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ICI India Limited

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ANNUAL REPORT 1997-98

ICI India REACHING OUT TO YOU



- ▽ CORPORATE OFFICE
- BUSINESS HQS.
- ▲ MANUFACTURING SITES
- R & T CENTRE
- SALES & DISTRIBUTION
- BULK EXPLOSIVES 'ON-SITE'



Notice of Annual General Meeting

Notice is hereby given that the 44th Annual General Meeting of the members of ICI India Limited will be held on Thursday, the 23rd July, 1998 at 10.00 a.m. at Science City, JBS Halden Avenue, G K Road Post Office, Calcutta-700 046 to transact the following business :

1. To consider and adopt the Profit and Loss Account for the year ended 31st March, 1998, the Balance Sheet as at that date and to receive the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr P Rai who retires by rotation and is eligible for reappointment.
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as a Special Resolution:

"Resolved that the Auditors, Messrs Lovelock & Lewes, who retire at the conclusion of this Meeting, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration plus reimbursement of out-of-pocket expenses as may be agreed between the Board of Directors and the Auditors."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modifications, the following Resolutions:

a. As an Ordinary Resolution:

"Resolved that Mr. M V Subbiah be and is hereby reappointed a Director of the Company."

b. As an Ordinary Resolution:

"Resolved that Mr. D B C O'Shea be and is hereby reappointed a Director of the Company."

c. As an Ordinary Resolution:

"Resolved that Mr. D S Parekh be and is hereby reappointed a Director of the Company."

d. As a Special Resolution:

"Resolved that, in supercession of the resolution passed by the Members at the General Meeting held on 5 May, 1995:

- (i) The Company, pursuant to Section 309 and other provisions of the Companies Act 1956, ("The Act"), if applicable and/or approvals as may be required under the provisions of the Act hereby authorises payment of remuneration by way of commission to one or more or

all the Directors who are neither in the wholetime employment nor Managing Director(s) of the Company for each of the five financial years of the Company commencing from 1 April, 1998;

- (ii) the amount to be distributed as commission shall not exceed in the aggregate one per cent of the net profits of the Company in any financial year for all such Directors, computed in accordance with Section 198(1) of the Act, and
- (iii) the Board of Directors be and is authorised to decide on the amount to be paid by way of commission to such Directors, subject to a maximum of Rs 5 lacs for any one such Director in any financial year".

e. As a Special Resolution:

"Resolved that subject to the approval of the Central Government and/or Reserve Bank of India under the Foreign Exchange Regulation Act 1973 and subject to such other approvals, permissions and sanctions as may be considered necessary, consent of the Company be and is hereby accorded for the purchase/acquisition of equity shares of the Company by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs) and Overseas Corporate Bodies (OCBs), under the Portfolio Investment Scheme of the Reserve Bank of India and/or in accordance with all permissible rules, subject, however, that the equity shares so purchased/acquired shall not exceed 30% of the issued equity share capital of the Company.

Further Resolved that the said purchase/acquisition of equity shares upto the percentage as aforesaid shall be subject to the conditions and restrictions as laid down/or may hereafter be laid down under the provisions of the said Portfolio Investment Scheme and/or other rules and/or guidelines for the time being in force and as amended from time to time.

Further Resolved that the Board of Directors of the Company be and is hereby authorised to do all such acts, matters and things as may be necessary, proper and expedient for the purpose of giving effect to this resolution and for all matters connected therewith."

