfolio in the FMCG industry is undergoing a change with a bias towards products at the lower end of the price spectrum. Premium brands of FMCG products which give opportunities for your Company's products to improve sales and profitability have had a poor run in the market place. This has not only reduced the sales opportunity for your Company but also has brought about pressure on the margins of your Company.

Loss of some large briefs in the latter part of the previous financial year has had a bearing on the performance of the current year. Losses such as these are considered part of the normal business cycle. However, new opportunities were scarce in a difficult year as explained earlier which has resulted in the turnover being lower than that of the previous year.

The Board is pleased to inform you that during the difficult year, the management of your Company has taken the opportunity to consolidate its operations and has taken steps to protect and enhance the value of the business. Some of the steps are described in the following paragraph :

- Upgradation of the manufacturing sites at Daman
- Setting up of a state-of-the-art laboratory facilities at Mumbai thereby signaling a change and establishing a new identity for your Company
- Improve operational efficiencies by restructuring operations between Mumbai and Daman thereby giving better service and value to customers
- Impart training facilities to creative resources thereby preparing them to compete with the best in the industry
- Work proactively on various projects thereby giving customers a wider choice of products

The Board believes that the foundation for a strong growth has been laid with the various actions and that the Company is poised to take on a challenging task of growing at a fast pace ahead of competition.

**DIVIDEND** :
Your directors have decided not to recommend any dividend for the year.

**AUDIT COMMITTEE** :
During the year under review, there was no change in the Audit Committee of your Company. The members of the Committee are:

- Mr Jean Pierre Houri
- Mr M R Rajaram
- Mr D Sundaram

**AUDITORS** :
The Auditors M/s BSR & Co. retire and offer themselves for reappointment.

**DIRECTORS** :
In accordance with the Articles of Association of your Company, the following directors will retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election:
Mr Jean-Pierre Houri
Mr M R Rajaram
Mr D Sundaram
Mr Anoop K Mathur

Mr Jayant M Sohonie was appointed as the Wholetime Director & Chief Executive officer of the Company with effect from 29.06.2001 which was approved by the shareholders in the last Annual General Meeting on terms and conditions as set out in the Notice to 9th Annual General Meeting read with the Explanatory statement thereon. Considering his contribution to the consolidation of the businesses of the organization, your directors proposes to revise his minimum remuneration for the year 2002-03 and pay him the increased salary and a once off lump sum special allowance subject, however, to the approval of the Central Government.

Necessary resolutions in respect of the above are being put up for the shareholders' approval in the forthcoming Annual General Meeting.

**FIXED DEPOSITS** :
Your company has not accepted any deposits under section 58A of the Companies Act 1956 from the Public. No deposits were outstanding as on 31.03.2003.

**HUMAN RESOURCES**:
Relations with the employees continued to be cordial throughout the year. Your Directors take this opportunity to thank all employees for rendering a highly dedicated and impeccable service to the Company and to its customers and shareholders. Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment in a difficult year. The enthusiasm and the unstinting efforts of the employees would stand the Company in good stead while meeting its objectives in the years to come.

The particulars required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 forms part of this Report and have been annexed herewith by way of **Annexure- I**.

**CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:**
The information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 relating to conservation of energy and technology absorption, foreign exchange earnings & outgo are given by way of **Annexure II**.

As required by Section 217 (2AA) of the Companies Act 1956 the Directors state & confirm that :

- in preparation of Annual Accounts for the year ended 31.03.2003 the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as

to give a true & fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- they have taken proper & 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; and
- they have prepared the annual accounts on a 'Going Concern' basis.

**SAFETY & ENVIRONMENT MANAGEMENT** :

Security, Safety, Health and Environment (**SSHE**) management continues to be a key thrust area for your Company and the Board is pleased to inform you that your Company has maintained its excellent safety record of "Zero Accidents" for the second year running. The Board is further pleased to add that the operations continued to maintain a NIL record of even classified injury. The Company has a comprehensive Environment Management System, which ensures that environmental impact, if any, arising out of its operations is minimized. All the employees at the manufacturing sites are trained on RCMS programme and the same is being extended to other employees as well.

For and on behalf of the Board

Mumbai
9 May 2003

J P HOURI
Chairman

# ANNEXURE-I TO THE DIRECTORS' REPORT

**Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956**

| NAME | DESIGNATION | REMUNERATION (Rs.) | QUALIFICATIONS | EXPERIENCE (years) | DATE OF JOINING | AGE (years) | LAST EMPLOYMENT |
|---|---|---|---|---|---|---|---|
| Sohonie, JM | Wholetime Director and CEO | 38,80,734 | B.Sc., MMS | 29 | 29 June 2001 | 52 | Hindustan Lever Ltd. |

Note :

1) Remuneration includes all allowances, perquisites, commission payable, if any, to the Directors, employer's contribution to Provident Fund and employer's contribution to Pension fund (if covered under defined contribution scheme). It excludes employer's contribution to gratuity fund, leave encashment and special awards.

2) All appointments are/were contractual and are subject to the Rules & Regulations of the Company in force from time to time

For and on behalf of the Board

Mumbai
9 May 2003

J P HOURI
Chairman

# ANNEXURE-II TO THE DIRECTORS' REPORT

**FORM - A**

**A. CONSERVATION OF ENERGY**

| | 2002-03 | 2001-02 |
|---|---|---|
| **a) Power & Fuel consumption :** | | |
| **Electricity** | | |
| (i) Purchase (Lacs unit) | **7.24** | 11.35 |
| Total Amount (Rs. Lacs) | **31.46** | 46.27 |
| Rate per unit (Rs.) | **4.35** | 4.08 |
| (ii) Own Generation | | |
| Through Diesel Generator (Unit KWH) | **11,830** | 9,783 |
| Units per Ltr of Diesel | **1.50** | 2.50 |
| Rate per Unit (Rs.) | **13.50** | 10.27 |
| **b) Consumption per unit of Production** | | |
| Electricity - KWH/ton. | **436.14** | 508.51 |

**B. TECHNOLOGY ABSORPTION**

**FORM - B**

**a. Research and Development**

1. **Specific areas in which R&D efforts have been put in by the Company are**:
   - Work in import substitution
   - Creation of new value added products
   - Help customers to create new avenues for growth
2. **Benefits derived as a result of the above R&D** :
   - Enable customers to introduce cost effective products
3. **Future plan of action** :
   - The Company will continue its focus on identifying new growth areas for its customers and enable the customers to gain value for their products

**4. Expenditure on R & D**

| | 2002-03 | 2001-02 |
|---|---|---|
| i) Capital | – | – |
| ii) Recurring | – | – |
| iii) Total | – | – |
| iv) Total R&D expenditure as a percentage of turnover | – | – |

**b. Technology Absorption, Adaptation and Innovation**

1. **Efforts in brief made towards technology absorption, adaptation and innovation**

   The Company focuses on identifying new opportunities for customers by taking advantage of the technology available at its disposal. The wealth of experience the Company possesses in adapting international technology to suit local needs is being put to good use. The creative and the manufacturing teams work to bring out innovative products with the objective of reducing dependence on imports, cost reduction and also in productivity improvement.

2. **Benefits as a result of the above efforts** :
   - Several tangible & intangible benefits are derived such as better control over production costs, productivity and wastage & maintenance costs, development of new products etc.

3. **Imported Technology**

| | |
|---|---|
| a) Imported Technology : | Nil |
| b) Year of Import | N.A. |
| c) Has technology been fully absorbed. | N.A. |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of actions. | N.A. |

**C. FOREIGN EXCHANGE EARNINGS & OUTGO** :

(Rs lacs)

| | 2002-03 | 2001-02 |
|---|---|---|
| Foreign Exchange earned | **121** | 162 |
| Foreign Exchange used | **733** | 1369 |

For and on behalf of the Board

Mumbai
9 May 2003

J P HOURI
Chairman

# AUDITORS' REPORT

We have audited the attached Balance Sheet of Quest International India Limited ('the Company') as at 31 March 2003 and also the Profit and Loss Account for the year ended on that date, annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;

e) on the basis of written representations received from the directors of the Company as at 31 March 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2003;

   ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Co.
Chartered Accountants

Gurgaon — AKHIL BANSAL
9 May 2003 — Partner

# ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. The Company has maintained proper records to show full particulars including quantitative details and location of its fixed assets. We are informed that the Company has a policy of physically verifying assets over a two year period. In our opinion, this frequency of physical verification is reasonable having regard to the size of the Company and nature of its fixed assets. In accordance with this policy, the Company has physically verified certain fixed assets during the year and we are informed that no material discrepancies were observed on such verification.
2. The fixed assets of the Company have not been revalued during the year.
3. The inventories of finished goods and raw materials excluding materials in transit, have been physically verified by the management at reasonable intervals during the current year. Inventories with third parties have either been physically verified by the management or confirmed based on certificates/statements of accounts received from such third parties.
4. The procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. We are informed that the discrepancies identified during the current year on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.
6. On the basis of our examination of inventory records, we are of the opinion that the valuation of inventories is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
7. According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956. We are informed that there are no companies, firms or other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956.
8. In our opinion, and according to the information and explanations given to us, the rate of interest and other terms and conditions of the inter-corporate deposits given to a company under the same management within the meaning of Section 370 (1B) of the Companies Act ,1956, are prima facie not prejudicial to the interest of the Company. We are informed that there are no companies, firms or other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The parties including employees to whom loans and advances in the nature of loans have been given by the Company are regular in repaying the principal amount as stipulated, and the interest, where applicable.
10. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of raw materials, plant and machinery, equipment and other assets and for the sale of goods.
11. We are informed that there are no companies, firms or other parties required to be listed in the register maintained under Section 301 of the Companies Act, 1956 and accordingly, clause (xi) of the Order is not applicable to the Company.
12. The Company has a regular procedure of determining unserviceable or damaged raw materials and finished goods and necessary adjustments for the loss have been made in the books of account.
13. The Company has not accepted any deposits from the public during the year.
14. In our opinion, reasonable records have been maintained by the Company for the sale or disposal of realisable scrap. We are informed that the Company has no by-products.
15. In our opinion, the Company has an internal audit system commensurate with its size and nature of business.
16. We are informed that the Central Government has not prescribed the maintenance of cost records in respect of the Company's products under Section 209(1)(d) of the Companies Act, 1956.
17. The Company has been regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding at 31 March 2003 for a period of more than six months from the date they became payable.
19. On the basis of the examination of books of account carried out by us in accordance with generally accepted accounting practices, and according to the information and explanations given to us, no personal expenses have been charged to the profit and loss account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial undertaking within the meaning of clause (o) of sub section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For BSR & Co.
Chartered Accountants

Gurgaon — AKHIL BANSAL
9 May 2003 — Partner

# BALANCE SHEET

| | Schedule | As at 31 March 2003 (Rs. lacs) | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **I) SOURCES OF FUNDS:** | | | | | |
| **1. Shareholders' funds** | | | | | |
| a) Capital | (1) | **28,80** | | 28,80 | |
| b) Reserves and surplus | (2) | **82,01** | **110,81** | 81,32 | 110,12 |
| **2. Deferred tax liability (net)** | | | **5,66** | | 1,48 |
| **Total** | | | **116,47** | | 111,60 |
| **II) APPLICATION OF FUNDS:** | | | | | |
| **1. Goodwill** | (3) | | **12,85** | | 13,56 |
| **2. Intangible assets** | (4) | | **59,12** | | 62,51 |
| **3. Fixed assets** | (5) | | | | |
| a) Gross block | | **10,58** | | 7,08 | |
| b) Less : Accumulated depreciation | | **1,10** | | 32 | |
| c) Net block | | **9,48** | | 6,76 | |
| d) Capital work-in-Progress at cost including advances | | **10** | **9,58** | 1,23 | 7,99 |
| **4. Investments** | (6) | | **19,00** | | – |
| **5. Current assets, loans and advances** | | | | | |
| a) Inventories | (7) | **10,25** | | 14,25 | |
| b) Sundry Debtors | (8) | **12,77** | | 13,53 | |
| c) Cash and bank balances | (9) | **1,68** | | 8,60 | |
| d) Loans and advances | (10) | **6,15** | | 5,85 | |
| | | **30,85** | | 42,24 | |
| **Less: Current liabilities & provisions** | | | | | |
| a) Liabilities | (11) | **12,56** | | 13,.03 | |
| b) Provisions | (12) | **2,37** | | 1,68 | |
| | | **14,93** | | 14,71 | |
| **Net current assets** | | | **15,92** | | 27,54 |
| **Total** | | | **116,47** | | 111,60 |
| **Significant Accounting Policies** | (17) | | | | |
| **Notes to Accounts** | (18) | | | | |

# PROFIT AND LOSS ACCOUNT

| | Schedule | | For the year ended 31 March 2003 (Rs. lacs) | | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Sales - Domestic - (Gross) | | **67,82** | | 86,62 | |
| Less: Excise duty | | **9,54** | | 12,08 | |
| Sales - Domestic - (Net) | | **58,28** | | 74,54 | |
| Sales - Exports | | **1,21** | | 1,62 | |
| Total Sales | | | **59,49** | | 76,16 |
| Other income | (13) | | **55** | | 27 |
| | | | **60,04** | | 76,43 |
| **Expenditure** | | | | | |
| Materials consumed | (14) | | **33,57** | | 43,17 |
| Administrative and other expenditure | (15) | | **16,24** | | 14,31 |
| Amortisation of goodwill and intangible assets | | | **4,10** | | 4,10 |
| Depreciation | (5) | | **82** | | 33 |
| | | | **54,73** | | 61,91 |
| **Profit before taxation from operations** | | | **5,31** | | 14,52 |
| Exceptional items | (16) | | **–** | | (5,30) |
| Profit before taxation | | | **5,31** | | 9,23 |
| Provision for taxation: | | | | | |
| - current tax | | **44** | | 71 | |
| - deferred tax | | **1,98** | **2,42** | 1,48 | 2,19 |
| **Profit after taxation** | | | **2,89** | | 7,04 |
| Deferred tax charge - previous year | | | **(2,20)** | | – |
| **Balance brought forward** | | | **7,22** | | 18 |
| **Balance carried to Balance Sheet** | | | **7,91** | | 7,22 |
| **Basic and Diluted Earnings per share (Rs.)** | *(refer 18.4) | | **2.38 *** | | 26.62 |
| **Significant accounting policies** | (17) | | | | |
| **Notes to Accounts** | (18) | | | | |

The accompanying schedules form an integral part of the Balance Sheet and Profit and Loss Account

As per our report of even date attached

| | | | | | |
|---|---|---|---|---|---|
| For BSR & Co.<br>Chartered Accountants | For Quest International India Limited | | | | |
| AKHIL BANSAL<br>Partner | J P HOURI<br>Chairman | J M SOHONIE<br>Whole-time Director | M R RAJARAM<br>Director | D SUNDARAM<br>Director | P K AGARWAL<br>Company Secretary |
| Gurgaon<br>9 May 2003 | Mumbai<br>9 May 2003 | | | | |

## CASH FLOW STATEMENT

**For the year ended**

| | | | **Year ended 31 March 2003 (Rs. lacs)** | | Year ended 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| A. | **Cash flow from operating activities** | | | | |
| | Profit before taxation from operations | | **5,31** | | 14,52 |
| | Adjusted for: | | | | |
| | Amortisation of goodwill and intangible assets | **4,10** | | 4,10 | |
| | Depreciation | **82** | | 33 | |
| | (Profit)/Loss on disposal of fixed assets | **15** | | 1 | |
| | Provision for doubtful debts | **30** | | 13 | |
| | Interest (net) | **(41)** | **4,96** | (22) | 4,35 |
| | **Operating profit before working capital changes** | | **10,27** | | 18,87 |
| | Changes in : | | | | |
| | Trade and other receivables | **33** | | (5,80) | |
| | Inventories | **4,02** | | (14) | |
| | Trade payables and other creditors | **22** | **4,57** | 3,39 | (2,55) |
| | **Cash generated from operations** | | **14,84** | | 16,32 |
| | Direct taxes paid | | **(61)** | | (76) |
| | **Cash flow before exceptional items** | | **14,23** | | 15,56 |
| | Exceptional items | | **–** | | (5,30) |
| | **Net cash before investments & financing activities** | | **14,23** | | 10,26 |
| B. | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | | **(2,68)** | | (1,96) |
| | Sale of fixed assets | | **12** | | – |
| | Interest received | | **41** | | 24 |
| | **Net cash used in investing activities** | | **(2,15)** | | (1,72) |
| C. | **Cash flow from financing activities** | | | | |
| | Proceeds from issue of share capital | | **–** | | 81,90 |
| | Purchase of business (net) | | **–** | | (81,81) |
| | Interest paid | | **–** | | (3) |
| | **Net cash from financing activities** | | **–** | | 6 |
| | **Net changes in cash & cash equivalents (A+B+C)** | | **12,08** | | 8,60 |
| | Cash and cash equivalents - opening balance | | **8,60** | | – |
| | Cash and cash equivalents - closing balance | | **20,68** | | 8,60 |

**Notes to the cash flow statement**

| | **As at 31 March 2003** | As at 31 March 2002 |
|---|---|---|
| 1. Cash and cash equivalents comprise of : | | |
| Cash in hand | **1** | 3 |
| Bank balances: | | |
| - Current Account | **80** | 82 |
| - Fixed Deposits with Banks | **87** | 7,75 |
| Current investment (Fixed maturity plans - mutual funds) | **19,00** | – |
| | **20,68** | 8,60 |

As per our report of even date attached.

