

| | | | |
|-----|---|-----|---|
| MD | ✓ | BKC | ✓ |
| CS | ✓ | DPY | ✓ |
| RO | ✓ | DIV | ✓ |
| TRA | ✓ | AC | ✓ |
| MD | ✓ | SHI | ✓ |

ANNUAL REPORT 1996-97



ICI India Limited





Board of Directors

| | |
|----------------------|---------------------|
| Dr A S Ganguly | Chairman |
| Mr A Narayan | Managing Director |
| Mr V K Bahree | Wholetime Director |
| Dr P S Bhargava | Wholetime Director* |
| Mr D R Carter | Wholetime Director |
| Mr R L Jain | Wholetime Director* |
| Dr S Raha | Wholetime Director |
| Mr M R Rajaram | Wholetime Director* |
| Mr S K Dash | Government Nominee |
| Mr P Rai | Government Nominee |
| Mr A M M Arunachalam | |
| Mr D B C O'Shea | |
| Mr D S Parekh | |

* Effective 1st June, 1997

| | |
|------------------|---------------------|
| Secretary | Mr R N Sarkar |
| Auditors | Lovelock & Lewes |
| Bankers | State Bank of India |

ANZ Grindlays Bank plc
Barclays Bank plc
Central Bank of India
Citibank N.A.
Deutsche Bank AG
Punjab National Bank
State Bank of Patiala
State Bank of Travancore

Registered Office:
ICI House, 34, Chowringhee Road,
Calcutta 700 071

Directors' Report 1996-1997

THE BUSINESS ENVIRONMENT

Whilst the Indian economy grew at just over 6 per cent in real GDP for the fourth successive year, 1996-97 was a difficult environment with a slowdown in industrial growth compounded with liquidity problems. However, the 1997-98 Union Budget and the moderation of the interest rate structure by the Reserve Bank of India provide strong signals to stimulate growth in the coming year.

FINANCE AND ACCOUNTS

Sales grew by 14 per cent over last year, with strong performance in Paints, Explosives and Pharmaceuticals. Profit after tax improved by 20 per cent to Rs 421 m. Profit before tax from operations improved by 21 per cent with significant improvements in Paints, Pharmaceuticals, Rubber Chemicals and Polyurethanes. Details of exceptional items are given as a schedule to the accounts.

The Directors are pleased to recommend an increased dividend of Rs 4.50 per share amounting to Rs 184 m.

The performance highlights for the year are summarised below:

| | Rs million | |
|-----------------------------------|------------|---------|
| | 1996-97 | 1995-96 |
| Income from current businesses | 6466 | 5649 |
| Profit before Tax from operations | 575 | 474 |
| Exceptional items | 121 | 145 |
| Profit before tax | 696 | 620 |
| Tax | 275 | 270 |
| Profit after Tax | 421 | 350 |

The disposition of profit in 1996-97 is as follows:

| | Rs million |
|--|------------|
| Profit after Tax | 421 |
| Transfer from Investment Allowance Reserve and Export Profit Reserve | 9 |
| Proposed Dividend | 184 |
| Tax on dividend | 18 |
| Transfer to General Reserve | 110 |

The balance of Rs 117 m in the Profit and Loss Account is carried forward along with the opening balance of Rs 571 m.

During the year the Company accepted fresh deposits of Rs 67 m, renewed existing deposits of Rs 23 m and repaid Rs 59 m.

BUSINESS PERFORMANCE

Paints

The business registered a volume growth of 14 per cent in spite of tight liquidity. New products like "Supercote" and "Farco" found good acceptance in the market. Seventy "Colour Solution Centres" were set up across the country as a new marketing channel which will soon be expanded to 500 centres. The distribution reach was also widened and a new Sales Region established in Ahmedabad to improve service to customers in Gujarat, Rajasthan and Madhya Pradesh. Rishra and Hyderabad achieved record production levels. The Hyderabad factory received ISO 9002 accreditation. The new plant at Thane was commissioned in December 1996 ahead of schedule and on cost adding 20 m litres of capacity. Construction of the Company's fourth plant at Mohali near Chandigarh is progressing on schedule.