Registered Office:

34 Chowringhee Road
Calcutta 700 071
22nd May, 1998

By Order of

the Board
R N SARKAR
Company Secretary

NOTES:

1. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED FROM 1ST JULY, 1998 TO 23RD JULY, 1998, BOTH DAYS INCLUSIVE.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE, SHOULD BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. Explanatory Statement pursuant to Section 173 of the Act relating to the items of Special Business is annexed.
4. The dividend as recommended by the Board, if sanctioned at the Meeting, will be payable on and from 6 August, 1998 to those members whose names appear on the Company's Register of Members as on 23rd July, 1998.
5. Members who hold Shares in more than one folio may please inform the Company's Registrars and Share Transfer Agents, C B Management Services Limited, P-22, Bondel Road, Calcutta 700 019 the details of all their folio numbers for consolidation into a single folio.
6. Members are requested to quote their Registered Folio Number in all correspondence with the Company's Registrars and Share Transfer Agents and notify them immediately of change, if any, in their Registered Address and/or of their mandates.
7. Members are hereby informed that the dividend for the financial year ended 31st March, 1995, will be transferred to the General Revenue Account of the Central Government on or about 7 September, 1998. Members who have not yet encashed their dividend warrants for the said period are requested to write to the Company's Registrars and Share Transfer Agents.
8. Member/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
9. Members who wish to obtain any information on the Accounts at the Meeting are requested to send their queries at least 10 days before the Meeting to the Manager, Investor Operations at the Registered Office.
10. PLEASE BRING YOUR COPY OF THE ANNUAL REPORT TO THE MEETING.



Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Item 5 (a)

The Board at its Meeting held on 25th July, 1997 appointed Mr M V Subbiah as an Additional Director with effect from the same date. In accordance with Article 85 of the Articles of Association of the Company, Mr Subbiah as Additional Director will hold office upto the date of the Annual General Meeting. Mr Subbiah is a well known industrialist and heads the Murugappa Group of companies based at Madras. He is also Chairman and Managing Director of E.I.D. Parry (India) Limited.

Certain Members have given notices under Section 257 of the Companies Act 1956, of their intention to propose Mr Subbiah as a Director at the Meeting.

The Board recommends the Resolution. Except Mr Subbiah, no other Director has any interest or concern in the Resolution.

Item 5 (b)

Mr D B C O'Shea, Group Vice-President, Regional Businesses of Imperial Chemical Industries PLC, UK was appointed Director in the casual vacancy caused by the resignation of Dr I M Macfarlane on 22nd November 1996. Dr Macfarlane, had he continued in office, would have retired by rotation at the forthcoming Annual General Meeting ('the Meeting'). Accordingly, Mr O'Shea holds office upto the date of the Meeting and is eligible for reappointment.

Certain Members have given notice under Section 257 of the Companies Act 1956, of their intention to propose Mr O'Shea as a Director at the Meeting.

The Board recommends the Resolution. Except Mr O'Shea, no other Director has any interest or concern in the Resolution.

Item 5 (c)

Mr D S Parekh was appointed Director in the casual vacancy caused by the resignation of Mr A Hydari on 22nd May, 1997. Mr Hydari, had he continued in office, would have retired by rotation at the forthcoming Annual General Meeting ('the Meeting'). Accordingly, Mr Parekh holds office upto the date of the Meeting and is eligible for reappointment. Mr Parekh is an eminent banker and the Executive Chairman of the Housing Development Finance Corporation.

Certain Members have given notice under Section 257 of the Companies Act 1956, of their intention to propose Mr Parekh as a Director at the Meeting.

The Board recommends the Resolution. Except Mr Parekh, no other Director has any interest or concern in the Resolution.

Item 5 (d)

The Members of the Company in the General Meeting held on 5 May, 1995 approved payment of commission to the Non-Executive Directors (viz. other than the Managing Director and Wholtime Directors) from the financial year commencing 1 April, 1994, in accordance with the provisions of Section 309 of the Companies Act 1956, (the "Act") and subject to a maximum of Rs two lacs per individual non-executive Director. The said Resolution is valid for a period of five years and would have expired at the end of the current financial year.

The business operations of the Company have since grown and have become more complex. The non-executive Directors have been called upon steadily to give more time, inputs and guidance to the Company in the course of discharge of their responsibilities. It is felt that the maximum limit of Rs 2 lacs for commission to each of such directors in each of the financial year covered by the said resolution dated 5 May, 1995 is not commensurate with the services rendered by such directors.