For BSR & Co.
Chartered Accountants

AKHIL BANSAL
Partner

Gurgaon
9 May 2003

For Quest International India Limited

J P HOURI, Chairman
J M SOHONIE, Whole-time Director
M R RAJARAM, Director
D SUNDARAM, Director
P K AGARWAL, Company Secretary

Mumbai
9 May 2003

# SCHEDULES TO THE ACCOUNTS

**SCHEDULE (1) : CAPITAL**

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **Authorised** | | |
| 30,00,000 equity shares of Rs 100 each | **30,00** | 30,00 |
| **Issued, Subscribed and Paid Up** | | |
| 28,80,000 equity shares of Rs 100 each, fully paid up | **28,80** | 28,80 |

Of the above Equity Shares :-

(a) 14,40,001 shares (previous year - 14,40,001 shares ) are held by ICI India Limited, the holding company

(b) 28,799 shares (previous year - 28,799 shares) are held by Quest International BV

(c) 14,11,200 shares (previous year - 14,11,200 shares) are held by Hindustan Lever Limited and its nominees

**SCHEDULE (2) : RESERVES & SURPLUS**

| | | | | |
|---|---|---|---|---|
| Share premium | | **74,10** | | 74,10 |
| Profit and loss account | | **7,91** | | 7,22 |
| | | **82,01** | | 81,32 |

**SCHEDULE (3) : GOODWILL**

| | | | | |
|---|---|---|---|---|
| Opening balance | **13,56** | | – | |
| Acquired on purchase of business | **–** | | 14,27 | |
| Less : Amortised during the year | **(71)** | **12,85** | (71) | 13,56 |
| | | **12,85** | | 13,56 |

**SCHEDULE (4) : INTANGIBLE ASSETS**

| | | | | |
|---|---|---|---|---|
| **Trademarks** | | | | |
| Opening balance | **9** | | – | |
| Acquired during the year | **–** | | 10 | |
| Less : Amortised during the year | **(1)** | **8** | (1) | 9 |
| **Technology** | | | | |
| Opening balance | **36,01** | | – | |
| Acquired during the year | **–** | | 37,90 | |
| Less : Amortised during the year | **(1,89)** | **34,12** | (1,89) | 36,01 |
| **Brands** | | | | |
| Opening balance | **23,46** | | – | |
| Acquired during the year | **–** | | 24,70 | |
| Less : Amortised during the year | **(1,24)** | **22,22** | (1,24) | 23,46 |
| **Leasehold rights** | | | | |
| Opening balance | **2,95** | | – | |
| Acquired during the year | **–** | | 3,20 | |
| Less : Amortised during the year | **(25)** | **2,70** | (25) | 2,95 |
| | | **59,12** | | 62,51 |

**SCHEDULE (5) : FIXED ASSETS** **(Rs lacs)**

| **Particulars** | **Gross Block** | | | | **Accumulated Depreciation** | | | | **Net Block** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value at cost as at 1 April 2002 | Additions at cost | Disposals/ reclassification at book value | **Book value at cost as at 31 March 2003** | Accumulated Depreciation as at 1 April 2002 | Depreciation for the year | In respect of disposals/ reclassifications | **As at 31 March 2003** | **As at 31 March 2003** | As at 31 March 2002 |
| Buildings | 2,85 | 6 | (18) | **2,73** | 6 | 6 | – | **12** | **2,61** | 2,79 |
| Leasehold improvements | – | 1,27 | 3 | **1,30** | – | 14 | – | **14** | **1,16** | – |
| Plant & Machinery | 2,83 | 74 | (23) | **3,34** | 13 | 25 | (1) | **37** | **2,97** | 2,70 |
| Motor Vehicles | 37 | 5 | (9) | **33** | 3 | 4 | (2) | **5** | **28** | 34 |
| Furniture, fittings and equipment | 88 | 1,58 | 11 | **2,57** | 6 | 28 | (2) | **32** | **2,25** | 86 |
| EDP equipment | 15 | 11 | 5 | **31** | 4 | 5 | 1 | **10** | **21** | 7 |
| **Total** | 7,08 | 3,81 | (31) | **10,58** | 32 | 82 | (4) | **1,10** | **9,48** | 6,76 |
| Previous Year | – | 7,10 | 2 | 7,08 | – | 33 | (1) | 32 | 6,76 | |

| | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE (6) : INVESTMENTS** | | |
| (Unquoted, at cost) | | |
| **CURRENT INVESTMENT** | | |
| Fixed Maturity Plan (mutual funds) | | |
| - Standard Chartered Mutual Fund | **10,00** | – |
| [1,00,00,000 (previous year: nil) units of Rs. 10 each] | | |
| - Birla Sun Life Mutual Fund | **9,00** | – |
| [88,62,978 (previous year: nil) units of Rs. 10.1546 each] | **19,00** | – |
| **SCHEDULE (7) : INVENTORIES** | | |
| Packing materials | **26** | 15 |
| Raw materials | **5,82** | 9,12 |
| Finished products | **4,17** | 5,00 |
| | **10,25** | 14,27 |
| **SCHEDULE (8) : SUNDRY DEBTORS** | | |
| Unsecured | | |
| Debts outstanding over six months | | |
| Considered doubtful | **39** | 13 |
| Considered good | **33** | – |
| | **72** | 13 |
| Other debts | | |
| Considered doubtful | **4** | – |
| Considered good | **12,44** | 13,53 |
| | **12,48** | 13,53 |
| | **13,20** | 13,66 |
| Less : Provision for doubtful debts | **43** | 13 |
| | **12,77** | 13,53 |
| **SCHEDULE (9) : CASH AND BANK BALANCES** | | |
| Cash in hand | **1** | 3 |
| Balances with scheduled banks : | | |
| Current accounts | **80** | 82 |
| Fixed deposits | **87** | 7,75 |
| | **1,68** | 8,60 |
| **SCHEDULE (10) : LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)** | | |
| Advances recoverable in cash or in kind or for value to be received * | **1,70** | 2,05 |
| Interest accrued on fixed deposits | **8** | 6 |
| (TDS on above: Rs. 2 lacs ) (Previous year: Rs. 1.48 lacs) | | |
| Advance Income Tax (net of provision) | **23** | 6 |
| Balances with Customs and Excise Authorities | **1,45** | 1,40 |
| Deposits | **2,69** | 2,28 |
| Inter corporate deposits | **–** | – |
| Maximum amount due during the year: | | |
| - From ICI India Limited (Rs 350 lacs; Previous year: Nil) | | |
| - From Indian Explosives Limited (Rs 150 lacs; Previous year: Nil) | | |
| | **6,15** | 5,85 |
| * Includes | | |
| Due from Directors | **37** | 21 |
| Maximum amount due at any time during the year | **38** | 22 |
| **SCHEDULE (11) : LIABILITIES** | | |
| Sundry creditors: | | |
| - Others | **11,70** | 12,06 |
| - Dues to small scale industries | **–** | 0 |
| Other liabilities | **86** | 97 |
| Inter corporate deposits from ICI India Limited* | **–** | – |
| | **12,56** | 13,03 |
| [Maximum amount due during the year : nil; (Previous year: Rs 150 lacs)] | | |
| **SCHEDULE (12) : PROVISIONS** | | |
| Provision for retirement benefits | **2,37** | 1,68 |

| | | For the year ended 31 March 2003 (Rs. lacs) | | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|
| **SCHEDULE (13) : OTHER INCOME** | | | | |
| Interest income (net) | | | | |
| Interest income from banks and others | **22** | | 25 | |
| [TDS: Rs. 7.99 lacs (Previous year: Rs. 4.37 lacs)] | | | | |
| Add/Less: Interest (paid)/received on Inter corporate deposit | **19** | | (1) | |
| Less: Interest on Bank overdraft | **–** | **41** | (2) | 22 |
| Scrap sales | | **11** | | 4 |
| Miscellaneous income | | **3** | | 1 |
| | | **55** | | 27 |

| SCHEDULE (14) : MATERIALS CONSUMED | **For the year ended 31 March 2003 (Rs. lacs)** | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **Raw and Packing materials** | | |
| Opening stock | | |
| Raw materials | **9,12** | – |
| Packing materials | **15** | – |
| | **9,27** | – |
| Add: Purchases | | |
| Raw materials | **28,14** | 51,15 |
| Packing materials | **1,41** | 1,57 |
| | **29,55** | 52,72 |
| Less: Closing stock | | |
| Raw materials | **5,82** | 9,12 |
| Packing materials | **26** | 15 |
| | **6,08** | 9,27 |
| **Consumption of raw and packing materials** | **32,74** | 43,45 |
| **Finished goods** | | |
| Opening stock | **5,00** | – |
| Purchases * | **–** | 4,72 |
| Closing stock | **4,17** | 5,00 |
| **Movement in finished goods** | **83** | (28) |
| | **33,57** | 43,17 |

* previous year figure represents finished goods taken over as part of acquisition of business

| SCHEDULE (15) : OTHER EXPENDITURE | | |
|---|---|---|
| Stores and spare parts | **6** | 5 |
| Repairs to buildings | **22** | 6 |
| Repairs to plant and machinery | **22** | 18 |
| Other repairs | **5** | 7 |
| Power and fuel | **46** | 44 |
| Salaries, wages, and bonus | **3,91** | 3,86 |
| Contributions to provident and other funds | **69** | 56 |
| Workmen and staff welfare | **41** | 23 |
| Travelling | **87** | 71 |
| Rates and taxes | **80** | 43 |
| Rent | **2,08** | 1,24 |
| Communication Expenses | **50** | 29 |
| Insurance | **19** | 17 |
| Freight and transport charges | **1,89** | 1,84 |
| Processing charges | **69** | 1,63 |
| Selling expenses | **1,20** | 88 |
| Provision for doubtful debts (net) | **30** | 13 |
| Loss on disposal of fixed assets | **15** | 1 |
| Sundries | **1,55** | 1,55 |
| | **16,24** | 14,31 |

| SCHEDULE (16) : EXCEPTIONAL ITEMS | | |
|---|---|---|
| Management fees paid to Hindustan Lever Limited | **–** | 1,78 |
| Interest on purchase consideration paid to Hindustan Lever Limited | **–** | 3,52 |
| | **–** | 5,30 |

## SCHEDULE (17) :

## SIGNIFICANT ACCOUNTING POLICIES

**Accounting Convention**

The financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, in accordance with the Companies Act, 1956, and the applicable accounting standards issued by the Institute of Chartered Accountants of India.

**Goodwill and intangible assets**

Goodwill and intangible assets comprising technology, trademark and brands arising from the acquisition of the business from Hindustan Lever Limited are being amortised on a straight line method over their estimated useful lives as determined by the management. Leasehold rights arising from the acquisition of business from Hindustan Lever Limited are being amortised on a straight line method over the lease period.

**Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and other attributable costs net of refundable taxes and levies.

Depreciation for the year is computed on the Straight Line Method over the useful life of the assets at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Leasehold improvements are amortised over the period of the lease.

The fixed assets costing less than Rs. 5,000/- are fully depreciated in the year of acquisition.

**Revenue Recognition**

Revenue from sale of products is recognised when the products are despatched against orders from customers. Sales are stated inclusive of excise duty and net of rebates, discounts and sales tax.

**Investments**

Long term investments are stated at cost less amount written off, when there is a permanent diminution in their value. Current investments are stated at lower of cost or fair value.

**Current Assets**

Raw materials are valued at the lower of cost and net realisable value. Cost is determined on the basis of weighted average method.

Finished goods are valued at lower of cost and net realisable value. Cost includes direct material and labour costs and appropriate portion of manufacturing overheads.

Excise duty on goods produced is included in the value of finished goods inventory. Customs duty on inventory lying in bonded warehouse at the year end is included in the value of inventory.

All other items of current assets are stated after adequate provision for any diminution in the carrying value.

**Foreign currency transactions**

Foreign currency transactions are accounted for at the rate prevailing on the date of the transaction.

All monetary foreign currency balances are converted at the exchange rates prevailing at the date of the balance sheet or on the basis of the forward contracts. The cost of forward contracts is amortised over the period of the contract. Any profit or loss arising on the cancellation or renewal of a forward exchange contract is recognised as income or expense for the year, except in case of a forward exchange contract relating to liabilities incurred for acquiring fixed assets, in which case, such profit or loss is adjusted in the cost of fixed assets.

All exchange differences other than those relating to the acquisition of fixed assets are dealt with in the profit and loss account. Exchange gain or loss relating to fixed assets are adjusted in the cost of the respective fixed assets.

**Retirement Benefits**

Liability for leave encashment, gratuity and pension is accrued on the basis of actuarial valuation as at the date of the balance sheet. Contributions to the recognised provident fund, gratuity fund and pension fund are charged to the profit and loss account as incurred.

**Taxation**

Income tax expense comprises of current tax and deferred tax charge or release. The deferred tax charge or credit is recognised using current tax rates.

Deferred tax assets arising from unabsorbed depreciation or carry forward losses, are recognised only if there is virtual certainty of realisation of such amounts. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each Balance Sheet date to reassess the realisation.

## SCHEDULE (18) : NOTES TO ACCOUNTS

**1. SEGMENT INFORMATION**

The Company's activities are organised into Flavours and Fragrances business. Further, such business is operated primarily in India. Hence, in the opinion of the management there are no reportable segments as envisaged by Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India. Accordingly, no disclosure for segment reporting has been made in the financial statements.