Explosives

Buoyed by 30 per cent growth in bulk explosives, total volume sales rose by 11 per cent. The substitution of nitroglycerine-based explosives by emulsion products which are environment-friendly and safer to manufacture as well as to use has been well received by customers. A new bulk emulsion plant was recently commissioned in Rourkela to offer better service to customers in Orissa, Bihar and Madhya Pradesh. The Company's joint venture with The Ensign Bickford Company of the USA, Initiating Explosives Systems India Limited, was formed in September 1996. Strong market acceptance has marked the launch of non-electric initiating systems manufactured by Initiating Explosives Systems India Limited.

Rubber Chemicals

Though sales volumes were lower, the product-mix was enriched by introducing new products. Focus on improving business efficiencies was sustained in order to counter competitive pressures generated by the Government's lowering of tariffs. Market position at key tyre companies was improved and the accent on the non-tyre sector further strengthened. Tight liquidity conditions continued to be a constraint.

Pharmaceuticals

Strong volume growth was achieved in the anaesthetic segment and the cardiovascular portfolio was enriched by the introduction of new products under licensing arrangement, including the well-known ace inhibitor "Zestril" of Zeneca. The sales force has been expanded by 30 per cent and a Critical Care Division has been formed to give an integrated focus on sales of anaesthetics, antiseptics, oncological and radio pharmaceutical products.



Directors' Report 1996-1997 (contd.)

Surfactants

While competitive market conditions in the agrochemicals sector reduced sales and volumes, higher sales of textile auxiliaries, personal care and spin finish products were counterbalancing factors. Increased thrust is being given to textile auxiliaries by augmenting research facilities. The expansion of sulphonation capacity is under way to strengthen the business.

Catalysts

In the face of stiff competition, sales were marginally lower than in the previous year. The strong market position in naphtha reforming catalysts, however, was maintained.

Materials and Other Businesses

Despite weakness in the appliances market and softness of international prices of isocyanates, the polyurethanes business recorded strong growth over last year. A Technical Service Centre has been commissioned to provide strong customer support. Construction of the blending unit is progressing on schedule. Trading in acrylics products received encouraging response from the market. Backed up by aggressive market development activity, "Klea" established a leadership position in the market for CFC substitutes. The polyester film business "Melinex" was launched during the year following extensive product trials and with strong technical support.

With the objective of providing a stronger focus, the marketing agency of titanium dioxide products manufactured by Tioxide Group Limited has been taken over by the Company from Voltas Limited. Trading activities in ICI India have been further strengthened with appropriate resource support to seize emerging opportunities following from the opening up of the economy.

SAFETY, HEALTH AND ENVIRONMENT

Excellent safety performance marked the Company's operations with the lowest ever reportable as well as classified injury rates. The Rubber Chemicals operation won the prestigious Royal Society for the Prevention of Accidents (RoSPA) 1997 international award for outstanding performance in Occupational Health and Safety – it is one of only 12 such international awards given this year by the UK-based RoSPA. ICI India Paints in Rishra and at Hyderabad won RoSPA Gold Award in 1997 for the fourth and second year in a row, respectively.

RESEARCH AND DEVELOPMENT

The Company maintained its thrust on product and applications research activities, with several new and innovative products reaching customers this year. The Department of Scientific and Industrial Research, Government of

India, has renewed the recognition of the ICI India Research and Technology Centre as a Scientific and Industrial Research Organisation for three years.

INDUSTRIAL RELATIONS

Employee commitment and productivity improvements continue to provide excellent support to business performance. Harmonious industrial relations prevailed in all the sites during the year under report.

OTHER MATTERS

The longstanding legal case involving claim for inflation-indexation of non-management staff pensions, which had gone up to the Supreme Court, was resolved under the Supreme Court's direction. While rejecting the claim for indexation, the Court has made some improvements to the existing pension formula.

Initiating Explosives Systems India Limited, the newly formed joint venture with The Ensign Bickford Company, USA, has already declared its maiden dividend. Zeneca ICI Agrochemicals Limited, the Company's other joint venture with Zeneca Limited, UK, also declared its first dividend.

