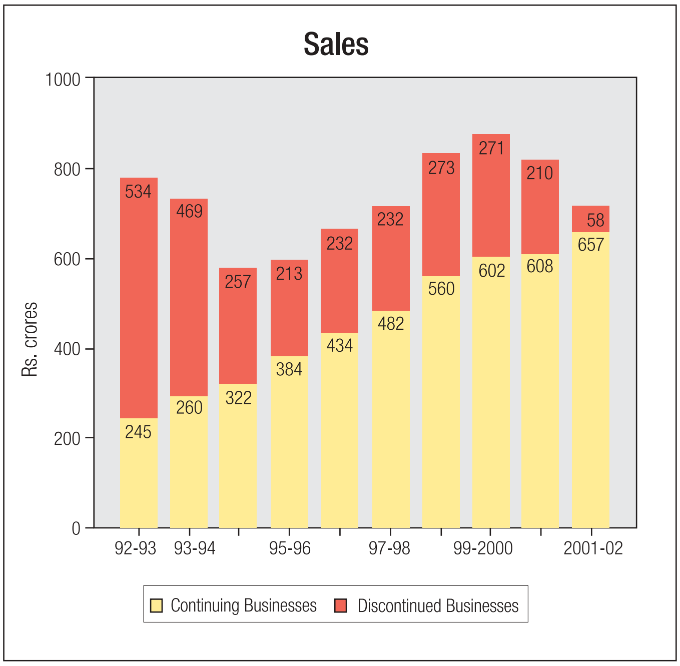
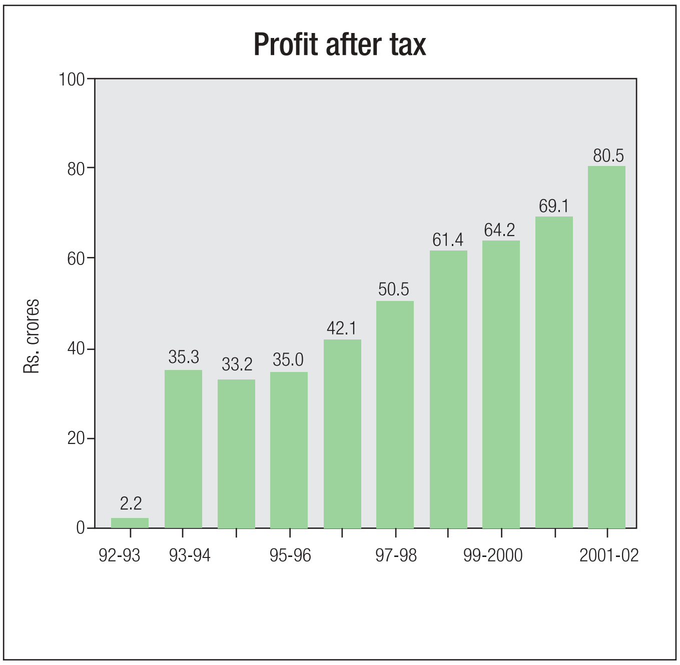
Annual Report 2001-02

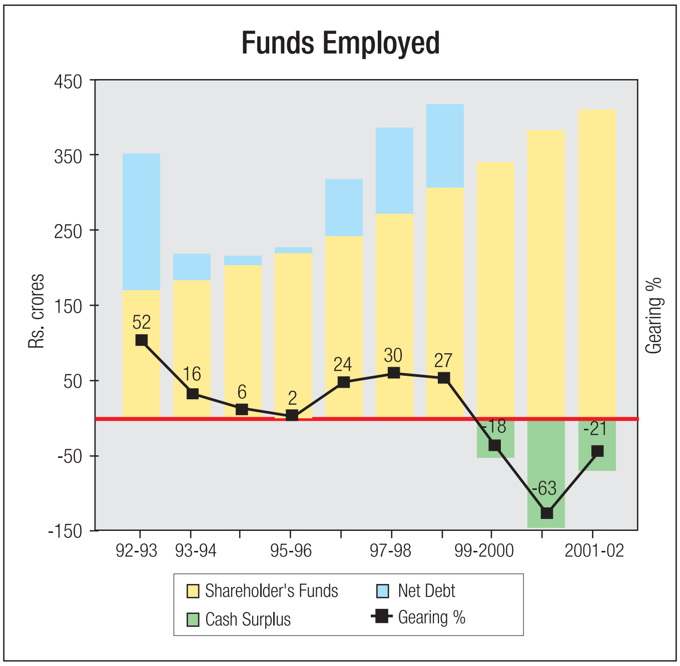
ICI India Limited

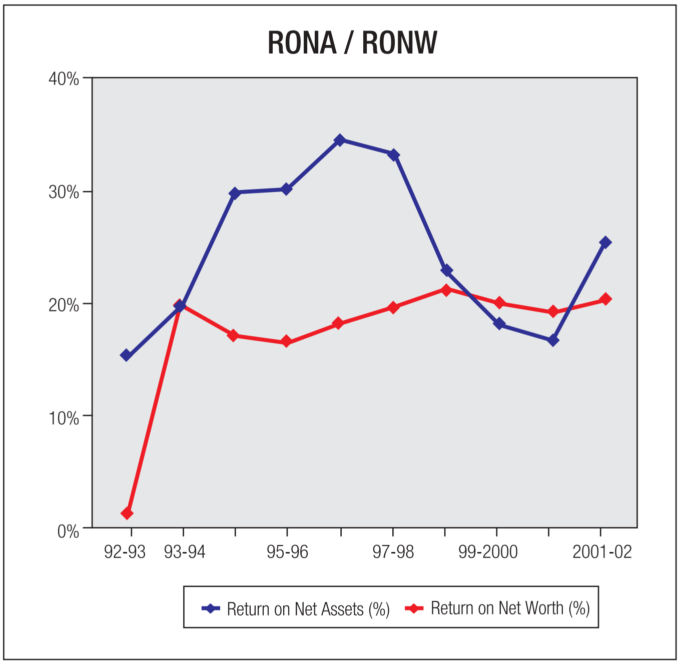
ICI India Limited

Ten Year Trends









ICI India Limited

Annual Report 2001-02

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ICI in 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 2001-02

BOARD OF DIRECTORS

CHAIRMAN
Dr A S Ganguly

MANAGING DIRECTOR
A Narayan

DIRECTORS

R L Jain	Chief Executive Officer, Paints & Wholetime Director
M R Rajaram	Chief Financial Officer & Wholetime Director
R Gopalakrishnan	Non-Executive Director
S Hamlett	Non-Executive Director
D S Parekh	Non-Executive Director
M V Subbiah	Non-Executive Director
S Chandra	Non-Executive Director - Govt. of India Nominee

EXECUTIVE TEAM
A Narayan
R L Jain
M R Rajaram
B Rajagopal
D Singh

SECRETARY
R Guha

REGISTERED OFFICE
34, Chowringhee Road,
Kolkata - 700 071
Ph: 033-2267462
Fax: 033-2880804

CORPORATE OFFICE
ICI India Limited,
10th Floor, DLF Plaza Tower,
DLF Qutab Enclave, Phase-I
Gurgaon - 122002
Ph: 0124-6540400
Fax: 0124-6540840

WEBSITE
www.iciindia.com

KEY COMMITTEES OF THE BOARD

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
State Bank of India
Central Bank of India
Citibank N.A.
Deutsche Bank AG
Standard Chartered Grindlays Bank

REGISTRAR AND SHARE TRANSFER AGENTS
C B Management Services Private Limited
P-22, Bondel Road,
Kolkata-700019
Phone : 033-2806692-94
Fax : 033-2470263
E-mail : cbmsl1@cal2.vsnl.net.in

DIRECTORS' REPORT 2001-02

The Directors have pleasure in presenting their report for the year ended 31 March 2002.

BUSINESS ENVIRONMENT

The Reserve Bank of India (RBI) reported a GDP growth of 5.4% in 2001-02 as against 4% in the previous year. While agriculture recovered in 2001-02 after two consecutive years of decline, the industrial sector performed poorly, with a growth rate of 3.3%, the lowest in the past 8 years. For 2002-03, RBI has projected a GDP growth of 6.5% with inflation below 4% and a softening interest rate regime.

Subdued consumer demand and pressures on disposable income are expected to pose continuing challenges to industrial growth during 2002-03. Fluctuations in oil prices are expected to increase input costs, putting increased pressures on profitability.

FINANCE AND ACCOUNTS

ICI India sales for the year were Rs. 715 cr. On a comparable basis, sales from continuing businesses grew by 7% over the previous year in a tough market environment, with strong performance in Uniqema, National Starch and Synetix. The operating profit at Rs. 74 cr improved by 11%, through focused marketing to penetrate new areas, introduction of new and innovative products, improved manufacturing efficiencies and tight control on costs. Interest costs were down from Rs. 3.5 cr in the previous year to Rs. 1.7 cr in 2001-02.

Exceptional items at Rs. 57.6 cr consist mainly of profit of Rs. 42.9 cr from divestment of Pharmaceuticals business and Rs. 30.2 cr from disposal of surplus properties, partly offset by provisions for voluntary retirement payouts, business reorganisation costs and additional contribution to pension fund arising from drop in interest rates.

An additional provision for deferred tax of Rs. 4.6 cr relating to past periods has been created out of accumulated reserves, due to change in the method of computing tax provision in accordance with the mandatory accounting standard.

Taking into account the high level of exceptional income during the year, the Board is pleased to recommend as a special case, a dividend of Rs. 10 per share, subject to tax as applicable, amounting to Rs. 40.9 cr, as against the previous year's payout of Rs. 5.50 per share.

During the year, the first instalment of debentures amounting to Rs. 11.7 cr was redeemed. The balance in the Debenture Redemption Reserve is considered adequate to provide for redemption of the balance on applicable due dates.

No fresh fixed deposit was accepted or renewed during the year and deposits aggregating Rs. 0.19 cr were repaid.

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

(Rs. Cr)

	2001-02	2000-01
Sales	**714.9**	818.4
Operating Profit from businesses	**74.2**	67.1
Depreciation	**22.9**	23.1
Interest	**1.7**	3.5
Exceptional Items	**57.6**	46.4
Profit before Tax	**107.2**	86.9
Tax	**26.7**	17.8
Profit after Tax	**80.5**	69.1

The appropriations of profit in 2001-02 are as follows:

	(Rs. Cr)
Transfer to General Reserve	24.0
Proposed dividend, subject to tax	40.9

Balance of Rs. 15.6 cr together with the opening balance of Rs. 153.9 cr is carried forward in the Profit and Loss Account.

MANAGEMENT DISCUSSION & ANALYSIS

• Paints

The business performed creditably by gaining market share in certain segments and launching new products in the Decorative Paints segment of the business. Dulux Supreme 3-in-1, a new emulsion paint with superior washability, fungal resistance and smoothness, was launched nationally and won endorsement by both consumers and painters. Marketing efforts were stepped up in the premium portfolio of Dulux products with significant investments in brand building. Thrust on placement of in-store tinting machines to efficiently serve consumers and improve channel partnership was continued. An Institutional Business team has been set up to service the needs of the large institutional segment.

The 2K range of Polyurethane (PU) based automotive refinishes grew strongly and strengthened its leadership position in the premium segment. The company focused on upgrading the dealerships of major vehicle manufacturers supported by training and technical inputs. Several new products were introduced to cater to customer requirements which have been received well in the market.

Faster growth in the housing sector is expected on account of incentives given by the government and increased financing options. This will have a positive impact on the Paints industry. The exterior category is expected to maintain its rapid growth and along with in-store tinting, will remain an area of focus for the industry. Your company will continue its efforts to secure improved position in this industry.

The automotive refinish industry is undergoing a rapid upgradation from conventional nitrocellulose-based products to PU based products, which provide a superior finish along with higher durability and a wider range of shades. ICI India is well positioned to drive this change in the market, in view of its access to extensive R&D capability, innovation and superior market reach.

• Industrial Specialties

Uniqema

Uniqema business continued to operate well in a highly fragmented market with high competitive pressures. There were particularly strong performance in Spin Finish, Cleaning, Lubricant and Crop Protection SBUs. The slow down in the economy coupled with adverse external events restricted growth in Personal Care and Polymers. Focus on driving down costs helped maintain profitability and a strong emphasis on innovation facilitated growth.

The industry is expected to grow ahead of GDP growth but is likely to remain intensely competitive; consolidation in the industry can be expected in the times ahead. Given its global technological strengths, Uniqema is better positioned than several others in the field, to meet these challenges.

National Starch & Chemical

In December 2001, ICI India acquired Hindustan Lever Limited's Adhesives business, which was successfully integrated with the company's existing portfolio, leading to the business growing by 172% over the previous year. The key growth drivers were consolidation of business in the cigarette industry and improved presence in the packaging, book binding and woodworking segments. Technology for manufacture of Hot Melt Adhesives for soap wrappers was developed and commercialized in 2001.

This industry is also expected to grow ahead of GDP growth and given its technological strengths, your company will continue to pursue a larger share of the market. Competitive activity is on the rise and aggressive marketing efforts by international majors can be expected. The business plans to enter new areas in certain niche segments.

• Industrial Chemicals

Synetix

The Synetix business continued to perform strongly growing by 24%, fuelled by the acquisition of the Nickel Catalyst Business of Hindustan Lever Limited in December 2001 and a 26% growth in exports. A new manufacturing facility for purification catalyst was commissioned at Panki during the year. A new product for primary reforming was launched successfully during the year.

The business outlook remains good in view of growing exports. With the domestic Fertiliser industry unlikely to see new capacity in the short term and weak prospects in the existing naphtha based plants, there will be negative pressures on this segment of the business. However, the fast growing refining sector presents a growth opportunity for the business.

The Polymers, Chemicals, Edible Oils and Oleochemicals areas are growing in line with domestic GDP growth and exports from these segments are well positioned to grow.

Rubber Chemicals

The Rubber Chemicals Business performed commendably in a tough year characterised by declining prices and depressed demand from the rubber processing sector; continued focus on cost reduction at every level and the strategy of aggressive pursuit of business share in new markets for select products paid dividends. Export sales of key specialties doubled.

The outlook for this industry remains challenging in view of rising raw material prices and declining product prices; your Company's strategy of growing its specialty segment leaves it better positioned for the future.

Nitrocellulose

The Nitrocellulose Business grew by 6% in the domestic market while consolidating export volumes achieved in the previous year. Alongwith significant improvements in Engineering and SSHE standards, the Valsad manufacturing site achieved ISO 9001 certification in 2001.

The global demand for the product is expected to improve during the course of the current year, leading to growth in exports. Reduction in import tariff is expected to be offset by rupee depreciation.

Trading

The Trading portfolio grew by 11% reflecting increased market penetration of existing product portfolio and addition of new agencies. The business successfully introduced bulk shipments of MMA monomers and Tri-chloroethylene and third country sales of Aniline and MEG.

In the current year, while availability of some of the products is expected to become tight, the business expects to offset this through new agencies.

• Pharmaceuticals

As members are aware, the Pharmaceuticals Business has been divested to M/s Nicholas Piramal India Limited (NPIL) during the year. As per agreement with NPIL, the commercial risks associated with the business have been assumed by them with effect from 1 January 2002. Accordingly, the operational results of the Company reflect the performance of the business only upto 31 December 2001. The sale of the business was approved by the shareholders through postal ballot, the results of which were announced on 19 March 2002. The business was thereafter handed over to NPIL with effect from 27 March 2002.

• Internal Control Systems

Your Company has well established internal control procedures across its various locations, commensurate with its size and nature of 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 and reports independently to the Audit Committee of the Board.

RESPONSIBLE CARE - SECURITY, SAFETY, HEALTH AND ENVIRONMENT

The Company's safety performance continued to be amongst the best with lowest ever reportable as well as classified injury rates. Implementation of 'Responsible Care Management System' has helped in achieving an excellent performance in the field of safety, health and environment across the various operations of your Company.

Recognition of the excellent performance came through a number of prestigious national and international awards - RoSPA 'Highly commended in the International Sector Award' in Chemical Industry and British Safety Council award for the fifth year in succession for Pharmaceuticals operations at Ennore, the National Safety Council award for Paints operations at Rishra and ICI PLC's Leadership awards for sustained excellence in manufacturing for most of the sites of ICI India, to name a few.

The Board is happy to report that ICI India was ranked among Top 10 "Greenest Corporations in India" in TERI - BT survey. During the year, two more Paints sites – Mohali and Hyderabad - secured ISO 14001 certification to bring the total of the sites with ISO 14001 certification to four. This year, 2 out of 5 covenanted ICI PLC's SSHE Leadership awards were bagged by ICI India, competing with entries from several units of ICI PLC's worldwide operations.

As a way forward, the Company is pursuing its 'Challenge 2005' initiative which contains specific improvement targets in Safety, Health, Environment and Product Stewardship. Significant progress was made during the year towards achieving these targets.

ICI India accords a very high priority to the hygiene monitoring at work place and health assessment of all employees. The plants and processes are continuously upgraded to improve hygiene and health standards. Suitable training is imparted to all the employees to enhance their awareness of health related matters. During the year, no case of work related occupational illness was reported from ICI India.

The Company has also established an integrated Product Stewardship programme aimed at meeting customer needs for improved products, which are safer, have minimum risk of adverse health effects and low environmental impact.

CONSERVATION OF ENERGY etc.

The particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, pursuant to Sec 217(1) (e) of the Companies Act, 1956 are given in the Annexure I to this report.

As can be seen from the Annexure, there has been a general improvement in energy consumption across businesses. Continuous efforts are being made to improve energy efficiency by close monitoring of operational parameters.

CORPORATE GOVERNANCE

Annexure II to this report summarises the state of compliance by the Company of the norms of Corporate Governance as provided in Clause 49 of the Listing Agreement with the CSE, Kolkata and NSE and BSE, Mumbai.

RESEARCH, DEVELOPMENT & INNOVATION

The business driven innovation management process made good progress during the year. The innovation intensity at several of our key businesses improved, with Uniqema leading the way at 38%. 59 new products were introduced, which gave rise to significant sales during the year. Paints business had a major success with its Dulux Supreme 3-in-1 in the Emulsion market. Focus on process development and cost reduction through value creating projects, in most businesses, made significant contributions to business performance improvements during the year.

Networking and projects with selected Universities and leading Research Institutions continued in the areas of relevance to Uniqema, Paints, Synetix and National Starch.

CORPORATE RESTRUCTURING

In line with its stated strategy, your Company continues to take specific steps to grow its core businesses and divest non-core ones. During the year 2001-02, the company invested a sum of Rs. 151.9 cr. to obtain a controlling stake in Quest International India Limited, a joint venture with Hindustan Lever Limited (HLL). The company also acquired the Nickel Catalysts and Adhesives Businesses from HLL for a total consideration of Rs. 27.6 cr. In pursuance of its efforts to unlock value from under-performing assets, the office building in Kolkata and a few residential buildings in Delhi and Kolkata were sold during the year.

HUMAN RESOURCES (HR)

People continue to be at the heart of delivering the Company's strategy. The HR agenda was at the leading edge of 'best operating practice', driven by feedback received from the Employee Satisfaction Surveys carried out every year. Considerable progress was made to provide greater autonomy to the individual businesses in the management of HR to best suit their unique requirements. Investment in capability building, supported by greater transparency in the performance management system, continued to build the foundation of a robust career and succession planning system. Cordial employee relations across the Company and improved people productivity contributed to business success.

At the grass-root level, multi-skilling and multi-tasking have been further promoted as a key driver for profitable growth.

The particulars of employees specified under Section 217(2A) of the Companies Act, 1956 read with rules made thereunder, are attached to this report (Ref. page 31).

INFORMATION TECHNOLOGY

Nickel Catalysts and Quest International businesses, which were acquired during the year, were speedily integrated into the communication and IT infrastructure of ICI India. Upgradation of communication network to meet emerging needs of the ICI India businesses is in progress. Detailed evaluation and all preparatory work necessary for launching a project to replace the current customer facing systems in the Paints business with a centralised SAP R/3 system has been completed. A web based initiative in the Uniqema business for securely extending the ERP to the distributors, customers and mobile sales force is in the final stages of development and testing.

DIRECTORS

Dr A S Ganguly, Mr R Gopalakrishnan and Mr M R Rajaram are due to retire by rotation and are eligible for reappointment.

Mr A Narayan was reappointed as the Managing Director with effect from 1 August 2001 subject to the approval of the Members. Mr R L Jain and Mr M R Rajaram are being re-appointed as Wholetime Directors with effect from 1 June 2002 for a period of 5 years.

The approval of the Central Government u/s 198 and 309 of the Companies Act, 1956 regarding remuneration to the Wholetime Directors for the year 2000-01 has been received, subject to approval of the Members.

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

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 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 2002, 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.

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

SUBSIDIARY COMPANIES AND GROUP RESULTS

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 (Ref. page 32).

Consolidated Results

As required under the current listing norms, consolidated financial statements are being published in the current year's Annual Report. The summary of the consolidated financial performance of the Company and its subsidiaries, after eliminating inter Company transactions, is as follows:

	2001-02 (Rs. Cr)
Sales	1042.0
Operating Profit from businesses	118.9
Profit before Tax	129.0
Profit after Tax	91.8
Total Assets Employed	605.3
Total Shareholder Funds	440.3

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

Gurgaon — Dr A S Ganguly
22 May 2002 — 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. CONSERVATION OF ENERGY

		2001-02	2000-01
1. Power & Fuel Consumption			
a. Electricity			
(i) Purchased			
Unit	Lac Kwh	**292.97**	304.43
Total amount	Rs. lacs	**1408**	1460
Rate	Rs./Kwh	**4.81**	4.80
(ii) Own generation			
(a) Through diesel generator			
Unit	Lac Kwh	**0.75**	5.29
Total amount	Rs. lacs	**2583**	2894
Rate	Rs./Kwh	**6.27**	5.61
(b) Through steam turbine generator		**N.A.**	N.A.
b. Coal			
Quantity	Tes	**11275**	15051
Total amount	Rs. lacs	**225**	275
Average rate	Rs./Te	**1992**	1830
c. Fuel Oil			
Quantity	Kl	**7531**	7138
Total amount	Rs. lacs	**750**	747
Average rate	Rs./Kl	**9963**	10471

N.A. = Not Applicable

2. Consumption per unit of production

	Electricity (Kwh/Te)		Fuel oil (Kl/Te)		Coal (Te/Te)	
	2001-02	2000-01	**2001-02**	2000-01	**2001-02**	2000-01
Paints	**142**	153	**0.01**	0.01	**NA**	NA
Uniqema	**202**	204	**0.07**	0.07	**NA**	NA
National Starch	**171**	236	**0.03**	0.04	**NA**	NA
Synetix	**2906**	3976	**0.99**	1.68	**NA**	NA
Rubber Chemicals	**2734**	2500	**0.4**	0.4	**3.45**	3.53
Pharmaceuticals	**7425**	7344	**NA**	NA	**NA**	NA
Nitrocellulose	**2052**	1884	**1.15**	1.06	**NA**	NA
Polyurethanes	**NA**	55	**NA**	NA	**NA**	NA

N.A. = Not Applicable

B. 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
- Import substitution of key inputs
- Process validation for improving throughput and reducing waste

(b) Benefits derived as a result of the above R&D
The benefits have been discussed in the main report under 'Management Discussion & Analysis'.

(c) Future plan of action

- Focus on innovation led new products and applications
- Continuously striving for improvements in variable costs
- Improvements in quality of products and services
- Continuous reduction in waste generation

(d) Expenditure on R&D

(Rs. Lacs)

		2001-02	2000-01
(i)	Capital	**6**	3
(ii)	Recurring	**254**	292
(iii)	Total	**260**	295
(iv)	Total R&D expenditure as a percentage of turnover	**0.3%**	0.4%

2. Technology Absorption, Adaptation and Innovation

(a) Efforts
The R & T efforts are business-focused for meeting the market requirements. Necessary inputs are obtained from ICI PLC, where required, to build technological edge over competition.

(b) Benefits
New and improved products to expand market reach and grow new business.

Saving in energy consumption and waste reduction.

59 new products launched in Uniqema during the year.

(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 Technology from National Starch and Chemical	1999	Yes	N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The Company significantly increased its exports of catalysts, rubber chemicals and nitrocellulose.

Future Plans

Sustain and grow exports in the above businesses. However, export earnings are expected to come down with divestment of Pharmaceuticals business.

Total foreign exchange earned and used

(Rs. lacs)

	2001-02	2000-01
Earned	**7733**	7229
Used	**10247**	15928

On behalf of the Board

Gurgaon
22 May 2002

Dr A S Ganguly
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

ICI India seeks to achieve its vision of being the industry leader in creating value for its customers and shareholders whilst ensuring good corporate governance by benchmarking its internal systems and policies with global best practices in key areas such as Responsible Care, transparency in operations, strict adherence to its policies concerning business ethics and value systems.

In order to effectively embed these elements across the Company, the Board has, from time to time, been formulating policies and guidelines for adherence by the employees of the company and its business associates to the extent applicable. Some of the policies adopted and cascaded across the Company are:

- Responsible Care Management System (SSHE)
- Insider Trading - Guidelines
- Policy on Fraud
- Code of Business Conduct
- Policy on Sustainability and Diversity

2. Board of Directors

The present strength of the Board is nine, comprising 3 Wholetime Directors (WTD) and 6 Non-Executive Directors (NED), as below:

Name of Director	Category of Directorship
1. Dr A S Ganguly	Chairman (NED)
2. Mr A Narayan	Managing Director
3. Mr R L Jain	Chief Executive Officer, Paints and WTD
4. Mr M R Rajaram	Chief Financial Officer and WTD
5. Mr R Gopalakrishnan	NED
6. Mr S Hamlett	NED
7. Mr D S Parekh	NED
8. Mr M V Subbiah	NED
9. Mr S Chandra	NED (Government of India Nominee)

Directorship on Board and Membership in Committees of Companies including ICI India Limited

Name of Directors	Directorship in Companies#		Membership in specified Committees*
	Public	Private/Ltd by Guarantee	
Dr A S Ganguly	9	1	2
Mr A Narayan	2	1	3
Mr R L Jain	3	1	3
Mr M R Rajaram	4	2	4
Mr R Gopalakrishnan	14	-	10
Mr S Hamlett	8	-	3
Mr D S Parekh	13	1	9
Mr M V Subbiah	14	-	6
Mr S Chandra (Govt. of India Nominee)	8	-	2

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

Excludes Alternate Directorships

Number and dates of Board Meetings held

Five Board Meetings were held during the year 2001-02 (On 6 June 26 July and 24 October 2001 and 21 January 25 January 2002)

Attendance details of each Director 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	5	Yes
Mr A Narayan	5	Yes
Mr R L Jain	4	Yes
Mr M R Rajaram	5	Yes
Mr R Gopalakrishnan	4	No
Mr S Hamlett	2	Yes
Mr D S Parekh	5	Yes
Mr M V Subbiah	4	Yes
Mr S Chandra	2	No

Director to be reappointed

In the forthcoming Annual General Meeting on 30 July 2002, the reappointment of Mr A Narayan as Managing Director for a period of five years with effect from 1 August 2001 is due to be approved . Dr A S Ganguly, Mr R Gopalakrishnan and Mr M R Rajaram are due to retire by rotation and are seeking reappointment. A brief resume of each of the above directors is given below:

Mr A Narayan

Mr A Narayan joined as a Management Trainee in the Company in 1973 and progressively held several senior positions in its erstwhile Fertilizers and Explosives businesses. He served as a Corporate Planning Manager at the ICI PLC's Group Headquarters, London before being appointed the Managing Director of ICI India Limited on 1 August 1996. He was reappointed as the Managing Director with effect from 1 August 2001 subject to approval of the shareholders.

A B.Tech from IIT, Kanpur, he holds formal qualifications in Law and was a Fellow in Sciences at the University of Rochester, USA; he also attended the Manchester Business School, UK and the Aspen Institute, Colorado, USA. He is currently a member of the Executive Committee of Federation of Indian Chambers of Commerce and Industry (FICCI) and the National Council of Confederation of Indian Industry (CII).

Apart from ICI India Limited, his other directorships are:

Public

Director 1. Hindustan Lever Limited (NED)
2. Quest International India Limited (Alternate Director)

Private

Chairman 1. ICI India Research & Technology Centre

Directors retiring by rotation and seeking reappointment

Dr A S Ganguly

Dr A S Ganguly has been the Chairman of ICI India Ltd since August 1996. He has been associated with many professional organisations in India and abroad.

Dr Ganguly, who was Chairman of Hindustan Lever Limited (1980-1990) and a Director of Unilever PLC (1990-97), was India's Businessman of the Year in 1986. In 1987, the President of India conferred upon him the Padma Bhushan, one of the Nation's highest honours, for his contribution to public service. In May 1991, he was elected a Fellow of the Royal Society of Chemistry and in 1995 he was awarded an Honorary Fellowship in the Jawaharlal Nehru Centre for Advanced Scientific Research. In 1996, Dr Ganguly was conferred the title of Hon. Professor by the Chinese Academy of Sciences in Shanghai. The University of Illinois selected Dr Ganguly as their 'Outstanding Alumnus' in 1997.