**2. Related party disclosures**

**A) List of related parties**

**a) Holding Company :** ICI India Limited

**b) Associate Companies**

- Hindustan Lever Limited;
- Quest International UK Ltd;
- Quest International Nederland BV;
- Quest International Australia Pvt Ltd;
- Quest International Do Brasil Industria E Comercio LTDA;
- Quest International Canada Inc.; and
- Quest International Egypt SAE.

**c) Directors**

| Name | Particulars |
|---|---|
| Mr J P Houri | Chairman |
| Mr A Narayan | Alternate to Mr J P Houri |
| Mr M R Rajaram | Non Wholetime Director |
| Mr D Sundaram | Non Wholetime Director |
| Mr A K Mathur | Non Wholetime Director |
| Mr J M Sohonie | Wholetime Director and CEO |

**B) a) Transactions with parties (a) and (b) above** **(Rs lacs)**

| Nature of transactions | **Year ended 31 March 2003** | | Year ended 31 March 2002 | |
|---|---|---|---|---|
| | **Holding Company** | **Associate Companies** | Holding Company | Associate Companies |
| Purchase of goods | **–** | **4,24** | 16 | 9,49 |
| Sale of goods | **–** | **14,61** | – | 7,38 |
| Purchase of services | **–** | **1** | – | 1,49 |
| Inter Corporate Deposits given/(taken) | **3,50** | **–** | (1,50) | – |
| Interest received/(paid) on Inter Corporate Deposits | **15** | **–** | (1) | – |
| Others | **–** | **13** | 16 | – |
| Outstanding Payable | **–** | **2,51** | 19 | 2,48 |
| Outstanding Receivable | **10** | **1,36** | – | 1,29 |

**b) Transaction with parties (c) above see note 5 of Schedule 18.**

**3. Deferred tax**

The details of deferred tax assets and liabilities recognised on timing differences as at 31 March 2003, are given below:

**(Rs lacs)**

| **Timing differences on account of** | **Deferred Tax Asset** | **Deferred Tax Liability** |
|---|---|---|
| Difference between book depreciation and depreciation under Income Tax Act, 1961 | – | 8,31 |
| Expenditure under Section 43B of Income Tax Act, 1961 | 41 | – |
| Provision for doubtful debts and advances | 15 | – |
| Carried forward unabsorbed depreciation as at 31 March 2003 | 209 | – |
| **TOTAL** | **2,65** | **8,31** |
| **Deferred tax liability (net)** | | **5,66** |

**4. Earnings per share**

| | For the year ended 31 March 2003 | For the year ended 31 March 2002 |
|---|---|---|
| **Calculation of weighted average number of equity shares of Rs. 100 each** | | |
| Number of shares at the beginning of the year | **28,80,000** | 20,99,999 |
| Shares issued on 20 July 2001 | **–** | 7,80,001 |
| Total number of equity shares outstanding at the end of the year | **28,80,000** | 28,80,000 |
| Shares outstanding for 111 days | **–** | 20,99,999 |
| Shares outstanding for 254 days | **–** | 28,80,000 |
| Weighted average number of equity shares outstanding | **28,80,000** | 26,42,794 |
| **Net profit after tax before prior period tax charge** | **2,89** | – |
| Basic and Diluted Earnings per share (Rs.) | **10.03** | – |
| **Net profit after tax available for equity shareholders** | **68** | 7,03 |
| Basic and Diluted Earnings per share (Rs.) | **2.38** | 26.62 |

**5. Managerial remuneration**

a) Remuneration to Directors

| | | |
|---|---|---|
| Salaries and Allowances | **36** | 37 |
| Estimated cost of benefits | **13** | 8 |
| **TOTAL** | **49** | 45 |
| **Computation of Directors' remuneration** | | |
| **Profit Before Depreciation, Taxation & Exceptional items** | **6,13** | 14,85 |
| Add : Directors' Remuneration | **49** | 45 |
| Provision for doubtful debts and advances | **30** | 13 |
| Loss on disposal of assets | **15** | 1 |
| | **7,07** | 15,44 |
| Less : Depreciation under Section 350 | **82** | 33 |
| Less : Exceptional items | **–** | 5,30 |
| Net profit under Section 198 of the Companies Act, 1956 | **6,25** | 9,81 |
| **Maximum Remuneration payable to Directors** | | |
| - Managing/Wholetime Directors @ 5 % of net profits | **31** | 49 |

* The above amounts do not include provisions for /contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations carried on an overall Company basis rather than separately for Directors.

b) Loans and advances include an amount of Rs. 17.76 lacs paid to a Wholetime Director as remuneration in excess of the limits specified under Section 198 read with Schedule XIII of the Companies Act, 1956. The Company has applied to the Central Government for payment of remuneration in excess of the said limits. Pending the approval from the Central Government, the excess has been held in trust for the Company by the Wholetime Director.

**6. Payments to Auditors :**

**(Rs lacs)**

| | For the year ended 31 March 2003 | For the year ended 31 March 2002 |
|---|---|---|
| Audit fee | **4** | 4 |
| Reimbursement of Expenses/Service tax | **1** | 1 |
| Tax Audit fee | **1** | 1 |
| | **6** | 6 |

**7. (a) Particulars in respect of goods manufactured:**

| Class of goods | Annual Unit | Capacities Installed | Opening Stock Qty | Opening Stock Rs lacs | Production Qty | Sales Qty | Sales Rs lacs | Closing Stock Qty | Closing Stock Rs lacs |
|---|---|---|---|---|---|---|---|---|---|
| **Flavours & Fragrances** | | | | | | | | | |
| **31 March 2003** | **Tonnes** | **7,110** | **374** | **5,00** | **1,660** | **1,846** | **69,03** | **188** | **4,17** |
| 31 March 2002 | Tonnes | 7,110 | – | – | 2,232 | 1,858 | 88,24 | 374 | 5,00 |

1. Licensed capacities are not applicable for the current year.
2. Production includes goods manufactured at third party facilities.
3. Capacity is on three shift basis.
4. The above quantities include both packed and unpacked stocks.
5. The capacity mentioned is annual capacity and is dependent on batch size and product mix.

**(b) Details of raw and packing materials consumed:**

| | For the year ended 31 March 2003 Quantity (tonnes) | For the year ended 31 March 2003 Value (Rs lacs) | For the year ended 31 March 2002 Quantity (tonnes) | For the year ended 31 March 2002 Value (Rs lacs) |
|---|---|---|---|---|
| Natural Essential Oils | **168** | **7,95** | 271 | 13,72 |
| Aromatic Chemicals | **752** | **17,27** | 421 | 20,24 |
| Others | **–** | **7,52** | – | 9,49 |
| TOTAL | | **32,74** | | 43,45 |

* the above total consumption includes adjustments made for excess/shortage, provision for losses and material price variance

(c) **Details of raw materials and packing materials consumed:**

| | **For the year ended 31 March 2003** | | For the year ended 31 March 2002 | |
|---|---|---|---|---|
| | **%** | **(Rs. lacs)** | % | (Rs. lacs) |
| Imported | **34** | **11,21** | 42 | 18,43 |
| Indigenous | **66** | **21,53** | 58 | 25,02 |
| TOTAL | **100** | **32,74** | 100 | 43,45 |

* the above total consumption includes adjustments made for excess/shortage, provision for losses and material price variance

(d) **Earnings in foreign exchange :**

| | **For the year ended 31 March 2003** | For the year ended 31 March 2002 |
|---|---|---|
| Export of goods on FOB basis | **1,21** | 1,62 |

(e) **Value of imports (CIF basis):**

| | | |
|---|---|---|
| Raw materials | **723** | 13,60 |

(f) **Expenditure in foreign currencies:**

| | | |
|---|---|---|
| Travel expenses | **10** | 9 |

(g) Unamortised amount of forward contract premium in respect of forward contracts as of 31 March 2003 – Rs.0.29 lacs (Previous year: Rs.2.04 lacs).

8. The previous year's figures have been regrouped where necessary.

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

**I Registration Details**

Registration No. 78608 State Code 11

Balance Sheet Date: 31-03-2003 (Date Month Year)

**II Capital Raised During the Year**

| Public Issue: | Rights Issue |
|---|---|
| NIL | NIL |
| Bonus Issue | Private Placement |
| NIL | NIL |

**III Position of Mobilisation and Deployment of Funds (Amount in Rs. lacs)**

| **Total Liabilities** | **Total Assets** |
|---|---|
| 11647 | 11647 |

**Sources of Funds**

| Paid-up Capital | Reserves and Surplus |
|---|---|
| 2880 | 8201 |
| Deferred tax liability (Net) | |
| 566 | |
| Secured Loans | Unsecured Loans |
| NIL | NIL |

**Application of Funds**

| Goodwill | Net Intangible Assets |
|---|---|
| 1285 | 5912 |
| Net Tangible Assets | Investment |
| 958 | 1900 |
| Net Current Assets | Miscellaneous Expenditure |
| 1592 | NIL |

**IV Performance of Company (Amount in Rs. lacs)**

| Turnover | Total Expenditure |
|---|---|
| 6004 | 5473 |
| Profit/(Loss) before Tax (+ –) | Profit/(Loss) after Tax (+ –) |
| + 531 | + 68 |
| Earnings per share in Rs. | Dividend rate % |
| 2.38 | - - |

**V Generic Names of two Principal Products/Services of Company**

Item Code No. (ITC Code) 3302

Product Description Mixture of Odoriferous Substances

For Quest International India Limited

| J P HOURI | J M SOHONIE | M R RAJARAM | D SUNDARAM | P K AGARWAL |
|---|---|---|---|---|
| Chairman | Wholetime-Director | Director | Director | Company Secretary |

Mumbai
9 May 2003

## AUDITORS' REPORT

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ICI INDIA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ICI INDIA LIMITED AND ITS SUBSIDIARIES

We have examined the attached consolidated Balance Sheet of ICI India Limited ("the Company") and its subsidiaries (Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited) as at 31 March 2003 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on 31 March 2003.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Initiating Explosives Systems India Limited, whose financial statements reflect total assets of Rs. 1934 lacs as at 31 March 2003, total revenues of Rs. 6210 lacs and the cash flows of Rs. 312 lacs for the year ended on 31 March 2003. These financial statements have been audited by another firm whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of Initiating Explosives Systems India Limited, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its aforesaid subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiaries, we are of the opinion that:

(a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its aforesaid subsidiaries as at 31 March 2003;

(b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its aforesaid subsidiaries for the year ended on 31 March 2003; and

(c) the consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Company and its aforesaid subsidiaries for the year ended on 31 March 2003.

For BSR & Co.
Chartered Accountants

Gurgaon AKHIL BANSAL
***30 May 2003*** ***Partner***

## CONSOLIDATED BALANCE SHEET

| | | Schedule | As at 31 March 2003 (Rs. lacs) | | As at 31 March 2002 (Rs. lacs) | |
|---|---|---|---|---|---|---|
| **I)** | **SOURCES OF FUNDS:** | | | | | |
| **1.** | **Shareholders' funds** | | | | | |
| | a) Capital | 1 | **40,87** | | 40,87 | |
| | b) Reserves and surplus | 2 (a) | **456,88** | **497,75** | 399,39 | 440,26 |
| **2.** | **Minority interest** | 2 (b) | | **100,60** | | 97,66 |
| **3.** | **Loan funds** | | | | | |
| | a) Secured loans | 3 | **16,40** | | 43,26 | |
| | b) Unsecured loans | 4 | **–** | **16,40** | 21 | 43,47 |
| | **Total** | | | **614,75** | | 581,39 |
| **II)** | **APPLICATION OF FUNDS:** | | | | | |
| **1.** | **Fixed assets** | 5 | | | | |
| | a) Gross block | | **650,45** | | 642,57 | |
| | b) Less : Accumulated depreciation | | **217,24** | | 169,51 | |
| | c) Net block | | **433,21** | | 473,06 | |
| | d) Capital work-in-progress at cost, including advances | | **13,44** | **446,65** | 7,91 | 480,97 |
| **2.** | **Investments** | 6 | | **200,64** | | 75,71 |
| **3.** | **Current assets, loans and advances** | | | | | |
| | a) Inventories | 7 | **144,28** | | 146,06 | |
| | b) Sundry debtors | 8 | **135,55** | | 146,66 | |
| | c) Cash and bank balances | 9 | **41,24** | | 29,59 | |
| | d) Loans and advances | 10 | **51,74** | | 48,40 | |
| | | | **372,81** | | 370,71 | |
| | **Less: Current liabilities and provisions** | | | | | |
| | a) Current liabilities | 11 | **214,98** | | 199,31 | |
| | b) Provisions | 12 | **164,13** | | 122,83 | |
| | | | **379,11** | | 322,14 | |
| | **Net current assets** | | | **(6,30)** | | 48,57 |
| **4.** | **Deferred tax liability (net)** | | | **(32,50)** | | (33,03) |
| **5.** | **Miscellaneous expenditure not written off** | | | **6,26** | | 9,17 |
| | **Total** | | | **614,75** | | 581,39 |
| | **Significant accounting policies** | 18 | | | | |
| | **Notes to the accounts** | 19 | | | | |

The accompanying schedules form an integral part of the Balance Sheet.

As per our report attached.

For BSR & Co.
Chartered Accountants

For ICI India Limited

AKHIL BANSAL, Partner

A NARAYAN, Chairman

R L JAIN, Managing Director

M R RAJARAM, Wholetime Director

R GUHA, Secretary

Gurgaon
30 May 2003

New Delhi
30 May 2003

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Schedule | For the year ended 31 March 2003 (Rs. lacs) | For the year ended March 2002 (Rs. lacs) |
|---|---|---|---|
| **Income** | (13) | | |
| Gross sales and services | | **1010,90** | 1038,29 |
| Less: Excise duty | | **121,19** | 123,05 |
| Net sales and services | | **889,71** | 915,24 |
| Other income | | **25,00** | 19,74 |
| Total income | | **914,71** | 934,98 |
| **Expenditure** | | | |
| Materials consumed | (14) | **501,66** | 515,72 |
| Other expenditure | (15) | **288,81** | 300,36 |
| Depreciation / Amortisation (net) | | **39,38** | 36,81 |
| Interest (net) | (16) | **5,53** | 4,52 |
| | | **835,38** | 857,41 |
| **Profit before taxation from operations** | | **79,33** | 77,57 |
| Exceptional items | (17) | **72,13** | 51,45 |
| **Profit before taxation** | | **151,46** | 129,02 |
| Provision for taxation : | | | |
| - Current tax | | **38,98** | 19,37 |
| - Deferred tax | | **(2,74)** | 17,83 |
| **Profit after taxation** | | **115,22** | 91,82 |
| Deferred tax charge (previous year) | | **2,21** | – |
| | | **113,01** | 91,82 |
| Transfer to minority interest (including proposed dividend) | | **7,87** | 10,26 |
| **Profit attributable to the group** | | **105,14** | 81,56 |
| Balance brought forward | | **166,57** | 153,88 |
| Transfer from debenture redemption reserve | | **14,24** | – |
| **Balance available for appropriation** | | **285,95** | 235,44 |
| **Appropriations** | | | |
| General reserve | | **31,86** | 25,69 |
| Debenture redemption reserve | | **–** | 1,04 |
| Transfer to goodwill | | **–** | 5 |
| Tax on interim dividend | | **–** | 1,22 |
| Proposed dividend | | **40,87** | 40,87 |
| Tax on proposed dividend | | **5,24** | – |
| | | **77,97** | 68,87 |
| **Balance carried to the balance sheet** | | **207,98** | 166,57 |
| **Basic and diluted earnings per equity share (in Rs.)** | | **25.72** | 19.96 |
| **Significant accounting policies** | (18) | | |
| **Notes to the accounts** | (19) | | |

The accompanying schedules form an integral part of the Profit and Loss Account.