The Company has appointed Richard Ellis, the international property consultants, to advise on rationalisation of the Company's property portfolio.

FUTURE OUTLOOK

As India continues to emerge as one of the largest markets in the world, ICI India visualises a period of rapid growth building on the platform of its strong businesses and introducing new activities. Detailed strategy reviews have been carried out for each business in association with the world-renowned consultants McKinsey & Company. The organisational structure has been strengthened to provide quality performance and clear accountabilities. The Company remains committed to its vision of being the industry leader in creating value for customers and shareholders.

DIRECTORS

At the Board Meeting held on 26th July, 1996, Dr G Ewart, the Chairman and Managing Director, stepped down from the Board of the Company with effect from 1st August, 1996, to enable him to take up an assignment with Imperial Chemical Industries PLC, UK. Dr I M Macfarlane resigned from the Board with effect from 22nd November, 1996, to take up another appointment in Imperial Chemical Industries PLC, UK. The Industrial Development Bank of India withdrew Dr G Goswami as its nominee from the Board with effect from 17th January, 1997. Mr A Hydari resigned from the

Directors' Report 1996-1997 (contd.)

Board on 22nd May, 1997. The Board wishes to record its deep appreciation of the valuable services rendered by Dr Ewart, Dr Macfarlane, Dr Goswami and Mr Hydari during the period they were Members of the Board.

Dr A S Ganguly took over as the Chairman of the Board and Mr A Narayan as the Managing Director of the Company with effect from 1st August, 1996. In the casual vacancies caused by the resignations of Dr Macfarlane and Mr Hydari, the Board appointed Mr Desmond O'Shea who is the Regional Executive Asia, of Imperial Chemical Industries PLC, UK, and Mr D S Parekh, an eminent banker and Chairman of the Housing Development Finance Corporation Limited, as Directors.

At the Board Meeting held on 21st February, 1997, Mr V K Bahree was reappointed Wholtime Director for a further period of four years effective from 2nd April, 1997.

At the Board meeting on 23rd May, 1997, Mr R L Jain, Vice President - Explosives, Dr P S Bhargava, Vice President - Paints and Mr M R Rajaram, Vice President - Corporate Development were appointed Wholtime Directors. Their appointments will take effect from 1st June, 1997.

The Board extends its welcome to all the new appointees.

Dr S Raha and Mr S K Dash retire by rotation at the forthcoming Annual General Meeting, and being eligible, seek reappointment. The Board recommends their reappointment.

Dr Ganguly was appointed in the casual vacancy caused by the resignation of Dr Ewart and holds office up to the date of the forthcoming Annual General Meeting, being the date on which Dr Ewart would have otherwise retired by rotation. Mr Narayan, Mr Jain, Dr Bhargava and Mr Rajaram also hold office till the date of the forthcoming Annual General Meeting. The Company has received due notices under Section 257 of the Companies Act, 1956 ("the Act"), proposing their respective reappointments. The Board recommends the same.

With reference to Note 8 of Schedule 20 to the Profit and Loss Account regarding Managerial Remuneration, your Directors state that necessary shareholders' approval is being sought at the forthcoming Annual General Meeting as required under Schedule XIII of the Act.

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 reappointment. In view of Section 224A of the Companies Act, 1956 ("the Act"), their reappointment will require approval of the Members by a Special Resolution.

PARTICULARS OF EMPLOYEES

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Act is enclosed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND 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.

SUBSIDIARY COMPANY

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

ACKNOWLEDGMENTS

The Directors wish to extend their thanks and appreciation to all the employees of the Company for their valuable support during the year. The Directors would also like to express their appreciation of the assistance and cooperation received from the Company's customers, Financial Institutions, the Company's Bankers, agents, suppliers, distributors and other business associates.