In addition to being the Chairman of ICI India Limited, he is a director of the following companies:

Public

Chairman (NE)
1. ICICI One Source Ltd

Director (NED)
1. British Airways plc
2. Central Board of Directors of Reserve Bank of India
3. ICICI Knowledge Park Ltd.
4. Mahindra & Mahindra Limited
5. New Skies Satellites, NV
6. Wipro Ltd
7. Tata AIG Life Insurance Co Ltd

Private

Chairman
1. Technology Network (India) Private Limited

Mr R Gopalakrishnan

Mr R Gopalakrishnan has been a Non Executive Director of ICI India Limited since May 1999. He has held several senior positions in the Unilever group of companies and was the Vice Chairman of Hindustan Lever Limited. Currently, he is serving as the Executive Director of Tata Sons Limited. Apart from ICI India Limited, he is a director of the following companies:

Public

Chairman
1. Tata Honeywell Ltd

Director
1. Tata Engineering & Locomotive Co Ltd
2. Tata Chemicals Ltd
3. Tata Sons Ltd (Executive Director)
4. Tata Power Co. Ltd
5. Tata Teleservices Ltd
6. Tata Internet Services Ltd
7. Tata Technologies Ltd
8. Tata AutoComp Ltd
9. IDEA Cellular Ltd.
10. Castrol India Limited
11. Rallis India Ltd (N.E. Vice Chairman)
12. Sheba Properties Ltd

Mr M R Rajaram

Mr M R Rajaram, a Chartered Accountant, joined the ICI Group in 1972 and after holding several senior positions in Finance function in India and the UK, he has been on the Board of the Company since 1 June 1997. With effect from 1 April 2002, he was designated as the Chief Financial Officer of the Company. His current responsibilities include Finance, Legal, Secretarial, Mergers & Acquisitions, Information Technology and Corporate Development. His other directorships are as below:

Public

Director
1. Indian Explosives Limited
2. Initiating Explosives Systems India Limited
3. Quest International India Limited

Private/Limited by Guarantee

Director
1. ICI India Research & Technology Centre
2. Fragrant & Flavour Chemicals India Pvt. Limited

Summary of membership of Committees of the Boards of 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 that the Government of India holds 9.2% of the equity shares of the Company by virtue of which Mr S Chandra has been nominated to the Board of the Company.

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

3. Audit Committee

The Audit Committee comprises 4 directors, all of whom are NEDs. 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 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

The Audit Committee met four times during the year 2001-02 (6 June 26 July 24 October 2001 and 21 January 2002). The attendance of each member of the Committee is given below:

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

4. Remuneration of Directors

The remuneration and changes therein to Wholetime Directors are recommended by the Remuneration and Nomination (R&N) Committee of the Board. The remuneration to the NEDs 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.

R & N Committee

The R & N Committee has four members all of whom are NEDs. The Chairman is a permanent invitee to the R&N Committee meetings. 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 by the Managing Director.

The Committee had five meetings (6 June 26 July 24 October 2001 and 21 January 21 March 2002) during the year. The attendance of each member is given below:

Name of Director	No. of Meetings Attended
Mr M V Subbiah	5
Mr R Gopalakrishnan	3
Mr S Hamlett	3
Mr D S Parekh	4

The details of remuneration paid to the Directors during the year 2001-02 are given below:

	All elements of remuneration package i.e. salary, bonuses etc. (Rs. lacs)	Fixed component (Rs. lacs)	Performance-linked incentives alongwith performance criteria (Rs. lacs)
	a	b	c
	b + c	Salary, Allowances & Perquisites	Commission
Wholetime Directors			
Mr A Narayan	113.25	113.25	-
Mr R L Jain	86.43	86.43	-
Mr M R Rajaram	54.80	54.80	-
Mr B Rajagopal*	2.52	2.52	-
Mr Daljit Singh*	2.32	2.32	-
Total	**259.32**	**259.32**	**-**
Non-Executive Directors			
Dr A S Ganguly	5.25	0.25#	5.00
Mr R Gopalakrishnan	5.55	0.55#	5.00
Mr S Hamlett	-	-	-
Mr D S Parekh	5.60	0.60#	5.00
Mr M V Subbiah	5.65	0.65#	5.00
Mr S Chandra (Govt. of India Nominee)	-	-	-
Total	**22.05**	**2.05**	**20.00**

*Resigned from the Board w.e.f. 1 May 2001.
Represents sitting fee for attending Board/Committee meetings.

Note:

a) The Service Contracts with the 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.

5. Shareholders/Investors Grievance Committee

The Company has a Shareholders/Investors Grievance Committee under the Chairmanship of Mr S Hamlett, a NED. The other members are Mr R L Jain and Mr M R Rajaram, WTDs. The Company Secretary, who is also the nominated Compliance Officer under the Stock Exchange requirements, acts as the Secretary to this Committee.

The Company received a total of 343 complaints from its shareholders for the period 1.4.2001 to 31.3.2002, all of which were resolved within 30 days to the satisfaction of the shareholders. 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
22 July 1999	10.30 a.m.	Science City Auditorium, J B S Halden Avenue, G K Road Post Office, Kolkata 700046
22 September 2000	10.30 a.m.	-do-
26 July 2001	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 Pharmaceuticals business of the Company.

Hon'ble Justice G N Ray (former Judge of 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 99.94% with 210.52 lac votes in favour of the resolution and 0.12 lac against it. The result of the postal ballot was announced at a meeting on Tuesday 19 March 2002, at the Registered Office of the Company.

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 on transactions with related parties as required under Accounting Standards 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	-do-
Newspapers in which results are normally published	Statesman (English) 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 or not — Yes, incorporated in the Directors' Report to members.

10. General Shareholder Information

- AGM: Date, Time and Venue — 30 July 2002 at 11 a.m. 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
- Dates of Book Closure — 16.7.2002 to 30.7.2002 (both days inclusive)
- Dividend payment date — Around 6 August 2002 (if declared at the AGM)
- Listing on Stock Exchange — CSE, BSE, NSE. The Company has paid the listing fee for the period 1 April 2001 to 31 March 2002
- Stock Code - Physical — The Stock Exchange, Mumbai : 710

  National Stock Exchange, Mumbai : EQ BE

ISIN Number for NSDL & CDSL — INE133A01011

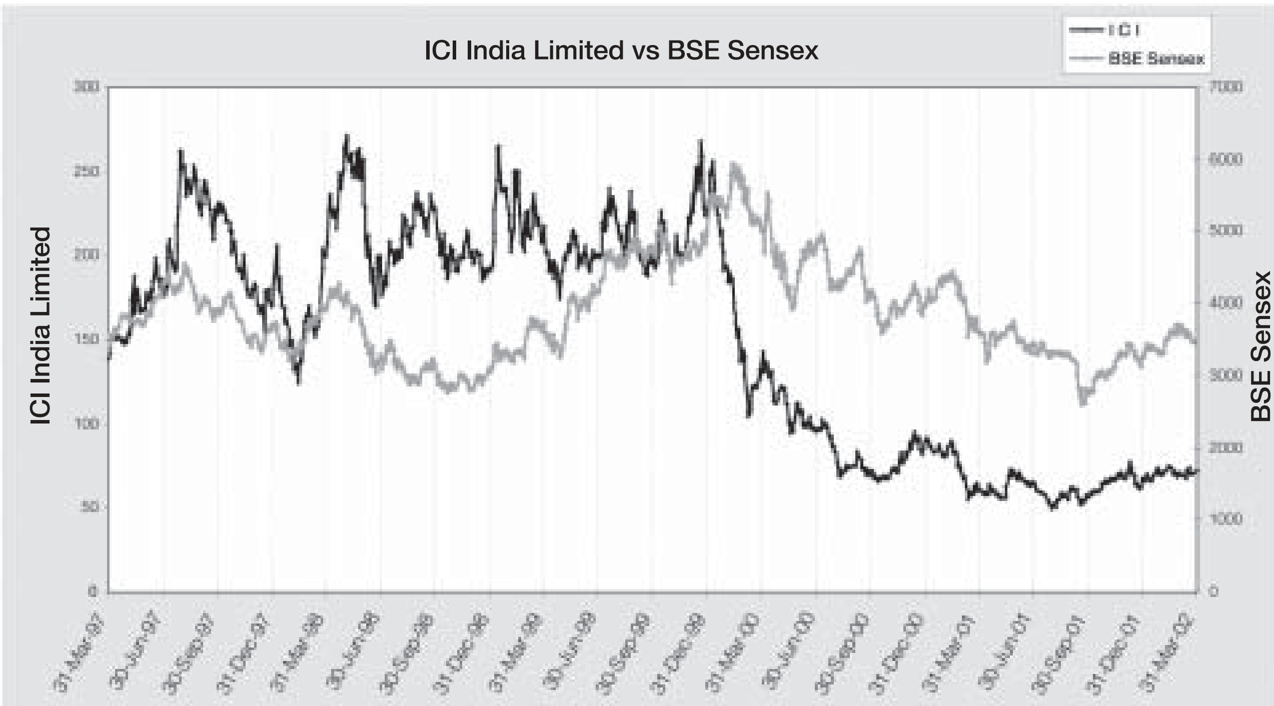
No. of Employees as on 31 March 2002 — 1349

Market price data and Stock performance in the last financial year

BSE monthly Highs and Lows

Month	High	Low
Apr-01	64.05	57.50
May-01	72.50	55.30
Jun-01	71.15	65.25
Jul-01	64.40	49.70
Aug-01	60.35	49.90
Sep-01	61.80	51.80
Oct-01	66.80	56.40
Nov-01	71.10	64.90
Dec-01	76.90	61.30
Jan-02	74.05	65.40
Feb-02	74.40	68.15
Mar-02	73.25	67.25

- Registrar and Transfer Agents — M/s C B Management Services P Ltd., P–22, Bondel Road, Kolkata-700019
- Share Transfer System — All the transfers received are processed and approved by the Seal and Share Transfer Committee which normally meets once a week.



- **Shareholding pattern as on 31.03.2002**

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	22,18,838	5.4
Foreign Institutions	10,71,804	2.6
Banks & Insurance Companies	68,00,169	16.6
Other categories, incl individuals	62,42,529	15.4
TOTAL	**408,70,612**	**100.00**

- **Distribution of shareholding as on 31 March 2002**

Range (No. of Shares)	No. of shareholders	No. of shares (000's)	% to Total
1-50	33,849	7,27	1.8
51-500	21,875	32,66	8.0
501-5000	1,858	19,76	4.8
5001-50,000	38	3,44	0.9
50,001-10,00,000	6	40,55	9.9
10,00,001 and above	6	3,05,02	74.6
TOTAL	**57,632**	**4,08,70**	**100.0**

- Dematerialisation of shares and Liquidity: As of 31 March 2002, 42% of the Company's equity shares have been dematerialized by the shareholders. 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 mode w.e.f. 17.1.2000. The number of folios held in demat form has increased to 18,617 as on 31.3.2002 from a level of 16,654 as on 31.3.2001.
- 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 (Chandigarh), Panki (Uttar Pradesh), Rishra (West Bengal), Thane (Maharashtra), Taloja (Maharashtra) and Valsad (Gujarat)
- Address for Correspondence: Shareholders correspondence may be addressed to **:**

  1. C B Management Services Pvt 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 the performance of his duties: Yes

b) **Remuneration Committee**: Pl refer para A(4) above

c) **Shareholders Rights**
Quarterly declaration of financial performance including summary of the significant events in last 3 months should be sent to each household of 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 web-site, the same are not sent to the shareholders of the Company.

d) **Postal Ballot**: Refer para (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 13.

By order of the Board

Gurgaon
22 May 2002

Dr A S Ganguly
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 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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 the books;

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

(iv) in our opinion, the Balance Sheet and Profit and Loss Account 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 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002 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 2002; and

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

For BSR & Co.
Chartered Accountants

Gurgaon — Akhil Bansal
22 May 2002 — 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. The fixed assets have been physically verified by the management in accordance with a three year phased programme of verification adopted by the Company. In our opinion, the frequency of verification is reasonable. As informed to us, no material discrepancies were noticed on such verification.

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 2002 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. The Company has not taken any loans, secured or unsecured, from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or from the companies under the same management as defined under sub section (1B) of section 370 of the Companies Act, 1956.

8. In our opinion, the rate of interest and the terms and conditions of unsecured loans granted during the 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 interest 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 generally regular in the payment of interest.

10. In our opinion, the existing 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 and 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. The Central Government has prescribed under Section 209(1)(d) of the Companies Act, 1956, cost records in respect of certain products of the Company. Whilst we have not made a detailed examination of these records, prima facie it appears that the prescribed accounts and records have generally been made and maintained.

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 2002, 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 — Akhil Bansal
22 May 2002 — Partner

AUDITORS REPORT

(On Corporate Governance - refer page 11)

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 2002, 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 of 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 above mentioned Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month, as at 31 March 2002, 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 — Akhil Bansal
22 May 2002 — Partner

BALANCE SHEET

	Schedule	As at 31 March 2002 (Rs. 000's)	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
I) SOURCES OF FUNDS:					
1. Shareholders' funds -					
a) Capital	(1)	**40,87,06**		40,87,06	
b) Reserves and surplus	(2)	**368,55,16**	**409,42,22**	339,90,67	380,77,73
2. Loan funds -					
a) Secured loans	(3)	**23,33,33**		35,00,00	
b) Unsecured loans	(4)	**20,14**	**23,53,47**	66,82	35,66,82
3. Deferred Tax Liability (net)			**24,70,77**		6,79,50
Total			**457,66,46**		423,24,05
II) APPLICATION OF FUNDS:					
1. Fixed assets -					
a) Gross block	(5)	**362,10,51**		367,46,52	
b) Less : Accumulated Depreciation		**144,31,72**		156,21,56	
c) Net block		**217,78,79**		211,24,96	
d) Capital work-in-progress at cost including advances		**5,19,95**	**222,98,74**	2,52,36	213,77,32
2. Investments	(6)		**235,34,24**		47,93,47
3. Current assets, loans and advances -					
a) Inventories	(7)	**105,19,30**		108,16,84	
b) Sundry debtors	(8)	**95,85,17**		105,08,77	
c) Cash and bank balances	(9)	**19,65,43**		117,81,42	
d) Loans and advances	(10)	**33,17,57**		78,26,70	
		253,87,47		409,33,73	
***Less:* Current liabilities and provisions -**					
a) Liabilities	(11)	**147,81,99**		154,28,14	
b) Provisions	(12)	**114,65,66**		103,30,57	
		262,47,65		257,58,71	
Net current assets			**(8,60,18)**		151,75,02
4. Miscellaneous expenditure not written off			**7,93,66**		9,78,24
Total			**457,66,46**		423,24,05
Significant accounting policies	(18)				
Notes to 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

Dr A S GANGULY
Chairman

A NARAYAN
Managing Director

R L JAIN
Wholetime Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
22 May 2002

PROFIT AND LOSS ACCOUNT

	Schedule	For the year ended 31 March 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
Income			
Sales		**714,93,63**	818,41,60
Other income	(13)	**20,32,79**	22,22,96
Total income		**735,26,42**	840,64,56
Expenditure			
Materials consumed	(14)	**353,40,07**	445,99,11
Other expenditure	(15)	**225,39,83**	240,36,44
Excise duty		**82,22,69**	87,21,79
Depreciation (net)		**22,96,14**	23,10,81
Interest (net)	(16)	**1,70,25**	3,45,25
		685,68,98	800,13,40
Profit before taxation from operations		**49,57,44**	40,51,16
Exceptional items	(17)	**57,64,36**	46,40,70
Profit before taxation		**107,21,80**	86,91,86
Provision for taxation :			
- Current tax		**13,41,03**	15,36,00
- Deferred tax		**13,28,97**	2,44,00
Profit after taxation		**80,51,80**	69,11,86
Balance brought forward		**153,88,26**	120,03,56
Transfer from Investment Allowance Reserve		-	14,40,00
Balance available for appropriation		**234,40,06**	203,55,42
Appropriations			
General Reserve		**24,00,00**	20,50,00
Debenture Redemption Reserve		-	4,40,00
Proposed Dividend		**40,87,06**	22,47,88
Tax on Dividend		-	2,29,28
		64,87,06	49,67,16
Balance carried to the Balance Sheet		**169,53,00**	153,88,26
Basic and Diluted Earnings per equity share (in Rs.)		**19.70**	16.91
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

Dr A S GANGULY, Chairman

A NARAYAN, Managing Director

R L JAIN, Wholetime Director

M R RAJARAM, Wholetime Director

R GUHA, Secretary

Gurgaon
22 May 2002

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 : CAPITAL

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Authorised		
4,16,90,000 equity shares of Rs. 10 each	**41,69,00**	41,69,00
Issued, Subscribed and Paid up		
4,08,70,612 equity shares of Rs. 10 each	**40,87,06**	40,87,06

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, out of which 10 Shares are held jointly.
(d) 89,18,121 were issued as fully paid up otherwise than for cash.

SCHEDULE 2 : RESERVES AND SURPLUS **(Rs. 000's)**

	As at 1 April 2001	Additions	Deductions	**As at 31 March 2002**
Capital Reserves	23,91,87	-	-	**23,91,87**
Share Premium	2,43,31	-	-	**2,43,31**
Revaluation Reserve *	12,31,24	-	6,37,95	**5,93,29**
Debenture Redemption Reserve	13,20,00	-	-	**13,20,00**
General Reserve **	134,15,99	24,00,00	4,62,30	**153,53,69**
Profit and Loss Account	153,88,26	15,64,74	-	**169,53,00**
Total	339,90,67	39,64,74	11,00,25	**368,55,16**
Previous year	296,31,46	58,74,70	15,15,49	339,90,67

*Deduction represents withdrawal on account of :

(a) Fixed assets disposed of Rs. 621.49 lacs (2000-01 : Rs. 58.65 lacs)

(b) Depreciation on revalued assets Rs. 16.46 lacs (2000-01 : Rs. 16.84 lacs) (Refer note 7, Schedule 19)

**Deduction represents adjustment on account of accumulated net deferred tax liability as on 1 April 2001 (Refer note 23, Schedule 19)

SCHEDULE 3 : SECURED LOANS

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
(a) 12.75% Redeemable non convertible debentures of Rs. 100 lacs each (privately placed)	**23,33,33**	35,00,00
	23,33,33	35,00,00

Notes :

35 no. 12.75% debentures of Rs. 100 lacs each allotted on 16 March 1998 are redeemable at the end of 4th, 5th and 6th year in equal instalments. The first instalment of Rs. 1166.67 lacs has been redeemed on 15 March 2002. These debentures are 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.

SCHEDULE 4 : UNSECURED LOANS

(a) Fixed deposits	**13,00**	32,00
(b) Other loan	**7,14**	34,82
	20,14	66,82

Refer note 3, Schedule 19

SCHEDULE 5 : FIXED ASSETS **(Rs. 000's)**

Particulars	Gross Block				Depreciation				Net Book Value	
	Book value at cost or revalued amounts as on 1 April 2001	Additions at cost	Disposals/ adjustments at book value	**Book value at cost or revalued amounts as on 31 March 2002**	As on 1 April 2001	In respect of disposals/ adjustments	for the year	**As on 31 March 2002**	**As on 31 March 2002**	As on 31 March 2001
Land leasehold	1,41,90	-	-	**1,41,90**	26,53	-	1,62	**28,15**	**1,13,75**	1,15,37
Land freehold	9,36,43	-	(3,21,94)	**6,14,49**	-	-	-	-	**6,14,49**	9,36,43
Buildings	77,02,55	2,07,92	(9,84,98)	**69,25,49**	15,85,39	(4,82,16)	1,95,21	**12,98,44**	**56,27,05**	61,17,16
Plant and machinery	237,71,72	14,44,40	(24,32,36)	**227,83,76**	122,20,38	(24,22,72)	17,54,24	**115,51,90**	**112,31,86**	115,51,34
Railway sidings and jetties	2,91	-	-	**2,91**	2,91	-	-	**2,91**	-	-
Rolling stock, motor vehicles etc.	93,65	6,54	(40,77)	**59,42**	76,63	(40,16)	3,11	**39,58**	**19,84**	17,02
Furniture, fittings and equipment	34,49,07	1,33,08	(11,24,42)	**24,57,73**	16,62,23	(5,57,40)	2,40,19	**13,45,02**	**11,12,71**	17,86,84
Patents, Trademarks, Knowhow etc.	-	15,10,45	-	**15,10,45**	-	-	21,65	**21,65**	**14,88,80**	-
Assets under operating leases	6,48,29	10,66,07	-	**17,14,36**	47,49	-	96,58	**1,44,07**	**15,70,29**	6,00,80
Total	367,46,52	43,68,46	(49,04,47)	**362,10,51**	156,21,56	(35,02,44)	23,12,60	**144,31,72**	**217,78,79**	211,24,96
Previous year	367,27,64	16,91,52	(16,72,64)	367,46,52	131,09,89	1,84,02	23,27,65	156,21,56	211,24,96	

Note :

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

(2) Gross book value of buildings includes : Rs. 6.93 lacs (2000-01 : Rs. 6.93 lacs) being cost of 50 shares of Rs. 10 each fully paid up, in Del House Apartments Co-operative Society Limited.

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

	Number	Face Value Rs. per unit	**As at 31 March 2002 (Rs. 000's)**	As at 31 March 2001 (Rs. 000's)
(A) LONG TERM INVESTMENTS				
(i) INVESTMENT IN SUBSIDIARIES				
Equity shares - unquoted				
Indian Explosives Limited	76,50,000	10	**7,65,00**	7,65,00
Quest International India Limited	14,40,001	100	**151,97,61**	-
(ii) TRADE				
Equity shares - unquoted				
Belvedere Estates Ltd	40,020	10	**4,80**	4,80
Adyar Property Holding Co Ltd * (Paid-up Rs. 65 per share)	275	100	**18**	18
Malcha Properties Ltd	-	-	-	10
Debentures - unquoted				
0.5% Belvedere Estates Ltd - redeemable	1	624,420	**6,24**	6,24
5% Woodlands Research Foundation - non-redeemable		86,000	**28**	28
0.5% Woodlands Research Foundation - (Book Value Re. 1 only)	110	100	-	-
6.5% Bengal Chamber of Commerce and Industry	19	1,000	**19**	19
9% Tax Free Bonds of The Indian Railway Finance Corporation			-	4,99,50
(iii) NON - TRADE				
Equity shares - quoted				
ICICI Limited	1,15,836	10	**21,35**	21,35
Equity shares - unquoted				
Kohinoor Mills Ltd	5	100	**1**	1
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	-	-
(B) CURRENT INVESTMENTS - Non Trade				
Units - unquoted				
Unit Trust of India - Unit '64 Scheme {net of diminution in value of Rs. 57.24 lacs (2000-01 : Rs. nil)}	6,19,505	10	**38,58**	95,82
Investment in Fixed Maturity Plan Debt Mutual Funds - unquoted				
Zurich India Mutual Fund	4,00,00,000	10	**40,00,00**	-
HDFC Mutual Fund	3,50,00,000	10	**35,00,00**	-
(NAV of Zurich India Mutual Fund : Rs. 10.0696 per unit) (NAV of HDFC Mutual Fund : Rs. 10.0730 per unit)				
Govt. of India Securities - quoted				
11.55% Govt. of India, July 2001			-	4,00,00
10.85% Govt. of India, July 2001			-	10,00,00
Corporate Bonds - quoted				
10.45% 147 day Non Convertible Debentures in GE Capital Services India			-	5,00,00
16% ICICI Unsecured Bonds, July 2001			-	15,00,00
			235,34,24	47,93,47

* Indicates shares are partly paid up

	As at 31 March 2002		As at 31 March 2001	
	Book Value (Rs. 000's)	**Market Value (Rs. 000's)**	Book Value (Rs. 000's)	Market Value (Rs. 000's)
Quoted investments	**21,35**	**70,60**	34,21,35	35,32,19
Unquoted investments	**235,12,89**		13,72,12	
	235,34,24		47,93,47	

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 7 : INVENTORIES		
Stores and spare parts	**3,26,75**	4,26,62
Packing materials	**1,16,89**	1,99,38
Raw materials	**26,21,21**	29,48,90
Finished Products	**67,54,69**	65,80,16
Work-in-process	**6,99,76**	6,61,78
	105,19,30	108,16,84
SCHEDULE 8 : SUNDRY DEBTORS		
Secured - considered good		
Debts outstanding over six months	**46,05**	35,93
Other debts	**2,63,64**	3,03,92
	3,09,69	3,39,85
Unsecured		
Debts outstanding over six months		
Considered good	**3,46,93**	3,09,47
Considered doubtful	**13,74,66**	18,27,68
	17,21,59	21,37,15
Less : Provision for doubtful debts	**13,74,66**	18,27,68
	3,46,93	3,09,47
Other debts - considered good	**88,97,12**	98,59,45
Due from subsidiary company	**31,43**	-
	95,85,17	105,08,77
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	**3,55,74**	73,78,51
With scheduled banks :		
Current accounts	**14,89,47**	25,50,77
Unpaid Dividend accounts	**1,20,22**	-
Fixed deposits	-	18,52,14
	19,65,43	117,81,42
SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received :		
Considered good *	**25,71,75**	32,10,61
Considered doubtful	**1,59,54**	2,35,39
	27,31,29	34,46,00
Less : Provision for doubtful advances	**1,59,54**	2,35,39
	25,71,75	32,10,61
Balances with Customs, Port Commissioners, Railways, Excise Authorities etc.	**3,00,47**	5,86,91
Other Deposits	**4,45,35**	8,46,30
Inter Corporate Deposits with :		
Indian Explosives Limited {Maximum amount due during the year : Rs. 900 lacs (2000-01 : Rs. 1800 lacs)}	-	9,00,00
Initiating Explosives Systems India Limited {Maximum amount due during the year : Rs. 125 lacs (2000-01 : Rs. 350 lacs)}	-	1,00,00
Quest International India Limited {Maximum amount due during the year : Rs. 150 lacs (2000-01 : Rs. nil)}	-	-
Others	-	20,00,00
Interest accrued on investments	-	1,82,88
	33,17,57	78,26,70
* Includes		
(a) Held on fixed deposit / margin money with a scheduled bank	**13,12**	9,23
(b) Due from Directors	**1,60,91**	3,24,81
Maximum amount due at any time during the year	**3,61,30**	3,24,81
(c) Due from Officer	**20,95**	25,34
Maximum amount due at any time during the year	**25,34**	25,34
SCHEDULE 11 : LIABILITIES		
Acceptances	**15,28,56**	19,53,43
Sundry creditors - SSI units *	**4,52,74**	2,62,07
Sundry creditors - others	**116,14,83**	109,31,77
Imperial Chemical Industries PLC, UK	-	60,22
Due to subsidiary company	-	23,77
Advance on sale of property/business	**5,35,00**	19,20,00
Unpaid and unclaimed dividends	**1,20,22**	-
Interest accrued but not due on loans	**1,22,67**	1,34,98
Other liabilities	**4,07,97**	1,41,90
	147,81,99	154,28,14

*Refer note 5, Schedule 19

SCHEDULE 12 : PROVISIONS

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Proposed dividend on equity shares	**40,87,06**	22,47,89
Tax on dividend	**-**	2,29,28
Provision for Taxation (net of advance tax)	**11,71,78**	6,82,79
Provision for VRS liability	**47,74,77**	61,85,24
Provision for retirement benefits	**6,31,00**	5,15,30
Other provisions	**8,01,05**	4,70,07
	114,65,66	103,30,57

	For the year ended 31 March 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
SCHEDULE 13 : OTHER INCOME		
From Businesses		
Estimated insurance claims receivable	**24,77**	-
Commission	**4,20,84**	6,39,03
Lease rentals	**1,45,43**	19,86
Provisions / liabilities no longer required written back	**43,19**	69,56
Miscellaneous receipts	**4,08,57**	8,13,00
	10,42,80	15,41,45
Other Operating items		
Income from investments:		
- Trade (Refer note 10, Schedule 19)	**5,07,26**	2,02,69
- Others	**12,83**	45,00
Profit on disposal of fixed assets (net)	**44**	79
Miscellaneous receipts	**4,69,46**	4,33,03
	9,89,99	6,81,51
	20,32,79	22,22,96

SCHEDULE 14 : MATERIALS CONSUMED

Opening stock		
Raw materials	**29,48,90**	22,17,81
Packing materials	**1,99,38**	2,04,66
Finished products	**65,80,16**	77,84,71
Work-in-process	**6,61,78**	6,80,99
	103,90,22	108,88,17
Add : Purchases		
Raw materials	**268,05,95**	297,74,87
Packing materials	**27,15,82**	29,05,59
Finished products	**70,26,44**	122,71,68
	365,48,21	449,52,14
Add / (Less) : Inventory adjustments in respect of acquired/divested businesses (net)		
Raw materials	**(6,39,57)**	(2,42,06)
Packing materials	**1,49**	(66)
Finished products	**(7,67,73)**	(6,08,26)
	(14,05,81)	(8,50,98)
Less : Closing stock		
Raw materials	**26,21,21**	29,48,90
Packing materials	**1,16,89**	1,99,38
Finished products	**67,54,69**	65,80,16
Work-in-process	**6,99,76**	6,61,78
	101,92,55	103,90,22
Materials consumed	**353,40,07**	445,99,11

	For the year ended 31 March 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
SCHEDULE 15 : OTHER EXPENDITURE		
Stores and spare parts	**7,82,24**	9,74,26
Repairs to buildings	**82,70**	1,55,13
Repairs to plant and machinery	**5,57,19**	9,30,52
Power and fuel	**20,15,80**	22,17,62
Salaries, wages, and bonus *	**47,90,28**	45,41,09
Contributions to provident and other funds	**6,56,20**	9,36,73
Workmen and staff welfare	**5,98,80**	6,77,25
Travelling	**10,32,99**	13,48,89
Rates and taxes	**6,17,37**	6,06,96
Rent	**5,76,44**	6,54,54
Communication expenses	**6,45,34**	8,10,02
Insurance	**3,37,32**	3,20,97
Freight and transport charges	**19,86,17**	21,56,33
Selling commission	**5,07,80**	4,56,75
Publicity	**20,58,19**	14,50,78
Royalty and technical fees	**57,24**	28,77
Cash discount on sales	**15,31,53**	17,43,70
Formulation / processing charges	**1,11,42**	1,78,76
Bad debts / advances	**4,05,20**	2,94,60
Provision for doubtful debts and advances (net)	**(1,86,68)**	(4,50,21)
Research and development	**2,53,55**	1,75,60
Directors' fees	**2,05**	1,82
Sundries (include consultancy, godown maintenance, sales promotion expenses etc.)	**31,20,69**	38,25,56
	225,39,83	240,36,44

* Refer note 11(b), Schedule 19

SCHEDULE 16 : INTEREST		
Interest on fixed loans	**4,42,30**	5,08,78
Interest on other loans	**2,26,81**	2,39,21
	6,69,11	7,47,99
Less : Interest income from banks and others	**4,98,86**	4,02,74
Net interest	**1,70,25**	3,45,25

SCHEDULE 17 : EXCEPTIONAL ITEMS (NET OF EXPENSES)		
Profit on sale of properties (Refer note 12, Schedule 19)	**30,22,53**	21,33,29
Profit on sale of Pharmaceuticals business (Refer note 13, Schedule 19)	**42,91,25**	-
Profit on sale of Polyurethanes business (Refer note 14, Schedule 19)	**2,74,80**	41,88,68
Profit on sale of Motor and Industrial Paints business (Refer note 15, Schedule 19)	**43,00**	-
Voluntary Retirement Scheme provision	**(6,82,29)**	(8,42,19)
Write down of assets in leasehold properties	-	(84,00)
Provision for deficit in employees pension fund (Refer note 18, Schedule 19)	**(6,61,00)**	-
Cost of business reorganisation (Refer note 19, Schedule 19)	**(5,23,93)**	(7,55,08)
	57,64,36	46,40,70

SCHEDULE 18 : 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.