As per our report attached.

| For BSR & Co. Chartered Accountants | For ICI India Limited | | | |
|---|---|---|---|---|
| AKHIL BANSAL<br>Partner | A NARAYAN<br>Chairman | R L JAIN<br>Managing Director | M R RAJARAM<br>Wholetime Director | R GUHA<br>Secretary |
| Gurgaon<br>30 May 2003 | New Delhi<br>30 May 2003 | | | |

# CONSOLIDATED CASH FLOW STATEMENT

| | For the year ended 31 March 2003 | | 31 March 2003 (Rs. lacs) | | 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| A. | **Cash flow from operating activities** | | | | |
| | Profit before taxation from operations | | **79,33** | | 77,57 |
| | Adjusted for : | | | | |
| | Depreciation | **39,38** | | 36,81 | |
| | Provisions/Liabilities no longer required written back | **(3,19)** | | (1,52) | |
| | Bad debts and advances | **3,44** | | 4,29 | |
| | Provision for doubtful debts and advances (net) | **1,90** | | (72) | |
| | Investment income and other income | **(83)** | | (84) | |
| | Provision for diminution in value of investments | **(23)** | | 57 | |
| | Profit on sale of investments (mutual funds) | **(7,08)** | | – | |
| | Interest (net) | **5,53** | | 4,52 | |
| | Misc Expenses written off | **–** | | 3 | |
| | Loss on sale of fixed assets | **20** | | (4) | |
| | Unrealised exchange gain | **(1)** | **39,11** | (1) | 43,09 |
| | **Operating profit before working capital changes** | | **118,44** | | 120,66 |
| | Changes in : | | | | |
| | Trade and other receivables | **(10,42)** | | (8,15) | |
| | Inventories | **(6,93)** | | (16,68) | |
| | Trade payables and other creditors | **30,76** | **13,41** | 15,82 | (9,01) |
| | **Cash generated from operations** | | **131,85** | | 111,65 |
| | Direct taxes paid | | **(26,41)** | | (14,58) |
| | Exceptional items (relating to outflow on account of VRS, cost of business reorganisation and additional contribution to retiral funds) | | **(17,67)** | | (27,87) |
| | Interest and management fees paid in connection with Quest business acquisition | | **–** | | (5,30) |
| | **Net cash before investments & financing activities (A)** | | **87,77** | | 63,90 |
| B. | **Cash flow from investing activities** | | | | |
| | Purchase of fixed assets | | **(33,98)** | | (33,24) |
| | Investment in subsidiary Quest International India Limited | | **–** | | (151,98) |
| | Acquisition of Catalyst and Adhesives business | | **–** | | (27,58) |
| | Sale of properties (including advance received) | | **3,87** | | 38,39 |
| | Sale of businesses [Gross consideration Rs 15753.43 lacs; (2001-02 : Rs 7277.42 lacs)] | | **156,75** | | 70,19 |
| | Payments relating to divested businesses | | **(3,92)** | | (78) |
| | Sale of other fixed assets | | **16** | | 48 |
| | Purchase of Investments | | **(40,00)** | | – |
| | Sale of investment | | **–** | | 4,99 |
| | Sale of investment (mutual funds) | | **7,08** | | – |
| | Interest received | | **1,18** | | 7,11 |
| | Investment and other income | | **82** | | 84 |
| | **Net cash from investing activities (B)** | | **91,96** | | (91,58) |
| C. | **Cash flow from financing activities** | | | | |
| | Borrowings during the year | | **1,00** | | 4,80 |
| | Borrowings repaid during the year | | **(27,80)** | | (14,88) |
| | Premium paid on premature redemption of debentures | | **(1,28)** | | – |
| | Dividend paid | | **(45,98)** | | (27,66) |
| | Tax on Dividend | | **(37)** | | (3,54) |
| | Interest paid | | **(8,96)** | | (9,61) |
| | **Net cash used in financing activities (C)** | | **(83,39)** | | (50,89) |
| | **Net changes in cash & cash equivalents (A+B+C)** | | **96,34** | | (78,57) |
| | Cash and cash equivalents - opening balance | | **104,60** | | 183,17 |
| | Cash and cash equivalents - closing balance | | **200,94** | | 104,60 |

**Notes to the cash flow statement**

| 1. Cash and cash equivalents comprise of : | **As at 31 March 2003** | As at 31 March 2002 |
|---|---|---|
| Cash, cheques in hand and in transit | **99** | 4,18 |
| Current and Dividend Account | **38,36** | 17,21 |
| Fixed Deposits with Banks | **1,89** | 8,21 |
| Govt. of India Securities | **52** | – |
| Tax free bonds | **10,18** | – |
| Fixed Maturity Debt Mutual Funds | **149,00** | 75,00 |
| | **200,94** | 104,60 |

As per our report attached.

For BSR & Co.
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner

A NARAYAN
Chairman

R L JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
30 May 2003

New Delhi
30 May 2003

## SCHEDULES TO THE CONSOLIDATED ACCOUNTS

| SCHEDULE 1 : CAPITAL | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **Authorised** | | |
| 4,16,90,000 equity shares of Rs. 10 each | **41,69** | 41,69 |
| **Issued, Subscribed and Paid Up** | | |
| 4,08,70,612 equity shares of Rs. 10 each | **40,87** | 40,87 |

Of the above equity shares :-

(a) 85,32,667 were allotted as fully paid up Bonus shares by capitalisation of share premium and reserves.
(b) 29,68,824 were issued on part conversion of debentures.
(c) 2,07,76,213 are held by the holding company, Imperial Chemical Industries PLC, UK.
(d) 89,18,121 were issued as fully paid up otherwise than for cash.

**SCHEDULE 2 : (a) RESERVES AND SURPLUS** **(Rs lacs)**

| | As at 1st April 2002 | Additions | Deductions | **As at 31 March 2003** |
|---|---|---|---|---|
| Capital reserves | 55,17 | – | – | **55,17** |
| Share premium * | 2,43 | – | 1,28 | **1,15** |
| Revaluation reserve ** | 5,93 | – | 25 | **5,68** |
| Debenture redemption reserve *** | 14,25 | – | 14,25 | **–** |
| General reserve | 155,04 | 31,86 | – | **186,90** |
| Profit and loss account | 166,57 | 41,41 | – | **207,98** |
| **Total** | 399,39 | 73,27 | 15,78 | **456,88** |
| Previous year | 371,16 | 39,42 | 11,19 | 399,39 |

* Deduction represents premium of Rs.128.26 lacs paid on premature repayment of 12.75% debentures during the current year.

** Deduction represents withdrawal on account of :
(a) Fixed assets disposed / written off, Rs. 17.85 lacs (2001-02 : Rs. 621.48 lacs); and
(b) Depreciation on revalued assets, Rs. 7.59 lacs (2001-02 Rs. 16.46 lacs) (Refer note 5, Schedule 19).

*** Transferred to Profit and Loss Account as the reserve is no longer required following premature redemption of 12.75% debentures of ICI India Limited and maturity of 13% debentures of Indian Explosives Limited during the current year.

| SCHEDULE 2 : (b) MINORITY INTEREST | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| Opening balance | **97,66** | – |
| Add : | | |
| - Opening net worth attributable to minority | **–** | 92,65 |
| - Profit for the year attributable to minority | **7,87** | 10,26 |
| Less : | | |
| - Dividend paid during the year | **(4,93)** | (5,25) |
| Closing balance | **100,60** | 97,66 |

| SCHEDULE 3 : SECURED LOANS * | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| (a) Redeemable non convertible debentures {refer note (a) and (b) below} | **–** | 28,33 |
| (b) Loans from banks | | |
| Cash credit accounts {refer note (c) below} | **34** | 12,61 |
| Commercial Paper {refer note (d) below} | **–** | 2,00 |
| Working capital demand loan {refer note (e) below} | **16,00** | – |
| Interest accrued and due on secured loans | **6** | 32 |
| | **16,40** | 43,26 |

Notes :

(a) 35 no. 12.75% debentures of Rs. 100 lacs each allotted on 16 March 1998, were redeemable at the end of 4th, 5th and 6th year in equal instalments. The first instalment of Rs. 1166.67 lacs had been paid on 15 March 2002. The debentures were prematurely redeemed during the current year. The debentures were secured by a first charge on plant and machinery of Paints at Hyderabad, Rubber Chemicals at Rishra and land and building of Uniqema at Thane. The Company has written to the Debenture Trustees for vacation of the charge.

(b) 10 no. 13% debentures of Rs 50 lacs each allotted on 26 October 1999, have been redeemed in October 2002, after thirty-six months from the allotment date as per the offer letter. The debentures were secured by a first charge on plant and machinery of Indian Explosives Limited, which has been discharged in the course of the year.

(c) Cash credit from banks are secured by hypothecation of raw materials, finished goods, work-in-process, stores and book debts of Indian Explosives Limited.

(d) Commercial paper issued by Indian Explosives Limited has been repaid in October 2002. The Commercial paper had been issued earmarking cash credit limits.

(e) Working capital demand loan of Indian Explosives Limited has been issued earmarking cash credit limits.

| SCHEDULE 4 : UNSECURED LOANS* | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| (a) Fixed deposits | – | 14 |
| (b) Other loan | – | 7 |
| | – | 21 |

* Refer note 3, Schedule 19.

**SCHEDULE 5 : FIXED ASSETS** **(Rs. lacs)**

| Particulars | Gross Block | | | | Accumulated Depreciation/Amortisation | | | | Net Block | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value at cost or revalued amounts as at 1 April 2002 | Additions at cost | Disposals / adjustments at book book value | **Book value at cost or revalued amounts as at 31 March 2003** | As at 1 April 2002 | Depreciation/ Amortisation for the year | In respect of disposals/ adjustments | **As at 31 March 2003** | **As at 31 March 2003** | As at 31 March 2002 |
| Goodwill * | 114,65 | – | – | **114,65** | 4,48 | 5,73 | – | **10,21** | **104,44** | 110,17 |
| Land leasehold | 1,52 | – | – | **1,52** | 28 | 2 | 21 | **51** | **1,01** | 1,24 |
| Land freehold | 6,48 | – | – | **6,48** | – | – | – | **–** | **6,48** | 6,48 |
| Buildings | 88,02 | 2,17 | (1,00) | **89,19** | 14,27 | 2,11 | 2,56 | **18,94** | **70,25** | 73,75 |
| Plant and machinery | 301,36 | 14,25 | (9,05) | **306,56** | 129,57 | 21,18 | 5,93 | **156,68** | **149,88** | 171,79 |
| Railway sidings and jetties | 3 | – | – | **3** | 3 | – | – | **3** | **–** | – |
| Rolling stock, motor vehicles etc. | 1,67 | 10 | (9) | **1,68** | 64 | 15 | 8 | **87** | **81** | 1,03 |
| Furniture, fittings and equipment | 26,43 | 5,54 | (10) | **31,87** | 13,72 | 2,92 | 1 | **16,65** | **15,22** | 12,71 |
| Patents, Trademarks, Knowhow etc. | 88,63 | – | (10,25) | **78,38** | 4,55 | 4,35 | (50) | **8,40** | **69,98** | 84,08 |
| Assets under operating leases | 13,78 | 6,39 | (8) | **20,09** | 1,97 | 3,00 | (2) | **4,95** | **15,14** | 11,81 |
| **Total** | **642,57** | **28,45** | **(20,57)** | **650,45** | **169,51** | **39,46** | **8,27** | **217,24** | **433,21** | 473,06 |
| **Previous Year** | 453,38 | 238,26 | (49,07) | 642,57 | 167,63 | 36,97 | (35,09) | 169,51 | 473,06 | |
| **Capital work-in-progress including advances on capital account** | | | | | | | | | **13,44** | 7,91 |

**Notes :**

(1) Land and buildings at certain locations were revalued in 1983

(2) Gross book value of buildings includes Rs. 6.93 lacs being cost of 50 shares of Rs. 10 each fully paid up, in Del House Apartments Co-operative Society Limited.

(3) ICI India Limited has sold its Catalyst business to Johnson Matthey Chemicals India Private Limited (JMCIPL) on 2 December 2002. As per the terms of the toll conversion agreement :

(i) the fixed assets of the Panki site will be used by ICI India Limited to carry out toll manufacturing operations on behalf of JMCIPL; and

(ii) JMCIPL has an option to purchase these fixed assets having a net block of Rs. 1026.78 lacs (gross block Rs 2403.81 lacs) at an agreed value on a mutually agreed date; consequently the depreciation in respect of disposals/adjustments includes the write-down of the net book value of the above assets to an agreed value.

(4) Registration of title deeds for freehold land of Indian Explosives Limited at Gomia, State of Jharkhand, valued at Rs 26.29 lacs (previous year - Rs 26.29 lacs) together with the structures thereon is under progress.

(5) Patents and trademarks in respect of Indian Explosives Limited are in the process of being registered with appropriate authorities.

* Represents Goodwill arising out of consolidation (Rs 10038.52 lacs and assets acquisition (Rs 1426.88 lacs).