On behalf of the Board

New Delhi
23rd May, 1997

DR A S GANGULY
Chairman



Annexure to the Directors' Report

INFORMATION REQUIRED UNDER SECTION 217(1)(e) READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

I. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

A number of steps have been taken by the Company to reduce usage of energy. Enhancement of batch sizes in Rubber Chemicals through hardware modifications and debottlenecking has led to reduction in specific energy usage. By optimisation of the operation of the Effluent Treatment Plant at Ennore, the number of Bio Reactors in use has been reduced from two to one resulting in savings in energy consumption. Modified controls were implemented in the water feed system for the Boiler for Surfactants, thereby reducing the motor running by 70 per cent. Replacement of mechanical speed variators with energy efficient speed controllers resulted in lower energy consumption in the manufacture of Paints at Hyderabad.

b) Proposals under implementation for reduction in consumption of energy:

A new filter-cum-drier is under installation to improve material handling and improve energy consumption in Rubber Chemicals. The cooling and filter water systems in Surfactants are being rationalised to optimise utilisation. Tailend power factor improvements are being carried out on all process equipment in Paints.

II. PARTICULARS AS PER FORM B

A. Research and Development (R&D)

1. Specific areas in which R&D is carried out by the Company:

Research activity in the Company was aimed at developing new Rubber Chemicals products, new products in Paints, and new Surfactants for Textile, Household and Industrials markets. In Explosives, a significant breakthrough was the development of permitted emulsions which have passed the statutory tests and demonstrated encouraging results.

Efforts were directed towards improving existing products in all business segments, and towards improving processes for manufacture, reducing raw material usage, and reducing waste generation.

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

In Rubber Chemicals the benefits derived included improvement in quality of products, improvement in product range, increase in material usage efficiencies, reduction of waste at source and in the usage of energy.

Paints launched a number of new products for interior and exterior use.

Pharmaceuticals benefitted from increased productivity and waste reduction.

In Explosives a sales revenue of nearly Rs 130 million was achieved from new products developed through in-house R&D. A patent is being sought for the P501 emulsion explosive invented through the Company's research. Commissioning of new bulk delivery systems led to improved production/delivery of bulk emulsions. A new bulk emulsion manufacturing facility at Rourkela and small-diameter emulsion manufacturing facility at Gomia are nearing completion.

More than 20 new products were launched by the Surfactants business in response to market requirements. In addition, quality improvements as well as raw material cost benefits were derived in many existing products.

3. Future plan of action:

In Pharmaceuticals, research will be conducted to develop a process for better conversion of raw material in Fluothane production and a process to optimise or eliminate use of solvents in Atenolol manufacture. In Explosives, work will continue to establish a sound process for manufacture of emulsion explosives. Work is also being taken up to upgrade initiating explosives intended for the export market.

A Research and Technology (R&T) Centre is being built to support the Textiles industry in India with textile auxiliaries. A Technical Centre for Polyurethanes is being equipped to provide technical assistance to manufacturers of Polyurethane products in India. A Technical Centre is planned to support the introduction of ICI's Acrylics products to the Indian market.

Annexure to the Directors' Report (contd.)

4. Expenditure on R&D (Rs m):

| | Current Year | Previous Year |
|--|--------------|---------------|
| i) Capital | 17.17 | 55.05 |
| ii) Recurring | 43.62 | 32.71 |
| iii) Total | 60.83 | 87.76 |
| iv) Total R&D expenditure as a percentage of turnover (as per P & L A/c) | 0.9% | 1.5% |

Note: Capital expenditure on R&D includes Rs 50.05 m in the previous year and Rs 12.0 m in the current year for investment in a new Research building facility at Thane.

B. Technology Absorption, Adaptation and Innovation

1. Efforts:

Innovative chemistry led to a low cost process for the manufacture of a retarder used in the tyre industry. Considerable effort was directed towards developing robust formulations for permitted emulsion explosives to replace their nitroglycerine based equivalent.

2. Benefits:

The production cost of retarder manufacture for the tyre industry has been reduced significantly. Sales of emulsion based explosives have gained good market acceptance.

3. Particulars of technology Imported 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 |
|---------------------|----------------|-------------------------------------|---|
| 2 Wheeler Paints | | | |
| Technology | 1993 | Yes | NA |
| Paints | | | |
| Technology | 1993 | Yes | NA |
| Nickel Catalyst | | | |
| Technology | 1993 | Yes | NA |

III. FOREIGN EXCHANGE — EARNINGS AND OUTGO

The Company achieved higher foreign exchange earnings with increased exports of catalysts and pharmaceuticals and higher commission on polyurethanes sales.