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 Technology, Patents and Trademarks 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 inclusive of excise duty and 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, when there is a permanent diminution in value. Current investments are stated at lower of the cost or fair value.

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 expenses 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.

SCHEDULE 19 : NOTES TO THE ACCOUNTS

		As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
1.	Capital Expenditure :		
(a)	Estimated amount of contracts remaining to be executed on capital account (net of advances)	**3,61,91**	68,82
(b)	Demand for enhanced compensation in respect of leasehold land at Mohali, under dispute.	**4,65,88**	-
2.	Contingent liabilities not provided for:		
(a)	Uncalled liability on shares partly paid up	**10**	10
(b)	Sales tax matters under Appeal	**14,03,26**	11,80,40
(c)	Excise matters in dispute / under Appeal	**13,79,98**	12,20,23
(d)	Customs matters in dispute / under Appeal	**3,46,40**	2,93,37
(e)	Industrial relations matters under Appeal	**15,80**	15,80
(f)	Income tax matters in dispute / under Appeal See note below *		

* The Income tax assessment for the Company has been completed up to the financial year ended 31 March 1998. Arising from the completed assessments and also appellate orders, there is net refund of Rs. 147 lacs (2000-01 : Rs. 77 lacs} comprising total refund of Rs. 1617 lacs {2000-01 : Rs. 1547 lacs}, excluding interest; and demand / liability of Rs. 1470 lacs (2000-01 : 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	**1,29,52**	71,25
3.	Loans due within a year		
	Secured loans : Debentures	**11,66,67**	11,66,67
	Unsecured loans :		
	Fixed deposit	**13,00**	19,00
	HDFC	**7,14**	27,68

4. Sundry creditors - others (Schedule 11) include unclaimed matured fixed deposits from public amounting to Rs. 28.67 lacs (2000-01 : Rs. 26.72 lacs).

5. The names of small scale industries to whom the Company owes a sum exceeding Rs. 1 lakh, which is outstanding for more than 30 days at the Balance Sheet date, computed on a unit wise basis, are :

Ammsons Engg Company
Anand Casein Udyog
B R Fibres Chem Division
Baba Containers
Chemicone Chemicals Industries
Doshi & Sons
Fibro Chemical Industries
Finotex Chemical Industries
K B Engineering
Key Organics Pvt. Ltd.
Legnin Research Centre
MMR Mechanical Pvt. Ltd.
Mountain Minerals & Microns
Pearson Containers Co.
Piyanshu Chemicals
Prabal Chemicals
Rajesh Dyechem Industries Pvt. Ltd.
Salts & Chemicals P. Ltd.
Shree Sai Industries
Sood Papers & Allied Chemicals
Sree Printo - Pack Pvt. Ltd.
Techno Waxchem Pvt. Ltd.
Vishal Chemical Industries

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. 174.28 lacs {2000-01 : Rs. 147.82 lacs}.

7. Gross depreciation for the year amounts to Rs. 2312.60 lacs (2000-01 : Rs. 2327.65 lacs), from which a sum of Rs. 16.46 lacs (2000-01 : Rs. 16.84 lacs) being the depreciation on revalued amounts has been deducted from 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. 138.09 lacs (2000-01 : Rs. 140.24 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. 3.92 lacs (net) {2000-01 : (Rs. 5.77 lacs) (net)}.

10. Income from Investments - Trade (Schedule 13), includes dividend received from Indian Explosives Limited Rs. 436.05 lacs {for the year ended 31 March 2001 : Rs. 76.50 lacs).

11. (a) **Directors' Remuneration***

			2001-02 (Rs. 000's)
Salaries and allowances			1,74,25
Commission			20,00
Estimated cost of benefits			85,07
			2,79,32
Computation of Directors Remuneration			
Profit before Depreciation, Taxation & Exceptional items			72,53,58
Add :	Directors' Remuneration	2,79,32	
	Provision for doubtful Debts and Advances (net)	(1,86,68)	
	Directors' Remuneration for the year 2000-01 (Refer note 11(b))	1,03,00	1,95,64
			74,49,22
Less :	Depreciation as per Section 350	22,96,14	
	Voluntary Retirement Scheme Provision	7,27,23	
	Cost of business reorganisation	1,02,69	
	Pension provision	6,61,00	37,87,06
Net profit under Section 198 of the Companies Act, 1956			36,62,16
Maximum Remuneration payable to Directors -			
	- Managing / Wholetime Directors @10% of Net Profits		3,66,22
	- Directors not in Wholetime employment of the Company @1% of Net Profits		36,62
			4,02,84

* 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 Company basis rather than separately for directors.

11. (b) An amount of Rs.103 lacs paid to the directors as remuneration for the year 2000-01 in excess of the limits specified under Section 198 of the Companies Act, 1956 was disclosed in the previous year under 'Loans and Advances'. The above amount has been charged in the Profit and Loss account in current year as the Company has now obtained the Central Government approval for paying the above excess remuneration, which is subject to the shareholders' approval.

12. Income from sale of properties of Rs. 3022.53 lacs (2000-01 : Rs. 2133.29 lacs) includes net profit on sale of land and building at 34, Chowringhee Road, Kolkata, (after adjusting for rates, taxes and levies to municipal authorities and related provisions) and residential flats and land at New Delhi, Kolkata, and Chennai.

13. (a) The Pharmaceuticals business of the Company was transferred to Nicholas Piramal India Limited (NPIL) on 27 March 2002 for a gross consideration of Rs. 7000 lacs, and an additional amount of Rs. 3 lacs for adjustment of working capital. As per the business transfer agreement executed between the Company and NPIL, the commercial risks were assumed by NPIL from 1 January 2002. Accordingly, the earnings before interest, depreciation and tax of the business for the period 1 January 2002 to 26 March 2002 have not been included in the accounts of the current year. The details of the earnings before interest, depreciation and tax for this period are as follows :

	(Rs. 000's)
Income	
Sales	9,73,13
Other income	(6,97)
Total income	9,66,16
Expenditure	
Materials consumed	3,00,66
Other expenditure (including provisions)	8,10,29
Excise duty	1,20,10
	12,31,05
Earnings before interest, depreciation and tax	**(2,64,89)**

13. (b) The profit on sale of Pharmaceuticals business has been computed after adjusting the value of net assets (including retained assets) as on the date of transfer amounting to Rs. 2186 lacs, related transaction costs / provisions of Rs. 367 lacs, and a part of company's cost incurred by Pharmaceuticals business for the period 1 January 2002 to 26 March 2002, amounting to Rs. 159 lacs, borne by the Company.

14. The Polyurethanes business of the Company was transferred to Hunstman International (India) Private Limited on 31 March 2001. As per the business transfer agreement, a sum of Rs. 1000 lacs was payable 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 a sum of Rs. 275 lacs (including interest of Rs. 35 lacs) during the current year. The amount has since been received by the Company.

15. The Motor and Industrial Paints Business of the Company was transferred to Berger Auto and Industrial Coatings Limited on 1 May 2001 for a consideration of Rs. 1666 lacs. The profit on sale has been computed after adjusting the value of net assets (including working capital) amounting to Rs. 1603 lacs and costs relating to disposal amounting to Rs. 20 lacs.

16. The Company has acquired Nickel Catalyst business from Hindustan Lever Limited at a consideration of Rs. 1970 lacs (including working capital) on 10 December 2001.

17. The Company has acquired the Adhesive business from Hindustan Lever Limited at a consideration of Rs. 788 lacs (including working capital) on 27 December 2001.

18. During the current year, a deficit in the employees pension fund amounting to Rs. 661 lacs has been determined on the basis of actuarial valuation carried out by the Company. The above deficit arising out of certain changes in the actuarial valuation assumptions has been provided for in the accounts as an exceptional item in the Profit and Loss Account.

19. The cost of business reorganisation includes :

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

(ii) The cost of restructuring of Rubber Chemicals business activities at the Rishra factory. The reorganisation expenses of Rs. 102.69 lacs comprise mainly salary and overhead costs of personnel engaged in the restructuring exercise.

20. **Payments to Auditors**

		2001-02 (Rs. 000's)	2000-01 (Rs. 000's)
(i)	As Audit Fee	**6,00**	6,00
(ii)	Reimbursement of Expenses / service tax	**4,98**	3,05
(iii)	Tax Audit Fee	**3,00**	3,00
(iv)	Half yearly Limited review	**3,00**	-
(v)	Certification Work / Other Matters	**3,50**	6,85
		20,48	18,90

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

	Unit	**Licensed Capacity**		**Installed Capacity**		**Actual Production meant for sale**	
		2001-02	2000-01	**2001-02**	2000-01	**2001-02**	2000-01
Adhesives	Tonnes	**N.A.**	N.A.	**1,200**	1,200	**741**	444
Catalysts	Tonnes	**N.A.**	N.A.	**2,480**	420	**904**	529
Nitrocellulose	Dry Tonnes	**5,080**	5,080	**4,000**	4,000	**3,451**	3,471
Paints-Stiff	Tonnes	**N.A.**	N.A.	**10,000**	12,000	**7,029**	6,175
Paints-Liquid	KL	**N.A.**	N.A.	**41,940**	53,150	**23,290**	21,985
Pharmaceuticals	Tonnes	**N.A.**	N.A.	**-**	130	**199**	248
Pharmaceuticals	KL	**N.A.**	N.A.	**-**	10	**48**	45
Pre-Treatment Chemicals	KL	**N.A.**	N.A.	**-**	2,000	**-**	517
Rubber Chemicals & Diphenylamine	Tonnes	**N.A.**	N.A.	**8,600**	8,600	**3,166**	4,054
Thinners	KL	**N.A.**	N.A.	**3,260**	4,000	**1,667**	1,050
Textile Auxiliaries	Tonnes	**N.A.**	N.A.	**@**	@	**10,927**	9,938
Polyurethane	Tonnes	**N.A.**	N.A.	**-**	-	**-**	3,264

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 delicensed.
5. Installed Capacities are as certified by the management.
6. @ - Dependent on the Product Mix.
7. Production of Pharmaceuticals in 2001-02 is for the period 1 April 2001 to 31 December 2001.

21. (b) **Particulars in respect of sales, opening and closing stock of finished goods**

	Unit	Sales Quantity	Sales Value (Rs. 000's)	Opening stock Quantity	Opening stock Value (Rs. 000's)	Closing stock Quantity	Closing stock Value (Rs. 000's)
		2001-02	**2001-02**	**2001-02**	**2001-02**	**2001-02**	**2001-02**
		2000-01	2000-01	2000-01	2000-01	2000-01	2000-01
Adhesives	Tonnes	**1,637**	**19,80,34**	**59**	**86,67**	**141**	**1,59,96**
		521	7,28,33	47	66,39	59	86,67
Catalysts	Tonnes	**978**	**45,17,26**	**172**	**3,42,50**	**318**	**7,95,90**
		575	36,35,84	61	2,17,07	172	3,42,50
Nitrocellulose	Dry Tonnes	**3,577**	**64,13,76**	**236**	**2,86,05**	**110**	**1,38,38**
		3,516	60,39,62	281	3,10,89	236	2,86,05
Paints-Stiff *	Tonnes	**7,131**	**29,10,34**	**895**	**4,62,10**	**1,640**	**8,02,40**
		7,757	34,28,05	1,423	2,19,06	895	4,62,10
Paints-Liquid	K.Litres	**23,940**	**334,61,39**	**3,256**	**32,21,98**	**3,407**	**33,61,20**
		23,384	330,58,44	3,907	44,16,06	3,256	32,21,98
Pharmaceuticals *	Tonnes	**198**	**39,68,03**	**20**	**2,33,36**	**-**	**-**
		256	50,64,00	28	3,25,42	20	2,33,36
Pharmaceuticals *	K.Litres	**49**	**9,14,29**	**4**	**60,84**	**-**	**-**
		42	11,32,19	1	38,46	4	60,84
Polyurethanes	Tonnes	**-**	**-**	**-**	**-**	**-**	**-**
		7,832	107,00,77	342	4,27,57	-	-
Rubber Chemicals & diphenylamine	Tonnes	**4,090**	**100,77,12**	**450**	**9,06,99**	**424**	**6,53,19**
		4,656	106,72,43	293	6,61,66	450	9,06,99
Thinners	K Litres	**1,737**	**16,82,85**	**193**	**1,22,16**	**162**	**85,62**
		2,455	23,79,61	289	51,70	193	1,22,16
Textile auxiliaries	Tonnes	**12,118**	**109,91,58**	**864**	**5,82,31**	**890**	**6,05,34**
		11,712	98,18,00	797	5,70,50	864	5,82,31
Others	Various		**30,63,98**		**2,75,20**		**1,52,70**
			34,26,09		4,79,93		2,75,20
Less : Rebates			**84,87,31**				
			82,41,77				
			714,93,63		**65,80,16**		**67,54,69**
			818,41,60		77,84,71		65,80,16

* Closing Stock of Pharmaceuticals and Motor and Industrial Paints businesses have been transferred to the respective buyers, as on date of divestment. (Refer note 13 and 15, Schedule 19)

21. (c) **Particulars in respect of purchases of finished products**

	Unit	Quantity 2001-02	Quantity 2000-01	Value (Rs. 000's) 2001-02	Value (Rs. 000's) 2000-01
Acrylics	Tonnes	**1,675**	997	**10,37,29**	9,40,76
Adhesives	Tonnes	**978**	89	**4,07,08**	2,22,27
Catalysts	Tonnes	**220**	157	**6,19,29**	2,61,44
Paints-Liquid	K.Litres	**801**	748	**26,19,20**	17,15,34
Paints -Stiff	Tonnes	**847**	1,054	**3,20,41**	3,27,51
Polyurethanes	Tonnes	**-**	5,188	-	61,16,72
Rubber Chemicals & DPA	Tonnes	**898**	759	**11,46,44**	8,96,41
Textile Auxiliaries	Tonnes	**1,217**	1,841	**6,65,08**	10,20,59
Thinners	Tonnes	**39**	1,309	**31,05**	6,74,71
Others	Various	**NA**	NA	**1,80,60**	95,93
				70,26,44	122,71,68

21. (d) **Details of raw materials consumed**

	Unit	Quantity 2001-02	Quantity 2000-01	Value (Rs. 000's) 2001-02	Value (Rs. 000's) 2000-01
Alcohol	Tonnes	**510**	820	**2,91,34**	4,84,39
Alcohol	K.Litres	**887**	1,002	**1,37,43**	1,54,33
Amines	Tonnes	**1,684**	2,424	**8,43,49**	12,70,86
Metals	Tonnes	**3,804**	3,647	**41,67,54**	38,78,37
Organic Chemicals	Tonnes	**13,200**	17,728	**41,34,62**	59,12,03
Other Chemicals	Tonnes	**30,073**	29,943	**61,20,39**	80,79,72
Solvents	Tonnes	**7,940**	8,412	**16,61,45**	18,52,33
Others	Various			**91,37,81**	71,69,69
				264,94,07	288,01,72

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

21. (e) **Value of raw materials, stores and spare parts consumed**

	Raw materials 2001-02 (Rs. 000's)	Raw materials 2000-01 (Rs. 000's)	Raw materials 2001-02 %	Raw materials 2000-01 %	Stores and spare parts including packing materials (Excluding capital jobs) 2001-02 (Rs. 000's)	2000-01 (Rs. 000's)	2001-02 %	2000-01 %
Imported	**94,33,85**	99,14,63	**36**	34	**10**	3,43	**-**	-
Indigenous	**170,60,22**	188,87,09	**64**	66	**35,81,94**	38,81,04	**100**	100
	264,94,07	288,01,72	**100**	100	**35,82,04**	38,84,47	**100**	100

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

21. (f) **Earnings in foreign exchange**

	2001-02 (Rs. 000's)	2000-01 (Rs. 000's)
Export of goods (FOB basis)	**72,27,24**	60,74,64
Direct sales commission	**4,17,16**	6,47,49
Others	**88,54**	5,06,80

21. (g) **Value of imports (CIF basis)**

Raw materials	**84,28,01**	110,66,56
Stores and spare parts	**5,13**	2,56
Capital goods	**72,68**	-
Other items	**14,16,39**	46,96,57

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

Royalty and technical fees	**78,87**	14,68
Professional and consultation fees	**1,17,50**	23,66
Others	**1,27,98**	1,23,79

21. (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)**	**2001-02 (Rs. 000's)**	2000-01 (Rs. 000's)
2000-01	1	2,07,76	**11,42,69**	-
1999-2000	1	2,07,76	-	11,42,69

22. **Earnings per share**

		2001-02	2000-01
(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. 000's)	**80,51,80**	69,11,86
(c)	Basic and Diluted Earnings per share (Rs.)	**19.70**	16.91

23. Hitherto, the provision for deferred taxation was calculated on the liability method, at current rates of taxation on the timing differences to the extent that it was probable that a liability or asset would crystalise. The Company in the previous years was not recognising deferred tax liability on a part of the timing differences between book and tax depreciation. During the current year, however, the Company has adopted Accounting Standard 22 on "Accounting for Taxes on Income". As a result of this, the accumulated net deferred tax liability not recognised earlier in the books of account amounting to Rs. 462.3 lacs mainly on account of timing differences between book and tax depreciation as on 1 April 2001 has been debited to the General Reserve in accordance with the requirement of the Accounting Standard 22.

Timing differences on account of :	**Deferred Tax Asset (Rs. 000's)**	**Deferred Tax Liability (Rs. 000's)**
Difference between book depreciation and depreciation under Income-tax Act, 1961		39,49,66
Expenditure disallowed under Section 43B of Income Tax Act, 1961	1,54,35	
Provision for doubtful debts and advances	5,63,82	
VRS liability	5,24,78	
Liability for leave encashment and pension provision	2,35,94	
Total	14,78,89	39,49,66
Net Deferred Tax Liability		**24,70,77**

24. **Operating Lease**

The Company has given Colour Solution machines and STORMS machines under operating leases. The future minimum lease rentals receivable as on 31 March 2002 in respect of these assets are as under:

Amount receivable	**Total minimum lease rentals receivable as on 31 March 2002 (Rs. 000's)**
Within one year	2,07,49
Later than one year and not later than five years	2,00,58
Later than five years	99
Total	4,09,06

25. **Segment Information**

A. Information about Primary Business Segments

(i) The Company's primary business segments comprise Paints, Industrial Specialities, Industrial Chemicals and Pharmaceuticals. The businesses included in these primary business segments are given below :

- Paints : Decorative Paints, Refinish Paints and Motor and Industrial Paints (for the period up to 30 April 2001)
- Industrial Specialities : Uniqema, Food Starch, Polymers and Adhesives
- Industrial Chemicals : Catalysts, Nitrocellulose, Rubber Chemicals and Trading in acrylics and tioxide
- Pharmaceuticals : Cardiovascular and Critical care range of products (for the period up to 31 December 2001)

(ii) **Segment Revenues, Results and Other information** **(Rs. 000's)**

	Paints	Industrial Specialities	Industrial Chemicals	Pharmaceuticals	Total of Reportable Segments
External Sales	323,26,12	126,25,29	210,78,22	54,64,00	**714,93,63**
Inter Segment Sales	7,86	1,24,10	3,94,58	-	**5,26,54**
Other Business Related Income	1,57,50	4,08,98	4,76,32	-	**10,42,80**
Segment Revenues	324,91,48	131,58,37	219,49,12	54,64,00	**730,62,97**
Segment Results	(9,37,56)	18,20,34	29,88,05	9,40,31	**48,11,14**
Segment Assets	209,28,79	73,53,35	155,99,69	-	**438,81,83**
Segment Liabilities	72,62,82	24,32,88	42,66,18	-	**139,61,88**
	136,65,97	49,20,47	113,33,51	-	**299,19,95**
Capital Expenditure	11,66,09	6,11,42	24,47,97	71,26	**42,96,74**
Depreciation / Amortisation	11,01,83	2,48,08	7,71,91	51,08	**21,72,90**

(iii) **Reconciliation of Reportable Segments with the Financial Statements** **(Rs. 000's)**

	Revenues	Results	Assets	Liabilities
Total of Reportable Segments	730,62,97	48,11,14	438,81,83	139,61,88
Corporate - Unallocable / Others (Net)	9,89,99	3,16,55	186,28,27	147,56,54
Inter Segment Sales	(5,26,54)	-	-	-
Interest Expense (net)	-	(1,70,25)	-	-
Exceptional Items	-	57,64,36	-	-
Taxes	-	(26,70,00)	-	-
As per Financial Statements	**735,26,42**	**80,51,80**	**625,10,10**	**287,18,42**

(B) Information about Secondary Business Segment **(Rs. 000's)**

	Domestic	Exports	Total
Revenue	661,57,57	73,68,85	**735,26,42**
Carrying amount of Net Segment Assets	613,60,13	11,49,97	**625,10,10**
Carrying amount of Net Segment Liabilities	287,18,42	-	**287,18,42**
Additions to Fixed Assets	43,68,46	-	**43,68,46**

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) 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), long term investments and Miscellaneous Expenditure not written off. Unallocable / Others Liabilities includes unallocable current liabilities and net deferred tax liability.

26. **Related Party Disclosures**

A. 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 :

Glidden, USA	National Starch, UK	Quest International, Netherlands
ICI Paints Asia Pacific, Singapore	National Starch, USA	Synetix, Emmerich
ICI Paints, Indonesia	National Starch, China	Synetix, UK
ICI Paints, Thailand	National Starch, France	Synetix, USA
ICI Paints, UK	National Starch, Indonesia	Uniqema, GmbH
ICI Paints, Vietnam	National Starch, Phillipines	Uniqema, Indonesia
ICI Swire Paints, Hongkong	National Starch, Singapore	Uniqema, Malaysia
ICI Woobang Co. Ltd., Korea	National Starch, Taiwan	Uniqema, Spain
Kaohsiung Monomer Co. Ltd.	Quest International Flavours, USA	Uniqema, UK
National Starch, Malaysia	Quest International, Canada	Uniqema, USA
National Starch, Thailand	Quest International, Egypt	Uniqema, Chemie BV

d) Directors

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 Chandra	Non-executive Director (Government of India Nominee)

B. 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. 000's)

	Holding Company	**Subsidiaries of the Company**	**Other Related Companies in the Group**
Purchase of materials / finished goods	-	-	11,90,65
Sale of finished goods	-	24,37	27,87,31
Expenses incurred and recovered from other companies	-	1,49,51	70,23
Expenses recovered by other companies	-	-	3,63
Inter Corporate Deposits placed (maximum outstanding balance)	-	11,75,00	-
Interest income on Inter Corporate Deposits placed	-	43,33	-
Royalty paid / booked	-	-	43,57
Dividend paid	11,42,69	-	-
Dividend received	-	4,36,05	-
Due to related parties	-	-	2,34,28
Due from related parties	-	31,43	3,08,58

C. 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

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

Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR ENDED 31 MARCH 2002

Name	Designation / Nature of Duties	Remuneration (Rs.)	Qualification	Experience (in years)	Joining Date	Age	Previous Employment
(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR							
Ahmad A	General Manager, Supply Chain & Information Systems, Paints	31,65,292	Masters Engineering	17	07-Jan-85	41	First Employment
Chadha P	Chief Executive - Regional Businesses	46,21,727	B Tech	19	06-Jun-83	41	First Employment
Dasgupta P P	Corporate Employee Relations Manager	30,39,331	PGD PM & IR	24	13-Dec-94	49	Duncans Industries Ltd
Ghosh A Dr	Chief Executive, Performance Chemicals	42,38,715	Ph D, DIC	25	06-Oct-93	49	Atul Products
Jain R L	Chief Operating Officer & Wholetime Director	71,21,665	MBA, B Tech	30	18-Apr-83	51	CAFI
Kapoor S K Dr	General Manager, Rubber Chemicals	32,97,596	Ph D, M Sc	26	01-Apr-82	53	ARC
Khetan A	Business Manager, Synetix	27,06,126	MBA, B Tech	15	02-Jul-87	38	First Employment
Khullar S	Business Manager, Refinish	25,25,259	B Tech	19	12-Sep-94	42	Apex Pvt Ltd, Singapore
Krishna A P	Sr. Business Manager, Industrial Adhesives	34,54,715	B Tech	23	12-Aug-99	47	Hindustan Lever Ltd.
Krishnan V	Vice President, Finance	47,76,136	ACA	25	03-Jul-78	49	Indian Aluminium Co. Ltd
Mahato D C	General Manager, HR, Paints	28,34,126	PGD PM & IR	26	25-Mar-85	50	Bharat Wagon & Engineering Company
Mandal A K	R&T Manager	27,50,048	PhD, Post Doctrate, M.Sc	22	28-Jan-82	53	Central Drug Research Institute
Mitra A K	Chief Information Officer	29,87,207	M Tech, B.E	32	01-Oct-81	54	ACCI
Mitra I	Manufacturing Manager, Deco & Autocolor	25,91,358	B Tech	18	09-Oct-84	43	Turnkey International Ltd
Nagarajan H	General Manager, Marketing (Decoratives)	34,52,216	MBA	15	12-Oct-00	37	Nestle India
Narayan A	Managing Director	81,44,170	MS, LLB, B Tech	29	01-May-94	50	Chand Chaap Fertilisers & Chemicals Ltd
Puri P	General Manager, Innovation	26,72,952	PhD, MS (Materials Sc)	16	02-Nov-98	43	Hindustan Lever Ltd.
Rajagopal B	Director, Paints*	78,66,912	MBA, B Tech	23	01-Feb-97	47	Indus Venture Management
Rajaram M R	Wholetime Director	52,47,364	ACA, B Com	33	01-Oct-84	56	ACCI
Sharma R	Chief Executive, Decorative Paints	40,80,349	MBA, B Com	16	02-Jan-97	39	Arun Processors
Singh D	Director, HR, Communications & SSHE*	81,10,761	B Tech	28	02-Jun-80	49	ACCI
Venkatakrishnan R	Taxation Controller	26,08,170	ACA	27	01-Jan-76	51	J K Synthetics Ltd.
Vishwanath C R	General Manager, Finance, Paints	28,43,831	ACA, B Com	30	31-Oct-94	54	Chand Chaap Fertilisers & Chemicals Ltd.
Wagle P G	Corporate Engineering & SHE Manager	28,67,299	B Tech	26	02-May-96	48	Terene Fibres India Ltd.
(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR							
Anand S	On Secondment	27,88,564	ACA	18	30-Apr-84	42	First Employment
Chatterjee S	General Manager, Corporate Planning	11,64,966	ACA, B Com	19	01-May-99	43	Tupperware India Pvt Ltd
Iyer Bhaskar V	General Manager, Pharmaceuticals	36,20,543	MMM, B Sc	25	07-Aug-95	46	Regent Pharma
Ramkumar K	General Manager, H R	7,67,834	PGD PM, Dip Law, B Sc	19	03-Apr-96	41	Eternit Everest Ltd
Varma R	Works Manager	26,19,686	B Tech	26	08-Dec-75	47	First Employment

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 and special awards.
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 Chemicals and Fibres of India Limited and ARC means Alchemie Research Centre (Now known as ICI India Research and Technology Centre).