It is, therefore, recommended that commission to be paid to the Non-executive Directors for a period of five years commencing from the financial year 1 April, 1998 subject to the ceiling of one percent of the net profits of the Company as laid down in Section 309 of the Act and subject further to the individual amount of commission payable to any such Director not exceeding Rs five lacs in any financial year.

The Board recommends the Resolution. All the Non-Executive Directors may be deemed to be concerned or interested in the said Resolution.

Item 5 (e)

Foreign Institutional Investors (FIIs) registered with the Securities Exchange Board of India and non-resident Indians and overseas corporate bodies are permitted to invest in shares of Indian companies listed on the stock exchange under the Portfolio Investment Scheme upto certain prescribed ceilings. Under current regulations, such investment upto the maximum ceiling of 30% of the issued equity share capital requires approval by company's shareholders by Special Resolution. The Board believes it is desirable to encourage FIIs to invest in the Company's equity share capital to facilitate foreign portfolio investment and thereby increase foreign exchange inflows into the country. Accordingly, it is proposed to obtain shareholders' approval for permitting investment inter-alia, by FIIs in the Company's equity

shares upto 30% of its issued equity share capital.

The Board accordingly recommends the resolution for the approval of the Members. None of the Directors is concerned or interested in this Resolution.

Registered Office:

By Order of
the Board

34 Chowringhee Road
Calcutta 700 071
22nd May, 1998

R N SARKAR
Company Secretary



June 15, 1998

Dear Shareholder,

Re: Payment of Dividend through Electronic Clearing Service (ECS)

As we had communicated in our letter dated 25th June, 97 the Company had introduced the facility of disbursement of dividend through the Electronic Clearing Service (ECS) last year. The benefits of ECS facility can be summarised as below:

- (a) Instant credit of dividend to your Bank Account through electronic clearing at no extra cost;
- (b) Avoidance of delay in receipt of warrant / cheque by post;
- (c) Chances of loss in transit of the instruments eliminated

In the ECS System for disbursement of dividends, the payment is credited electronically to your Bank account. No dividend warrant will therefore be despatched to you as the present. While we will send you a statement giving details of dividend payment at your address available with us, the credit entry as ECS will be shown by your bank in your Pass Book / Statement of account.

If you wish to avail of this facility, (and we will recommend that in your own interest you do so) please fill up the ECS form, given overleaf and forward the same, with the required attachment, to our Registrars and Share Transfer Agents: CB Management Services Limited, P-22, Bondel Road, Calcutta - 700 019. (Fax No. 033-247 0263) latest by 15th July, 1998.

Yours faithfully
for ICI India Limited

Ajit Yadav

Company Secretary & Vice President (Legal & Secretarial Services)



To

C B Management Services Limited
Unit : ICI India Limited
P-22, Bondel Road,
Calcutta - 700 019

Fax No. 247-0263

ECS MANDATE FORM

1. Shareholder's Name : _____
(First Shareholder) (In Block Letters)
2. Address: : _____
(In block Letters) _____

- PIN Code

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3. Folio No. : _____
4. No. of Shares : _____
5. City (Please ✓) : Calcutta / New Delhi / Chennai / Mumbai / Ahmedabad / Bangalore /
Hyderabad / Pune
6. Bank Name : _____
(In Block Letters)
7. Branch Name : _____
(In Block Letters)
8. Account Number : _____
(as appearing on Cheque Book)
9. Ledger Folio No. of the A/c : _____
(If appearing on Cheque Book)
10. Account Type (Please ✓) : S.B. / Current / Cash Credit
11. 9-Digit Code Number of : _____
the Bank & Branch
appearing on the MICR
Cheque issued by the Bank

(PLEASE ATTACH A PHOTOCOPY OF A
CHEQUE OR A BLANK CANCELLED
CHEQUE ISSUED BY YOUR BANK
RELATING TO YOUR ABOVE ACCOUNT
FOR VERIFYING THE ACCURACY OF THE
CODE NUMBER)

I, hereby declare that the particulars given above are correct and complete in all respects.