**SCHEDULE 6 : INVESTMENTS**
(At cost less write offs/provisions)

| | | Number | Face Value Rs. per unit | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|---|
| **(A)** | **LONG TERM INVESTMENTS** | | | | |
| **(i)** | **Trade** | | | | |
| | **Equity shares - unquoted** | | | | |
| | Belvedere Estates Ltd | 40,020 | 10 | **5** | 5 |
| | Adyar Property Holding Co Ltd * (Paid-up Rs. 65 per share) | 205 | 100 | **–** | – |
| | **Debentures - unquoted** | | | | |
| | 0.5% Belvedere Estates Ltd - redeemable | 1 | 624,420 | **6** | 6 |
| | 5% Woodlands Research Foundation - non-redeemable | | 86,000 | **–** | – |
| | 0.5% Woodlands Research Foundation - (Book Value Re 1 only) | 110 | 100 | **–** | – |
| | 6.5% Bengal Chamber of Commerce and Industry | 19 | 1,000 | **–** | – |
| **(ii)** | **Non - trade** | | | | |
| | **Equity shares - quoted** | | | | |
| | ICICI Limited | 115,836 | 10 | **21** | 21 |
| | **Equity shares - unquoted** | | | | |
| | Kohinoor Mills Ltd | 5 | 100 | **–** | – |
| | Maneck-Chowk & Ahmedabad Manufacturing Co Ltd (Book Value Re 1 only) | 144 | 250 | **–** | – |
| | **Debentures - unquoted** | | | | |
| | 6% Sholapur Spinning & Weaving Co Ltd. (in Liquidation) (Book Value Re 1 only) | 523 | 100 | **–** | – |
| | **National Saving Certificate** | | | **–** | – |
| | **Capital Gains Bond - unquoted** | | | | |
| | 7.00% National Highways Authority of India | 2,000 | 100,000 | **20,00** | – |
| | 6.10% Rural Electrification Corporation Limited | 10,000 | 10,000 | **10,00** | – |
| | 5.10% National Housing Bank | 10,000 | 10,000 | **10,00** | – |
| **(B)** | **CURRENT INVESTMENTS - Non Trade** | | | | |
| | **Units - unquoted** | | | | |
| | Unit Trust of India - Unit '64 Scheme {net of diminution in value of Rs. 33.77 lacs (2001-02 : Rs. 57.24 lacs)} | 619,505 | 10 | **62** | 39 |
| | **Investment in Fixed Maturity Debt Mutual Funds - unquoted** | | | | |
| | Birla Sun-Life Mutual Fund (March 2003) | 3,84,06,239 | 10 | **39,00** | – |
| | HDFC Mutual Fund (March 2003) | 3,50,00,000 | 10 | **35,00** | – |
| | Standard Chartered Mutual Fund (March 2003) | 4,00,00,000 | 10 | **40,00** | – |
| | Prudential ICICI Mutual Fund (March 2003) | 2,34,55,678 | 10 | **25,00** | – |
| | HDFC Mutual Fund (February 2002) | | | **–** | 35,00 |
| | Zurich India Mutual Fund (February 2002) | | | **–** | 40,00 |
| | Standard Chartered Mutual Fund (July 2002) | 1,00,00,000 | 10 | **10,00** | – |

| | Number | Face Value Rs. per unit | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|---|
| NAV per unit as on 31 March 2003 : | | | | |
| - Birla Sun-Life Mutual Fund | | Rs. 10.16 | | |
| - HDFC Mutual Fund | | Rs. 10.03 | | |
| - Standard Chartered Mutual Fund (March 2003) | | Rs. 10.00 | | |
| - Prudential ICICI Mutual Fund | | Rs. 10.67 | | |
| - Standard Chartered Mutual Fund (July 2002) | | Rs. 10.54 | | |
| **Government of India Securities - quoted** | | | | |
| 12.50% Government of India, March 2004 ** | 49 | 100,000 | **52** | – |
| **Tax Free Bonds - quoted** | | | | |
| 10.50% Konkan Railway Corporation Limited ** | 100,000 | 1,000 | **10,18** | – |
| | | | **200,64** | 75,71 |

* Indicates shares are partly paid up.
** Net of amortisation of premium

| | **As at 31 March 2003** | | As at 31 March 2002 | |
|---|---|---|---|---|
| | **Book Value (Rs. lacs)** | **Market Value (Rs. lacs)** | Book Value (Rs. lacs) | Market Value (Rs. lacs) |
| Quoted investments | **10,91** | **12,74** | 21 | 71 |
| Unquoted investments | **189,73** | | 75,50 | |
| | **200,64** | | 75,71 | |

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 7 : INVENTORIES *** | | |
| Stores and spare parts | **8,81** | 7,40 |
| Packing materials | **3,42** | 2,79 |
| Raw materials | **45,24** | 48,91 |
| Finished Products | **80,08** | 79,41 |
| Work-in-process | **6,73** | 7,55 |
| | **144,28** | 146,06 |

* Refer note 6, Schedule 19.

| | | |
|---|---|---|
| **SCHEDULE 8 : SUNDRY DEBTORS** | | |
| Secured - considered good | | |
| - Debts outstanding over six months | **59** | 62 |
| - Other debts | **2,48** | 2,65 |
| | **3,07** | 3,27 |
| Unsecured | | |
| - Debts outstanding over six months | | |
| Considered good | **4,58** | 4,92 |
| Considered doubtful | **15,31** | 15,84 |
| | **19,89** | 20,76 |
| Less : Provision for doubtful debts | **15,31** | 15,84 |
| | **4,58** | 4,92 |
| Other debts - considered good # | **124,24** | 134,18 |
| Dues relating to sale of business / property | **3,66** | 4,29 |
| | **135,55** | 146,66 |

# Includes amount of Rs 68.40 lacs (2001-02 : Rs 308.58 lacs) due from bodies corporate under the same management as defined in Section 370(1B) of the Companies Act, 1956. For details refer note 22 (4), Schedule 19.

| | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 9 : CASH AND BANK BALANCES** | | |
| Cash and cheques in hand and in transit | **99** | 4,18 |
| With scheduled banks : | | |
| Current accounts | **36,82** | 16,00 |
| Dividend accounts | **1,53** | 1,20 |
| Fixed deposits | **1,90** | 8,21 |
| | **41,24** | 29,59 |

**SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)**

| | | |
|---|---|---|
| Advances recoverable in cash or in kind or for value to be received : | | |
| Considered good ** | **35,09** | 32,99 |
| Considered doubtful | **4,17** | 1,73 |
| | **39,26** | 34,72 |
| Less : Provision for doubtful advances | **4,17** | 1,73 |
| | **35,09** | 32,99 |
| Balances with Customs, Port Commissioners, Railways, Excise Authorities etc. | **6,27** | 6,74 |
| Others Deposits | **9,54** | 8,61 |
| Interest accrued on investments | **84** | 6 |
| | **51,74** | 48,40 |
| ** Includes | | |
| (a) Held on fixed deposit / margin money with a scheduled bank | **32** | 13 |
| (b) Due from Directors | **2,53** | 2,11 |
| Maximum amount due at any time during the year | **2,58** | 4,13 |
| (c) Due from Officer | **20** | 21 |
| Maximum amount due at any time during the year | **21** | 25 |

(d) an amount of Rs.17.76 lacs paid to a Wholetime Director of Quest International India Limited, as remuneration in excess of the limits specified under Section 198 read with Schedule XIII of the Companies Act, 1956. Quest International India Limited has applied to the Central Government for payment of remuneration in excess of the said limits. Pending the approval from the Central Government, the excess has been held in trust for Quest International India Limited by the Wholetime Director.

**SCHEDULE 11 : CURRENT LIABILITIES ***

| | | |
|---|---|---|
| Acceptances | **25,48** | 15,28 |
| Sundry creditors - SSI units | **4,61** | 5,60 |
| Sundry creditors - others | **171,14** | 147,26 |
| Advance on sale of property | **1,10** | 5,35 |
| Unpaid and unclaimed dividends | **1,53** | 1,20 |
| Interest accrued but not due on loans | **–** | 1,23 |
| Other liabilities | **11,12** | 23,39 |
| | **214,98** | 199,31 |

* Refer note 4, Schedule 19.

**SCHEDULE 12 : PROVISIONS**

| | | |
|---|---|---|
| Proposed dividend on equity shares | **40,87** | 41,38 |
| Tax on proposed dividend | **5,24** | 37 |
| Provision for Taxation (net of advance tax) | **24,12** | 11,55 |
| Provision for VRS liability | **41,53** | 47,75 |
| Provision for retirement benefits | **16,25** | 7,99 |
| Other provisions | **36,12** | 13,79 |
| | **164,13** | 122,83 |

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 13 : INCOME** | | |
| **a) Gross sales and services** | | |
| Sales | **1009,86** | 1033,93 |
| Services | **1,04** | 4,36 |
| | **1010,90** | 1038,29 |
| **b) Other income *** | | |
| **From businesses** | | |
| Insurance claims received | **14** | 25 |
| Commission | **4,62** | 4,21 |
| Lease rentals | **2,45** | 1,45 |
| Provisions / liabilities no longer required written back | **3,19** | 1,52 |
| Miscellaneous receipts | **6,45** | 7,77 |
| | **16,85** | 15,20 |
| **Other operating items** | | |
| Income from non-trade investments | **83** | 84 |
| Profit on sale/maturity of investments (mutual funds) | **7,08** | – |
| Provision for diminution in value of investments written back | **24** | – |
| Miscellaneous receipts | **1** | 3,70 |
| | **8,15** | 4,54 |
| | **25,00** | 19,74 |

* Refer note 8, Schedule 19.

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 14 : MATERIALS CONSUMED** | | |
| **Opening stock** | | |
| Raw materials | **48,91** | 39,23 |
| Packing materials | **2,79** | 2,93 |
| Finished products | **79,41** | 72,06 |
| Work-in-process | **7,55** | 7,02 |
| | **138,66** | 121,24 |
| **Add : Purchases** | | |
| Raw materials | **405,60** | 435,69 |
| Packing materials | **43,39** | 37,49 |
| Finished products | **55,93** | 67,51 |
| | **504,92** | 540,69 |
| **Add / (Less) : Inventory adjustments in respect of acquired / divested businesses (net)** | | |
| Raw materials | **(3,37)** | (6,40) |
| Packing materials | **(1)** | 1 |
| Finished products | **(5,32)** | (3,18) |
| | **(8,70)** | (9,57) |
| **Less : Closing stock** | | |
| Raw materials | **45,24** | 48,91 |
| Packing materials | **3,42** | 2,79 |
| Finished products | **80,08** | 79,41 |
| Work-in-process | **6,73** | 7,55 |
| | **135,47** | 138,66 |
| **Excise duty adjustment for movement in finished goods inventory (including duty on inventory of divested business)** | **2,25** | 2,02 |
| **Materials consumed** | **501,66** | 515,72 |

| | For the year ended 31 March 2003 (Rs. lacs) | For the year ended 31 March 2002 (Rs. lacs) |
|---|---|---|
| **SCHEDULE 15 : OTHER EXPENDITURE** | | |
| Stores and spare parts | **9,12** | 9,30 |
| Repairs to buildings | **1,46** | 1,35 |
| Repairs to plant and machinery | **7,46** | 8,62 |
| Other repairs | **4** | 7 |
| Power and fuel | **26,81** | 28,26 |
| Salaries, wages, and bonus | **59,77** | 65,56 |
| Contributions to provident and other funds | **8,72** | 9,03 |
| Workmen and staff welfare | **7,34** | 7,29 |
| Travelling | **10,10** | 11,37 |
| Rates and taxes | **7,03** | 7,79 |
| Rent | **8,20** | 7,89 |
| Communication | **5,87** | 6,75 |
| Insurance | **4,89** | 4,69 |
| Freight and transport charges | **33,97** | 33,05 |
| Selling commission | **4,03** | 6,16 |
| Commission to consignment agents | **5,26** | 4,79 |
| Publicity and sales promotion | **27,25** | 22,79 |
| Royalty and technical fees | **1,49** | 1,34 |
| Cash discount on sales | **17,34** | 15,32 |
| Formulation / processing charges | **65** | 2,75 |
| Lease and hire | **1,05** | 1,16 |
| Bad debts / advances | **3,44** | 4,29 |
| Provision for doubtful debts and advances (net) | **1,90** | (72) |
| Research and development | **2,56** | 2,94 |
| Directors' fees | **2** | 2 |
| Loss on sale of fixed assets | **20** | (4) |
| Sundries (include consultancy, godown maintenance, seminars, etc.) | **32,84** | 38,54 |
| | **288,81** | 300,36 |

| | | |
|---|---|---|
| **SCHEDULE 16 : INTEREST** | | |
| Interest on fixed loans | **1,62** | 5,07 |
| Interest on other loans | **5,53** | 4,27 |
| | **7,15** | 9,34 |
| Less : Interest income from banks and others * | **1,62** | 4,82 |
| Net interest | **5,53** | 4,52 |

* Refer note 8, Schedule 19.

| | | |
|---|---|---|
| **SCHEDULE 17 : EXCEPTIONAL ITEMS** | | |
| Profit on sale of property (Refer note 10, Schedule 19) | **6,70** | 30,23 |
| Profit on sale of Catalyst business (Refer note 11, Schedule 19) | **84,22** | – |
| Profit on sale of Polyurethanes business (Refer note 12, Schedule 19) | **2,08** | 2,75 |
| Profit on sale of Pharmaceuticals business | **–** | 42,91 |
| Profit on sale of Motor and Industrial Paints business | **–** | 43 |
| Charge for voluntary retirement scheme | **(4,58)** | (7,72) |
| Cost of business reorganisation (Refer note 15, Schedule 19) | **(6,17)** | (5,24) |
| Charge for additional contribution to employee retiral funds (Refer note 14, Schedule 19) | **(10,12)** | (6,61) |
| Interest and management fees in connection with Quest business acquisition | **–** | (5,30) |
| | **72,13** | 51,45 |

## SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES

**1. Basis of Preparation of Financial Statements**

The financial statements are prepared on the accrual basis under the historical cost convention, in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

**2. Principles of Consolidation**

The consolidated financial statements relate to "ICI India Limited" (the Parent Company), and its subsidiaries, Quest International India Limited, Indian Explosives Limited, and Initiating Explosives Systems India Limited (a subsidiary of Indian Explosives Limited), incorporated in India. ICI India Limited holds 50% plus one equity shares of Quest International India Limited and 51% equity shares of Indian Explosives Limited. Indian Explosives Limited holds 70% equity shares of Initiating Explosives Systems India Limited. The consolidated financial statements have been prepared on the following basis:

(a) The financial statements of the parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses. The amounts shown in respect of reserves comprises the amount of the relevant reserve as per the balance sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of subsidiaries.

(b) Consolidated financial statements are prepared by using uniform accounting policies for like transactions and other events in similar circumstances.

(c) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

(d) The excess/ shortfall of cost to the parent Company of its investment in subsidiaries over its portion of equity in the subsidiaries is recognised in the financial statements as Goodwill / Capital Reserve respectively. The parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries.

(e) Goodwill arising on consolidation is amortised over the expected useful life of 20 years.

**3. Other Significant Accounting Policies**

These are set out in the notes to accounts under "Statement of Accounting Policies" of the financial statements of ICI India Limited, Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited.

## SCHEDULES (19) : NOTES TO THE ACCOUNTS

| | | **As at 31 March 2003 (Rs. lacs)** | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|
| 1 | Capital expenditure : | | |
| | (a) Estimated amount of contracts remaining to be executed on capital account (net of advances) | **85** | 6,74 |
| | (b) Demand for enhanced compensation in respect of leasehold land at Mohali, of ICI India Limited under dispute. | **5,88** | 4,66 |
| 2 | Contingent liabilities not provided for: | | |
| | (a) Uncalled liability on shares partly paid up | **–** | – |
| | (b) Sales tax matters under Appeal | **13,34** | 14,03 |
| | (c) Excise matters in dispute/under Appeal | **5,18** | 13,80 |
| | (d) Customs matters in dispute/under Appeal | **5,01** | 3,46 |
| | (e) Industrial relations matters under Appeal | **19** | 16 |
| | (f) Income tax matters in dispute/under Appeal See note below * | | |
| | * The Income tax assessments for ICI India Limited has been completed upto the financial year ended 31 March 2000. Arising from the completed assessments and also appellate orders, there is net demand of Rs. 983 lacs (2001-02 : net refund of Rs. 147 lacs ) comprising total refund of Rs. 1721 lacs (2001-02 : Rs. 1617 lacs), excluding interest, and demand/liability of Rs. 2704 lacs (2001-02 : Rs.1470 lacs), excluding interest. ICI India Limited as well as the Income tax department have gone on further appeal. Pending progress in the appeals, neither the refund nor the liability for the demand has been recognised in the accounts. | | |
| | (g) Bills discounted | **1,33** | 1,30 |

| | | As at 31 March 2003 (Rs. lacs) | As at 31 March 2002 (Rs. lacs) |
|---|---|---|---|
| 3 | Loans due within a year | | |
| | Secured loans : | | |
| | 12.75% Debentures (ICI India Limited) | **–** | 11,67 |
| | 13.00% Non-convertible Debentures (Indian Explosives Limited) | – | 5,00 |
| | Cash credit accounts (Indian Explosives Limited and Initiating Explosives Systems India Limited) | **34** | 12,61 |
| | Commercial Paper (Indian Explosives Limited) | **–** | 2,00 |
| | Working Capital Demand Loans (Indian Explosives Limited) | **16,00** | – |
| | Interest accrued and due on secured loans (Indian Explosives Limited) | **6** | 32 |
| | Unsecured loans : | | |
| | Fixed deposit (ICI India Limited) | **–** | 14 |
| | HDFC (ICI India Limited) | **–** | 7 |

4. Sundry creditors - others (Schedule 11) include unclaimed matured fixed deposits of ICI India Limited from public amounting to Rs. 15.44 lacs (2001-02 : Rs. 28.67 lacs).