*5. Mr B Rajagopal and Mr D Singh were on the Board of the company upto 30 April 2001.

By order of the Board

Gurgaon
22 May 2002

Dr A S Ganguly
Chairman

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	21-21516	State Code	21
Balance Sheet Date	31-03-2002 (Date Month Year)		

II. Capital Raised during the year (Amount in Rs. 000's)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of mobilisation and deployment of funds (Amount Rs. 000's)

Total Liabilities	4576646	**Total Assets**	4576646
Sources of Funds			
Paid-up Capital	408706	Reserves and Surplus	3685516
Secured Loans	233333	Unsecured Loans	2014
Deferred Tax Liability	247077		
Application of Funds			
Net Fixed Assets	2229874	Investments	2353424
Net Current Assets	(86018)	Misc. Expenditure	79366
Accumulated Losses	NIL		

IV. Performance of Company (Amount in Rs. 000's)

Turnover	7352642	Total Expenditure	6856898
Profit/(Loss) before Tax	1072180	Profit/(Loss) after Tax	805180
Earnings per share in Rs.	19.70	Dividend rate %	100

V. Generic Names of Three Principal Products / Services of 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

ANNEXURE TO THE DIRECTORS' REPORT

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 2002	31 March 2002
3	Holding company's interest		
	Number of equity shares	76,50,000 of Rs. 10 each	14,40,001 of Rs. 100 each
	Percentage holding	51%	50% and one share
4	The net aggregate amount of profits of the subsidiary company 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. 19.79 lacs	Rs. 351.79 lacs
	ii) for the previous financial years since it became a subsidiary of ICI India Limited	Rs. 212.92 lacs	Nil
	b). Dealt with in the accounts of ICI India Limited		
	i) for the subsidiary's current financial year	Rs. 436.05 lacs	Nil
	ii) for the previous financial years since it became a subsidiary of ICI India Limited	Rs. 191.25 lacs	Nil

Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

CASH FLOW STATEMENT

	For the year ended	(Rs. 000's)	31 March 2002 (Rs. 000's)	(Rs. 000's)	31 March 2001 (Rs. 000's)
A.	**Cash flow from operating activities**				
	Profit before taxation from operations		**49,57,44**		40,51,16
	Adjusted for :				
	Depreciation	**22,96,14**		23,10,81	
	Profit on sale of fixed assets and investments	**(44)**		(79)	
	Investment income and other income	**(5,20,09)**		(2,47,69)	
	Interest (net)	**1,70,25**	**19,45,86**	3,45,25	24,07,58
	Operating profit before working capital changes		**69,03,30**		64,58,74
	Changes in :				
	Trade and other receivables	**2,05,99**		(2,83,24)	
	Inventories	**(10,87,48)**		(4,40,98)	
	Trade payables and other creditors	**10,47,13**	**1,65,64**	11,09,31	3,85,09
	Cash generated from operations		**70,68,94**		68,43,83
	Direct taxes paid		**(8,52,04)**		(12,24,29)
	Cash flow before exceptional items		**62,16,90**		56,19,54
	Exceptional items :				
	- relating to operations		**(27,16,08)**		(18,68,45)
	- relating to investing activities :				
	- sale of properties (including advance received)		**38,38,91**		10,54,60
	- sale of Polyurethanes business				72,50,00
	- sale of Pharmaceuticals business		**70,02,62**		-
	- sale of Motor & Industrial Paints business		**16,00**		16,50,00
	Net cash before investments & financing activities		**143,58,35**		137,05,69
B.	**Cash flow from investing activities**				
	Purchase of fixed assets		**(26,16,05)**		(14,61,77)
	Investment in subsidiary Quest International India Limited		**(151,97,61)**		-
	Acquisition of Catalyst and Adhesives business		**(27,58,22)**		
	Sale of fixed assets		**47,93**		1,49
	Sale of investment		**4,99,50**		-
	Interest received		**6,81,74**		2,38,12
	Investment and other income {including Rs. 436.05 lacs from subsidiaries; (2000-01 : Rs. 76.50 lacs)}		**5,20,09**		2,47,69
	Net cash used in investing activities		**(188,22,62)**		(9,74,47)
C.	**Cash flow from financing activities**				
	Borrowings repaid during the year		**(12,13,35)**		(11,62,93)
	Dividend paid		**(21,27,67)**		(22,47,87)
	Tax on Dividend		**(2,29,28)**		(2,47,27)
	Interest paid		**(6,81,42)**		(7,43,82)
	Net cash used in financing activities		**(42,51,72)**		(44,01,89)
	Net changes in cash & cash equivalents (A+B+C)		**(87,15,99)**		83,29,33
	Cash and cash equivalents - opening balance		**181,81,42**		98,52,09
	Cash and cash equivalents - closing balance		**94,65,43**		181,81,42

Notes to the cash flow statement

		As at 31 March 2002	As at 31 March 2001
1.	Cash and cash equivalents comprise of :		
	Cash, cheques in hand and in transit	**3,55,74**	73,78,51
	Current and Dividend Account	**16,09,69**	25,50,77
	Fixed Deposits with Banks	-	18,52,14
	Govt. of India Securities	-	14,00,00
	Corporate Bonds	-	20,00,00
	Inter-corporate deposits	-	30,00,00
	Fixed Maturity Plan Mutual Funds	**75,00,00**	-
		94,65,43	181,81,42

2. Exceptional items for the current year relating to operations, represent outflow on account of VRS, cost of business reorganisation, additional contribution to Pension Fund, and costs incurred by the Pharmaceuticals business during the transition period (i.e. 1 January 2002 to 26 March 2002), borne by the Company.
3. Previous year's figures have been regrouped wherever necessary.

Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

Auditors' Report

We have examined the above Cash Flow Statement of ICI India Limited (the Company) for the year ended March 31 2002. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with Bombay, Calcutta and National Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and the Balance Sheet of the Company covered by our report of 22 May 2002 to the members of the Company.

For BSR & Co.
Chartered Accountants

Gurgaon
22 May 2002

Akhil Bansal
Partner

TEN YEARS AT A GLANCE

Rs. lacs

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
ASSETS EMPLOYED										
Gross Fixed Assets	51212	26540	27388	29861	35105	36622	41854	36728	36747	36211
Accumulated Depreciation	34633	14440	15820	16759	17673	12588	14386	13110	15621	14432
Net Fixed Assets	**16579**	**12100**	**11568**	**13102**	**17432**	**24034**	**27468**	**23618**	**21126**	**21779**
Capital Work in Progress	751	775	1604	2342	1471	1512	1127	524	252	520
Trade Investments	**254**	**498**	**996**	**2033**	**2803**	**2803**	**1380**	**1303**	**1297**	**15995**
Current Assets (excl Cash & Bank and inter-corp deposits)	38691	29178	29151	28705	33378	36010	37500	29482	26153	23422
Current Liabilities	(21425)	(19894)	(21546)	(23318)	(22984)	(25646)	(24828)	(20220)	(19574)	(21473)
Net Current Assets	**17266**	**9284**	**7605**	**5387**	**10394**	**10364**	**12672**	**9262**	**6579**	**1949**
Provision for VRS liability (net)								(6747)	(6185)	(4775)
Deferred Tax Liability		(900)	(300)	(400)	(450)	(400)	(1200)	(436)	(680)	(2471)
Misc. Expenditure not written off								978	978	794
Net Assets Employed	**34850**	**21757**	**21473**	**22464**	**31650**	**38313**	**41447**	**28502**	**23367**	**33791**
FINANCED BY										
Share Capital	4087	4087	4087	4087	4087	4087	4087	4087	4087	4087
Capital Reserves	5669	4867	4821	4772	4723	4723	4608	3942	3866	3228
Revenue Reserves	7092	9394	11279	13141	15324	18083	21770	25690	30124	33627
Shareholders Funds	**16848**	**18348**	**20187**	**22000**	**24134**	**26893**	**30465**	**33719**	**38078**	**40942**
Net Debt *	**18002**	**3409**	**1286**	**464**	**7516**	**11420**	**10982**	**(5217)**	**(14710)**	**(7151)**
Total Funds Employed	**34850**	**21757**	**21473**	**22464**	**31650**	**38313**	**41447**	**28502**	**23367**	**33791**
SALES AND PROFIT										
Sales & services	77927	72943	57894	59730	66567	71361	83333	87312	81842	71494
Profit before Depreciation & Interest	7765	7271	7639	7342	9225	10835	10112	8650	6707	7423
Depreciation	(2919)	(2399)	(1855)	(1941)	(2128)	(1829)	(2416)	(2329)	(2311)	(2296)
Interest	(4648)	(2975)	(761)	(657)	(1351)	(2012)	(2756)	(1609)	(345)	(170)
Profit before Taxation	198	1897	5023	4744	5746	6994	4940	4712	4051	4957
Exceptional items	352	5382	892	1453	1210	57	2648	1703	4641	5764
Taxation	(328)	(3750)	(2600)	(2700)	(2750)	(2000)	(1450)	0	(1780)	(2670)
Profit After Taxation	**222**	**3529**	**3315**	**3497**	**4206**	**5051**	**6138**	**6415**	**6912**	**8051**
Earnings per share (Rupees)	**0.5**	**8.6**	**8.1**	**8.6**	**10.3**	**12.4**	**15.0**	**15.7**	**16.9**	**19.7**
Equity Dividend - Amount	613	1226	1430	1635	1839	2044	2248	2248	2248	4087
- Percentage	**15**	**30**	**35**	**40**	**45**	**50**	**55**	**55**	**55**	**100**
Debt Equity Ratio	0.5 : 1	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
NUMBER OF EQUITY SHAREHOLDERS	**61,782**	**61,387**	**59,678**	**58,369**	**57,480**	**56,977**	**56,063**	**54,744**	**58,433**	**57,632**

*Net Debt consists of Secured and Unsecured Loans, net of cash and bank balances, non-trade current investments and inter corporate investments. Current Assets have been regrouped accordingly.

DIRECTORS' REPORT 2001-02

The Directors have pleasure in presenting their Report for the year ended 31 March 2002.

BUSINESS ENVIRONMENT

The GDP growth for 2001-02 is estimated at 5.4% as against 4% recorded in the previous year. While agriculture recovered in 2001-02 from two consecutive years of decline/stagnation, the industrial sector performed poorly with a growth rate of 3.3%.

During the year 2001-02, Coal India Limited produced 280 million tonnes of coal (target was 279 million tonnes). This was 4.5% higher as compared to 2000-01. While opencast coal production at 230 million tonnes grew by 5.5%, underground coal production at 49 million tonnes saw 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 show healthy growth.

FINANCE AND ACCOUNTS

The performance highlights for the period ended 31 March 2002 are summarised below:

(Rs. lacs)

Year ended 31 March	2002	2001
Total Income	**18671**	16463
Profit before taxation from operations	**1292**	593
Exceptional items	**(25)**	(29)
Profit before tax	**1267**	564
Tax	**373**	124
Profit after tax	**894**	440
Appropriations		
Interim dividend – paid @ 40% (Previous year 6%)	**600**	90
Final dividend – recommended @ 3% (Previous year 17%)	**45**	255
Total dividend	**645**	345
Dividend tax	**61**	36
Transfer to Debenture Redemption Reserve	**104**	-
Transfer to General Reserve	**79**	45
Balance carried to the Balance Sheet (including balance brought forward from previous year)	**28**	23

COMPANY PERFORMANCE

Bulk and small diameter explosives continued to be the thrust area for the Company. Substantial order for permitteds secured at Singareni contributed to the growth in SDP volumes over last year. Bulk market had witnessed entry of several new competitors and despite this, the Company was able to achieve growth in bulk volumes marginally ahead of the market.

The ROG contract secured for the first time in the coal segment, was successfully executed. 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 incident has occurred. The year ended with a total score of 2.306 million Lost Time Incident free man-hours, since the formation of the Company.

RESEARCH & DEVELOPMENT

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

To meet the increased market demand for P501 explosives, manufacture of the same through an innovative and continuous process was developed. This has enhanced the flexibility of P501 manufacturing in both the small diameter emulsion plants.

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.

There was no employee of the Company drawing remuneration in excess of the limits prescribed under the provisions of section 217(2A) of the Companies Act 1956.

RESPONSIBILITY STATEMENT OF THE BOARD OF DIRECTORS

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 2002, 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.
d) the annual accounts have been prepared on a going concern basis.

DIRECTORS

Mr Julian Segal, Director resigned from the Board with effect from the close of business on 6 November 2001 and Mr Sanjay Dayal, Alternate Director to Mr Graham Liebelt, Original Director vacated his office owing to arrival of Mr Liebelt to the State where the Board Meetings of the Company are ordinarily held, with effect from the close of business on 2 August 2001. Mr V Krishnan resigned from the Board with effect from 13 May 2002. The Board records its appreciation for the valuable services rendered by M/s. Segal and Krishnan during their tenure of office as Directors.

At the Board Meeting held on 3 August 2001, Mr Dayal was once again appointed Alternate Director to Mr Liebelt. At the same Meeting, Mr P G Etienne was appointed a Director in the casual vacancy caused by the resignation of Mr Segal.

Mr L Subhash Babu was appointed an Additional Director and 'Manager' pursuant to Section 2 (24) of the Companies Act, 1956 with effect from 1 October 2001 for a period of five years. Mr R Guha was appointed a Director in the casual vacancy caused by the resignation of Mr V Krishnan. The respective appointment and presence of M/s. Babu and Guha on the Board will immensely benefit the business of the Company owing to their rich knowledge and experience. The appointment of Mr Babu is however subject to the approval of the Members at the forthcoming Annual General Meeting.

Mr R L Jain retires by rotation and being eligible offers himself for re-appointment.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee of the Company as constituted by the Board of Directors at its Meeting held on 23 March 2001 comprised of Mr M R Rajaram, Chairman, Mr V Krishnan, Member and Mr G Liebelt, Member. However, with the resignation of Mr Krishnan from the Committee, Mr R Guha was appointed a Member of the Committee with effect from 13 May 2002.

AUDITORS

The current Auditors Messrs. BSR & Co. retire at 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.

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

Information required as per the prescribed particulars pursuant to section 217(1)(e) of the Companies Act, 1956 is given in the Annexure to this report.

ACKNOWLEDGEMENT

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

On behalf of the Board

Gurgaon — R L Jain
13 May 2002 — Chairman

ANNEXURE 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. CONSERVATION OF ENERGY

		2001-02	2000-01
1. Power & Fuel consumption			
(a) Electricity			
(i) Purchased			
Unit	Lac Kwh	**81.11**	83.58
Total amount	Rs. lacs	**378**	344
Rate	Rs./Kwh	**4.66**	4.12
(ii) Own generation through diesel generator			
Units	Lac Kwh	**2.60**	4.90
Units/KL of diesel oil	Lac Kwh	**0.03**	0.03
Cost/Unit	Rs./Kwh	**7.94**	6.13
(b) Coal			
Quantity	Tes	**2945**	2727
Total Cost	Rs. lacs	**48**	43
Average rate	Rs./Te	**1628**	1567
2. Consumption per unit of production			
Electricity	Kwh/Te	**36.21**	48.28
Coal	Te/Te	**0.04**	0.04

B. 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 were the main areas 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 R&D

(Rs. lacs)

Year ended 31 March	2002	2001
(i) Capital	**Nil**	Nil
(ii) Recurring	**53.08**	66.20
(iii) Total	**53.08**	66.20
(iv) Total R&D expenditure as a percentage of turnover	**0.3%**	0.4%

2. Technology Absorption, Adaptation and Innovation

There was no new imported technology currently under absorption.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total foreign exchange earnings and outgo is given below:

(Rs. lacs)

Year ended 31 March	2002	2001
Earned	**35.33**	19.95
Used	**161.44**	5.63

On behalf of the Board

Gurgaon — R L Jain
13 May 2002 — Chairman

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 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;

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

(v) On the basis of written representations received from the directors, as on 31 March 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002 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 2002; and

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

For BSR & Co.
Chartered Accountants

Gurgaon — Akhil Bansal
13 May 2002 — Partner

ANNEXURE TO THE AUDITORS' REPORT

With reference to the annexure referred to in the auditor's report to the members of Indian Explosives Limited on the financial statements for the year ended 31 March 2002, 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 have 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 fixed assets once every three years. In our opinion, the frequency of physical verification is reasonable.

(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 2002 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 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 2002, 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) the Company does not 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 sub section (B) related to service activities of the Company is not applicable.

For BSR & Co.
Chartered Accountants

Gurgaon
13 May 2002

Akhil Bansal
Partner

BALANCE SHEET

		Schedule	As at 31 March 2002 (Rs. 000's)	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
I)	**SOURCES OF FUNDS:**					
	Shareholders' Funds					
	a) Share Capital	(1)	**15,00,00**		15,00,00	
	b) Reserves & Surplus	(2)	**67,37,74**	**82,37,74**	65,86,17	80,86,17
	Loan Funds					
	a) Secured Loans	(3)	**17,95,59**		8,20,60	
	b) Unsecured Loans	(4)	-	**17,95,59**	9,36,33	17,56,93
	Deferred tax liability	[19(2)]		**5,69,09**		2,20,80
	Total			**106,02,42**		100,63,90
II)	**APPLICATION OF FUNDS**					
	Fixed Assets	(5)				
	a) Gross Block		**66,00,84**		63,78,54	
	Less : Accumulated Depreciation		**8,68,69**		5,06,28	
	Net Block		**57,32,15**		58,72,26	
	b) Capital work-in-progress at cost (including capital advances)		**1,04,87**	**58,37,02**	1,26,60	59,98,86
	Investments	(6)		**20,10,00**		20,10,00
	Current Assets, Loans & Advances					
	a) Inventories	(7)	**16,99,41**		13,19,30	
	b) Sundry debtors	(8)	**28,77,93**		24,30,23	
	c) Cash & bank balances	(9)	**81,68**		1,38,67	
	d) Loans & advances	(10)	**14,44,36**		15,44,36	
			61,03,38		54,32,56	
	***Less*: Current Liabilities & Provisions**					
	a) Current liabilities	(11)	**32,73,20**		31,06,27	
	b) Provisions	(12)	**1,52,20**		3,64,70	
			34,25,40		34,70,97	
	Net current assets			**26,77,98**		19,61,59
	Miscellaneous Expenditure (to the extent not written off or adjusted)	(13)		**77,42**		93,45
	Total			**106,02,42**		100,63,90
Notes on the Balance Sheet		(14)				

PROFIT AND LOSS ACCOUNT

	Schedule		For the year ended 31 March 2002 (Rs. 000's)		For the year ended 31 March 2001 (Rs. 000's)
Income	(15)				
Sales and services			**167,43,98**		148,51,89
Other income			**19,26,77**		16,11,02
Total			**186,70,75**		164,62,91
Expenditure					
Materials consumed	(16)		**98,20,60**		90,41,03
Other expenditure	(17)		**46,11,92**		41,58,35
Excise duty			**22,86,16**		19,59,00
Depreciation			**3,67,47**		3,44,35
Interest (net)	(18)		**2,92,83**		3,67,32
Total			**173,78,98**		158,70,05
Profit before taxation from operations			**12,91,77**		5,92,86
Exceptional items (refer Note 3 - Schedule 14)			**(25,17)**		(28,58)
Profit before taxation			**12,66,60**		5,64,28
Provision for taxation					
- Current taxation		**66,27**		36,04	
- Deferred taxation		**3,06,52**		87,79	
			3,72,79		1,23,83
Profit after taxation			**8,93,81**		4,40,45
Balance brought forward			**23,26**		8,63
			9,17,07		4,49,08
Appropriations					
General Reserve			**78,96**		44,91
Debenture Redemption Reserve			**1,04,17**		-
Interim Dividend			**6,00,00**		90,00
Tax on Interim Dividend			**61,20**		9,90
Proposed Final Dividend			**45,00**		2,55,00
Tax on Proposed Final Dividend			-		26,01
			8,89,33		4,25,82
Balance carried to the Balance Sheet			**27,74**		23,26
Notes on the Profit and Loss Account	(19)				

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, Partner

R L JAIN, Chairman

M R RAJARAM, Director

S DAYAL, Director

L SUBHASH BABU, Director

M SEAL, Company Secretary

Gurgaon
13 May 2002

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 : SHARE CAPITAL

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Authorised		
1,50,00,000 equity shares of Rs. 10 each	**15,00,00**	15,00,00
Issued, Subscribed and Paid up		
1,50,00,000 equity shares of Rs. 10 each	**15,00,00**	15,00,00

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. 000's)

	As at 1 April 2001	Additions	Deductions	**As at 31 March 2002**
Share premium	64,91,00	-	-	**64,91,00**
General reserve	71,91	78,96	36,04	**1,14,83**
Debenture redemption reserve	-	1,04,17	-	**1,04,17**
Profit and loss account	23,26	4,48	-	**27,74**
Total	65,86,17	1,87,61	36,04	**67,37,74**

SCHEDULE 3 : SECURED LOANS

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
(a) 13% redeemable non convertible debentures of Rs. 50 lacs each (privately placed) (refer note (a) below)	**5,00,00**	5,00,00
(b) Loans and advances from banks		
Cash credit accounts (refer note (b) below)	**10,63,18**	3,20,60
Commercial paper (refer note (c) below)	**2,00,00**	-
Interest accrued and due on secured loans	**32,41**	-
	17,95,59	8,20,60

Notes :

(a) 10 nos. 13% debentures of Rs. 50 lacs each allotted on 26 October, 1999 are redeemable after thirty-six months from the allotment date as per the offer letter. The debentures are secured by a first charge on plant and machinery.

(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 issued earmarking cash credit limits.

SCHEDULE 4 : UNSECURED LOANS

Short term loans and advances		
- From other than banks	-	9,36,00
- Interest accrued and due	-	33
	-	9,36,33

SCHEDULE 5 : FIXED ASSETS

(Rs. 000's)

Description	Gross block				Depreciation				Net block	
	Cost as at 01.04.2001	Additions during the year	Disposals / adjust-ments	**Cost as at 31.03.2002**	As at 01.04.2001	In respect of Disposals/ Adjustments	For the year	**As at 31.03.2002**	**As at 31.03.2002**	As at 31.03.2001
Leasehold land	10,33	-	-	**10,33**	18	-	12	**30**	**10,03**	10,15
Freehold land	32,41	1,30	-	**33,71**	-	-	-	**-**	**33,71**	32,41
Buildings	11,27,51	35,11	-	**11,62,62**	41,94	61	29,62	**72,17**	**10,90,45**	10,85,57
Plant and machinery	43,46,15	1,71,17	(2)	**45,17,30**	3,92,12	(5,24)	2,89,55	**6,76,43**	**38,40,87**	39,54,03
Furniture and fittings	29,87	14,90	(16)	**44,61**	3,25	(43)	2,21	**5,03**	**39,58**	26,62
Patents and trademarks	7,62,27	-	-	**7,62,27**	56,98	-	38,12	**95,10**	**6,67,17**	7,05,29
Rolling stock, motor vehicles etc.	70,00	-	-	**70,00**	11,81	-	7,85	**19,66**	**50,34**	58,19
	63,78,54	2,22,48	(18)	**66,00,84**	5,06,28	(5,06)	3,67,47	**8,68,69**	**57,32,15**	58,72,26
Previous year	59,10,94	4,67,63	(3)	63,78,54	1,61,94	(1)	3,44,35	5,06,28	58,72,26	

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.
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 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 6 : INVESTMENTS		
Investment in subsidiary		
Initiating Explosives Systems India Limited - unquoted, long term (at cost)	**20,10,00**	20,10,00
84,00,000 equity shares of Rs. 10 each, fully paid up	**20,10,00**	20,10,00

SCHEDULE 7 : INVENTORIES

Raw materials - at cost	**8,88,45**	6,75,62
Stores and spare parts - at cost	**3,18,31**	2,78,60
Packing materials - at cost	**1,06,22**	51,03
Finished products - at lower of cost or net realisable value	**3,86,43**	3,14,05
	16,99,41	13,19,30

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 8 : SUNDRY DEBTORS		
Secured - considered good		
Debts outstanding over six months	**16,16**	31,80
Other debts	**1,07**	50
	17,23	32,30
Unsecured		
Debts outstanding over six months		
Considered good	**1,44,90**	3,85,06
Considered doubtful	**1,96,95**	96,95
	3,41,85	4,82,01
Less : Provision for doubtful debts	**1,96,95**	96,95
	1,44,90	3,85,06
Other debts - considered good	**27,15,80**	20,12,87
	28,77,93	24,30,23
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash in hand	**59,20**	69,21
Balances with scheduled banks on current account	**22,48**	69,46
	81,68	1,38,67
SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received		
Considered good *	**10,03,62**	11,01,09
Considered doubtful	**6,63**	6,63
	10,10,25	11,07,72
Less : Provision for doubtful advances	**6,63**	6,63
	10,03,62	11,01,09
Advance tax	**43,16**	56,62
Deposits - considered good		
With excise authorities	**2,17,81**	2,10,38
With others	**1,79,77**	1,76,27
	14,44,36	15,44,36
* includes		
(a) Advance to subsidiary, Initiating Explosives Systems India Limited	**5,65,07**	6,16,90
(b) Due from Directors	**25,82**	-
Maximum amount due at any time during the year	**26,03**	3,31
SCHEDULE 11 : CURRENT LIABILITIES		
Acceptances	**-**	3,59
Sundry creditors		
- Small scale industrial undertakings	**52,71**	67,69
- Others	**18,04,01**	17,49,94
Other liabilities	**14,16,48**	12,40,90
Interest accrued but not due on loans	**-**	44,15
	32,73,20	31,06,27

Note: Small scale industrial undertakings to whom amounts in excess of Rs. 1 lac are outstanding for more than thirty days are disclosed under note 2 of schedule 14.

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 12 : PROVISIONS		
Current taxes (Minimum Alternate Tax - net of advance tax)	**13,58**	36,04
Proposed dividend	**45,00**	2,55,00
Tax on proposed dividend	**-**	26,01
Other provisions	**93,62**	47,65
	1,52,20	3,64,70
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary expenses	**-**	2,66
Voluntary Retirement Scheme liability (refer note 3 - Schedule 14)	**77,42**	90,79
	77,42	93,45

SCHEDULE 14 : NOTES ON THE BALANCE SHEET

1 Estimated amount of contracts remaining to be executed on capital account as on 31 March 2002 is Rs. 28.85 lacs (previous year Rs. 38.47 lacs).

2 Small Scale Industrial Undertakings to whom the Company owes sums exceeding Rs. 1 lac which are outstanding for more than 30 days are :

Industrial Chemicals
Srilab Neo-Packs Pvt. Ltd.