Signature of the First Shareholder

Date :

(Note : Incomplete Mandate Forms will not be acted upon)



C O N T E N T S

BOARD OF DIRECTORS	3
--------------------	---

DIRECTORS' REPORT	4
-------------------	---

AUDITORS' REPORT	9
------------------	---

TEN YEARS AT A GLANCE	11
-----------------------	----

BALANCE SHEET	12
---------------	----

PROFIT & LOSS ACCOUNT	13
-----------------------	----

SCHEDULES TO BALANCE SHEET	14
----------------------------	----

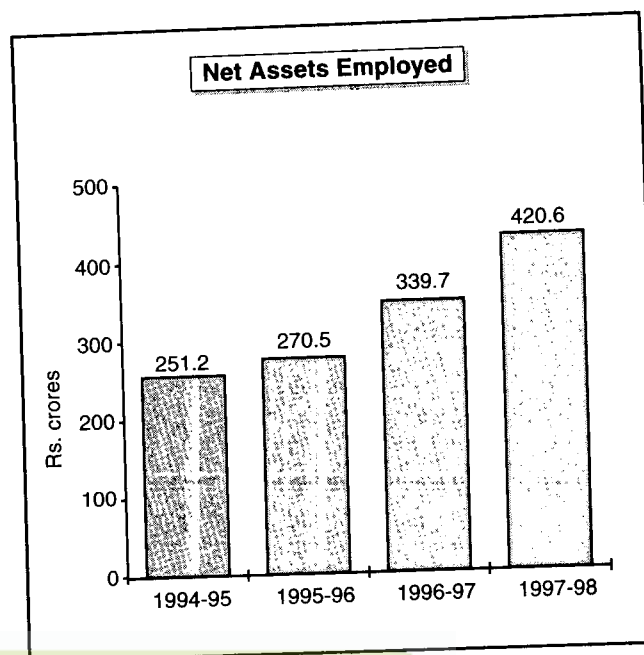
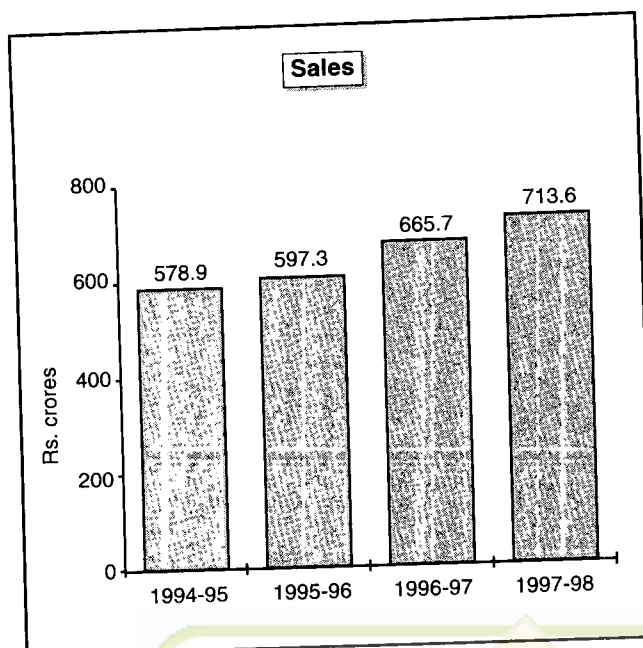
SCHEDULES TO PROFIT & LOSS ACCOUNT	20
------------------------------------	----