5. Gross depreciation / amortisation for the year amounts to Rs. 3945.76 lacs (2001-02 : Rs. 3697.08 lacs), includes a sum of Rs. 7.59 lacs (Rs. 2001-02 : Rs. 16.46 lacs) being the depreciation on revalued assets transferred to revaluation reserve.

6. The Group (ICI India Limited and its subsidiaries) has not made a provision for customs duty on stocks of ICI India Limited lying at the year end in bonded warehouse, estimated at Rs. 137.50 lacs (2001-02 : Rs. 138.09 lacs) and accordingly, not included the said amount in valuation of inventories. This has no effect on the profit for the year.

7. Profit / (Loss) on account of foreign exchange transactions for the year is Rs. 5.07 lacs (net) [(2001-02 :Rs. 13.44 lacs (net)].

8. Income from investments, rents, commission and interest are stated at gross amounts. The amount of Income Tax deducted thereon is Rs. 69.99 lacs (2001-02 : Rs. 190.24 lacs).

9. Sales excludes sales of equipment of ICI India Limited amounting to Rs. 331 lacs (2001-02 : Rs 275 lacs) at cost.

10. Income from sale of properties of ICI India Limited of Rs. 670.42 lacs (2001-02 : Rs. 3022.53 lacs) represents net profit on sale of land at Chennai after adjusting for related provisions of Rs. 16.18 lacs (2001-02 : 388.76 lacs).

11. The Catalyst business of ICI India Limited was transferred to Johnson Matthey Chemicals India Private Limited. (JMCIPL) on 2 December 2002, for a gross consideration of Rs. 14191.22 lacs and an additional consideration of Rs. 1329.36 lacs on account of adjustment for net assets of the business between the period 31 December 2001, and 31 October 2002. As per the business transfer agreement executed between ICI India Limited and JMCIPL, the commercial risks were assumed by JMCIPL on 1 November 2002. Accordingly, the earnings for the business for the period 1 November 2002, to 1 December 2002, have not been included in the accounts of the current year, the details of which are as follows :

| **Income** | **(Rs. lacs)** |
|---|---|
| Sales ( net of excise) | 3,87 |
| Other Income | 2 |
| Total Income | 3,89 |
| Material consumed | (1,50) |
| Expenditure | (1,01) |
| | (2,51) |
| Earnings before interest, depreciation and tax | 1,38 |

Of the above amount, a sum of Rs. 81.26 lacs was paid back to JMCIPL on account of trading profit after giving effect for capital expenditure, movement in working capital and tax adjustments.

The profit on sale of Catalyst business has been computed after adjusting the value of net assets (including provision for retained assets) as on the date of transfer amounting to Rs. 3698.81 lacs, adjustment of Panki assets amounting to Rs. 1025.78 lacs and related transactions cost / provisions of Rs. 2374.17 lacs which include Rs. 1500 lacs in respect of a probable land cost liability to be incurred by the Company under the terms of the agreement executed with JMCIPL. Based on the decision taken by the Company so far, the above land cost liability has been provided in the books of account and adjusted against the sale consideration of Catalyst business.

During the period 2 December 2002 to 31 March 2003, JMCIPL reimbursed ICI India Limited an amount of Rs. 242.78 lacs on account of cost incurred for tolling operations which have not been reflected in the consolidated financial statements.

12. The Polyurethanes business of ICI India Limited was sold to Hunstman International (India) Private Limited on 31 March 2001. As per the business transfer agreement, a sum of Rs. 1000 lacs was receivable from the buyer over a three year period, the eligibility for and quantum of which will depend on the performance of the business during these three years against agreed parameters. Pursuant to this clause, ICI India Limited has accrued as income (net of provisions amounting to Rs. 25 lacs) a sum of Rs. 207.84 lacs, including interest of Rs. 52 lacs [2001-02 : Rs. 274.80 lacs (including interest of Rs. 35 lacs)] during the current year. The amount has since been received by ICI India Limited.

13. The Explosives business of ICI India Limited together with its 70% shareholding in Initiating Explosives Systems India Ltd. was transferred on 29 September 1999 to Indian Explosives Limited (IEL), a joint venture with Orica Investments Pty Limited (Orica), Australia. ICI India Limited holds 51% of the share capital in IEL. In accordance with the Shareholders' Agreement, ICI India Limited has the right to exercise a put option at any time between 30 September 2001 and 30 September 2004 in respect of its 51% shareholding in IEL.

During the current year, Orica has filed a suit in the Bombay High Court (Court) for the modification of certain clauses of the Shareholders' Agreement, including those dealing with the valuation of shares of IEL, and also raised certain claims on ICI India Limited. In the meantime, ICI India Limited has also exercised its put option by calling upon Orica to buy the 51% shareholding of ICI India Limited in IEL. In a separate suit, Orica has also contended that ICI India Limited is not authorised to exercise the put option as the terms of the agreement have not been met. ICI India Limited has taken appropriate legal advice and is contesting both suits in the Court. Pending the final outcome of the above legal suits, the impact of put option and certain claims raised by Orica have not been recognised in the consolidated financial statements.

The profit after taxation of IEL and IES for the year ended 31 March 2003, considered for the preparation of consolidated financial statements amounts to Rs. 1160.62 lacs and Rs. 594.02 lacs respectively. The assets and liabilities of IEL and IES as at 31 March 2003, considered in the consolidated financial statement amounts to Rs. 11184.97 lacs and Rs.1934.28 lacs respectively.

On the implementation of the put option, the result of IEL & IES as well as the assets and liabilities of IEL and IES would not be included in the consolidated financial statements.

14. During the current year, a deficit in the employees pension fund amounting to Rs. 966 lacs (2001-02 Rs. 661 lacs) has been determined on the basis of actuarial valuation. The above deficit arising primarily because of lower interest rate in the actuarial valuation assumptions, has been provided for as an exceptional item in the consolidated profit and loss account. Further, ICI India Limited has provided Rs. 46 lacs (2001-02 : nil) as additional contribution for meeting liabilities of various retiral funds and the same is shown as an exceptional item in the consolidated Profit and Loss Account.

15. The cost of business reorganisation includes :

(i) An amount of Rs. 552 lacs (2001-02 : Rs. 421 lacs) accrued in the books of accounts of ICI India Limited in respect of voluntary compensation. (including amounts provided for various retirement benefit funds), for certain employees who have accepted premature retirement

(ii) An amount of Rs. 48 lacs (2001-02 : nil) accrued in the books of accounts of ICI India Limited in respect of write down of assets at Mumbai and other related expenses.

(iii) Restructuring of Rubber Chemicals business activities at the Rishra factory of ICI India Limited. The reorganisation expenses of Rs. 17.07 lacs (2001-02 : Rs.103 lacs ) comprise mainly salary and overhead costs of personnel engaged in the restructuring exercise.

16. **Directors' remuneration ***

| | **(Rs. lacs)** |
|---|---|
| Salaries and allowances | 3,97 |
| Commission | 20 |
| Estimated cost of benefits | 68 |
| | 4,85 ** |

For the computation of directors' remuneration as per Section 349 of the Companies Act, 1956, please refer notes to accounts of the financial statements of ICI India Limited, Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited.

* Does not include provisions for / contribution to employee retirement / post retirement and other employee benefits which are based on actuarial valuations carried out on an overall basis rather than separately for directors.

** Excludes a sum of Rs. 341.75 lacs accrued in the books of account and paid subsequent to the year end to Mr Aditya Narayan, erstwhile Managing Director, for his early retirement from services of the Company with effect from 2 April 2003.

17. **Payments to Auditors * :**

| | **2002-03 (Rs. lacs)** | **2001-02 (Rs. lacs)** |
|---|---|---|
| (i) As Audit fee | **22** | 16 |
| (ii) Reimbursement of expenses/service tax | **6** | 6 |
| (iii) Tax Audit fee | **5** | 5 |
| (iv) Certification work / Other matters | **10** | 8 |
| Total | **43** | 35 |

* Includes payments made to statutory auditors of subsidiaries.

18. **Earnings per share**

| | **2002-03** | 2001-02 |
|---|---|---|
| **(a) Calculation of weighted average number of equity shares of Rs. 10 each** | | |
| Number of shares at the beginning of the year | **4,08,70,612** | 4,08,70,612 |
| Shares issued during the year | **–** | – |
| Total number of equity shares outstanding at the end of the year | **4,08,70,612** | 4,08,70,612 |
| **(b) Net profit after tax and transfer to minority interest available for equity shareholders (Rs. lacs)** | **1,05,14** | 81,56 |
| **(c) Basic and Diluted Earnings per share (Rs.)** | **25.72** | 19.96 |

19. **Details of provision for deferred taxation** **(Rs. lacs )**
**Timing differences on account of :**

| | **Deferred Tax Assets** | | **Deferred Tax Liability** | |
|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Difference between book depreciation and depreciation under Income Tax Act, 1961 | | | **57,63** | 55,77 |
| Expenditure deferred under Section 43B of Income Tax Act, 1961 | **2,48** | 2,17 | | |
| Provision for doubtful debts and advances | **6,94** | 6,41 | | |
| Carried forward unabsorbed depreciation as at 31 March 2003 | **2,09** | 6,15 | | |
| Voluntary retirement scheme liability | **4,13** | 5,25 | | |
| Liability for leave encashment and pension provision | **4,65** | 2,36 | | |
| Other items | **5,00** | 1,08 | **16** | 68 |
| Total | **25,29** | 23,42 | **57,79** | 56,45 |
| **Net Deferred Tax Liability** | | | **32,50** | 33,03 |

20. **Operating lease**

(a) ICI India Limited has given colour solution machines under operating leases. The future minimum lease rentals receivable as on 31 March 2003, in respect of these assets are as under:

| **Amount receivable** | **Total minimum lease rentals receivable as on 31 March 2003** | Total minimum lease rentals receivable as on 31 March 2002 |
|---|---|---|
| | **(Rs. lacs)** | (Rs. lacs) |
| Within one year | **3,36** | 2,07 |
| Later than one year and not later than five years | **3,12** | 2,01 |
| Later than five year | **2** | 1 |
| Total | **6,50** | 4,09 |

(b) **Obligation on long term non-cancellable operating leases**

The lease rental charge during the year and maximum obligations on long term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

| | **2002-03 (Rs. lacs)** | 2001-02 (Rs. lacs) |
|---|---|---|
| **- Lease rentals charged during the year** | **88** | 49 |
| **- Lease obligations** | **Total minimum lease rentals payable as on 31 March 2003** | Total minimum lease rentals payable as on 31 March 2002 |
| | **(Rs. lacs)** | (Rs. lacs) |
| Within one year | **88** | 88 |
| Later than one year and not later than five years | **39** | 1,27 |
| Later than five years | **–** | – |
| Total | **1,27** | 2,15 |

21. **Segment Information**

**A. Information about primary business segments :**

(1) The Group's primary business segments comprises Paints, Industrial Specialties, Industrial Chemicals, Pharmaceuticals (up to December 2001), Explosives and Flavours & Fragrances.

The businesses included in these primary business segments are given below :

| | |
|---|---|
| - Paints | : Decorative and Refinish Paints. |
| - Industrial Specialties | : Uniqema, Food Starch, Polymers and Adhesives. |
| - Industrial Chemicals | : Rubber Chemicals, Nitrocellulose, Trading in monomers and tioxide; and (up to 31 October 2002) Catalysts |
| - Pharmaceuticals | : (up to 31 December 2001) Cardiovascular and Critical care range of products |
| - Explosives | : Explosives Business of Indian Explosives Limited and Initiating Explosives Systems India Limited. |
| - Flavours & Fragrances | : Flavours and Fragrances Business of Quest International India Limited. |

(2) **Segment revenues, results and other information (Rs. lacs)**

| | Paint | | Industrial Specialities | | Industrial Chemicals | | Pharmaceuticals | | Flavours & Fragrances | | Explosives | | Total Reportable of Segments | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| External sales | **369,66** | 320,51 | **140,37** | 126,02 | **190,80** | 210,77 | **–** | 54,64 | **69,03** | 88,25 | **241,05** | 238,10 | **1010,91** | 1038,29 |
| Inter segment sales | **13** | 8 | **1,60** | 1,91 | **4,20** | 4,02 | **–** | – | **–** | – | **–** | – | **5,93** | 6,01 |
| Other business related income | **3,42** | 1,57 | **4,29** | 3,66 | **6,48** | 4,70 | **–** | – | **14** | 5 | **2,52** | 5,22 | **16,85** | 15,20 |
| Segment revenues | **373,21** | 322,16 | **146,26** | 131,59 | **201,48** | 219,49 | **–** | 54,64 | **69,17** | 88,30 | **243,57** | 243,32 | **1033,69** | 1059,50 |
| Segment results | **9,56** | (9,37) | **20,80** | 18,20 | **25,87** | 29,88 | **–** | 9,40 | **4,89** | 14,31 | **29,22** | 29,75 | **90,34** | 92,17 |
| Segment assets | **235,80** | 209,51 | **77,33** | 74,49 | **97,83** | 157,09 | **–** | – | **110,49** | 117,65 | **150,99** | 152,16 | **672,44** | 710,90 |
| Segment liabilities | **98,15** | 73,59 | **31,18** | 24,55 | **32,73** | 43,52 | **–** | – | **20,37** | 16,13 | **59,32** | 53,08 | **241,75** | 210,87 |
| | **137,65** | 135,92 | **46,15** | 49,94 | **65,10** | 113,57 | **–** | – | **90,12** | 101,52 | **91,67** | 99,08 | **430,69** | 500,03 |
| Capital expenditure | **11,54** | 11,66 | **3,74** | 6,11 | **6,22** | 24,48 | **–** | 71 | **3,81** | 87,27 | **3,08** | 6,93 | **28,39** | 137,16 |
| Depreciation / Amortisation | **12,77** | 11,02 | **2,84** | 2,48 | **6,83** | 7,72 | **–** | 51 | **4,92** | 4,43 | **6,07** | 5,65 | **33,43** | 31,81 |

(Net of adjustment from revaluation reserve)

(3) **Reconciliation of reportable segments with the financial statements (Rs. lacs)**

| | **Revenues** | | **Results/Net Profit** | | **Assets** | | **Liabilities** | |
|---|---|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Total of reportable segments | **1033,69** | 1059,50 | **90,34** | 92,17 | **672,44** | 710,90 | **241,75** | 210,87 |
| Corporate-Unallocable / Others (net) | **8,14** | 4,54 | **(5,48)** | (10,08) | **157,07** | 123,63 | **174,56** | 147,25 |
| Inter segment adjustments | **(5,93)** | (6,01) | – | – | **(4,70)** | (2,95) | **(4,70)** | (2,95) |
| Interest expense (net) | | | **(5,53)** | (4,52) | | | | |
| Exceptional items | | | **72,13** | 51,45 | | | | |
| Taxes | | | **(38,45)** | (37,20) | | | | |
| **As per financial statements** | **1035,90** | 1058,03 | **113,01** | 91,82 | **824,81** | 831,58 | **411,61** | 355,17 |

**B. Information about secondary segment ( by geographical segment) (Rs. lacs)**

| | **India** | | **Outside India** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2002-03** | 2001-02 | **2002-03** | 2001-02 | **2002-03** | 2001-02 |
| Revenue * | **957,52** | 956,08 | **70,24** | 97,41 | **1027,76** | 1053,49 |
| Carrying amount of segment assets * | **659,81** | 693,22 | **7,93** | 14,73 | **667,74** | 707,95 |
| Additions to fixed assets | **28,45** | 137,88 | **–** | – | **28,45** | 137,88 |

* Excludes inter segment and corporate/unallocable revenue/assets

**Notes:-**

i) The business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of products, risks and return, organisation structure and internal reporting system.

ii) Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for ICI India Limited.

iii) Segment revenue, results and assets and liabilities figures include the respective amounts identifiable to each of the segments. Other un-allocable items in segment results include income from investment of surplus funds of the Group and corporate level expenses.
Unallocable / others in assets includes unallocable fixed assets/ current assets (excluding cash and bank balances)/ miscellaneous expenditure not written off and investments (excluding current investments). Unallocable / others liabilities includes unallocable current liabilities and net deferred tax liability.

iv) Segment revenue, segment results include transfer between various business segments. Such transfers are accounted at arm's length prices.
These transfers have been eliminated in consolidation.