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. 25.17 lacs has been charged to the profit and loss account during the year and the balance amount of 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 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
SCHEDULE 15 : INCOME		
Net sales and services		
Sales	**163,08,34**	147,01,55
Services	**4,35,64**	1,50,34
	167,43,98	148,51,89
Other income		
Commission	**10,72,24**	11,65,21
Miscellaneous receipts	**2,33,84**	2,35,81
Dividend from subsidiary, Initiating Explosive Systems India Limited	**5,12,40**	2,10,00
Liabilities no longer required written back	**1,08,29**	-
	19,26,77	16,11,02
SCHEDULE 16 : MATERIALS CONSUMED		
Opening stock		
Raw materials	**6,87,57**	3,86,92
Packing materials	**51,03**	34,80
Finished products	**3,14,05**	2,51,55
	10,52,65	6,73,27
Add : Purchases		
Raw materials	**93,80,46**	86,64,87
Packing materials	**7,68,59**	7,12,17
Finished products	**-**	43,37
	101,49,05	94,20,41
Less : Closing stock		
Raw materials	**8,88,45**	6,87,57
Packing materials	**1,06,22**	51,03
Finished products	**3,86,43**	3,14,05
	13,81,10	10,52,65
Materials consumed	**98,20,60**	90,41,03
SCHEDULE 17 : OTHER EXPENDITURE		
Stores and spare parts	**63,66**	88,18
Repairs to buildings	**38,64**	40,45
Repairs to plant and machinery	**2,33,32**	1,91,06
Power and fuel	**5,78,54**	5,00,80
Salaries, wages and bonus	**8,37,04**	7,39,43
Contributions to provident and other funds	**1,14,44**	1,25,18
Workmen and staff welfare	**66,25**	68,45
Rates and taxes	**62,30**	61,52
Rent	**77,31**	76,87
Insurance	**74,39**	62,74
Freight and transport charges	**8,97,13**	7,71,05
Commission to consignment agents	**4,79,06**	4,47,51
Lease and hire charges	**1,16,39**	1,20,39
Provision for doubtful debts	**1,00,00**	71,00
Advances written off	**23,43**	-
Sundries	**8,50,02**	7,93,72
	46,11,92	41,58,35
SCHEDULE 18 : INTEREST (NET)		
Interest on fixed loans	**65,00**	65,00
Interest on other loans	**2,30,68**	3,05,66
	2,95,69	3,70,66
Less : Interest income from banks and others	**2,86**	3,34
	2,92,83	3,67,32
SCHEDULE 19 : NOTES TO THE PROFIT AND LOSS ACCOUNT		
1. Payments to auditors:		
(i) As audit fee (including service tax)	**5,25**	3,15
(ii) Reimbursement of expenses	**13**	37
(iii) Tax audit fee (including service tax)	**1,05**	1,05
	6,43	4,57

2. To comply with the newly introduced 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 on account of timing differences.
Deferred tax comprise of:

	(Rs. 000's)
Deferred tax assets	
Provision for doubtful debts	72,38
Carried forward business loss	2,79,32
Others	14,00
Sub total	**3,65,70**
Deferred tax liabilities	
Fixed assets	(8,66,85)
Others	(67,94)
Sub total	**(9,34,79)**
Net deferred tax assets / (liability)	**(5,69,09)**

3. The Company is in the process of developing a comprehensive system of maintenance of information and documents as required by the newly introduced transfer pricing legislation under sections 92 - 92F of the Income Tax Act, 1961 which requires existence of these records latest by October 2002. The international transactions of the company are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

4. (a) Particulars in respect of goods manufactured

Particulars	**Unit**	**Licensed capacity**		**Installed capacity**		**Actual production meant for sale**	
		2001-02	2000-01	**2001-02**	2000-01	**2001-02**	2000-01
Commercial/Blasting Explosives	Tonnes	**1,00,263**	1,00,263	**1,60,000**	1,60,000	**82,311**	77,921

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.

4. (b) Particulars in respect of sales, purchases and closing stock of finished goods

	2001-02		2000-01	
Commercial/Blasting Explosives	**Quantity (Tonnes)**	**Value (Rs. 000's)**	Quantity (Tonnes)	Value (Rs. 000's)
Sales	**82,214**	**167,43,98**	77,575	148,51,89
Purchases	**–**	**–**	250	43,37
Closing stock	**1,570**	**3,86,43**	1,473	3,14,05

4. (c) Details of raw materials consumed

	Unit	**2001-02**		2000-01	
		Quantity	**Value (Rs. 000's)**	Quantity	Value (Rs. 000's)
Ammonium nitrate	Tonnes	**61,205**	**71,80,96**	58,069	62,80,84
Organic chemicals	Tonnes	**4,276**	**9,80,61**	4,136	11,25,48
Other chemicals	Tonnes	**1,183**	**4,60,48**	1,303	4,60,45
Metals	Tonnes	**126**	**1,46,77**	245	2,30,91
Others	Various		**4,10,76**		2,66,54
Total			**91,79,58**		83,64,22

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

4. (d) Value of raw materials, packing materials and stores and spare parts consumed

	2001-02 (Rs. 000's)	**2001-02 %**	2000-01 (Rs. 000's)	2000-01 %
Raw materials :				
Imported	**1,36,71**	**1**	-	-
Indigenous	**90,42,87**	**99**	83,64,22	100
Total	**91,79,58**	**100**	83,64,22	100
Packing materials:				
Imported	**-**	**-**	-	-
Indigenous	**7,13,40**	**100**	6,95,94	100
Total	**7,13,40**	**100**	6,95,94	100
Stores and spare parts:				
Imported	**4,81**	**8**	2,72	3
Indigenous	**58,85**	**92**	85,46	97
Total	**63,66**	**100**	88,18	100

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

4. (e) Earnings in foreign exchange

	2001-02 (Rs. 000's)	2000-01 (Rs. 000's)
Export of goods (FOB basis)	**35,33**	19,95

4. (f) Value of imports (CIF basis)

Raw materials	**1,51,64**	-
Stores and spare parts	**4,80**	2,42

4. (g) Expenditure in foreign currency (net of tax where applicable)

Foreign travel	**5,00**	3,21

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

Particulars	**No. of non-resident shareholders**	**No. of shares (000's)**	**2001-02 (Rs. 000's)**	2000-01 (Rs. 000's)
Final dividend for the fiscal year 2000-2001	1	7,350	**1,24,95**	
Interim Dividend for the fiscal year 2001-2002	1	7,350	**2,94,00**	
Dividend for the fiscal year 1999-2000	1	7,350		1,39,65
Interim Dividend for the fiscal year 2000-2001	1	7,350		44,10

5. Related Party Disclosures

a. List of related parties where control exists :

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)
Orica Limited (Having Substantial Interest)

b. Directors :

R L Jain
S Dayal
M R Rajaram
L Subhash Babu
V Krishnan
G Liebelt
P Etienne

c. Transactions with related parties mentioned in 5 (a)

(Rs. 000's)

	ICI India Limited	**Initiating Explosives Systems India Limited**	**Orica Investments Pty Limited**
i. Purchase of Raw Materials, Stores & Spares	7,32		16,24
ii. Commission received		(10,72,24)	
iii. Expenditure/ (Receipt) for Other Services	1,00,00	(2,95,80)	
iv. Outstanding Balance as on 31 March 2002 - Debtor/ (Creditor)	(12,77)	5,65,07	
v. Interest for Inter Corporate Deposit Paid	38,77		
vi. Inter Corporate Deposit (Maximum Outstanding)	9,00,00		
vii. Dividend Paid/ (Received)	4,36,05	(5,12,40)	4,18,95

d. Transactions with related parties mentioned in 5 (b)

i. Managerial remuneration to L Subhash Babu	Rs. 14.31 lacs
ii. Loans outstanding from L Subhash Babu	Rs. 25.82 lacs

6. Profit / (Loss) on account of foreign exchange transactions for the year is Rs. 0.46 lacs (Previous year Rs. (1.64) lacs).

7. Director's remuneration

	2001-02 (Rs. 000's)
Salaries	12,48
Estimated cost of benefits	1,83
	14,31
Computation of director's remuneration	
Profit before taxation	12,66,60
Add: Director's remuneration	14,31
Provision for bad and doubtful debts	1,00,00
Net profit under Section 198 of the Companies Act	13,80,91
Maximum remuneration payable to Director / Manager @ 5% of net profits	69,05

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

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

Gurgaon
13 May 2002

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 capitalised.

Depreciation has been charged at higher of the 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.

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

The value 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 realisable 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 recognised on despatch of goods to customers.

Revenue from services is recognised 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 in the books as and when the relevant invoices for the products have been raised by the subsidiary company.

6. **FOREIGN CURRENCY TRANSACTIONS**
Foreign currency transactions are recorded in the books of the Company at the foreign exchange rates prevailing on the dates of the transactions. Foreign currency current assets and liabilities are translated at year-end exchange rates. The foreign exchange gains/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.

7. **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.

Liabilities for leave encashment are provided on the basis of actuarial valuation.

8. **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".

9. **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 capitalised.

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 2002

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 21-89431 State Code 21

Balance Sheet Date 31-03-2002 (Date Month Year)

II. Capital Raised during the year (Amount in Rs. 000's)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

III. Position of mobilisation and deployment of funds (Amount Rs. 000's)

Total Liabilities	Total Assets
1060242	1060242

Sources of Funds

Paid-up Capital	Reserves and Surplus
150000	673774
Secured Loans	**Unsecured Loan**
179559	NIL
Deferred Tax Liability (net)	
56909	

Application of Funds

Net Fixed Assets	Investments
583702	201000
Net Current Assets	**Misc. Expenditure**
267798	7742
Accumulated Losses	
NIL	

IV. Performance of Company (Amount in Rs. 000's)

Turnover	Total Expenditure
1867075	1737898
Profit/(Loss) before Tax	**Profit/(Loss) after Tax**
126660	89381
Earnings per share in Rs.	**Dividend rate %**
5.95	43

V. Generic Names of Principal Products of Company

Item Code No. (ITC Code) 3602

Product Description Industrial Explosives

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 2002

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

1.	Name of the subsidiary company	Initiating Explosive Systems India Limited
2.	The financial year of the subsidiary ended on	31 March 2002
3.	Holding company's interest	
	Number of equity shares	84,00,000 of Rs. 10 each
	Percentage holding	70%
4.	The net aggregate amount of profits of the subsidiary company so far as it concerns the members of Indian Explosives Limited	
	a) Not dealt with in the accounts of Indian Explosives Limited	
	i) for the subsidiary's current financial year	Rs. 137.74 lacs
	ii) for the previous financial years since it became a subsidiary of Indian Explosives Limited	Rs. 93.88 lacs
	b) Dealt with in the accounts of Indian Explosives Limited	
	i) for the subsidiary's current financial year	Rs. 512.40 lacs
	ii) for the previous financial years since it became a subsidiary of Indian Explosives Limited	Rs. 210.00 lacs

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

Gurgaon
13 May 2002

DIRECTORS' REPORT 2001-02

THE BUSINESS ENVIRONMENT

The estimated GDP growth rate of 5.4% in 2001-02 as compared to 4% in the previous year, is primarily supported by the growth in services, agriculture & allied sectors. In the year 2001-02, manufacturing sector grew by 3.3 % compared to 5.6 % in the last year. The GDP growth rate from mining & quarrying is estimated to have declined from 3.3% in the previous year to 1.4% in 2001-02. The global slowdown also had its effect on the Indian export sector which grew by less than 1% in 2001-02.

FINANCE AND ACCOUNTS

The performance highlights for the year ended 31 March 2002 are as summarised below :

(Rs. lacs)

	2001-02	2000-01
Income from business	**7066**	7156
Profit before Tax from operations	**1380**	973
Exceptional items	**(64)**	(78)
Tax	**458**	337
Profit after Tax	**858**	558
The disposition of profit is as follows :-		
Profit after Tax	**858**	558
Interim Dividends	**600**	300
Proposed Final Dividend	**96**	132
Corporate Dividend Tax on interim dividends	**61**	46
Corporate Dividend Tax on Proposed final dividend	**-**	13
Transfer to General Reserve	**90**	60

The balance of Rs. 11 lacs in the Profit and Loss Account is carried forward (previous year Rs. 7 lacs).

COMPANY PERFORMANCE

Non-electric detonators remain the thrust area for the company. New products have been supplied in the export market and the feed-back is encouraging. The export of traditional products have also improved with penetration in new markets.

RESEARCH AND DEVELOPMENT

Research and Development efforts resulted in significant improvement in the quality and cost competitiveness of the products.

SAFETY, HEALTH AND ENVIRONMENT

The Company continues to maintain high standards in Safety, 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 achieved a 25% increase in training mandays per employee, over the previous year.

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

FUTURE OUTLOOK

The cost reduction measures introduced in the last financial year are aimed to deliver cost leadership advantage to your Company. Work on new products is expected to give competitive edge in the domestic market and will help in opening up new export markets.

DIRECTORS

M/s R L Jain and R H Harnett retire at the forthcoming Annual General Meeting, and being eligible offer themselves for reappointment. The Board recommends their reappointment.

Mr S Batra, Director, 'Manager' and Occupier resigned with effect from the close of business of 31 March 2002. The Board places on record its appreciation for the valuable services rendered by Mr Batra during his tenure of directorship.

Dr K Mohan was appointed by the Board of Directors, as Additional Director, 'Manager' and Occupier with effect from 1 April 2002 for a period of 5 years. Dr K Mohan comes with rich knowledge and experience in the Explosives Business. His presence on the Board of Directors is expected to add definite contribution to the growth of the Company in the years ahead. Appointment of Dr Mohan is subject to the approval of the Members at the forthcoming Annual General Meeting.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee of the Company as constituted by the Board of Directors at its meeting held on 21.3.2001 comprises of Mr R L Jain, Chairman, Mr M R Rajaram, Member and Mr J M Feasler, Member.

AUDITORS

Messrs Lovelock & Lewes 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.

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 2002, 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.
d) the annual accounts have been prepared on a going concern basis.

For and on behalf of the Board

Gurgaon — R L Jain
2 May 2002 — Chairman

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217(1)(e) READ WITH THE COMPANIES DISCLOSURE OF PARTICULARS IN THE REPORT (BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002.

I. CONSERVATION OF ENERGY

		2001-02	2000-01
A. Power and Fuel Consumption			
1. **Electricity**			
a) Purchased	Lac Kwh	**19.9**	18.2
Total Amount	Rs. lacs	**104.6**	86.6
Rate	Rs./Kwh	**5.27**	4.74
b) Own Generation			
Through Diesel Generator			
Units Generated	Lac Kwh	**1.36**	2.27
Units/KL of Diesel	Kwh	**2887.7**	3022.6
Rate	Rs./Kwh	**5.9**	4.46
2. **Consumption per unit of Production**			
Electricity	KWH/M Nos	**35586**	29931
Steam	Tes/M Nos	**52.1**	40.4

II. PARTICULAR AS PER FORM B

A. Research and Development (R&D)

1. **Specific areas where R&D is carried out by the Company :**
   Efforts were mainly focused on designing of delay detonators for improved reliability. Vendor development initiatives were undertaken to develop alternate cost effective materials.
2. **Benefits derived as a result of R&D :**
   The R&D effort has mainly resulted in improved products in the non electric segment and reduction in variable costs.
3. **Future plan of action :**
   Development effort has been initiated to make new products in Cord and Electrics for domestic and export markets respectively.

4. **Expenditure on R&D** (Rs. lacs)	2001-02	2000-01
i) Capital	**-**	-
ii) Recurring	**40**	50
iii) Total	**40**	50
iv) Total R&D expenditure as a percentage of turnover	**0.6%**	0.7%

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

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.

C. Foreign Exchange – Earnings and Outgo

Export earnings in Foreign Currency grew by 70%, over the previous year.

Future Plans :
Develop products for select export markets.

Total Foreign Exchange used and earned : (Rs. Lacs)

	2001-02	2000-01
Earned	**805**	473
Used	**791**	687

For and on behalf of the Board

Gurgaon
2 May 2002

R L Jain
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	DATE OF JOINING	AGE	LAST EMPLOYMENT
Batra S	Director & General Manager	29,48,366	ACA, ACS	14	25.01.88	37	ICI India Limited

Note:
1. Remuneration includes all allowances, perquisites, commission payable 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 S Batra is contractual and subject to the rules of the company from time to time.
3. Mr S Batra is not a relative of any director of the Company.

For and on behalf of the Board

Gurgaon
2 May 2002

R L Jain
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF INITIATING EXPLOSIVES SYSTEMS INDIA LIMITED

1. We have audited the Balance Sheet of Initiating Explosives Systems India Limited as at 31 March 2002 and the relative Profit and Loss Account for the year ended on that date, both of 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 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 (Auditor's Report) Order, 1988, dated 7 September, 1988 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us in the course of the audit, we set out in the attached Annexure, a statement on the matters specified in paragraphs 4 & 5 of the said order.
4. Further to our comments in the 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 and Profit and Loss Account dealt with by this report have been prepared in compliance with the accounting standards referred to in section 211 (3C) of the Act;
   d) On the basis of written representations received from the directors, as on 31 March 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274.
   e) 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 also give respectively, 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 2002 and
   ii) in the case of the Profit and Loss Account of the profit for the year ended on that date.

For Lovelock & Lewes
Chartered Accountants

Kolkata
2 May 2002

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 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 2002 have been verified by the management with reference to confirmation or statement of account.

iv) 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 accounts.

vi) In our opinion and on the basis of our examination, the valuation of stocks is 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) 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 explanation given to us. There are no transaction of sale of goods, materials and services made in pursuance of contracts or agreements entered in the register maintained under Section 301 of 'The Act', aggregating during the year to Rs. 50,000 or more in respect of each party.

xi) The company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, packing materials and finished goods and provision for the loss is made in the accounts wherever necessary.

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

xiii) The Company has maintained reasonable records for the sale and disposal of realisable scraps. The Company has no by-products.

xiv) The Company has an internal audit system commensurate with its size and nature of its business.

xv) 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 and Employees State Insurance dues with the appropriate authorities. In the absence of proper details we are unable to comment on the deposits of Provident Fund dues made by the company for its management staff.

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 as at 31 March 2002, which were outstanding for a period of 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 which have been charged to revenue account, other than those payable under contractual obligations.

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

For Lovelock & Lewes
Chartered Accountants

Kolkata — Partha Mitra
2 May 2002 — Partner

BALANCE SHEET

	Schedule	As at 31 March 2002 (Rs. 000's)	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
I) SOURCES OF FUNDS:					
1. Shareholders' Funds					
a) Capital	(1)	**12,00,00**		12,00,00	
b) Reserves & Surplus	(2)	**6,20,26**	**18,20,26**	5,19,49	17,19,49
2. Loan Funds					
a) Secured Loans	(3)		**1,97,95**		
b) Unsecured Loans	(4)				1,00,00
Total			**20,18,21**		18,19,49
II) APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block	(5)	**26,83,10**		22,12,87	
b) Less : Depreciation		**8,31,90**		6,34,49	
c) Net Block		**18,51,20**		15,78,38	
d) Capital Work-in-Progress at cost including advances		**42,17**	**18,93,37**	1,94,72	17,73,10
2. Current Assets, Loans & Advances					
a) Interest accrued		**46**			
b) Inventories	(6)	**9,60,27**		7,74,00	
c) Sundry Debtors	(7)	**8,81,22**		9,46,32	
d) Cash & Bank Balances	(8)	**52,55**		96,77	
e) Loans & Advances	(9)	**1,06,89**		2,95,97	
		20,01,39		21,13,06	
***Less*: Current Liabilities & Provisions**					
a) Liabilities	(10)	**16,54,53**		18,89,36	
b) Provisions	(11)	**1,51,63**		1,29,34	
		18,06,16		20,18,70	
Net Current Assets			**1,95,23**		94,36
3. Miscellaneous Expenditure (Cost of Voluntary Retirement Scheme to the extent not written off or adjusted)			**45,31**		1,03,23
4. Net Deferred Tax Liability	[18 (9)]		**(1,15,70)**		(1,51,20)
Total			**20,18,21**		18,19,49
Notes to the Accounts	(18)				

PROFIT AND LOSS ACCOUNT

	Schedule	For the year ended 31 March 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
Income			
Sales		**70,65,91**	71,56,47
Other Income	(12)	**1,79,95**	1,05,30
Total Income		**72,45,86**	72,61,77
Expenditure			
Materials etc.	(13)	**21,44,98**	24,19,42
Other Expenditure	(14)	**26,71,68**	27,24,87
Excise Duty		**8,41,21**	9,28,82
Depreciation		**1,97,41**	1,73,51
Interest (Net)	(15)	**10,60**	42,23
		58,65,88	62,88,85
Profit before Taxation from operation		**13,79,98**	9,72,92
Exceptional items	(16)	**(64,01)**	(77,72)
Profit before Taxation		**13,15,97**	8,95,20
Provision for Taxation	(17)	**4,58,00**	3,37,00
Profit after Taxation		**8,57,97**	5,58,20
Appropriations			
General Reserve		**90,00**	60,00
Interim Dividend		**6,00,00**	3,00,00
Tax on Interim Dividend		**61,20**	46,20
Proposed Final Dividend		**96,00**	1,32,00
Tax on Proposed Final Dividend		-	13,46
		8,47,20	5,51,66
Balance carried forward		**10,77**	6,54
Notes to the Accounts	(18)		

The Schedules referred to above and the Statement on Accounting Policies form 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
2 May 2002

For and on behalf of the Board
R L JAIN — Chairman
M R RAJARAM — Director
R G PALLANCK — Director
K MOHAN — Director

Gurgaon
2 May 2002

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1 : CAPITAL

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Authorised		
1,50,00,000 Equity Shares of Rs. 10 each	**15,00,00**	15,00,00
Issued, Subscribed and Paid Up		
1,20,00,000 Equity Shares of Rs. 10 each, fully paid	**12,00,00**	12,00,00

Of the above Equity Shares :-
84,00,000 Equity Shares are held by Indian Explosives Limited, the holding company.

SCHEDULE 2 : RESERVES & SURPLUS **(Rs. 000's)**

	As at 1 April 2001	Additions	Deductions	**As at 31 March 2002**
Share Premium	2,88,00	–	–	**2,88,00**
General Reserve	1,99,93	90,00	–	**2,89,93**
Profit and Loss Account	31,56	10,77	–	**42,33**
	5,19,49	1,00,77	-	**6,20,26**

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 3 : SECURED LOANS		
Bank - Cash credit accounts	**1,97,95**	-

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

SCHEDULE 4 : UNSECURED LOANS

Short term Loans - Inter Corporate Deposit	-	1,00,00

SCHEDULE 5 : FIXED ASSETS **(Rs. 000's)**

	Gross Book Value				**Depreciation**				**Net Book Value**	
	At cost as on 1.4.2001	Additions at cost	Disposals/ Adjust-ments at Book Value	**At cost as on 31.3.2002**	As on 1.4.2001	In respect of Dispo-sals/Adj-ustments	For the year	**As on 31.3.2002**	**As on 31.3.2002**	As on 31.3.2001
Buildings	3,56,45	72,34	-	**4,28,79**	45,41	-	5,59	**51,00**	**3,77,79**	3,11,04
Plant & Machinery	18,31,89	3,83,35	-	**22,15,24**	5,80,77	-	1,87,27	**7,68,04**	**14,47,20**	12,51,12
Rolling Stock, Motor Vehicles etc.	1,56	-	-	**1,56**	1,27	-	15	**1,42**	**14**	29
Furniture, Fittings & Equipment	22,97	14,54	-	**37,51**	7,04	-	4,40	**11,44**	**26,07**	15,93
Total	22,12,87	4,70,23	-	**26,83,10**	6,34,49	-	1,97,41	**8,31,90**	**18,51,20**	15,78,38
Previous year	20,93,34	1,19,53	-	22,12,87	4,60,98	-	1,73,51	6,34,49	15,78,38	

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 6 : INVENTORIES		
Stores and Spare Parts	**94,90**	93,06
Packing Materials	**40,16**	42,24
Raw Materials	**4,69,53**	2,86,68
Finished Products	**3,00,33**	3,12,27
Work-in-process	**55,35**	39,75
	9,60,27	7,74,00

SCHEDULE 7 : SUNDRY DEBTORS

Unsecured		
Debts outstanding not exceeding six months		
- Considered good	**8,81,22**	9,46,32

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 8 : CASH & BANK BALANCES		
Cash & cheques in hand	**40**	19,68
With Scheduled Banks : Current Accounts	**6,40**	77,09
Fixed Deposits *	**45,75**	
	52,55	96,77

* Pledged with bank towards margin money for Bank Guarantees issued.

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 9 : LOANS & ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received.		
Considered good	**89,79**	2,61,44
Considered doubtful	**7,10**	4,90
	96,89	2,66,34
Less : Provision for doubtful advances	**7,10**	4,90
	89,79	2,61,44
Deposits : With Customs, Port Commissioners, Railways, Excise Authorities etc.	**10,18**	20,62
With Others	**6,92**	13,91
	1,06,89	2,95,97
Includes :		
Due from Director (loan given before becoming Director)	**3,81**	4,19
Maximum amount due at any time during the year	**4,19**	4,88

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 10 : LIABILITIES		
Acceptances	-	98,24
Sundry Creditors: Amounts Due to SSI	**53,84**	1,01,44
Other Creditors	**11,83,14**	12,66,91
Other Liabilities	**4,17,55**	4,22,77
	16,54,53	18,89,36

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE 11 : PROVISIONS		
Provision for Taxation	**13,15,40**	8,21,90
Less : Advance Payment of Tax	**(12,96,49)**	(8,38,02)
Proposed Final Dividend	**96,00**	1,32,00
Tax on Proposed Final Dividend	-	13,46
Tax on Interim Dividend	**36,72**	-
	1,51,63	1,29,34

		(Rs. 000's)	For the year ended 31 March 2002 (Rs. 000's)	(Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
SCHEDULE 12 : OTHER INCOME					
Miscellaneous Income			**1,79,95**		1,05,30
SCHEDULE 13 : MATERIALS ETC.					
Raw Materials Consumed :	Opening Stock	**2,86,68**		2,78,48	
	Purchase	**22,22,04**		23,59,50	
	Less : Closing Stock	**4,69,53**	**20,39,19**	2,86,68	23,51,30
Packing Materials Consumed :	Opening Stock	**42,24**		29,72	
	Purchase	**1,07,37**		1,68,91	
	Less : Closing Stock	**40,16**	**1,09,45**	42,24	1,56,39
(Increase)/Decrease in Work In Process and Finished Goods:					
Opening Stock	Work in Process	**39,75**		45,37	
	Finished Goods	**3,12,27**		2,18,38	
		3,52,02		2,63,75	
Less : Closing Stock	Work in Process	**55,35**		39,75	
	Finished Goods	**3,00,33**		3,12,27	
		3,55,68	**(3,66)**	3,52,02	(88,27)
			21,44,98		24,19,42

	For the year ended 31 March 2002 (Rs. 000's)	For the year ended 31 March 2001 (Rs. 000's)
SCHEDULE 14 : OTHER EXPENDITURE		
Stores and Spare Parts	**78,48**	83,69
Repairs to Buildings	**7,50**	5,20
Repairs to Machinery	**53,88**	58,34
Power and Fuel	**1,87,82**	1,59,69
Salaries, Wages and Bonus	**5,42,29**	5,57,33
Contributions to Provident and Other Funds	**76,69**	86,61
Workmen and Staff Welfare	**40,90**	69,54
Travelling	**32,87**	32,36
Rates and Taxes	**53,35**	58,40
Rent	**11,82**	15,77
Insurance	**40,62**	39,04
Freight and Transport Charges	**2,38,31**	1,36,83
Selling Commission	**10,92,65**	11,70,17
Publicity	**37**	29
Royalty & Technical Fees	**76,67**	82,25
Provision for doubtful advances	**2,20**	-
Sundries	**1,35,26**	1,69,36
	26,71,68	27,24,87
SCHEDULE 15 : INTEREST		
Interest on Other Loans	**12,66**	43,06
Less : Interest Income from Banks and Others (Gross of TDS Rs. 0.31 lacs)	**2,06**	83
	10,60	42,23
SCHEDULE 16 : EXCEPTIONAL ITEMS		
Provision for Voluntary Retirement Scheme payments	**64,01**	77,72
SCHEDULE 17 : PROVISION FOR TAXATION		
Taxation for Current Year	**4,93,50**	3,25,00
Deferred Taxation	**(35,50)**	12,00
	4,58,00	3,37,00

SCHEDULE 18 : NOTES TO ACCOUNTS

		As at 31 Mar 2002 (Rs. 000's)	As at 31 Mar 2001 (Rs. 000's)
1.	Estimated amount of contracts remaining to be executed on Capital Account	**63,52**	64,79
2.	a) Stores & Spares in aggregate included under various heads of expenses is	**43,28**	58,36
	b) Payment to Auditors :		
	i) As Audit Fee	**80**	65
	ii) Tax Audit Fee	**20**	20
	iii) Certification Work / Other Matters	**87**	23

3. (a) **Particulars in respect of Goods Manufactured**

	Unit	Licensed Capacity 2001-02	Licensed Capacity 2000-01	Installed Capacity 2001-02	Installed Capacity 2000-01	Actual production meant for Sale 2001-02	Actual production meant for Sale 2000-01
Detonating Fuse	Mn Mtr.	**8.21**	8.21	**10.26**	10.26	**10.83**	9.01
Detonators	Mn Nos.	**81.50**	81.50	**81.50**	81.50	**59.43**	69.64

Notes :

1) Production meant for sale is after adjustment of shortages, handling losses and excludes quantity internally consumed.
2) Licenced 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.