Future Plans:

- Sustain export growth in Catalysts and Pharmaceuticals.
- Seek further opportunities in Explosives and Rubber Chemicals.
- Seek export markets for the Company's other products.
- Improve foreign exchange earning through agency activities.

Total Foreign Exchange earned and used (Rs m)

| | Current Year | Previous Year |
|--------|--------------|---------------|
| Earned | 165.30 | 157.00 |
| Used | 454.08 | 421.90 |

On Behalf of the Board

New Delhi
23rd May, 1997

DR A S GANGULY
Chairman



Ten Years At A Glance

| | Rs Million | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1986-87 | 1987-89* | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 |
| ASSETS EMPLOYED | | | | | | | | | | |
| Gross Fixed Assets | 3650.0 | 4395.7 | 4594.0 | 4663.2 | 4988.0 | 5121.2 | 2654.0 | 2738.8 | 2986.1 | 3510.5 |
| Accumulated Depreciation | 2082.6 | 2312.3 | 2601.9 | 2901.2 | 3173.6 | 3463.3 | 1444.0 | 1582.0 | 1675.9 | 1767.3 |
| Net Fixed Assets | 1567.4 | 2083.4 | 1992.1 | 1762.0 | 1814.4 | 1657.9 | 1210.0 | 1156.8 | 1310.3 | 1743.2 |
| Investments | 17.1 | 37.4 | 37.9 | 38.0 | 33.9 | 111.8 | 327.5 | 414.0 | 456.5 | 314.4 |
| Current Assets | 2474.7 | 2867.7 | 3132.9 | 3168.1 | 3624.5 | 3930.6 | 3046.6 | 2965.4 | 3076.2 | 3535.9 |
| Current Liabilities | 1200.7 | 1485.0 | 1910.0 | 1542.3 | 1819.2 | 2142.5 | 2079.4 | 2184.6 | 2371.8 | 2343.4 |
| Net Current Assets | 1274.0 | 1382.7 | 1222.9 | 1625.8 | 1805.3 | 1788.1 | 967.2 | 780.8 | 704.4 | 1192.5 |
| Total Assets Employed | 2858.5 | 3503.5 | 3252.9 | 3425.8 | 3653.6 | 3557.8 | 2504.7 | 2351.6 | 2471.1 | 3250.1 |
| Capital Work-in-Progress | 136.6 | 104.1 | 27.8 | 65.6 | 42.5 | 75.1 | 77.5 | 160.4 | 234.2 | 147.1 |
| Net Assets Employed | 2995.1 | 3607.6 | 3280.7 | 3491.4 | 3696.1 | 3632.9 | 2582.2 | 4094.1 | 2705.3 | 3397.2 |
| FINANCED BY | | | | | | | | | | |
| Share Capital | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 | 408.7 |
| Capital Reserves | 448.6 | 434.6 | 425.8 | 485.3 | 577.7 | 566.9 | 486.7 | 482.1 | 477.2 | 472.3 |
| Revenue Reserves | 697.4 | 801.6 | 679.7 | 784.3 | 748.2 | 709.2 | 939.4 | 1127.9 | 1314.1 | 1532.4 |
| Shareholders Funds | 1554.7 | 1644.9 | 1514.2 | 1678.3 | 1734.6 | 1684.8 | 1834.8 | 3600.8 | 2200.0 | 2413.4 |
| Borrowings | 1440.4 | 1962.7 | 1766.5 | 1813.1 | 1961.5 | 1948.1 | 747.4 | 493.3 | 505.3 | 983.8 |
| Total Funds Employed | 2995.1 | 3607.6 | 3280.7 | 3491.4 | 3696.1 | 3632.9 | 2582.2 | 4094.1 | 2705.3 | 3397.2 |
| SALES AND PROFIT | | | | | | | | | | |
| Sales | 4002.3 | 6936.3 | 5071.7 | 5982.4 | 7076.8 | 7792.7 | 7294.3 | 5789.4 | 5973.0 | 6656.7 |
| Profit before Depreciation and Interest | 482.6 | 809.8 | 518.7 | 644.2 | 784.5 | 776.5 | 727.1 | 763.9 | 734.2 | 922.5 |
| Depreciation | 193.9 | 334.1 | 305.1 | 302.2 | 279.0 | 291.9 | 239.9 | 185.5 | 194.1 | 212.8 |
| Interest | 197.2 | 398.0 | 335.5 | 324.3 | 368.4 | 464.8 | 297.5 | 76.1 | 65.7 | 135.1 |
| Profit before Taxation | 91.5 | 77.7 | -121.9 | 17.7 | 137.1 | 19.8 | 189.7 | 502.3 | 474.4 | 574.6 |
| Exceptional items | - | 144.0 | - | 189.0 | 129.0 | 35.2 | 538.2 | 89.2 | 145.3 | 121.0 |
| Taxation | 41.0 | 12.7 | - | - | 130.0 | 32.8 | 375.0 | 260.0 | 270.0 | 275.0 |
| Profit After Taxation | 50.5 | 209.0 | -121.9 | 206.7 | 136.1 | 22.2 | 352.9 | 331.5 | 349.7 | 420.6 |
| Earnings per Share (Rupees) | 1.2 | 5.1 | -3.0 | 5.1 | 3.3 | 0.5 | 8.6 | 8.1 | 8.6 | 10.3 |
| Equity Dividend - Amount | 51.1 | 92.0 | - | - | 51.1 | 61.3 | 122.6 | 143.0 | 163.5 | 183.9 |
| - Percentage | 12.5 | 22.5 | - | - | 12.5 | 15.0 | 30.0 | 35.0 | 40.0 | 45.0 |
| Debt Equity Ratio | 0.5:1 | 0.5:1 | 0.5:1 | 0.5:1 | 0.5:1 | 0.5:1 | 0.3:1 | 0.1:1 | 0.1:1 | 0.2:1 |
| NUMBER OF EQUITY SHAREHOLDERS | | | | | | | | | | |
| | 64243 | 63052 | 62154 | 62019 | 61189 | 61782 | 61387 | 59678 | 58369 | 57480 |