22. **Related Party Disclosures**

1. List of related parties :

   a) Holding Company : Imperial Chemical Industries PLC, UK

   b) Other related parties in the ICI Group where common control exists and with whom transactions during the year have taken place :

| | | |
|---|---|---|
| Elotex AG | National Starch, Italy | Quest International Do Brasil E Comercio LTDA |
| Ensign Bickford Company, Mauritius | National Starch & Trading Co | Quest International Egypt SAE |
| Ensign Bickford Company, USA | National Starch, Thailand | Quest International Nederland BV |
| Glidden | National Starch, France | Quest International UK Limited |
| Hindustan Lever Limited | National Starch, Korea | Quest International, Singapore |
| ICI Autocolor | National Starch, Malaysia | Synetix, U.K. (till 31 October 2002) |
| ICI Espana, S A | National Starch, Singapore | Synetix, USA (till 31 October 2002) |
| ICI Paints, Thailand | National Starch, Taiwan | Uniqema, UK |
| ICI Paints, UK | National Starch, U.K. | Uniqema, Germany |
| ICI Woobang Co. Ltd., Korea | National Starch, USA | Uniqema, Indonesia |
| National Starch, Indonesia | Orica Investments Pty Limited | Uniqema, Malaysia |
| National Starch, G'dong | Quest International Australia Pvt Ltd | Uniqema, Malaysia |
| | Quest International Canada Inc. | Uniqema, USA |

   c) Directors of ICI India Limited and its subsidiaries (as at 31 March 2003) :

| | | |
|---|---|---|
| Mr S Dayal | Mr C R Dua | Dr A S Ganguly |
| Mr R Gopalakrishnan | Mr R Guha | Mr S Hamlett |
| Mr Jean Pierre Houri | Mr R L Jain | Mr B Karcz |
| Mr S Krishna | Mr G Liebelt | Mr Anoop K Mathur |
| Mr K Mohan | Mr A Narayan | Mr D S Parekh |
| Mr M R Rajaram | Mr Jayant M Sohonie | Mr M V Subbiah |
| Mr L Subhash Babu | Mr D Sundaram | |

2. The following transactions were carried out with related parties referred to in items 1 (a) and (b) above in the ordinary course of business:

(Rs. lacs)

| | Holding Company | Other Related Companies in the Group |
|---|---|---|
| | **2002-03** | **2002-03** |
| | 2001-02 | 2001-02 |
| Purchase of material /finished good/services | **–** | **2089** |
| | – | 28,33 |
| Sale of finished goods | **–** | **29,11** |
| | – | 3523 |
| Purchase of fixed assets | **–** | **11** |
| | – | – |
| Expenses recharged to other companies | **–** | **320** |
| | – | 70 |
| Expenses recovered by other companies | **–** | **270** |
| | – | 4 |
| Royalty Paid / Booked | **–** | **1,42** |
| | – | 94 |
| Outstanding payable (net of receivable) | **–** | **115** |
| | – | 1,72 |
| Dividend Paid | **17,50** | **5,44** |
| | 11,43 | 6,39 |
| Due to related parties | **–** | **4,13** |
| | – | 6,54 |
| Due from related parties | **–** | **68** |
| | – | 3,09 |
| Others | **–** | **13** |
| | – | – |

3. The following transactions were carried out with related parties referred to in items 1 (c), above in the ordinary course of business:

| | |
|---|---|
| Remuneration | : Refer note 16, Schedule 19 |
| Outstanding loans receivable | : Refer Schedule 10 |

4. Details of amount due as at 31 March 2003, from bodies corporate under the same management as defined in Section 370 (1B) of the Companies Act, 1956, as referred to in Schedule 8, are given below :

**(Rs. lacs)**

| | **As at 31 March 2003** | As at 31 March 2002 |
|---|---|---|
| National Starch, Indonesia | **–** | – |
| National Starch, G'dong | **4** | – |
| National Starch, Malaysia | **–** | – |
| National Starch, Singapore | **2** | – |
| National Starch, USA | **3** | – |
| Quest International, Singapore | **6** | – |
| Synetix, UK | – | 2,30 |
| Synetix, USA | **–** | 79 |
| Uniqema Asia Pacific | **25** | – |
| Uniqema Chemie B. V. | **2** | – |
| Uniqema, UK | **25** | – |
| Uniqema, Malaysia | **1** | – |
| **Total** | **68** | **3,09** |

23. The figures relating to previous year have been regrouped wherever necessary.

| | | | |
|---|---|---|---|
| A NARAYAN | R L JAIN | M R RAJARAM | R GUHA |
| Chairman | Managing Director | Wholetime Director | Secretary |

New Delhi
30 May 2003

## ICI INDIA LIMITED – TEN YEARS AT A GLANCE

Rs. lacs

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 |
|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS EMPLOYED** | | | | | | | | | | |
| Gross Fixed Assets | 265,40 | 273,88 | 298,61 | 351,05 | 366,22 | 418,54 | 367,28 | 367,47 | 362,11 | 363,40 |
| Accumulated Depreciation | (144,40) | (158,20) | (167,59) | (176,73) | (125,88) | (143,86) | (131,10) | (156,21) | (144,32) | (176,07) |
| **Net Fixed Assets** | **121,00** | **115,68** | **131,02** | **174,32** | **240,34** | **274,68** | **236,18** | **211,26** | **217,79** | **187,33** |
| Capital Work in Progress | 7,75 | 16,04 | 23,42 | 14,71 | 15,12 | 11,27 | 5,24 | 2,52 | 5,20 | 11,72 |
| **Trade Investments** | **4,98** | **9,96** | **20,33** | **28,03** | **28,03** | **13,80** | **13,03** | **12,97** | **159,95** | **199,96** |
| Current Assets (excl Cash & Bank and inter-corp deposits) | 291,78 | 291,51 | 287,05 | 333,78 | 360,10 | 375,00 | 294,82 | 261,53 | 234,22 | 227,52 |
| Current Liabilities | (198,94) | (215,46) | (233,18) | (229,84) | (256,46) | (248,28) | (202,20) | (195,74) | (214,73) | (275,59) |
| **Net Current Assets** | **92,84** | **76,05** | **53,87** | **103,94** | **103,64** | **126,72** | **92,62** | **65,79** | **19,49** | **(48,07)** |
| Provision for VRS liability (net) | | | | | | | (67,47) | (61,85) | (47,75) | (39,35) |
| Deferred Tax Liability | (9,00) | (3,00) | (4,00) | (4,50) | (4,00) | (12,00) | (4,36) | (6,80) | (24,71) | (17,29) |
| Misc. Expenditure not written off | | | | | | | 9,78 | 9,78 | 7,94 | 5,14 |
| **Net Assets Employed** | **217,57** | **214,73** | **224,64** | **316,50** | **383,13** | **414,47** | **285,02** | **233,67** | **337,91** | **299,44** |
| **FINANCED BY** | | | | | | | | | | |
| Share Capital | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 | 40,87 |
| Capital Reserves | 48,67 | 48,21 | 47,72 | 47,23 | 47,23 | 46,08 | 39,42 | 38,66 | 32,28 | 30,75 |
| Revenue Reserves | 93,94 | 112,79 | 131,41 | 153,24 | 180,83 | 217,70 | 256,90 | 301,24 | 336,27 | 397,85 |
| **Shareholders Funds** | **183,48** | **201,87** | **220,00** | **241,34** | **268,93** | **304,65** | **337,19** | **380,78** | **409,42** | **469,47** |
| Net Debt * | **34,09** | **12,86** | **4,64** | **75,16** | **114,20** | **109,82** | **(52,17)** | **(147,10)** | **(71,51)** | **(170,05)** |
| **Total Funds Employed** | **217,57** | **214,73** | **224,64** | **316,50** | **383,13** | **414,47** | **285,02** | **233,67** | **337,91** | **299,44** |
| **SALES AND PROFIT** | | | | | | | | | | |
| **Sales & services** | **729,43** | **578,94** | **597,30** | **665,67** | **713,61** | **833,33** | **873,12** | **818,42** | **712,19** | **700,83** |
| **Profit before Depreciation & Interest** | **72,71** | **76,39** | **73,42** | **92,25** | **108,35** | **101,12** | **86,50** | **67,07** | **74,23** | **87,04** |
| Depreciation | (23,99) | (18,55) | (19,41) | (21,28) | (18,29) | (24,16) | (23,29) | (23,11) | (22,96) | (23,37) |
| Interest | (29,75) | (7,61) | (6,57) | (13,51) | (20,12) | (27,56) | (16,09) | (3,45) | (1,70) | (3,34) |
| **Profit before Exceptional items/Taxation** | **18,97** | **50,23** | **47,44** | **57,46** | **69,94** | **49,40** | **47,12** | **40,51** | **49,57** | **60,33** |
| Exceptional items | 53,82 | 8,92 | 14,53 | 12,10 | 57 | 26,48 | 17,03 | 46,41 | 57,64 | 72,85 |
| Taxation | (37,50) | (26,00) | (27,00) | (27,50) | (20,00) | (14,50) | – | (17,80) | (26,70) | (25,49) |
| **Profit After Taxation** | **35,29** | **33,15** | **34,97** | **42,06** | **50,51** | **61,38** | **64,15** | **69,12** | **80,51** | **107,69** |
| **Earnings per share (Rupees)** | **8.63** | **8.11** | **8.56** | **10.29** | **12.36** | **15.02** | **15.70** | **16.91** | **19.70** | **26.35** |
| **Equity Dividend** - Amount | 12,26 | 14,30 | 16,35 | 18,39 | 20,44 | 22,48 | 22,48 | 22,48 | 40,87 | 40,87 |
| **- Percentage** | **30** | **35** | **40** | **45** | **50** | **55** | **55** | **55** | **100** | **100** |
| Debt Equity Ratio | 0.2 : 1 | 0.1 : 1 | 0.1 : 1 | 0.2 : 1 | 0.3 : 1 | 0.3 : 1 | -0.2 : 1 | -0.6 : 1 | -0.2 : 1 | -0.6 : 1 |
| **NUMBER OF EQUITY SHAREHOLDERS** | **61,387** | **59,678** | **58,369** | **57,480** | **56, 977** | **56,063** | **54,744** | **58,433** | **57,632** | **55,080** |

* Net Debt consists of Secured and Unsecured Loans, and net of cash and bank balances, current investments, inter corporate deposits. Current Assets have been regrouped accordingly.

# ICI INDIA LIMITED

Registered Office : 34 Chowringhee Road, Kolkata - 700071

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 49th Annual General Meeting of the Members of ICI India Limited will be held on Wednesday, 30 July 2003 at 1430 hours at Science City, JBS Halden Avenue, G K Road Post Office, Kolkata –700046 to transact the following business:

1. To consider and adopt the Profit and Loss Account for the year ended 31 March 2003, the Balance Sheet as at that date and to receive the Reports of the Directors and Auditors thereon.
2. To declare a Dividend.
3. To appoint Directors in place of Mr M V Subbiah and Mr S Krishna who retire by rotation and are eligible for reappointment as Directors of the Company. A brief resume of the said directors is given in the Corporate Governance section of the Directors Report.

   Accordingly, to consider and, if thought fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

   a) "Resolved that Mr M V Subbiah be and is hereby re-appointed a Director of the company";

   b) "Resolved that Mr S Krishna be and is hereby reappointed a Director of the Company".
4. To reappoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, pass the following resolution as a **Special Resolution**:

   "Resolved that the Auditors, M/s BSR & Co, Chartered Accountants, who retire at the conclusion of this Meeting, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at the following remuneration:

   | | |
   |---|---|
   | Statutory Audit | Rs 12 lacs |
   | Tax Audit | Rs 3 lacs |

   In addition, reasonable out-of-pocket expenses and taxes as applicable may also be reimbursed to the Auditors.

   Any fees for certification and other services may be billed by the Auditors at such rates as may be agreed between the Auditors and the Company."

**SPECIAL BUSINESS**

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

   "Resolved that the appointment of Mr R L Jain as the Managing Director of the Company in terms of Section 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, for a period of five years with effect from 1 April 2003 and the payment of such remuneration to Mr Jain during the tenure of his appointment as set out in the Agreement dated 30 May 2003 entered into between Mr R L Jain and the Company be and are hereby approved".
6. To consider and if thought fit, to pass, with or without modifications, the following Resolution as a **Special Resolution:**

   i) Resolved that the Company, pursuant to Section 309 and other provisions of the Companies Act, 1956, ("The Act") if applicable and/or approvals as may be required under the provisions of the Act hereby authorizes payment of remuneration by way of commission to one or more or all the Directors who are neither in the wholetime employment nor Managing Director of the Company for each of the five financial years of the Company commencing from 1 April 2003;

   ii) The amount to be paid as commission shall not exceed in the aggregate one per cent of the net profits of the Company in any financial year, computed in accordance with Section 198 of the Act, for all such directors; and

   iii) The Board of Directors be and is authorized to decide on the amount to be paid by way of commission to such Directors, subject to a maximum of Rs 10 lacs for any such Director in any financial year".

By order of the Board

New Delhi — R GUHA
30 May 2003 — Company Secretary

**NOTES:**

i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself. A proxy need not be a member of the company. Proxy forms, in order to be effective, should be received at the Registered Office of the Company or at the office of its Registrars and share transfer agents M/s C B Management Services (P) Limited (CBMSL), P-22, Bondel Road, Kolkata – 700019 not later than 48 hours before the commencement of the meeting.

ii) The Register of Members and Share Transfer Books of the Company will remain closed from 16 to 30 July 2003 both days inclusive.

iii) The Board of Directors at its meeting held on 30 May 2003 had recommended payment of dividend on the equity share capital of the Company for the financial year ended 31 March 2003 at Rs 10 per equity share. The payment of the said dividend, if approved by the Members at the meeting, will commence from 5 August 2003 to those members whose names appear on the Company's Register of Members as on 30 July 2003.