3. (b) **Particulars in respect of Sales, Opening & Closing Stock of Finished Goods**

	Unit	Year	Sales Quantity	Sales Value (Rs. 000's)	Opening Stock Quantity	Opening Stock Value (Rs. 000's)	Closing Stock Quantity	Closing Stock Value (Rs. 000's)
Detonating Fuse	Mn Mtr.	**2001-02**	**10.6**	**5,56,37**	**0.49**	**13,14**	**0.72**	**23,10**
		2000-01	9.3	5,04,14	0.78	27,41	0.49	13,14
Detonators	Mn Nos.	**2001-02**	**59.8**	**61,83,78**	**2.75**	**2,79,65**	**2.38**	**2,58,17**
		2000-01	68.3	64,85,70	1.41	1,68,61	2.75	2,79,65
Others	Tes	**2001-02**	**91.3**	**3,25,76**	**12.20**	**19,48**	**10.96**	**19,06**
		2000-01	125.6	1,66,63	12.46	22,36	12.20	19,48
				70,65,91		**3,12,27**		**3,00,33**
				71,56,47		2,18,38		3,12,27

3. (c) **Details of Raw Materials Consumed**

	Unit	Quantity 2001-02	Quantity 2000-01	Value (Rs. 000's) 2001-02	Value (Rs. 000's) 2000-01
Metals	Tes.	**733**	862	**5,74,82**	7,06,89
Organic Chemicals	Tes.	**4,716**	5,280	**3,05,95**	3,53,52
Other Chemicals	Tes.	**515**	521	**1,78,15**	1,82,40
Yarn & Paper	Tes.	**34**	32	**43,30**	36,82
LLDPE Tube	Th Mtrs.	**19,204**	20,272	**5,95,31**	7,90,82
Other Items				**3,41,67**	2,80,85
				20,39,20	23,51,30

3. (d) **Value of raw Materials, Stores & Spare Parts Consumed**

	Raw Materials (Rs. 000's) 2001-02	Raw Materials (Rs. 000's) 2000-01	Raw Materials % 2001-02	Raw Materials % 2000-01	Stores & Spares including Packing Materials (Rs. 000's) 2001-02	Stores & Spares including Packing Materials (Rs. 000's) 2000-01	Stores & Spares including Packing Materials % 2001-02	Stores & Spares including Packing Materials % 2000-01
Imported	**8,28,08**	9,97,37	**41**	42	**5,91**	5,20	**3**	2
Indigenous	**12,11,12**	13,53,93	**59**	58	**2,25,31**	2,93,24	**97**	98
Total	**20,39,20**	23,51,30	**100**	100	**2,31,22**	2,98,44	**100**	100

Raw Materials, stores & spare parts consumed are after adjustments including shortage / excess and provision for losses.

3. (e) **Earnings in Foreign Exchange**

	2001-02 (Rs. 000's)	2000-01 (Rs. 000's)
Export of Goods (F O B basis)	**8,04,50**	4,73,04

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

Raw Materials	**6,47,27**	6,07,91
Stores & Spare Parts	**2,46**	4,40
Capital Items	**59,80**	17,82

3. (g) **Expenditure in Foreign Currencies**

Royalty & Technical Fees (Gross)	**50,79**	64,15
TDS : Rs. 10.16 lacs (2000-01 - Rs. 12.84 lacs)		
Others	**41,21**	5,07

3. (h) **Remittance in Foreign Currencies on account of dividends on Equity Shares :**

Dividend during the Year.	No. of Non Resident Shareholders	No of Shares in (000's)	Net Dividend Remitted (Rs. 000's)
2001-02	**1**	**36,00**	**1,80,00**
2000-01	1	36,00	39,60

Net Dividend Remitted is reported on cash basis.

4. Other income includes profit on account of Foreign Exchange transactions for the year Rs. 9.07 lacs {2000-01 - Rs. 3.06 lacs}.

5. **Managerial Remuneration**

	2001-02 (Rs. 000's)
Salaries	27,63
Estimated Cost of Benefits	85
	29,48
Computation of Managerial Remuneration	
Profit Before Taxation	13,15,97
Add : Book Depreciation	1,97,41
Add : Managerial Remuneration	29,48
Add : Provision for doubtful advances.	
Less : Depreciation under section 350	1,97,41
	13,47,65
Maximum remuneration payable to Director / Manager / Managing - Wholetime Director @ 5% of Net Profits	67,38

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

6. List of Small Scale Suppliers where the outstanding is more than rupees one lac and outstanding over thirty days :

Name of SSI Unit
Azide & Allied Chemicals
Dynamic Battery & Lead Alloys Industries
Eastern Chemical & Industries
Sneh Enterprises
Swati Enterprises
Shree Smelting P Ltd.

7. Revenue expenditure on Research & Development for the year amounting to Rs. 40 lacs has been charged to Profit & Loss Account.

8. **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).
ICI India Limited. (Having Substantial Interest)
Ensign Bickford Company, Mauritius. (Having Substantial Interest)
The Ensign Bickford Company, USA. (Having Substantial Interest)

c. Other Related parties with whom transactions have taken place :
Director Mr Sandeep Batra.

d. Transactions with related parties mentioned in 8 (b).

(Rs. 000's)

		Holding Company	Associates
i.	Purchase of Raw Materials, Stores & Spares		4,66,51
ii.	Purchase of Capital Equipments		61,50
iii.	Payment of Royalty		50,79
iv.	Expenditure on Commission	10,72,24	
v.	Expenditure for Other Services	2,95,80	
vi.	Outstanding Balance as on 31 March 2002 - Creditors	5,65,07	1,71,52
vii.	Expenditure on Interest for Inter Corporate Deposit		3,69
viii.	Inter Corporate Deposit (Maximum Outstanding)		1,25,00
ix.	Dividend Paid	5,12,40	2,19,60

e. Other related party transactions

		(Rs. 000's)
i	Managerial Remuneration	29,48
ii	Loan outstanding	3,81

9. **Deferred Tax Provision - Components**

(Rs. 000's)

	Asset	Liability
Difference between book depreciation & depreciation under Income-tax Act 1961		2,48,17
Expenditure under Section 43B of the Income-tax Act, 1961	39,38	
Others	93,09	
	1,32,47	2,48,17
Net Deferred Tax Liability		**1,15,70**

10. **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 have been allocated with reference to revenues.

a.) **Segment Results**

(Rs. 000's)

	Domestic	Export	Total
Segment Revenues	60,33,93	12,11,92	72,45,85
Segment Results	11,58,77	2,31,81	13,90,58
Segment Assets (Debtors)	5,75,61	3,05,61	8,81,22

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

(Rs. 000's)

	Revenues	Profit	Assets	Liabilities
Total of Reported Segments	72,45,85	13,90,58	8,81,22	
Interest		10,60		
Exceptional items		64,01		
Taxes		4,58,00		
Unallocated Items			30,13,54	19,21,86
As per Financial Statements	72,45,85	8,57,97	38,94,76	19,21,86

11. Previous years figures have been regrouped wherever necessary.

SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements have been prepared on the accrual basis of accounting, under the historical cost convention.

Sales

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

Fixed Assets

Fixed Assets are stated at cost less 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 Currencies

(a) All exchange differences other than those relating to Fixed Assets are dealt with in the Profit and Loss Account. The latter is adjusted to the cost of the asset.

(b) All foreign currency balances are converted at the exchange rates prevailing at the date of the Balance Sheet.

Provision for Retirement Benefits

Liability for retirement benefits like pension, gratuity and leave encashment is provided on the basis of actuarial valuation.

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.

Research Development

Revenue expenditure on Research and Development is charged to Profit and Loss Account. Capital expenditure on Research and Development is shown as addition to fixed assets.

Deferred Tax Provision

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 21-73210 State Code 21

Balance Sheet Date 31-03-2002 (Date Month Year)

II. Capital Raised during the year

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Public Placement
NIL	NIL

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

Total Liabilities	**Total Assets**
201821	201821

Sources of Funds

Paid-up Capital	Reserves and Surplus
120000	62026
Secured Loans	Unsecured Loan
19795	NIL

Application of Funds

Net Fixed Assets	Investments
189337	NIL
Net Current Assets	Misc. Expenditure
19523	4531
Accumulated Losses	Deferred Tax Liability
NIL	(11570)

IV. Performance of Company (Amount in Rs.)

Turnover	Total Expenditure
706591	586588
Profit/(Loss) before Tax	Profit/(Loss) after Tax
131597	85797
Earnings per share	Dividend rate %
7.15	58

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	R G PALLANCK	Director
2 May 2002	K MOHAN	Director

DIRECTORS' REPORT 2001-02

Your Directors have pleasure in presenting their Annual Report and audited accounts of your Company for the year ended 31 March 2002.

FINANCIAL RESULTS

(Rs. lacs)

	2001-02	2000-01
Gross Turnover	**89,20**	41,75
Turnover, net of excise	**77,09**	41,55
Profit before tax	**9,23**	11,28
Provision for Taxation	**2,19**	5,32
Profit after tax	**7,04**	5,96
Balance brought forward from previous period	**18**	(5,77)
Balance carried to Balance Sheet	**7,22**	19

** The previous financial period of the Company was from 1 January 2001, to 31 March 2001. Accordingly the current year figures are not comparable to the previous period.

ACQUISITION OF BUSINESS

Your company acquired the fragrance & flavour business which was being run in the name and style of "Quest International India - A division of Hindustan Lever Limited" as a "Going Concern" for a consideration of Rs. 103 Crores with effect from 1 April 2001. Hindustan Lever Limited (HLL) continued to run the business on behalf of the company from 1 April 2001 till 28 June 2001 on trust. Subsequently, your Company became a Joint Venture between ICI India Limited, Quest International B.V. and HLL.

The name of your Company was changed from Lakme Lever Limited to Quest International India Limited with effect from 28 May 2001.

BUSINESS PERFORMANCE

The year under review, 2001-02 has been a watershed year for your company. The business portfolio of your Company has undergone a radical change with the acquisition of flavours and fragrance business from HLL. The business has a large number of products which cater to the needs of a number of Fast Moving Consumer Goods (FMCG) companies. Your Company has a good mix of products, technology and people and is thus poised to grow at a fast pace in the years to come. Your Company has consolidated its operations and has invested in upgrading its manufacturing facility at Daman and also in a modern office in Mumbai.

The business environment continues to be difficult which has affected the performance of a number of businesses and your Company is no exception. The year 2001-02 has witnessed a slow down in a number of sectors which in turn has affected the business of your Company as well. Your Company is, in the meanwhile, focusing continuously on upgrading its technology and application capabilities to take on the challenges of the new opportunities which are emerging.

SHARES

Your Company has issued 7,80,001 Equity Shares of Rs. 100 each for cash at a premium of Rs. 950 per share to the following applicants, during the year :

ICI India Limited	7,51,202
Quest International B.V.	28,799
	7,80,001

DIVIDEND

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

AUDIT COMMITTEE

Pursuant to the change in business portfolio consequent to acquiring the flavours and fragrance business, the Board of Directors of your company have constituted a new Audit Committee consisting of the following directors :

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

The Audit Committee met twice during the year.

AUDITORS

Consequent to the formation of the Joint Venture, the erstwhile Auditors M/s N M Raiji & Co., Chartered Accountants resigned and M/s BSR & Co, Chartered Accountants were appointed as Statutory Auditors of your Company. M/s BSR & Co., Chartered Accountants retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

DIRECTORS

There have been significant changes in the composition of the Board of Directors of the Company. Mr A K Mathur, Mr D Sundaram, Mr Jean Pierre Houri, Mr M R Rajaram, Mr J M Sohonie were appointed as Additional Directors on 29 June 2001. All of them hold office till the date of Annual General Meeting of the Company. Notices under section 257 of the Companies Act, 1956 have been received from members proposing their appointment as the Directors liable to retire by rotation at the Annual General Meeting.

Mr M K Sharma, Mr D N Mehta, Mr R Shankar, Mr A Adhikari, Mr A L Chopra resigned from the Board with effect from 29 June 2001. The Board wishes to place on record its appreciation for the valuable contribution made by them during their tenure in the Board.

CHANGE OF STATUS

Your company became a subsidiary of ICI India Limited during the year under review.

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 March 2002.

HUMAN RESOURCES

Relations with the employees continued to be cordial throughout the year. Your Directors place on record their appreciation of the efforts, dedication and active participation of the employees in the various initiatives of the company and contributing to the performance of the company during the year under review.

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.**

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in preparation of Annual Accounts for the year ended 31 March 2002, 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 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 at the end of the financial year and of the profit of the Company for that period.
- 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.
- the annual accounts have been prepared on a 'Going Concern' basis.

SAFETY & ENVIRONMENT MANAGEMENT

Security, Safety, Health and Environment (SSHE) management is the 'key result area' for 'Quest'. The Company envisages "Zero Accidents" as the only acceptable standard of performance for safety. The sustained high awareness and focus on Safety aspects of operations yielded NIL classified injury rate for the company. Reduction of the environmental impact of the Company's operations is an on-going programme and this is ensured through a comprehensive Environmental Management System.

On behalf of the Board of Directors

Mumbai
9 May 2002

J M Sohonie
Wholetime Director and
Chief Executive Officer

ANNEXURE-I TO DIRECTORS' REPORT

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

Employed for part of the year

Name	Designation	Remuneration (Rs.)	Qualifications	Experience (years)	Date of Commencement of employment	Age	Last Employment held
Gupta R	Head - Fragrances	18,72,856	M.A., MBA	17	29.06.2001	43	Hindustan Lever Ltd.
Sohonie J M	Whole Time Director and CEO	46,31,101	B.Sc. & MMS.	28	29.06.2001	51	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.
3. None of the employees listed above is a relative of the Directors of the Company.

ANNEXURE-II TO THE DIRECTORS' REPORT

A. CONSERVATION OF ENERGY

a) Power & Fuel Consumption : Electricity	2001-02	2000-01*
(i) Purchases (Lacs units)	11.35	11.97
Total Amount (Rs. lacs)	46.27	50.94
Rate per unit (Rs.)	4.08	4.26
(ii) Own Generation		
Through Diesel Generator (unit KWH)	9,783	4,976
Units per Ltr. of Diesel	2.50	2.40
Rate per unit (Rs.)	10.27	6.50

b) Consumption per unit of Production

Electricity- KWH/ton	508.51	13758.62

* The previous financial period was from 01.01.2001 to 31.03.2001. Accordingly, the current year figures are not comparable to the previous period.

B. TECHNOLOGY ABSORPTION

a. Research & Development (R&D)

1. Specific areas in which R&D efforts have been put in by the Company are:
- Creation of new products to cater to specific requirements of customers.
- Quality enhancement and cost effective alternatives.

2. Benefits derived as a result of the above R&D :
- Creation of cost effective solutions to customers.

3. Future plan of action :
- The Company will continue to focus on adding value to its customers by providing innovative products.

4. Expenditure on R & D :

(a)	Capital	N.A.
(b)	Recurring	N.A.
(c)	Total	N.A.
(d)	Total R&D expenditure as a % of total turnover	N.A.

b. Technology Absorption, Adaptation and Innovation

1. Efforts in brief made towards technology absorption, adaptation and innovation
- Continuous efforts are made with an objective to achieve development of new products/applications, improvement in productivity, reduction in raw material, power consumption, reduction in product wastage and downtime for maintenance and curtailment of maintenance cost.

2. Benefits as a result of the above efforts

- Several tangible & intangible benefits are derived such as better control over production costs, productivity, wastage and 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)
	2001-02	2000-01*
Earned	**162**	6
Used	**1369**	5

* The previous financial period of the Company was from 1 January 2001 to 31 March 2001. Accordingly, the current year figures are not comparable to the previous period.

AUDITORS' REPORT

TO THE MEMBERS OF QUEST INTERNATIONAL INDIA LIMITED

We have audited the attached Balance Sheet of Quest International India Limited (formerly known as 'Lakme Lever Limited') as at 31 March 2002 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto. 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 from 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 (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, 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 these books;

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

(iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2002 from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(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 case of the Balance Sheet, of the state of affairs of the Company at 31 March 2002; and

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

For BSR & Co.
Chartered Accountants

Mumbai — Akhil Bansal
9 May 2002 — 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 periodicity of physical verification is reasonable. 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 on physical verification of the inventories as compared to the book records were not material and have been properly dealt with in the books of account.

6. On the basis of our examination of the inventory records, we are of the opinion that the valuation of inventory is fair and proper in accordance with normally accepted accounting principles.

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

8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 or to companies under the same management within the meaning of section 370(1B) 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 the 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. As informed to us, there are no transactions of purchases 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 the parties mentioned in the aforesaid register.

12. The Company has a regular procedure for determining unserviceable or damaged raw materials and finished goods and necessary adjustments for the loss have been made in the accounts.

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 and 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. As informed to us, the Central Government has not prescribed the maintenance of cost records in respect of the Company 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 are no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were outstanding as at 31 March 2002 for a period of more than six months from the date they became payable.

19. On the basis of the examination of the books of account carried out by us in accordance with generally accepted auditing practices, and according to the information and explanations given to us, no personal expenses of employees or directors 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 company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. The provisions of clauses 4(B), 4(C), and 4(D) of the Order are not applicable to the Company.

For BSR & Co.
Chartered Accountants

Mumbai
9 May 2002

Akhil Bansal
Partner

BALANCE SHEET

	Schedule	As at 31 March 2002 (Rs. 000's)	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
I) SOURCES OF FUNDS:					
1. Shareholders' funds -					
Capital	(1)	**28,80,00**		21,00,00	
Reserves & surplus	(2)	**81,32,25**	**110,12,25**	18,67	21,18,67
2. Deferred tax liability (net)			**1,47,83**		-
Total			**111,60,08**		21,18,67
II) APPLICATION OF FUNDS:					
1. Goodwill	(3)		**13,55,54**		-
2. Intangible assets	(4)		**62,51,40**		-
3. Fixed assets -					
Gross block	(5)	**7,07,58**		-	
Less : Accumulated Depreciation		**32,15**		-	
Net block		**6,75,43**		-	
Capital work-in-progress at cost, including advances		**1,23,83**	**7,99,26**	-	-
4. Investments	(6)		**24**		-
5. Current assets, loans & advances -					
Inventories	(7)	**14,26,85**		-	
Sundry debtors	(8)	**13,53,08**		21,18,67	
Cash & bank balances	(9)	**8,59,73**		-	
Loans & advances	(10)	**5,84,65**		-	
		42,24,31		21,18,67	
Less: Current liabilities & provisions					
Liabilities	(11)	**13,02,98**		-	
Provisions	(12)	**1,67,69**		-	
		14,70,67		-	
Net current assets			**27,53,64**		21,18,67
Total			**111,60,08**		21,18,67
Significant accounting policies	(17)				
Notes to accounts	(18)				

PROFIT AND LOSS ACCOUNT

	Schedule		For the year ended 31 March 2002 (Rs. 000's)		For the period ended 31 March 2001 (Rs. 000's)
Income					
Sales			**89,19,72**		41,74,85
Other income			**26,93**		1,61,10
Total income	(13)		**89,46,65**		43,35,95
Expenditure					
Materials consumed	(14)		**43,13,81**		18,23,90
Other expenditure	(15)		**15,26,50**		12,12,30
Excise duty			**12,10,89**		20,07
Amortisation of goodwill and intangible assets			**4,09,94**		1,14,19
Depreciation			**33,22**		26,14
Interest (net)			**-**		10,96
			74,94,36		32,07,56
Profit before taxation from operations			**14,52,29**		11,28,39
Exceptional items	(16)		**(5,29,61)**		-
Profit before taxation			**9,22,68**		11,28,39
Provision for taxation:					
– current tax		**71,28**		5,32,10	
– deferred tax		**1,47,83**	**2,19,11**	-	5,32,10
Profit after taxation			**7,03,57**		5,96,29
Balance brought forward			**18,67**		(5,77,62)
Balance carried to the Balance Sheet			**7,22,24**		18,67
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.
Chartered Accountants

For Quest International India Limited

AKHIL BANSAL, Partner

A NARAYAN, Chairman

J M SOHONIE, Wholetime Director & CEO

M R RAJARAM, Director

D SUNDARAM, Director

P K AGRAWAL, Secretary

Mumbai
9 May 2002

SCHEDULES TO THE ACCOUNTS

SCHEDULE (1) : CAPITAL	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Authorised		
30,00,000 equity shares of Rs. 100 each	**30,00,00**	30,00,00
Issued, Subscribed and Paid Up		
28,80,000 equity shares of Rs. 100 each fully paid up (previous year 20,99,999 shares of Rs. 100 each)	**28,80,00**	21,00,00

Of the above equity shares:
(a) 14,40,001 shares are held by the Holding company, ICI India Limited
(b) 28,799 shares are held by Quest International BV
(c) 14,11,200 shares are held by Hindustan Lever Limited and its nominees

SCHEDULE (2) : RESERVES AND SURPLUS (Rs. 000's)

	As at 1 April 2001	Additions	Deductions	As at 31 March 2002
Share premium*	-	74,10,01	-	**74,10,01**
Profit and loss account	18,67	7,03,57	-	**7,22,24**
Total	18,67	81,13,58	-	**81,32,25**

* Premium on fresh issue of shares during the year to ICI India Limited and Quest International BV.

SCHEDULE (3) : GOODWILL*

	As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Acquired on purchase of business	**14,26,88**	
Less : Amortised during the year	**(71,34)**	-
	13,55,54	-

SCHEDULE (4) : INTANGIBLE ASSETS*

			As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
Trademarks	Acquired during the year	**10,00**		
	Less : Amortised during the year	**(50)**	**9,50**	-
Technology	Acquired during the year	**37,90,00**		
	Less : Amortised during the year	**(1,89,50)**	**36,00,50**	-
Brand	Acquired during the year	**24,70,00**		
	Less : Amortised during the year	**(1,23,50)**	**23,46,50**	-
Leasehold rights	Acquired during the year	**3,20,00**		
	Less : Amortised during the year	**(25,10)**	**2,94,90**	-
* (Refer Schedule 18, note 10)			**62,51,40**	-

SCHEDULE (5) : FIXED ASSETS* (Rs. 000's)

Particulars	Gross block				Depreciation				Net book value	
	Book value at cost as on 01.04.2001	Additions at cost	Disposals / at book value	**Book value at cost as on 31.03.2002**	Accumulated Depreciation as at 01.04.2001	In respect of Disposals	For the year	**As on 31.03.2002**	**As on 31.03.2002**	As on 31.03.2001
Buildings	-	2,85,14	-	**2,85,14**	-	-	5,48	**5,48**	**2,79,66**	-
Plant and machinery	-	2,83,37	(71)	**2,82,66**	-	(41)	13,44	**13,03**	**2,69,63**	-
Motor Vehicles	-	36,66	-	**36,66**	-	-	3,48	**3,48**	**33,18**	-
Furniture, fittings and equipment	-	1,04,34	(122)	**1,03,12**	-	(66)	10,82	**10,16**	**92,96**	-
Total	-	7,09,51	(193)	**7,07,58**	-	(1,07)	33,22	**32,15**	**6,75,43**	-
Previous period	13,15,35	22,12	(13,37,47)	-	4,03,79	(4,29,93)	26,14	-	-	

*(Refer Schedule 18, note 10)

SCHEDULE (6) : INVESTMENTS	As at 31 March 2002	As at 31 March 2001
(At cost less write offs/provisions)	(Rs. 000's)	(Rs. 000's)
Long Term Investments (Non trade-unquoted) : National Savings Certificates	**24**	-

SCHEDULE (7) : INVENTORIES

Packing materials	**15,41**	-
Raw materials	**9,11,38**	-
Finished products	**5,00,06**	-
	14,26,85	-

			As at 31 March 2002 (Rs. 000's)	As at 31 March 2001 (Rs. 000's)
SCHEDULE (8) : SUNDRY DEBTORS				
Unsecured				
Debts outstanding over six months considered doubtful			**12,91**	-
Less : Provision for doubtful debts			**12,91**	-
Other debts - considered good			**13,53,08**	21,18,67
			13,53,08	21,18,67
SCHEDULE (9) : CASH AND BANK BALANCES				
Cash in hand			**2,51**	-
With scheduled banks :				
Current accounts			**82,22**	-
Fixed deposits			**7,75,00**	-
			8,59,73	-
SCHEDULE (10) : LOANS AND ADVANCES (UNSECURED)				
Advances recoverable in cash or in kind or for value to be received - considered good*			**1,98,44**	-
Interest accrued on fixed deposits (TDS on above: Rs. 148) (Previous year: Nil)			**5,79**	-
Advance Income Tax (net of provision)			**6,22**	-
Deposits - considered good	With Customs and Excise Authorities		**1,45,75**	-
	With others		**2,28,45**	-
Inter corporate deposits from ICI India Limited {Maximum amount due during the year : Rs. 150 lacs}			-	
			5,84,65	-
* Includes				
Due from a Director			**20,59**	-
Maximum amount due at any time during the year			**21,68**	-
SCHEDULE (11) : LIABILITIES				
Sundry creditors :	- Dues to small scale industries		**48**	-
	- Others		**12,05,25**	-
Other liabilities			**97,25**	-
			13,02,98	-
SCHEDULE (12) : PROVISIONS				
Provision for retirement benefits			**1,67,69**	-

SCHEDULE (13) : INCOME			**For the year ended 31 March 2002**	For the period ended 31 March 2001
Sales and services	- Domestic		**87,57,38**	41,74,85
	- Exports		**1,62,34**	-
			89,19,72	41,74,85
Other income				
Interest income :	From banks and others	**24,33**		-
	Less : Interest on Inter corporate deposit	**(87)**		-
	Less : Interest on Bank overdraft	**(1,92)**	**21,54**	-
(TDS : Rs. 437) (Previous year : Nil)				
Scrap sales			**4,39**	-
Insurance Claims			**1,00**	-
Miscellaneous income			-	53,66
Profit on sale of goodwill			-	1,07,44
			26,93	1,61,10
SCHEDULE (14) : MATERIALS CONSUMED				
Opening stock	Raw materials		-	31,01
	Packing materials		-	26,02
	Finished products		-	10,35,16
			-	10,92,19
Add : Purchases	Raw materials		**51,15,14**	-
	Packing materials		**1,56,82**	-
	Finished products *		**4,68,73**	7,68,83
			57,40,69	7,68,83
Less : Sales/transfers of raw materials			-	37,12
Less: Closing stock	Raw materials		**9,11,41**	-
	Packing materials		**15,41**	-
	Finished products		**5,00,06**	-
			14,26,88	-
Materials consumed			**43,13,81**	18,23,90

* Represents finished goods taken over as part of acquisition of business

SCHEDULE (15) : OTHER EXPENDITURE	For the year ended 31 March 2002 (Rs. 000's)	For the period ended 31 March 2001 (Rs. 000's)
Stores and spare parts	5,32	-
Repairs to buildings	6,01	-
Repairs to plant and machinery	17,62	-
Other repairs	7,11	4,00
Power and fuel	44,21	8,11
Salaries, wages, and bonus	3,86,14	1,45,92
Contributions to provident and other funds	55,76	3,47
Workmen and staff welfare	22,86	6,63
Travelling	71,24	30,79
Rates and taxes	42,45	55,11
Rent	1,23,69	21,71
Communication Expenses	29,26	-
Insurance	16,60	2,26
Freight and transport charges	1,83,61	47,04
Processing charges	1,63,08	-
Selling commission	1,83,09	-
Provision for doubtful debts and advances (net)	12,91	-
Loss on disposal of fixed assets	84	-
Loss on sale of investments	-	18
Advertising and sales promotion	-	5,97,55
Royalty	-	1,45,81
Sundries	1,54,70	1,43,72
	15,26,50	12,12,30

SCHEDULE (16) : EXCEPTIONAL ITEMS*		
Management fees paid to Hindustan Lever Limited	1,78,00	-
Interest on purchase consideration paid to Hindustan Lever Limited	3,51,61	-
*(Refer Schedule 18, notes 4 and 5)	5,29,61	-

SCHEDULE (17): SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements are 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, Trademarks 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 the 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.

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.

Revenue Recognition

Revenue from sale of products is recognised when the products are dispatched 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 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.
- 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.

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 realisability.

SCHEDULE (18) : NOTES TO THE ACCOUNTS

1. SEGMENT INFORMATION

(i) Information about Primary Business Segment (Rs. 000's)

Particulars		Flavours and Fragrances	Unallocated	Total
Revenue :	External	89,19,72	26,93	89,46,65
	Inter-segment	-	-	-
	Total revenue	**89,19,72**	**26,93**	**89,46,65**
Result :	Segment result	14,25,36	5,39	14,30,75
	Interest (net)	-	21,54	21,54
	Profit before taxation and exceptional items	14,25,36	26,93	14,52,29
	Provision for taxation	-	(2,19,11)	(2,19,11)
	Exceptional Items	-	(5,29,61)	(5,29,61)
	Net Profit	**14,25,36**	**(7,21,79)**	**7,03,57**
Other Information :	Segment assets	117,58,77	8,71,98	1,26,30,75
	Segment liabilities	13,99,39	71,28	14,70,67
	Capital expenditure	87,26,39	-	87,26,39
	Depreciation	33,22	-	33,22
	Non cash expenses other than depreciation	4,09,94	-	4,09,94

(ii) Information about secondary business segment (Rs. 000's)

Particulars		India	Outside India	Total
Revenue by geographical market	External	87,84,31	1,62,34	89,46,65
	Inter-segment	-	-	-
	Total	**87,84,31**	**1,62,34**	**89,46,65**
Carrying amount of segment assets		1,26,13,07	17,68	126,30,75
Additions to fixed assets		87,26,39	-	87,26,39

(iii) Notes:

(a) The Company is organised into one primary business segment namely, Flavours and Fragrances.