* For eighteen month period to 31st March, 1989

Auditors' Report

TO THE MEMBERS OF ICI INDIA LIMITED

We have examined the attached Balance Sheet of ICI India Limited as at 31st March, 1997, and the annexed Profit and Loss Account for the year ended on that date which are in agreement with the books of account.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of audit, we report that in our opinion:

- A. i Proper records for fixed assets compiled by management on a reasonable basis showing full particulars including quantitative details and situation have been maintained. Physical verification of fixed assets has been carried out by the management during the year including verification of certain assets over a period of three to five years based on phased programmes. The frequency of verification based on phased programmes is considered reasonable. No material discrepancies have been noticed on such physical verification.
- ii The fixed assets of the Company have not been revalued during the year.
- iii The stocks of finished goods, stores and spare parts, raw and packing materials of the Company in its possession have been physically verified by the management at reasonable intervals. Stocks in the possession and custody of third parties and stocks-in-transit as on 31st March, 1997, have been verified by the management with reference to confirmations or statements of account or correspondence of the third parties or subsequent receipt of goods.
- 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 were not material and these have been properly dealt with in the books of account.
- vi On the basis of our examination of the valuation of stocks, we are of the opinion that such valuation is fair and proper, in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vii The Company has not taken any loans, secured or unsecured, from firms as listed in the Register

maintained under Section 301 of the Companies Act, 1956, or from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956.

- viii The Company has not granted any loans, secured or unsecured, to companies, firms and other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, or to the companies under the same management as defined under 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, where applicable, are generally repaying the principal amounts as stipulated and are also regular in the payment of interest and where such payments are not received, reasonable steps have been taken for recovery thereof.
- x There are adequate internal control procedures 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.
- xi 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 the explanations that for purchases of certain specialised items alternative sources are limited and others are made with reference to price lists, quality, delivery schedules and prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.
- xii The Company has a regular procedure for the determination of unserviceable or damaged stores, raw and packing materials and finished goods and necessary adjustments for the loss have been made in the accounts.
- xiii 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.