CASH FLOW STATEMENT	27
---------------------	----

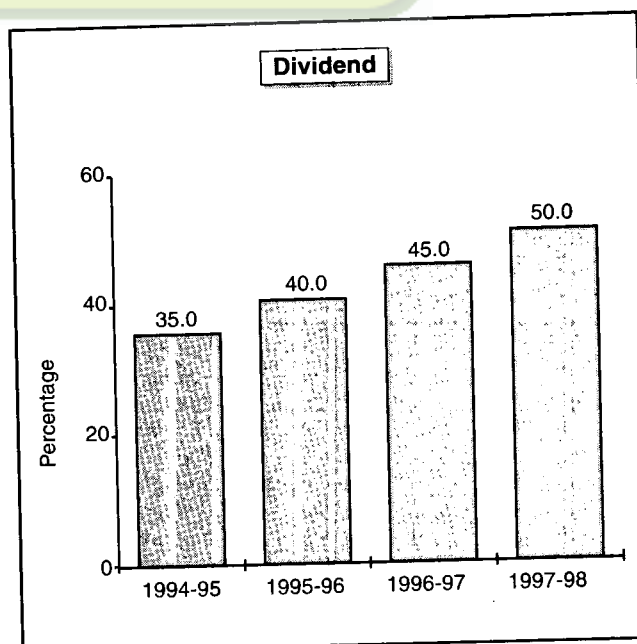
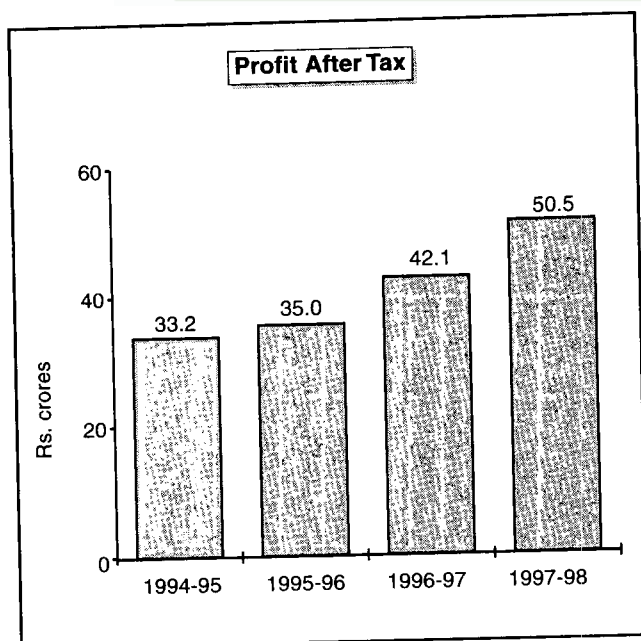
ANNUAL REPORT OF SUBSIDIARY COMPANY — INITIATING EXPLOSIVES SYSTEMS INDIA LIMITED	36
---	----



ICI India Limited Growth Trends



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ANNUAL REPORT 1997-98

 BOARD OF DIRECTORS

Secretary

Mr R N Sarkar**REGISTERED OFFICE**ICI House, 34, Chowringhee Road,
Calcutta 700 071**AUDITORS**

Lovelock & Lewes

BANKERSState Bank of India
ANZ Grindlays Bank plc
Central Bank of India
Citibank N.A.
Deutsche Bank AG

Chairman

Dr A S Ganguly

Managing Director

Mr Aditya Narayan

Directors

Mr V K Bahree**Mr R L Jain****Dr S Raha****Mr M R Rajaram****Mr P Rai****Mr S K Dash****Mr D B C O'Shea****Mr M V Subbiah****Mr D S Parekh**



DIRECTORS' REPORT 1997-98

THE BUSINESS ENVIRONMENT

The Indian economy slowed down in 1997-98 with real GDP growing a little over 5%. The economic meltdown in East Asia, and the loss in the value of the rupee during the year depressed business confidence. The prospects for the current year are considered reasonable provided the economy picks up, which will also depend upon the progress of the monsoons.

FINANCE AND ACCOUNTS

Sales from continuing businesses grew by over 10 per cent as compared to last year, with strong performance in various businesses. Profit after tax improved by 20 per cent to Rs. 5051 lakhs.