(b) Segments have been identified and reported taking into account, the nature of products and services, the risks and returns, the organisation structure and the Company's internal financial reporting systems.

(c) The segment revenue in the geographical segments considered for disclosures are as follows:

- Revenue within India includes sales to customers located within India.
- Revenue outside India includes sales to customers located outside India.

2. RELATED PARTY DISCLOSURES

a) List of related parties

Nature of relationship	Name of related party
Parties where control exists	ICI India Limited (Holding Company)
Other related parties with whom transactions have taken place during the year	a) Hindustan Lever Limited
	b) Quest International UK Ltd.
	c) Quest International Nederland BV
	d) Quest International Australia Pvt Ltd.
	e) Indopco Inc.

Directors

Name	Particulars
Mr Jean Pierre Houri	Chairman
Mr Aditya Narayan	Alternate to Mr Jean Pierre Houri
Mr M R Rajaram	Non Wholetime Director
Mr D. Sundaram	Non Wholetime Director
Mr Anoop K Mathur	Non Wholetime Director
Mr Jayant M Sohonie *	Wholetime Director and CEO

* Director's remuneration – note No.7

b) Transactions with related parties

(Rs. 000's)

Nature of transactions	Holding Company	Associate Companies
Purchase of goods	16,27	9,48,94
Sale of goods	-	7,38,45
Purchase of services	-	1,48,79
Inter Corporate Deposits taken	1,50,00	-
Interest paid on Inter Corporate Deposits	87	-
Others	16,06	-
Outstanding Payable	18,66	2,47,93
Outstanding Receivable	-	1,29,07

3. The Company has adopted Accounting Standard 22 on "Accounting for Taxes on Incomes". The accumulated net deferred tax liabilities amounting to Rs.147.83 lacs on account of timing differences between books and tax profits as on 31 March 2002 has been debited to Profit and Loss Account.

(Rs. 000's)

Timing differences on account of	Deferred Tax Asset	Deferred Tax Liability
Difference between book depreciation and depreciation under Income Tax Act 1961		5,12,11
Expenditure under Section 43B of Income Tax Act 1961	23,44	
Provision for doubtful debts and advances	4,74	
Carried forward unabsorbed depreciation as at 31 March 2002	3,36,10	
TOTAL	**3,64,28**	**5,12,11**
Net Deferred Tax Liability		**1,47,83**

4. During the current year, the Company has paid an amount of Rs. 351.61 lacs to Hindustan Lever Limited as interest on delayed payment of purchase consideration for the period 1 April 2001 to 28 June 2001. This amount has been disclosed as an exceptional item in the Profit and Loss Account.

5. Hindustan Lever Limited has carried out the business in trust, on behalf of the Company for the period 1 April 2001 to 28 June 2001. Accordingly, an amount of Rs. 178 lacs has been paid to Hindustan Lever Limited by the Company as management fee. This amount has been disclosed as an exceptional item in the Profit and Loss Account.

6. Estimated amount of contracts remaining to be executed on capital account as at 31 March 2002 amounts to Rs. 219.47 lacs.

7. **Directors' Remuneration**

	2001-02 (Rs. 000's)
Salaries and Allowances	36,51
Estimated cost of benefits	8,09
TOTAL	44,60*
Computation of Directors' Remuneration	
Profit Before Depreciation, Taxation & Exceptional items	14,85,51
Add: Directors' Remuneration*	44,60
Add: Provision for doubtful debts and advances	12,91
	15,43,02
Less : Depreciation under Section 350	33,22
Less : Exceptional items (refer Schedule 17)	5,29,61
Net profit under Section 198 of the Companies Act, 1956	9,80,19
Maximum Remuneration payable to a Wholetime Director @ 5 % of net profits	49,00

* 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 out on an overall Company basis and are not separately quantifiable for the director.

8. **Payments to Auditors**

(Rs. 000's)

Particulars	**2001-02**	2000-01
(i) Audit fee	**400**	78
(ii) Reimbursement of Expenses / Service tax	**95**	-
(iii) Tax Audit fee	**100**	95
(iv) Fees for other services	**-**	95
Total	**595**	268

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

Class of goods		**Unit**	**Annual Capacity** Installed	**Opening Stock** Qty	(Rs. 000's)	**Production** Qty	**Sales** Qty	(Rs. 000's)	**Closing Stock** Qty	(Rs. 000's)
Flavours & Fragrances	**2001-02**	**Tons**	**7,110**	**-**	**-**	**2,232 ****	**1,858**	**89,19,72**	**374**	**5,00,06**
	2000-01		237	153	10,35,16	87 *	240	41,74,85	-	-

Notes:
1. Licensed capacity is not applicable for the current year (previous period: 237 tons).
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.
6. * Represents quantity purchased during the period.
7. ** Includes 427 tonnes of finished goods acquired amounting to Rs. 468.73 lacs.

9. (b) **Details of raw materials consumed**

Consumption of raw materials	**2001-02** Quantity (tons)	Amount (Rs. 000's)	2000-01 Quantity (tons)	Amount (Rs. 000's)
Natural Essential Oils	**271**	**13,71,73**	-	-
Aromatic Chemicals	**421**	**20,24,47**	-	-
Others		**8,07,53**		4,12
TOTAL		**42,03,73**		4,12

9. (c) **Details of packing materials consumed:**

Consumption of packing materials	**2001-02**		2000-01	
	Quantity	**Amount (Rs. 000's)**	Quantity (tons)	Amount (Rs. 000's)
Packing materials	-	**1,41,41**	-	9,58

9. (d) **Details of raw materials and packing materials consumed:**

	2001-02		2000-01	
	Amount (Rs. 000's)	**% of total consumption**	Amount (Rs. 000's)	% of total consumption
Imported	**17,62,99**	**41**	44	3
Indigenous	**23,94,16**	**59**	13,26	97
TOTAL	**41,57,15***	**100**	13,70	100

* the above total consumption excludes adjustments made for excess/shortage, provision for losses and material price variance.

9. (e) **Earnings in foreign exchange: (on accrual basis)**

		(Rs. 000's)
	2001-02	2000-01
Export of goods on FOB basis	**1,62,34**	559

9. (f) **Value of imports (CIF basis):**

Raw materials	**13,59,75**	-

9. (g) **Expenditure in foreign currencies:**

Travel expenses	**933**	-
Professional fees	-	202
Other matters	-	298

9 (h) Unamortised amount of forward contract premium in respect of forward contracts as of 31 March 2002 – Rs. 2.04 lacs (Previous year: Nil).

10. During the current year, the Company has acquired the flavours and fragrances business on a going concern basis from Hindustan Lever Limited at a purchase consideration of Rs. 10300 lacs which comprised Fixed Assets (Rs. 623.28 lacs), Investments (Rs. 0.24 lacs), Net working capital (Rs. 1659.60 lacs), Intangible Assets (6590 lacs) and Goodwill (1426.88 lacs).

11. The previous financial period of the Company was from 1 January 2001 to 31 March 2001 when the operations of the company was carried out in the name of Lakme Lever Limited, whose name was changed to Quest International India Limited with effect from 28 May 2001. Accordingly, the current year figures are not comparable to the previous period.

12. The previous period figures have been regrouped, wherever necessary.

For Quest International India Limited

A NARAYAN	J M SOHONIE	M R RAJARAM	D SUNDARAM	P K AGRAWAL
Chairman	Wholetime Director & CEO	Director	Director	Secretary

Mumbai
9 May 2002

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. 11-78608 State Code 11

Balance Sheet Date 31-03-2002 (Date Month Year)

II. Capital Raised during the year (Amount in Rs. 000's)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	78000

III. Position of mobilisation and deployment of funds (Amount Rs. 000's)

Total Liabilities	**Total Assets**
1116008	1116008

Sources of Funds

Paid-up Capital	Reserves and Surplus
288000	813225
Deferred tax liability	
14783	
Secured Loans	Unsecured Loan
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
840620	24
Net Current Assets	Misc. Expenditure
275364	NIL
Accumulated Losses	
NIL	

IV. Performance of Company (Amount in Rs. 000's)

Turnover	Total Expenditure
894665	749436
Profit/(Loss) before Tax (+ –)	Profit/(Loss) after Tax (+ –)
+ 92268	+ 70357
Earnings per share in Rs.	Dividend rate %
26.62	- -

V. Generic Names of Principal Product / Services of the Company

Item Code No (ITC Code) 3302

Product Description Mixture of Odoriferous Substances

For Quest International India Limited

A NARAYAN	J M SOHONIE	M R RAJARAM	D SUNDARAM	P K AGRAWAL
Chairman	Wholetime Director & CEO	Director	Director	Company Secretary

Mumbai
9 May 2002

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 and its subsidiaries (Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited) as at 31 March 2002 and the consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the ICI India Limited'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 an identified financial reporting framework 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. 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. 213,391 (thousands) as at 31 March 2002 and total revenues of Rs. 724,586 (thousands) for the year then ended. 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 ICI India Limited 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 ICI India Limited and its aforesaid subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of ICI India Limited 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 ICI India Limited and its subsidiaries as at 31 March 2002; and

(b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of ICI India Limited and its subsidiaries for the year then ended.

For BSR & Co.
Chartered Accountants

Gurgaon — Akhil Bansal
22 May 2002 — Partner

CONSOLIDATED BALANCE SHEET

	Schedule	As at 31 March 2002 (Rs. 000's)	
I) SOURCES OF FUNDS:			
1. Shareholders' funds -			
a) Capital	(1)	**40,87,06**	
b) Reserves and surplus	(2)	**399,39,18**	**440,26,24**
2. Minority Interest			**97,65,83**
3. Loan funds -			
a) Secured loans	(3)	**43,26,87**	
b) Unsecured loans	(4)	**20,14**	**43,47,01**
4. Deferred Tax Liability (net)			**33,03,39**
Total			**614,42,47**
II) APPLICATION OF FUNDS:			
1. Fixed assets -	(5)		
a) Gross block		**642,57,43**	
b) Less : Accumulated Depreciation		**169,50,84**	
c) Net block		**473,06,59**	
d) Capital work-in-progress at cost, including advances		**7,90,82**	**480,97,41**
2. Investments	(6)		**75,71,87**
3. Current assets, loans and advances -			
a) Inventories	(7)	**146,05,83**	
b) Sundry debtors	(8)	**146,65,96**	
c) Cash and bank balances	(9)	**29,59,38**	
d) Loans and advances	(10)	**48,39,48**	
		370,70,65	
***Less:* Current liabilities and provisions -**			
a) Liabilities	(11)	**204,16,20**	
b) Provisions	(12)	**117,97,65**	
		322,13,85	
Net Current Assets			**48,56,80**
4. Miscellaneous expenditure not written off			**9,16,39**
Total			**614,42,47**
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
Dr A S GANGULY, Chairman
A NARAYAN, Managing Director
R L JAIN, Wholetime Director
M R RAJARAM, Wholetime Director
R GUHA, Secretary

Gurgaon
22 May 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Schedule	For the year ended 31 March 2002 (Rs. 000's)
Income	(13)	
Sales and services		**1041,98,87**
Other income		**19,74,70**
Total income		**1061,73,57**
Expenditure		
Materials consumed	(14)	**515,95,09**
Other expenditure	(15)	**301,28,18**
Excise duty		**125,60,95**
Amortisation of goodwill and intangible assets		**8,46,15**
Depreciation (net)		**28,34,47**
Interest (net)	(16)	**4,52,14**
		984,16,98
Profit before taxation from operations		**77,56,59**
Exceptional items	(17)	**51,45,57**
Profit before taxation		**129,02,16**
Provision for taxation :		
- Current tax		**19,36,58**
- Deferred tax		**17,83,32**
Profit after taxation		**91,82,26**
Transfer to Minority Interest (including Interim and Proposed Dividend)		**10,25,77**
Profit attributable to the Group		**81,56,49**
Balance brought forward		**153,88,26**
Available for appopriation		**235,44,75**
Appropriations		
General Reserve		**25,68,96**
Debenture Redemption Reserve		**1,04,17**
Transfer to Goodwill		**4,77**
Tax on Interim Dividend		**1,22,40**
Proposed Dividend		**40,87,06**
		68,87,36
Balance carried to the Balance Sheet		**166,57,39**
Basic and Diluted Earnings per equity share (in Rs.)		**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	Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Partner	Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

SCHEDULES TO THE CONSOLIDATED ACCOUNTS

SCHEDULE 1 : CAPITAL

	As at 31 March 2002 (Rs. 000's)
Authorised	
4,16,90,000 equity shares of Rs. 10 each	**41,69,00**
Issued, Subscribed and Paid up	
4,08,70,612 equity shares of Rs. 10 each	**40,87,06**

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, out of which 10 Shares are held jointly.
(d) 89,18,121 were issued as fully paid up otherwise than for cash.

SCHEDULE 2 : RESERVES AND SURPLUS

(Rs. 000's)

	As at 1 April 2001	Additions	Deductions	As at 31 March 2002
Capital Reserves	55,16,75	-	-	**55,16,75**
Share Premium	2,43,31	-	-	**2,43,31**
Revaluation Reserve *	12,31,24	-	6,37,95	**5,93,29**
Debenture Redemption Reserve	13,20,00	1,04,17	-	**14,24,17**
General Reserve **	134,15,99	25,68,96	4,80,68	**155,04,27**
Profit and Loss Account	153,88,26	12,69,13	-	**166,57,39**
	371,15,55	39,42,26	11,18,63	**399,39,18**

* Deduction represents withdrawal on account of :
(a) Fixed assets disposed off Rs. 621.48 lacs
(b) Depreciation on revalued assets Rs. 16.46 lacs (Refer note 7, Schedule 19)

**Deduction represents adjustment on account of accumulated net deferred tax liability as on 1 April 2001 (Refer note 25, Schedule 19)

SCHEDULE 3 : SECURED LOANS

	As at 31 March 2002 (Rs. 000's)
(a) Redeemable non convertible debentures	**28,33,33**
(b) Loans and advances from banks	
Cash credit accounts	**12,61,13**
Commercial Paper	**2,00,00**
Interest accrued and due on secured loans	**32,41**
	43,26,87

Notes :

(a) 35 no. 12.75% debentures of Rs. 100 lacs each allotted on 16 March 1998 are redeemable at the end of 4th, 5th and 6th year in equal instalments. The first instalment of Rs. 1166.67 lacs has been redeemed on 15 March 2002. These debentures are 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.

(b) 10 no. 13% debentures of Rs 50 lacs each allotted on 26 October 1999 are redeemable after thirty-six months from the allotment date as per the offer letter. The debentures are secured by a first charge on plant and machinery of Indian Explosives Limited.

(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.

SCHEDULE 4 : UNSECURED LOANS

	As at 31 March 2002 (Rs. 000's)
(a) Fixed deposits	13,00
(b) Other loan	7,14
	20,14

Refer note 3, Schedule 19

SCHEDULE 5 : FIXED ASSETS (Rs. 000's)

Particulars	Gross Block				Depreciation				Net Book Value
	Book value at cost or revalued amounts as on 1 April 2001	Additions at cost	Disposals/ adjustments at book value	**Book value at cost or revalued amounts as on 31 March 2002**	As on 1 April 2001	In respect of disposals/ adjustments	for the year	**As on 31 March 2002**	**As on 31 March 2002**
Goodwill	-	114,65,40	-	**114,65,40**	-	-	4,47,78	**4,47,78**	**110,17,62**
Land leasehold	1,52,23	-	-	**1,52,23**	26,71	-	1,74	**28,45**	**1,23,78**
Land freehold	9,68,84	1,30	(3,21,94)	**6,48,20**	-	-	-	**-**	**6,48,20**
Buildings	91,86,51	6,00,51	(9,84,98)	**88,02,04**	16,72,74	(4,81,55)	2,35,90	**14,27,09**	**73,74,95**
Plant and machinery	299,49,75	22,82,30	(24,33,09)	**297,98,96**	131,93,27	(24,28,37)	22,44,50	**130,09,40**	**167,89,56**
Railway sidings and jetties	2,91	-	-	**2,91**	2,91	-	-	**2,91**	**-**
Rolling stock, motor vehicles etc.	1,65,21	43,20	(40,77)	**1,67,64**	89,71	(40,16)	14,59	**64,14**	**1,03,50**
Furniture, fittings and equipment	35,01,91	2,66,86	(11,25,80)	**26,42,97**	16,72,52	(5,58,49)	2,57,62	**13,71,65**	**12,71,32**
Patents, Trademarks, Knowhow etc	7,62,27	81,00,45	-	**88,62,72**	56,98	-	3,98,37	**4,55,35**	**84,07,37**
Assets under operating leases	6,48,29	10,66,07	-	**17,14,36**	47,49	-	96,58	**1,44,07**	**15,70,29**
Total	453,37,92	238,26,09	(49,06,58)	**642,57,43**	167,62,33	(35,08,57)	36,97,08	**169,50,84**	**473,06,59**

Note : (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) Registration of title deeds for freehold land at Gomia, State of Jharkhand for transfer of title from ICI India Limited to Indian Explosives Limited, valued at Rs 26.29 lacs together with the structures thereon is under progress.
(4) Additions in Goodwill are 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 2002 (Rs. 000's)**
(A) LONG TERM INVESTMENTS			
TRADE			
Equity shares - unquoted			
Belvedere Estates Ltd	40,020	10	**4,80**
Adyar Property Holding Co Ltd * (Paid-up Rs. 65 per share)	275	100	**18**
Malcha Properties Ltd	250	100	-
Debentures - unquoted			
0.5% Belvedere Estates Ltd - redeemable	1	624,420	**6,24**
5% Woodlands Research Foundation - non-redeemable		86,000	**28**
0.5% Woodlands Research Foundation - (Book Value Re 1 only)	110	100	-
6.5% Bengal Chamber of Commerce and Industry	19	1,000	**19**
NON - TRADE			
Equity shares - quoted			
ICICI Limited	1,15,836	10	**21,35**
Equity shares - unquoted			
Kohinoor Mills Ltd	5	100	**1**
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			**24**
(B) CURRENT INVESTMENTS			
Units - unquoted			
Unit Trust of India - Unit '64 Scheme {net of diminution in value of Rs. 57.24 lacs (2000-01 : Rs. nil)}	6,19,505	10	**38,58**
Investment in Fixed Maturity Plan Debt Mutual Funds - unquoted			
Zurich India Mutual Fund	4,00,00,000	10	**40,00,00**
HDFC Mutual Fund	3,50,00,000	10	**35,00,00**
(NAV of Zurich India Mutual Fund : Rs. 10.0696 per unit)			
(NAV of HDFC Mutual Fund : Rs. 10.0730 per unit)			
			75,71,87

* Partly paid up.

	As at 31 March 2002	
	Book Value (Rs. 000's)	**Market Value (Rs. 000's)**
Quoted investments	**21,35**	70,60
Unquoted investments	**75,50,52**	
	75,71,87	

	As at 31 March 2002 (Rs. 000's)
SCHEDULE 7 : INVENTORIES	
Stores and spare parts	7,39,96
Packing materials	2,78,68
Raw materials	48,90,57
Finished Products	79,41,51
Work-in-process	7,55,11
	146,05,83
SCHEDULE 8 : SUNDRY DEBTORS	
Secured - considered good	
Debts outstanding over six months	62,21
Other debts	2,64,71
	3,26,92
Unsecured	
Debts outstanding over six months	
Considered good	4,91,83
Considered doubtful	15,84,52
	20,76,35
Less : Provision for doubtful debts	15,84,52
	4,91,83
Other debts - considered good	138,47,21
	146,65,96
SCHEDULE 9 : CASH AND BANK BALANCES	
Cash and cheques in hand and in transit	4,17,85
With scheduled banks :	
Current accounts	16,00,57
Dividend accounts	1,20,22
Fixed deposits	8,20,74
	29,59,38
SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)	
Advances recoverable in cash or in kind or for value to be received :	
Considered good *	32,98,52
Considered doubtful	1,73,27
	34,71,79
Less : Provision for doubtful advances	1,73,27
	32,98,52
Deposits - considered good	
With Customs, Port Commissioners, Railways, Excise Authorities etc.	6,74,22
With others	8,60,49
Interest accrued on investments	6,25
	48,39,48
* Includes	
(a) Held on fixed deposit / margin money with a scheduled bank	13,12
(b) Due from Directors	2,11,13
Maximum amount due at any time during the year	4,13,20
(c) Due from Officer	20,95
Maximum amount due at any time during the year	25,34
SCHEDULE 11 : LIABILITIES	
Acceptances	15,28,56
Sundry creditors - SSI units *	5,59,77
Sundry creditors - others	152,10,74
Advance on sale of properties	5,35,00
Unpaid and unclaimed dividends	1,20,22
Interest accrued but not due on loans	1,22,67
Other liabilities	23,39,24
	204,16,20

*Refer note 5, Schedule 19

SCHEDULE 12 : PROVISIONS

	As at 31 March 2002 (Rs. 000's)
Proposed dividend on equity shares	41,37,91
Tax on dividend	36,72
Provision for Taxation (net of advance tax)	11,54,89
Provision for VRS liability	47,74,77
Provision for retirement benefits	7,98,69
Other provisions	8,94,67
	117,97,65

SCHEDULE 13 : INCOME

	For the year ended 31 March 2002 (Rs. 000's)
a) Sales and Services	
Sales	1037,63,23
Services	4,35,64
	1041,98,87
b) Other Income	
From Businesses	
Estimated insurance claims receivable	25,77
Commission	4,20,84
Lease rentals	1,45,43
Provisions / liabilities no longer required written back	1,51,48
Miscellaneous receipts	5,97,29
	13,40,81
Other Operating items	
Income from investments:	
- Trade	71,21
- others	12,83
Profit on disposal of fixed assets (net)	44
Miscellaneous receipts	5,49,41
	6,33,89
	19,74,70

SCHEDULE 14 : MATERIALS CONSUMED

	For the year ended 31 March 2002 (Rs. 000's)
Opening stock	
Raw materials	39,23,15
Packing materials	2,92,65
Finished products	72,06,48
Work-in-process	7,01,52
	121,23,80
Add : Purchases	
Raw materials	426,00,28
Packing materials	37,03,69
Finished products	70,26,44
	533,30,41
Add / (Less) : Inventory adjustments in respect of acquired/divested businesses (net)	
Raw materials	2,59,38
Packing materials	46,40
Finished products	(2,99,00)
	6,78
Less : Closing stock	
Raw materials	48,90,60
Packing materials	2,78,68
Finished products	79,41,51
Work-in-process	7,55,11
	138,65,90
Materials consumed	515,95,09

	For year ended 31 March 2002 (Rs. 000's)
SCHEDULE 15 : OTHER EXPENDITURE	
Stores and spare parts	**9,29,70**
Repairs to buildings	**1,34,85**
Repairs to plant and machinery	**8,62,01**
Other repairs	**7,11**
Power and fuel	**28,26,37**
Salaries, wages, and bonus *	**65,55,75**
Contributions to provident and other funds	**9,03,09**
Workmen and staff welfare	**7,28,81**
Travelling	**11,37,10**
Rates and taxes	**7,75,47**
Rent	**7,89,26**
Communication expenses	**6,74,60**
Insurance	**4,68,93**
Freight and transport charges	**33,05,22**
Selling commission	**7,11,30**
Commission to consignment agents	**4,79,06**
Publicity	**20,58,56**
Royalty and technical fees	**1,33,91**
Cash discount on sales	**15,31,53**
Formulation / processing charges	**2,74,50**
Lease and hire charges	**1,16,39**
Bad debts / advances	**4,28,63**
Provision for doubtful debts and advances (net)	**(71,57)**
Research and development	**2,53,55**
Directors' fees	**2,05**
Loss on sale of fixed assets	**84**
Sundries (include consultancy, godown maintenance, sales promotion expenses etc.)	**41,11,16**
	301,28,18

* Refer note 10(b), Schedule 19

SCHEDULE 16 : INTEREST	
Interest on fixed loans	**5,07,30**
Interest on other loans	**4,26,83**
	9,34,13
Less : Interest income from banks and others	**4,81,99**
Net interest	**4,52,14**

SCHEDULE 17 : EXCEPTIONAL ITEMS (NET OF EXPENSES)	
Profit on sale of property (Refer note 11, Schedule 19)	**30,22,53**
Profit on sale of Pharmaceuticals business (Refer note 12, Schedule 19)	**42,91,25**
Profit on sale of Polyurethanes business (Refer note 13, Schedule 19)	**2,74,80**
Profit on sale of Motor and Industrial Paints business (Refer note 14, Schedule 19)	**43,00**
Voluntary Retirement Scheme provision	**(7,71,47)**
Provision for deficit in Employees Pension Fund (Refer note 18, Schedule 19)	**(6,61,00)**
Cost of business reorganisation (Refer note 19, Schedule 19)	**(5,23,93)**
Interest and management fees in connection with Quest business acquisition (Refer note 20 and 21, Schedule 19)	**(5,29,61)**
	51,45,57

SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

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.

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 comprise 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 a period 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.

SCHEDULE 19 : NOTES TO THE ACCOUNTS

	As at 31 March 2002 (Rs. 000's)
1. Capital Expenditure :	
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances)	6,73,75
(b) Demand for enhanced compensation in respect of leasehold land at Mohali, under dispute	4,65,88
2. Contingent liabilities not provided for:	
(a) Uncalled liability on shares partly paid up	10
(b) Sales tax matters under Appeal	14,03,26
(c) Excise matters in dispute/under Appeal	13,79,98
(d) Customs matters in dispute/under Appeal	3,46,40
(e) Industrial relations matters under Appeal	15,80
(f) Income tax matters in dispute / under Appeal	See note below *

* The Income tax assessment for ICI India Limited has been completed upto the financial year ended 31 March 1998. Arising from the completed assessments and also appellate orders, there is net refund of Rs. 147 lacs comprising total refund of Rs. 1617 lacs excluding interest; and demand/liability of 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	1,29,52
3. Loans due within a year	
Secured loans : Debentures	16,66,67
Unsecured loans :	
Fixed deposit	13,00
HDFC	7,14

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

5. The names of small scale industries to whom ICI India Limited, Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited (hereinafter referred to as the Group) owes a sum exceeding Rs. 1 lac, which is outstanding for more than 30 days at the Balance Sheet date, computed on a unit wise basis, are :

Ammsons Engg Company	K B Engineering	Rajesh Dyechem Industries Pvt. Ltd.
Anand Casein Udyog	Key Organics Pvt. Ltd.	Salts & Chemicals P. Ltd.
B R Fibres Chem Division	Legnin Research Centre	Shree Sai Industries
Baba Containers	MMR Mechanical Pvt. Ltd.	Sood Papers & Allied Chemicals
Chemicone Chemicals Industries	Mountain Minerals & Microns	Sree Printo - Pack Pvt. Ltd.
Doshi & Sons	Pearson Containers Co.	Techno Waxchem Pvt. Ltd.
Fibro Chemical Industries	Piyanshu Chemicals	Vishal Chemical Industries
Finotex Chemical Industries	Prabal Chemicals	Azide & Allied Chemicals
Dynamic Battery & Lead Alloys Industries	Eastern Chemical & Industries	Sneh Enterprises
Swati Enterprises	Shree Smelting P Ltd.	Industrial Chemicals
Srilab Neo-Packs Pvt. Ltd.		

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

6. Income from investments, rents, commission and interest are stated at gross amounts. The amount of Income-tax deducted thereon is Rs. 190.24 lacs.

7. Gross depreciation for the year amounts to Rs. 2850.94 lacs, from which a sum of Rs. 16.46 lacs being the depreciation on revalued amounts has been deducted from Revaluation Reserve.

8. The Group has not made a provision for customs duty on stocks lying at the year end in bonded warehouse, estimated at 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. 13.44 lacs.

10. (a) Directors' Remuneration*

	(Rs. 000's)
Salaries and allowances	2,50,87
Commission	20,00
Estimated cost of benefits	96,84
	3,67,71

For the computation of Directors' remuneration as per Section 198 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.

10. (b) An amount of Rs.103 lacs paid to the directors of ICI India Limited as remuneration for the year 2000-01 in excess of the limits specified under Section 198 of the Companies Act, 1956 was disclosed in the previous year under "Loans and Advances". The above amount has been charged in the Profit and Loss account in current year as ICI India Limited has now obtained the Central Government approval for paying the above excess remuneration, which is subject to the shareholders' approval.

11. Income from sale of properties of ICI India Limited of Rs. 3022.53 lacs includes net profit on sale of land and building at 34, Chowringhee Road, Kolkata, (after adjusting for rates, taxes and levies to municipal authorities and related provisions) and residential flats and land at New Delhi, Kolkata and Chennai.