As per the current regulations, dividend paid after 31 March 2003 is free of taxation in the hands of the shareholders.

iv) As per current SEBI Regulations, dividend is required to be credited to shareholders through Electronic Clearing Service (ECS) wherever the facility is available and the requisite details/mandates have been provided by the Members. Members are therefore advised to send the details of their bank account with the address and the MICR Code of their bank to their Depository Participants (in case of shares held in Demat form) or to CBMSL (in case of shares held in physical form) at the earliest.

v) Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business is annexed.

vi) Members/Proxy holders must bring the Attendance Slip to the Meeting and hand it over at the entrance, duly filled up and signed.

vii) Members who wish to obtain any information on the Company or the Accounts may visit the Company's website www.iciindia.com or may send their queries at least 10 days before the Meeting to the Company Secretary at the Company's Corporate Office at DLF Plaza Tower – 10th Floor, DLF Qutab Enclave Phase I, Gurgaon – 122002.

viii) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, the dividends which remain unpaid or unclaimed for a period of 7 years will be transferred to the "Investor Education and Protection Fund" of the Central Government. Shareholders who have not encashed the dividend warrants so far, for the financial year ended 31 March 1996 or any subsequent financial years, are requested to send the unencashed dividend warrants to CBMSL for revalidation. Separate intimation to those Members whose dividend cheques remain unencashed as on 31 March 2003, as per the Company's records, have been sent in this regard. All unclaimed dividends in respect of Financial Year 1995-96 are due for transfer to the said Fund in July 2003, pursuant to the provisions of Section 205C of the Companies Act, 1956. No claim in this regard shall lie against the Company after the said transfer.

By order of the Board

New Delhi
30 May 2003

R GUHA
Company Secretary

**Explanatory Statement on items under Special Business (pursuant to section 173 of the Companies Act, 1956)**

**Item 5**

The Board of Directors of the Company ("the Board") at its Meeting held on 31 January 2003 appointed Mr R L Jain as the Managing Director of the Company for a period of 5 years with effect from 1 April 2003 subject to approval of the Members to be obtained at the next General Meeting of the Company.

The remuneration and other terms relating to Mr Jain's appointment as Managing Director are contained in an Agreement dated 30 May 2003 entered into between Mr R L Jain and the Company ("the Agreement") a draft of which was approved at the meeting of the Board held on 30 May 2003.

A brief resume of Mr R L Jain and an abstract of the terms of his appointment are set out below. This may also be treated as the extract of the terms of appointment, in compliance with the requirements of Section 302 of the Companies Act, 1956 ("the Act")

**Resume of Mr R L Jain**

Born in January 1951, Mr R L Jain is a Chemical Engineer with B. Tech Hons. from IIT, Kharagpur and MBA from the USA.

Mr R L Jain joined the Company on 1 August 1974 and progressively held several senior positions in its Specialty Chemicals and Explosives businesses apart from Finance, Innovation, R & T and IT functions. He was appointed as Wholetime Director of the Company on 1 June 1997, was redesignated as Chief Operating Officer and Wholetime Director effective 1 February 2000 and thereafter as Chief Executive Officer Paints and Wholetime Director with effect from 1 April 2002.

Apart from being the Managing Director of the Company, Mr Jain is also the Chairman of Indian Explosives Ltd and Initiating Explosives Systems India Limited, subsidiaries of the Company and ICI India Research & Technology Centre. He is a Member of the Executive Committee of Federation of Indian Chambers of Commerce and Industry (FICCI).

**Salient terms and conditions contained in the Agreement between Mr R L Jain and the Company**

1. **Period of appointment**
   Five years with effect from 1 April 2003.

2. **Emoluments**
   Subject to the overall limits approved by the shareholders and as laid down in Sections 198 and 309 of the Act:

   a) **Salary and allowances**

   Rs 2,62,096 per month

   He shall be entitled to such allowances, including those in lieu of any perquisites like housing accommodation, car etc. as per the rules of the Company and as may be approved by the Board.

   The Board may review and determine from time to time and make necessary changes in the salary and/or allowances during the tenure of his appointment.

   b) **Commission**

   As may be approved by the Board for each financial year based on the net profits of the Company for that year, computed in the manner laid down in Section 309(5) of the Act and after taking into account all other relevant circumstances.

   c) **Perquisites**

   The following perquisites would be provided by the Company, subject to tax at the applicable rates.

   i) **Medical Benefits**: Reimbursement of expenses actually incurred for self and family.

   ii) **Leave and Leave Travel**: Leave on full pay and allowances, as per rules of the Company, but not exceeding 6 weeks leave for every 12 months' service.

   Leave Travel Allowance of Rs 6,39,168 per annum.

   iii) **Accommodation**: Furnished residential accommodation, including gas, electricity and water.

   iv) **Club Fees**: Fees of a maximum of two clubs excluding admission and life membership fees.

v) **Car and Telephone**: Provision of car for use on Company's business and telephone at residence. These will not be considered as perquisites. However, personal long distance calls on telephone shall be billed by the Company.

vi) **Personal Accident/Medical Insurance**: As per Company policy.

vii) **Encashment of Leave**: At the end of tenure of office in accordance with the Company's Rules.

viii) **Contribution to Retiral Benefit Funds**

a) Mr Jain will continue to be a member of ICI's Associated Companies in India Staff Provident Fund with the Company's contribution not exceeding the limit permissible under law (currently 12% of the salary).

b) Mr Jain will be entitled to pension benefits in accordance with the Pension Fund Rules applicable to the Company's Management Staff, but the contributions therefor shall not, together with the Company's contribution to the Provident Fund, exceed the maximum limit permissible under law.

c) Mr Jain will be entitled to Gratuity in accordance with the Gratuity Fund Rules applicable to the Company's Management staff not exceeding half a month's salary for each completed year of service.

**ix)** The Board may review and determine from time to time any revision and/or modification in the above perquisites during the tenure of his appointment.

Mr Jain shall also have the option to forego any of the perquisites as above and opt for an allowance in lieu thereof, as per rules of the Company and as approved by the Board.

**3. Limit of Allowances, Commission and Perquisites**

The aggregate monetary value of the above Allowances, Commission and Perquisites shall not exceed 300% of the Salary, which limit can be used interchangeably without any sub limits under each of the aforesaid heads. For calculating the monetary value of the perquisites, they shall be valued as per Income Tax Rules, wherever applicable and in the absence thereof, at cost.

For the purpose of calculating the ceiling as above, encashment of leave at the end of tenure, expenses on account of car and telephone for official duties, Company's contribution to Retiral benefit Funds to the extent not taxable under the Income Tax Act, shall not be taken into account.

The Board while approving any change in the remuneration of Mr R L Jain in his salary, allowances, perquisites and commission may take into account the recommendations of the Remuneration & Nominations Committee.

**4. Minimum Remuneration**

In the event of absence or inadequacy of profits of the Company in any financial year, Mr R L Jain will be entitled to receive such minimum remuneration as may be permissible under Sections 198 and 309 of the Act.

**5. Termination**

The Agreement provides that either party may, by giving to the other six months' previous notice in writing, terminate the appointment.

**6. Duties and Obligations**

The Agreement also sets out the duties and various obligations of Mr R L Jain. The appointment of Mr R L Jain as Managing Director and the remuneration payable to him as aforesaid, are required to be approved by the shareholders at this Annual General Meeting in terms of Sec 269 of the Act. The Resolution at item 5 under Special Business is intended for this purpose. The terms of Mr R L Jain's appointment are more fully set out in the said Agreement dated 30 May 2003, which will be available for inspection by any Member at the Registered Office of the Company between 10 am to 12 noon on any working day (excluding Saturdays) prior to the date of the Annual General Meeting as well as at the Meeting.

In terms of the Articles of Association of the Company, the Managing Director is not liable to retire by rotation during the tenure of his appointment.

Members may note that the emoluments detailed above are within the limits already approved by them in the General Meeting held on 26 July 2001.

The Board recommends the Resolution. Except Mr R L Jain, no other Director has any interest or concern in the resolution.

**Item 6**

The Members of the Company in the General Meeting held on 23 July 1998 had approved payment of commission to the Non-Executive Directors ("NEDs") (i.e. other than the Managing Director and Wholetime Directors) from the financial years commencing from 1 April 1998, in accordance with the provisions of Section 309 of the Companies Act 1956 ("the Act") and subject to a maximum of Rs 5 lacs per individual NED. The said resolution was valid for a period of five years and has expired at the end of the financial year ended 31 March 2003.

Considering the time devoted and valuable inputs/guidance provided to the Company by the NEDs, the Board of Directors have, in their meeting held on 30 May 2003, recommended to the members to continue payment of commission commensurate with the services rendered by them.

It is therefore recommended that the Board be authorized to approve payment of commission not exceeding Rs 10 lacs in any financial year per individual NED for a period of five years commencing from 1 April 2003 subject to the overall ceiling of one percent of the net profits of the Company as laid down in Section 309 of the Act and subject further to the Central Government's approval.

The Board recommends the Resolution. All the non-executive directors may be deemed to be concerned or interested in the Resolution.

By order of the Board

New Delhi — R GUHA

30 May 2003 — Company Secretary

# ICI India Limited

**Registered Office :** 34 Chowringhee Road, Kolkata - 700 071

## ATTENDANCE SLIP

I/We hereby record my/our presence at the 49th ANNUAL GENERAL MEETING of the Company held at "Science City" Main Auditorium, JBS Halden Avenue, P.O. G.K. Road, Kolkata 700 046 on Wednesday 30th July, 2003 at 2.30 P.M.

| REGD. FOLIO NO. | NO. OF SHARE(S) |
|---|---|
| | |

SIGNATURE(S) OF THE SHAREHOLDER(S) SIGNATURE OF PROXY

**Note : Please remember to bring this attendance slip with you with details of your shareholding duly filled in, and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.**

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# ICI India Limited

**Registered Office :** 34 Chowringhee Road, Kolkata - 700 071

REGD. FOLIO NO.

## PROXY FORM

NO. OF SHARE(S)

I/We ..........................................................................................................................................................

of ..............................................................................................................................................................

.............................................................................................................................. being a Member of ICI India Limited

hereby appoint ........................................................................... of ..............................................................................

or failing him/her ....................................................................... of ..............................................................................

or failing him/her .......................................................................of ..............................................................................

as my/our proxy to attend and vote for me/us on my/our behalf at the 49th ANNUAL GENERAL MEETING of the Company to be held on 30th July, 2003 at 2.30 P.M. and at any adjournment thereof.

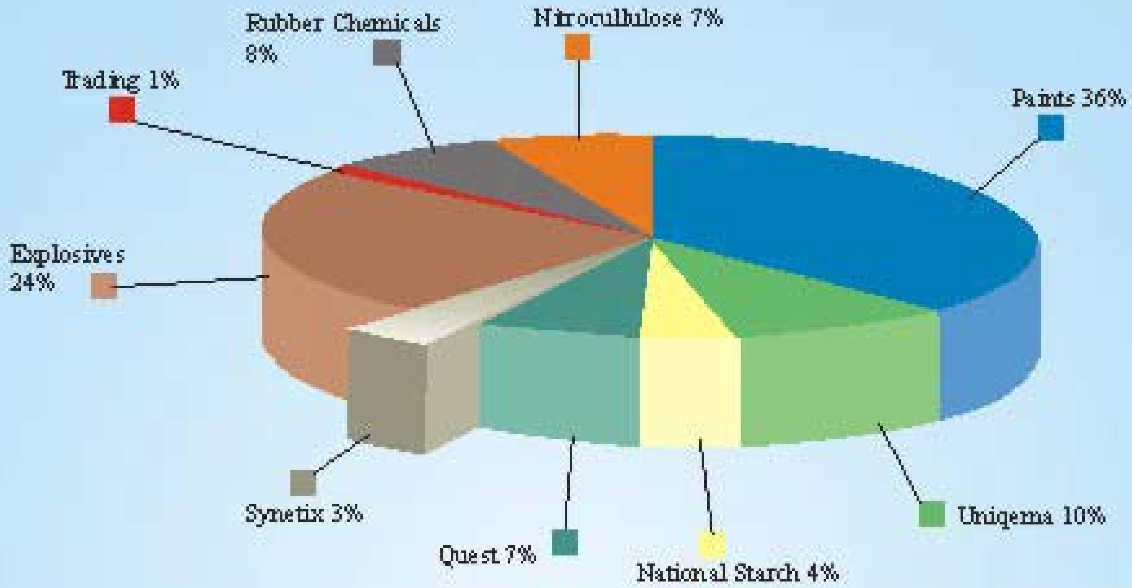
**AS WITNESS** my/our hand this ........................................................ day of .........................................................2003

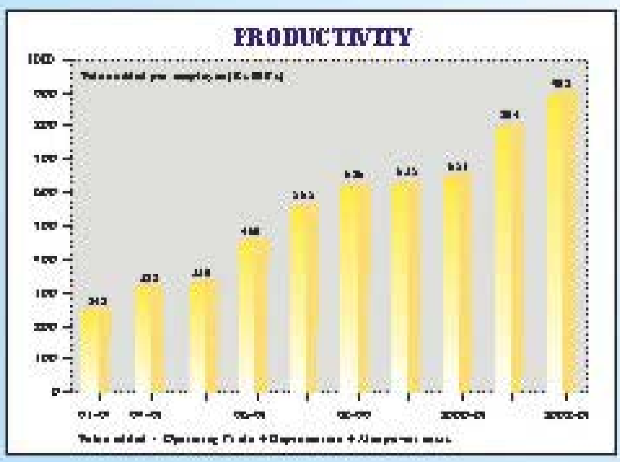
**Signed by the said** .................................................................... Revenue Stamp ...................................................................

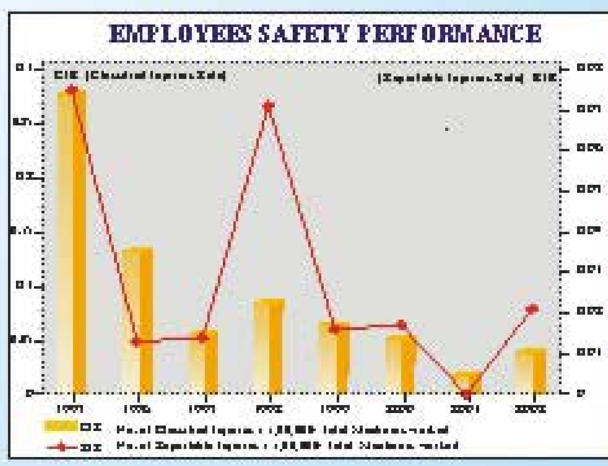
**Note : Proxy Form duly completed must reach the Company's Registered Office/Company's Registrars M/s. CB Management Services (P) Limited, P-22, Bondel Road, Kolkata - 700 019 not less than 48 hours before the time for holding the Meeting.**

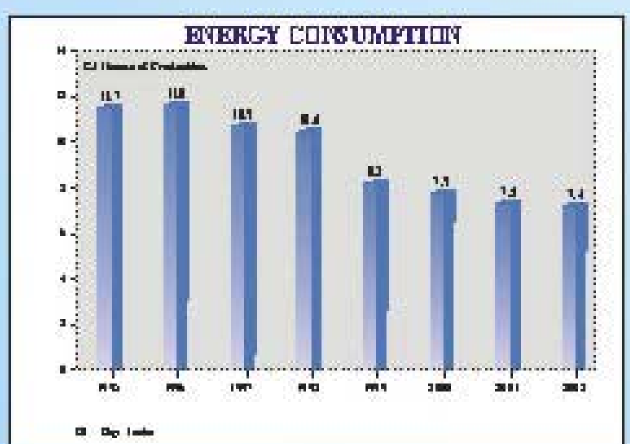
# ICI INDIA GROUP

## TURNOVER 2002-03 : Rs. 1011 crores





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