The Directors are pleased to recommend a dividend of Rs. 5 per share amounting to Rs. 2044 lakhs.

The performance highlights for the year are summarised below:

	(Rs. Lakhs)	
	1997-98	1996-97
Income from current businesses	71361	64655
Profit before Tax from operations	6994	5745
Exceptional items	57	1211
Profit before Tax	7051	6956
Tax	2000	2750
Profit after Tax	5051	4206

The disposition of profit in 1997-98 is as follows:

	(Rs. Lakhs)
Profit after Tax	5051
Proposed Dividend	2044
Tax on Dividend	204
Transfer to General Reserve	1200

The balance of Rs. 1603 lakhs in the Profit and Loss Account is carried forward along with the opening balance of Rs. 6883 lakhs.

During the year the Company accepted fresh deposits of Rs. 148 lakhs, renewed existing deposits of Rs. 621 lakhs, and repaid Rs. 197 lakhs.

BUSINESS PERFORMANCE

Paints

Paints volumes grew 19 per cent during the year, higher than the previous year's 14 per cent, on the back of a whole range of new products reaching mass consumers. Colour Solution Centres, which are now more than 250 across the country, were well received by customers.

The paints plant at Thane near Mumbai, commissioned last year, steadily increased production levels, catering to the strong volume growth in Western India. The new state-of-the-art 20 million litres per annum automotive refinish and decorative paint manufacturing facility at Mohali near Chandigarh was commissioned on schedule in March, 1998. A technology agreement with Herberts GmbH was concluded to service the motors segment.

Explosives

Explosives' volumes grew 17 per cent, buoyed by 40 per cent growth in bulk explosives. Value-added blasting contracts have been successfully executed at the Reliance Petroleum refinery site in Jamnagar. Underground mines have greatly welcomed the new environment friendly small diameter emulsion explosives. Bulk explosives' products from the new plant at Rourkela have been well received and the capacity is being expanded. In keeping with the Company's concern for Safety and Health, the manufacture and sale of nitroglycerine based explosives has been completely stopped. Ready customer acceptance of the several new non-electric detonators introduced by the Company's joint venture with The Ensign Bickford Company of the USA, Initiating Explosives Systems India Limited (IES), have made IES the leader in this non-electric segment.

Surfactants

With 45 new specialty products launched during the year, the Surfactants' business grew 18 per cent. A new Innovation Centre for Textile Applications development was opened during the year to boost

textile applications, both locally and internationally. A new Sulphonation Plant was also commissioned at Thane to strengthen the range of products.

Catalysts

The business achieved significant growth in Gas Reforming Catalysts while maintaining its lead in Naphtha Reforming, with strong support for these products from fertiliser manufacturers, refineries and methanol plants.

Major improvements in efficiencies at the manufacturing operations in Panki resulted in establishing this site as a global sourcing centre for selected catalysts worldwide. Significant additions to the product range include chloride guard, ammonia cracking, and pre-reforming catalysts.

Performance Materials

The Polyurethanes business recorded an impressive growth of 81 per cent, facilitated by customisation of blends, applications in the footwear and transport sectors, and the pioneering of new environment-friendly technologies. This will be reinforced by the Polyurethanes Customer Partnership Centre established this year at Thane, the only customer facility of this type in India.

The Acrylics business grew strongly by more than 24 per cent through introduction of a wider and contemporary range of products for Indian users like Perspex for signage and the premium brand Lucite for the sanitaryware.

A strategic alliance with Gujarat State Fertilisers & Chemicals Limited (GSFC) was initiated with the signing of a Memorandum of Understanding for the formation of a proposed Joint Venture to grow the Acrylics business.

Rubber Chemicals

Despite sales declining in the face of recession in the automobile industry, the business improved its position in new market segments. Tight liquidity conditions persisted throughout the year. A vigorous all round cost reduction programme, involving the renowned consultancy