12. (a) The Pharmaceuticals business of ICI India Limited was transferred to Nicholas Piramal India Limited (NPIL) on 27 March 2002 for a gross consideration of Rs. 7000 lacs, and an additional amount of Rs. 3 lacs for adjustment of working capital. As per the business transfer agreement executed between ICI India Limited and NPIL, the commercial risks were assumed by NPIL from 1 January 2002. Accordingly, the earnings before interest, depreciation and tax of the business for the period 1 January 2002 to 26 March 2002 have not been included in the accounts of the current year. The details of the earnings before interest, depreciation and tax for this period are as follows :

Income	**(Rs. 000's)**
Sales	9,73,13
Other income	(6,97)
Total income	9,66,16
Expenditure	
Materials consumed	3,00,66
Other expenditure (and provisions)	8,10,29
Excise duty	1,20,10
	12,31,05
Earnings before interest, depreciation and tax	**(2,64,89)**

12. (b) The profit on sale of Pharmaceuticals business has been computed after adjusting the value of net assets (including retained assets) as on the date of transfer amounting to Rs. 2186 lacs, related transaction costs / provisions of Rs. 367 lacs, and a part of Company's cost incurred by Pharmaceuticals business for the period 1 January 2002 to 26 March 2002, amounting to Rs. 159 lacs, borne by the Company.

13. The Polyurethanes business of ICI India Limited was transferred to Hunstman International (India) Private Limited on 31 March 2001. As per the business transfer agreement, a sum of Rs. 1000 lacs was payable 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 a sum of Rs. 275 lacs (including interest of Rs. 35 lacs) during the current year. The amount has since been received by ICI India Limited.

14. The Motor and Industrial Paints Business of ICI India Limited was transferred to Berger Auto and Industrial Coatings Limited on 1 May 2001 for a consideration of Rs. 1666 lacs. The profit on sale has been computed after adjusting the value of net assets (including working capital) amounting to Rs. 1603 lacs and costs relating to disposal amounting to Rs 20 lacs.

15. ICI India Limited has acquired Nickel Catalyst business from Hindustan Lever Limited at a consideration of Rs. 1970 lacs (including working capital) on 10 December 2001.

16. ICI India Limited has acquired the Adhesive business of Hindustan Lever Limited at a consideration of Rs. 788 lacs (including working capital) on 27 December 2001.

17. During the year Quest International India limited has acquired the flavours and fragrances business on a going concern basis from Hindustan Lever Limited at a purchase consideration of Rs. 10300 lacs which comprised Fixed Assets (Rs. 623.28 lacs), Investments (Rs. 0.24 lacs), Net working capital (Rs. 1659.60 lacs), Intangible Assets (Rs. 6590.00 lacs) and Goodwill (Rs. 1426.88 lacs).

18. During the current year, a deficit in the employees pension fund of ICI India Limited amounting to Rs. 661 lacs has been determined on the basis of actuarial valuation carried out by ICI India Limited. The above deficit arising out of certain changes in the actuarial valuation assumptions has been provided for in the accounts as an exceptional item in the Profit and Loss Account.

19. The cost of business reorganisation includes :

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

(ii) The cost of restructuring of Rubber Chemicals business activities at the Rishra factory. The reorganisation expenses of Rs. 102.69 lacs comprise mainly salary and overhead costs of personnel engaged in the restructuring exercise.

20. During the current year, Quest International India Limited has paid an amount of Rs. 351.61 lacs to Hindustan Lever Limited as interest on delayed payment of purchase consideration for the period 1 April 2001 to 28 June 2001. This amount has been shown as an exceptional item in the profit and loss account.

21. Hindustan Lever Limited has carried out the business in trust, on behalf of Quest International India Limited for the period 1 April 2001 to 28 June 2001. Accordingly an amount of Rs. 178 lacs has been paid to Hindustan Lever Limited by Quest International India Limited as management fee. This amount has been disclosed as an exceptional item in the profit and loss account.

22. **Payments to Auditors**

	2001-02 (Rs. 000's)
(i) As Audit Fee	16,05
(ii) Reimbursement of Expenses/service tax	6,06
(iii) Tax Audit Fee	5,25
(iv) Half yearly Limited review	3,00
(v) Certification Work / Other Matters	4,37
Total	34,73

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

	Unit	Licensed Capacity 2001-02	Installed Capacity 2001-02	Actual Production meant for sale 2001-02
Adhesives	Tonnes	**N.A.**	**1,200**	**741**
Catalysts	Tonnes	**N.A.**	**2,480**	**904**
Commercial/ Blasting Explosives	Tonnes	**1,00,263**	**1,60,000**	**82,311**
Detonating Fuse	Mn Mtr.	**8**	**10**	**11**
Detonators	Mn Mtr.	**82**	**82**	**59**
Flavours & Fragrances	Tonnes	**@A**	**7,110**	**2,232 @B**
Nitrocellulose	Dry Tonnes	**5,080**	**4,000**	**3,451**
Paints-Stiff	Tonnes	**N.A.**	**10,000**	**7,029**
Paints-Liquid	KL	**N.A.**	**41,940**	**23,290**
Pharmaceuticals	Tonnes	**N.A.**	**-**	**1,990**
Pharmaceuticals	KL	**N.A.**	**-**	**480**
Rubber Chemicals & Diphenylamine	Tonnes	**N.A.**	**8,600**	**3,166**
Thinners	KL	**N.A.**	**3,260**	**1,667**
Textile Auxiliaries	Tonnes	**N.A.**	**@**	**10,927**

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, Commercial / Blasting Explosives, Detonating Fuses and Detonators the other items are delicenced.
5. Installed Capacities are as certified by the management.
6. @ - Dependent on the Product Mix.
7. Production of Pharmaceuticals in 2001-02 is for the period 1 April 2001 to 31 December 2001.
8. Letter of intent from Government of India dated 25 April 2001 for enhancement of Detonating Fuse licensed capacity to 25 Mn mtrs per annum was received in 2001-02.
9. In case of flavours and fragrances, production includes goods manufactured at third party facilities.
10. @A Licensed capacity is not applicable for the current year.
11. @B Includes 427 Tonnes of finished goods acquired amounting to Rs. 468.73 lacs.

23. (b) **Particulars in respect of sales, opening and closing stock of finished goods**

	Unit	Sales		Opening Stock		Closing Stock	
		Quantity 2001-02	Value (Rs. 000's) 2001-02	Quantity 2001-02	Value (Rs. 000's) 2001-02	Quantity 2001-02	Value (Rs. 000's) 2001-02
Commercial / Blasting explosives	Tonnes	**82,214**	**167,43,98**	**1,473**	**3,14,05**	**1,570**	**3,86,43**
Detonating Fuse	Mn Mtr.	**11**	**5,56,37**	**1**	**13,14**	**1**	**23,10**
Detonators	Mn Mtr.	**60**	**61,83,78**	**3**	**2,79,65**	**2**	**2,58,17**
Flavour & Fragrances	Tonnes	**1,858**	**89,19,72**	**-**	**-**	**374**	**5,00,06**
Nitrocellulose	Dry Tonnes	**3,577**	**64,13,76**	**236**	**2,86,05**	**110**	**1,38,38**
Paints-Stiff	Tonnes	**7,131**	**29,10,34**	**895**	**4,62,10**	**1,640**	**8,02,40**
Paints-Liquid	K.Litres	**23,940**	**334,61,39**	**3,256**	**32,21,98**	**3,407**	**33,61,20**
Pharmaceuticals *	Tonnes	**198**	**39,68,03**	**20**	**2,33,36**	**-**	**-**
Pharmaceuticals *	K.Litres	**49**	**9,14,29**	**4**	**60,84**	**-**	**-**
Catalysts	Tonnes	**978**	**45,17,26**	**172**	**3,42,50**	**318**	**7,95,90**
Rubber Chemicals & diphenylamine	Tonnes	**4,090**	**100,77,12**	**450**	**9,06,99**	**424**	**6,53,19**
Thinners	K Litres	**1,737**	**16,82,85**	**193**	**1,22,16**	**162**	**85,62**
Textile auxiliaries	Tonnes	**12,118**	**109,91,58**	**864**	**5,82,31**	**890**	**6,05,34**
Adhesives	Tonnes	**1,637**	**19,80,34**	**59**	**86,67**	**141**	**1,59,96**
Others *	Various		**33,65,37**		**2,94,68**		**1,71,76**
Less : Rebates			**84,87,31**				
			1041,98,87		**72,06,48**		**79,41,51**

* Closing Stock of Pharmaceuticals and Motor and Industrial Paints business as on date of divestment, have been transferred to the respective buyers. (Refer note 12 and 14, Schedule 19).

23. (c) **Particulars in respect of purchases of finished products**

	Unit	Quantity 2001-02	Value (Rs 000's) 2001-02
Paints-Liquid	K.Litres	**801**	**26,19,20**
Textile Auxiliaries	Tonnes	**1,217**	**6,65,08**
Thinner	Tonnes	**39**	**31,05**
Paints -Stiff	Tonnes	**847**	**3,20,41**
Rubber Chemical & DPA	Tonnes	**898**	**11,46,44**
Acrylics	Tonnes	**1,675**	**10,37,29**
Catalysts	Tonnes	**220**	**6,19,29**
Adhesives	Tonnes	**978**	**4,07,08**
Others	Various	**NA**	**1,80,60**
			70,26,44

23. (d) **Details of raw materials consumed**

	Unit	Quantity 2001-02	Value (Rs 000's) 2001-02
Alcohol	Tonnes	**510**	**2,91,34**
Alcohol	K.Litres	**887**	**1,37,43**
Ammonium Nitrate	Tonnes	**61,205**	**71,80,96**
Amines	Tonnes	**1,684**	**8,43,49**
Aromatic Chemicals	Tonnes	**421**	**20,24,47**
LLDPE Tune	Th Mtrs.	**19,204**	**5,95,31**
Metals	Tonnes	**4,663**	**48,89,13**
Natural Essential Oils	Tonnes	**271**	**13,71,73**
Organic Chemicals	Tonnes	**22,192**	**54,21,18**
Other Chemicals	Tonnes	**31,771**	**67,59,02**
Solvents	Tonnes	**7,940**	**16,61,45**
Yarn & Paper	Tonnes	**34**	**43,30**
Others	Various		**106,73,40**
			418,92,21

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

23. (e) **Value of raw materials, stores and spare parts consumed**

	Raw materials		Stores and spare parts including packing materials (Excluding capital jobs)	
	2001-02 (Rs. 000's)	**2001-02 %**	**2001-02 (Rs. 000's)**	**2001-02 %**
Imported	**121,61,62**	**29**	**10,82**	**-**
Indigenous	**297,30,59**	**71**	**46,82,94**	**100**
	418,92,21	**100**	**46,93,76**	**100**

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

	(Rs 000's)
23. (f) **Earnings in foreign exchange**	
Export of goods (FOB basis)	**82,29,41**
Direct sales commission	**4,17,16**
Others	**88,54**

23. (g) **Value of imports (CIF basis)**

Raw materials	**105,86,67**
Stores and spare parts	**12,39**
Capital goods	**1,32,48**
Other items	**14,16,39**

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

Royalty and technical Fees	**1,29,66**
Professional and consultation fees	**1,17,50**
Others	**1,83,52**

23. (i) **Remittance in foreign currencies on account of dividends on equity shares**

Dividend relating to to the year ended	**No. of Non-Resident Share holders**	**No. of Shares in (Rs. 000's)**	**Net Dividend remitted (Rs. 000's)**
ICI India Limited			
2000-01	1	**2,07,76**	**11,42,69**
Indian Explosives Limited			
2001-02 (Interim Dividend)	1	**73,50**	**2,94,00**
2000-01	1	**73,50**	**1,24,95**
IES India Limited			
2001-02 (Interim Dividend)	1	**36,00**	**1,80,00**
2000-01	1	**36,00**	**39,60**

24. **Earnings per share**

	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**
Shares issued during the year	**-**
Total number of equity shares outstanding at the end of the year	**4,08,70,612**
(b) Net profit after tax and transfer to minority interest available for equity shareholders (Rs. 000's)	**81,56,49**
(c) Basic and Diluted Earnings per share (Rs.)	**19.96**

25. Hitherto, the provision for deferred taxation was calculated on the liability method, at current rates of taxation on the timing differences to the extent that it was probable that a liability or asset would crystalise. The Group in the previous years was not recognising deferred tax liability on a part of the timing differences between book and tax depreciation. During the current year, however, the Group has adopted Accounting Standard 22 on "Accounting for Taxes on Income". As a result of this, the accumulated net deferred tax liability not recognised earlier in the books of account amounting to Rs. 480.68 lacs (after adjusting Rs 17.66 lacs from Minority Reserves) mainly on account of timing differences between book and tax depreciation as on 1 April 2001 has been debited to the Reserves in accordance with the requirement of the Accounting Standard 22.

Timing differences on account of	**Deferred Tax Asset (Rs. 000's)**	**Deferred Tax Liability (Rs. 000's)**
Difference between book depreciation and depreciation under Income Tax Act, 1961		**55,76,77**
Expenditure disallowed under Section 43B of Income Tax Act, 1961	**2,17,17**	
Provision for doubtful debts and advances	**6,40,94**	
Carried Forward business loss	**6,15,42**	
VRS liability	**5,24,78**	
Liability for leave encashment and pension provision	**2,35,94**	
Others	**1,07,09**	**67,96**
Total	**23,41,34**	**56,44,73**
Net Deferred Tax Liability		**33,03,39**

26. **Operating Lease**

ICI India Limited has given Colour Solution machines and STORMS machines under operating leases. The future minimum lease rentals receivable as on 31 March 2002 in respect of these assets are as under:

Amount Receivable	**Total minimum lease rentals Receivable as on 31 March 2002 (Rs. 000's)**
Within one year	**2,07,49**
Later than one year and not later than five years	**2,00,58**
Later than five years	**99**
Total	**4,09,06**

27. **Segment Information**

A. Information about Primary Business Segments

(i) The Group's primary business segments comprises Paints, Industrial Specialties, Industrial Chemicals, Pharmaceuticals, Explosives and Flavours & Fragrances. The businesses included in these primary business segments are given below :

- Paints : Decorative and Refinish Paints and Motor and Industrial Paints (for the period upto 30 April 2001).
- Industrial Specialties : Uniqema, Food Starch, Polymers and Adhesives.
- Industrial Chemicals : Catalysts, Nitrocellulose, Rubber Chemicals and Trading in acrylics and tioxide.
- Pharmaceuticals : Cardiovascular and Critical care range of products (for the period upto 31 December 2001).
- Explosives : Explosives Business of Indian Explosives Limited and Initiating Explosives Systems India Limited.
- Flavours & Fragrances : Flavours and Fragrances Business of Quest International India Limited.

(ii) **Segment Revenues, Results and Other information** **(Rs. 000's)**

	Paints	Industrial Specialties	Industrial Chemicals	Pharma-ceuticals	Flavours & Fragrances	Explosives	Total of Reportable Segments
External Sales	323,26,12	126,01,70	210,77,44	54,64,00	89,19,72	238,09,89	**1041,98,87**
Inter Segment Sales / Income	7,86	1,90,78	4,01,78	-	-	10,72,24	**16,72,66**
Other Business Related Income	1,57,50	3,65,89	4,69,90	-	5,39	3,42,13	**13,40,81**
Segment Revenues	324,91,48	131,58,37	219,49,12	54,64,00	89,25,11	52,24,26	**1072,12,34**
Segment Results	(9,37,56)	18,20,34	29,88,05	9,40,31	14,30,75	29,75,18	**92,17,07**
Segment Assets	209,28,79	73,53,35	155,99,69	-	117,64,80	177,90,51	**734,37,14**
Segment Liabilities	72,62,82	24,32,88	42,66,18	-	16,12,28	58,73,18	**214,47,34**
	136,65,97	49,20,47	113,33,51	-	101,52,52	119,17,33	**519,89,80**
Capital Expenditure	11,66,09	6,11,43	24,47,97	71,26	87,26,39	6,92,72	**137,15,86**
Depreciation / Amortisation	11,01,83	2,48,08	7,71,90	51,08	4,43,16	5,64,88	**31,80,93**

(iii) **Reconciliation of Reportable Segments with the Financial Statements** **(Rs. 000's)**

	Revenues	Results / Net Profit	Assets	Liabilities
Total of Reportable Segments	1072,12,34	92,17,07	734,37,14	214,47,34
Unallocable / Others	6,33,89	(10,08,34)	97,21,22	140,69,90
Inter Segment Sales / Income	(16,72,66)	-	-	-
Interest Expense (net)	-	(4,52,14)	-	-
Exceptional Items	-	51,45,57	-	-
Taxes	-	(37,19,90)	-	-
As per Financial Statements	**1061,73,57**	**91,82,26**	**831,58,36**	**355,17,24**

(B)Information about Secondary Business Segment **(Rs. 000's)**

	Domestic	Exports	Total
Revenue	969,37,52	92,36,05	**1061,73,57**
Carrying amount of Segment Assets	816,85,10	14,73,26	**831,58,36**
Carrying amount of Segment Liabilities	355,17,24	-	**355,17,24**
Additions to Fixed Assets	137,87,57	-	**137,87,57**

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) 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 un-allocable fixed assets, current assets (excluding cash and bank balances), long term investments and Miscellaneous Expenditure not written off. Unallocable / Others Liabilities includes un-allocable current liabilities and net deferred tax liability.

iii) 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.

iv) Additions to fixed assets does not include Goodwill on consolidation, of Rs. 10039 lacs.

28. **Related Party Disclosures**

A. List of related parties :

a) Holding Company : Imperial Chemical Industries PLC, UK

b) Other related parties in the Group where common control exists are:-

Glidden, USA	National Starch, Indonesia	Quest International, Netherlands
ICI Paints Asia Pacific, Singapore	National Starch, Malaysia	Synetix, Emmerich
ICI Paints, Indonesia	National Starch, Phillipines	Synetix, U.K.
ICI Paints, Thailand	National Starch, Singapore	Synetix, USA
ICI Paints, UK	National Starch, Taiwan	Uniqema Chemie B.V.
ICI Paints, Vietnam	Uniqema, GmbH	ICI Swire Paints, Hongkong
National Starch, Thailand	Uniqema, Indonesia	ICI Woobang Co. Ltd., Korea
National Starch, U.K.	Uniqema, Malaysia	Kaohsiung Monomer Co. Ltd.
National Starch, USA	Uniqema, Spain	National Starch, China
Quest International Flavours, USA	Uniqema, UK	National Starch, France
Quest International, Canada	Uniqema, USA	Orica Investments Pty Limited
Quest International, Egypt	Orica Limited	Hindustan Lever Limited
Ensign Bickford Company, Mauritius	The Ensign Bickford Company, USA	Indopco Inc.
Quest International UK Limited	Quest International Australia Pvt. Ltd.	

c) Directors of ICI India Limited and its subsidiaries are :

Dr A S Ganguly	Mr V Krishnan
Mr A Narayan	Mr L Subhash Babu
Mr R L Jain	Mr G Liebelt
Mr M R Rajaram	Mr P Etienne
Mr S Hamlett	Mr Sandeep Batra
Mr D S Parekh	Mr Jeane Pierre Houri
Mr M V Subbiah	Mr D Sundaram
Mr R Gopalakrishnan	Mr Anoop K Mathur
Mr S Chandra	Mr Jayant M Sohonie
Mr S Dayal	

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

	Holding Company	(Rs. 000's) Other Related Companies in the Group
Purchase of material /finished good/services	-	28,32,63
Sale of finished good	-	35,25,76
Expenses recharged to other companies	-	70,23
Expenses recharged by other companies	-	3,63
Inter Corporate Deposits placed (Maximum Outstanding)	-	1,25,00
Interest Expense on Inter Corporate Deposits taken	-	3,69
Royalty Paid / Booked	-	94,36
Outstanding payables (Net of receivable)	-	1,71,52
Dividend Paid	11,42,69	6,38,55
Due to related party	-	6,53,73
Due from related party	-	4,37,65

C. 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 10, Schedule 19

Outstanding loans receivable : Refer Schedule 10

29. As per Accounting Standard 21 on "Consolidated Financial Statements", the current year being the first occasion when the consolidated financial statements have been presented, comparative figures for the previous year have not been presented.

Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

		(Rs. 000's)	31 March 2002 (Rs. 000's)
A.	**Cash flow from operating activities**		
	Profit before taxation from operations		77,56,59
	Adjusted for :		
	Depreciation	28,34,47	
	Amortisation of goodwill and intangible assets	8,46,15	
	Misc Expenses written off	2,66	
	Profit on sale of fixed assets and investments	40	
	Investment income and other income	8,404	
	Interest (net)	4,52,14	40,51,78
	Operating profit before working capital changes		118,08,37
	Changes in :		
	Trade and other receivables	(4,65,78)	
	Inventories	(16,68,12)	
	Trade payables and other creditors	13,64,39	(7,69,51)
	Cash generated from operations		110,38,86
	Direct taxes paid		(14,51,33)
	Cash flow before exceptional items		95,87,53
	Exceptional items		
	- relating to operations		(27,33,96)
	- relating to investing activities		-
	- sale of properties (including advance received)		38,38,91
	- sale of Polyurethanes business		-
	- sale of Pharmaceuticals business		70,02,62
	- sale of Motor & Industrial Paints business		16,00
	- interest and management fees paid in connection with Quest business acquisition		(5,29,61)
	Net cash before investments & financing activities		171,81,49
B.	**Cash flow from investing activities**		
	Purchase of fixed assets		(33,35,64)
	Acquisition of Quest business		(151,97,61)
	Acquisition of Catalyst and Adhesives business		(27,58,22)
	Sale of fixed assets		47,94
	Sale of investment		4,99,50
	Interest received		7,08,93
	Investment and other income		84,04
	Net cash used in investing activities		(199,51,06)
C.	**Cash flow from financing activities**		
	Proceeds from issue of share capital		-
	Purchase of business (net)		-
	Right issue expenses		-
	Borrowings during the year		9,74,99
	Borrowings repaid during the year		(21,49,68)
	Dividend paid		(27,66,22)
	Tax on Dividend		(3,54,43)
	Interest paid		(9,90,50)
	Net cash used in financing activities		(52,85,84)
	Net changes in cash & cash equivalents (A+B+C)		(80,55,41)
	Cash and cash equivalents - opening balance		183,16,86
	Cash and cash equivalents - closing balance		102,61,45

Notes to the Cash Flow Statement

		As at 31 March 2002
1.	Cash and cash equivalents comprise of :	
	Cash, cheques in hand and in transit	4,70,00
	Current Account	15,16,45
	Fixed Deposits with Banks	7,75,00
	Govt. of India Securities	-
	Corporate Bonds	-
	Inter-corporate deposits	-
	Fixed Maturity Mutual Funds	75,00,00
		102,61,45

2. Exceptional items for the current year relating to operations, represent outflow on account of VRS, cost of business reorganisation, additional contribution to Pension Fund, and costs incurred by the Pharmaceuticals business during the transition period (i.e. 1 January 2002 to 26 March 2002), borne by ICI India Limited.

Dr A S GANGULY	A NARAYAN	R L JAIN	M R RAJARAM	R GUHA
Chairman	Managing Director	Wholetime Director	Wholetime Director	Secretary

Gurgaon
22 May 2002

Auditors' Report

We have examined the above consolidated Cash Flow Statement of ICI India Limited and its subsidiaries (Quest International India Limited, Indian Explosives Limited and Initiating Explosives Systems India Limited, a subsidiary of Indian Explosives Limited) for the year ended March 31, 2002. The statement has been prepared in accordance with the requirements of Clause 32 of the listing agreement with Bombay, Calcutta and National Stock Exchanges and is based on and is in agreement with the corresponding consolidated Profit and Loss Account and the consolidated Balance Sheet of ICI India Limited and its subsidiaries covered by our report of 22 May 2002 to the Board of Directors of ICI India Limited.

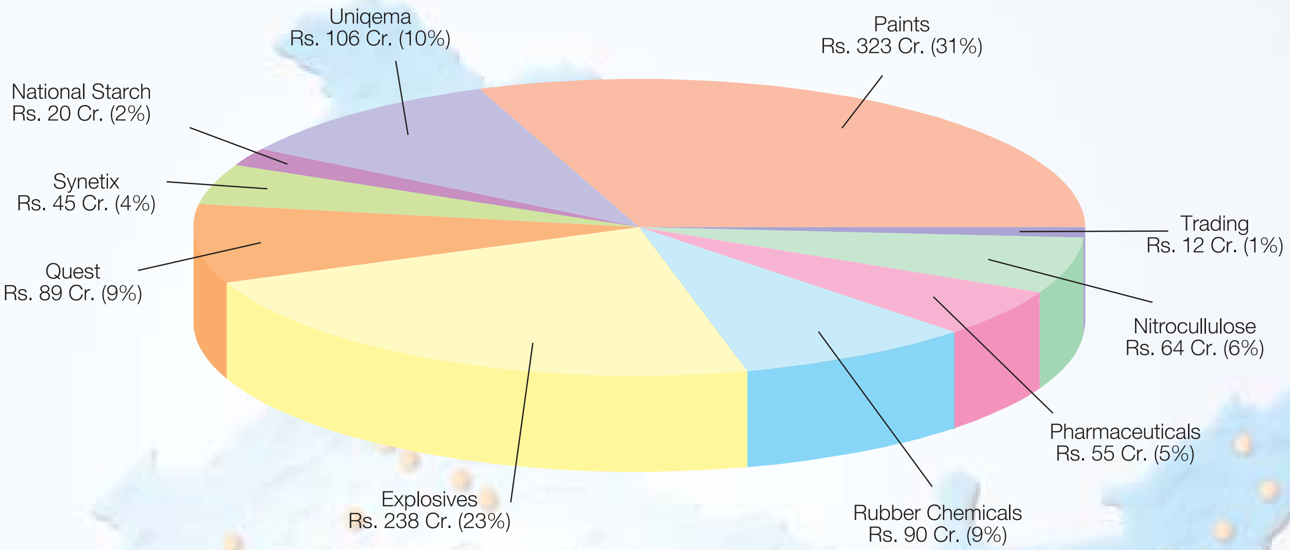
For BSR & Co.
Chartered Accountants

Akhil Bansal
Partner

Gurgaon
22 May 2002

ICI INDIA GROUP

Group Turnover 2001-02

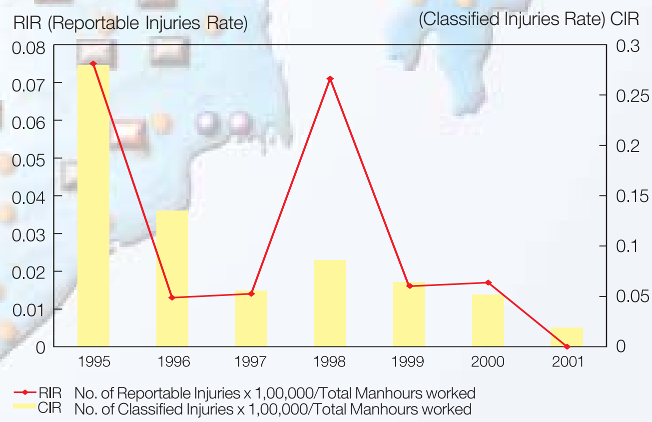


Total Rs. 1042 Crores

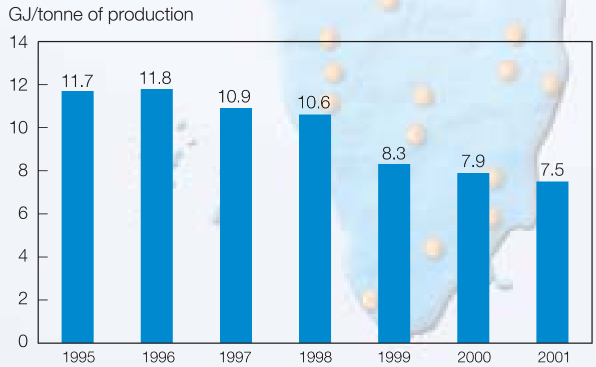
Productivity

Value added = Operating Profit + Depreciation + Manpower costs

Employees Safety Performance

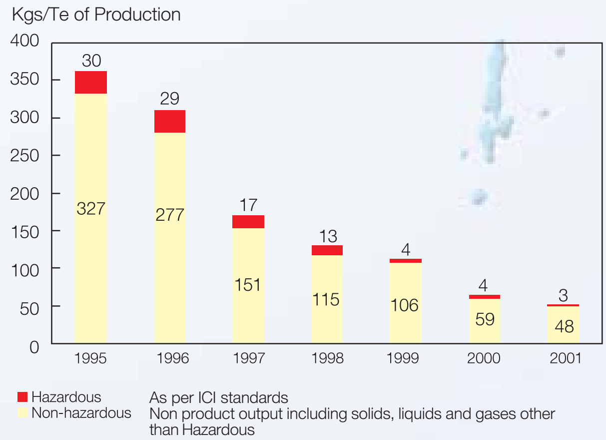


Energy Consumption



GJ = Giga Joules

Total Waste Generation



Note : Information on Safety, Energy & Waste relate to calendar years.

REGISTERED OFFICE   CORPORATE OFFICE   BUSINESS HQS.   MANUFACTURING SITES

R & T CENTRE   SALES & DISTRIBUTION   BULK EXPLOSIVES 'ON-SITE'

When two dreams come together

and make a home,

there's only one paint...Dulux.