

Golden Jubilee

Annual Report 2003-04
Golden Jubilee Year

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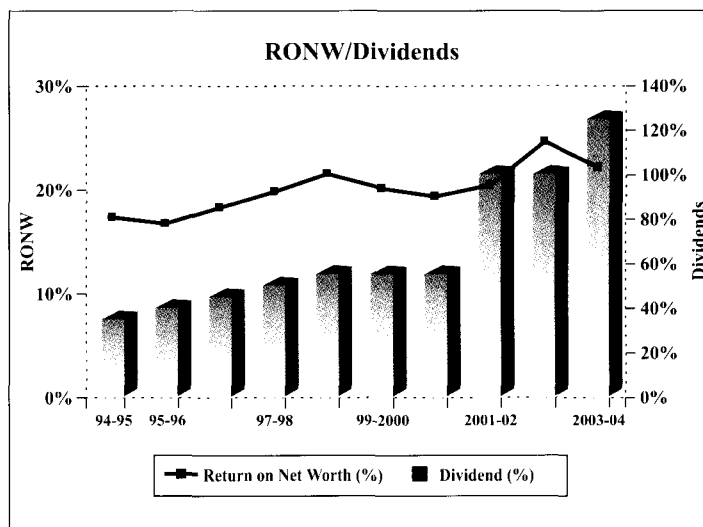
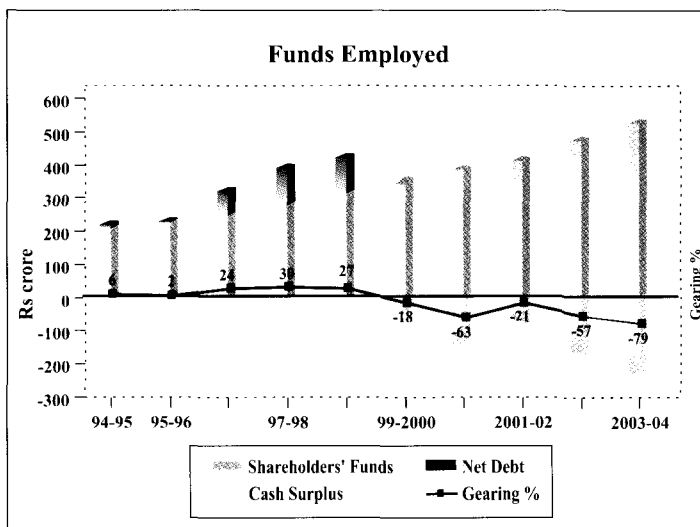
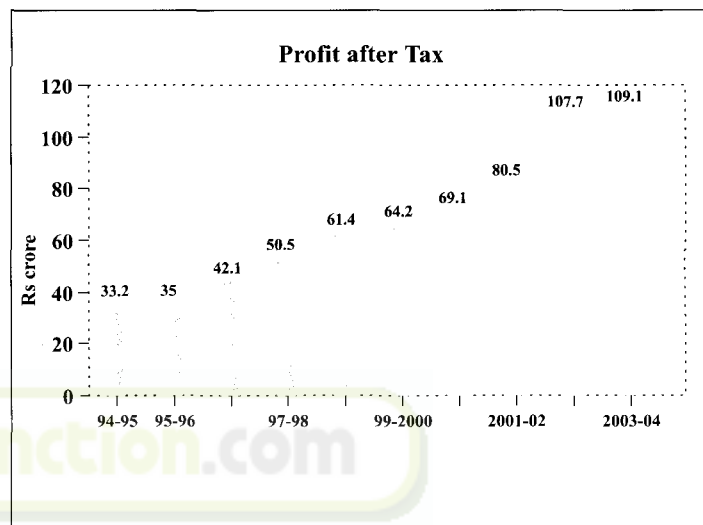
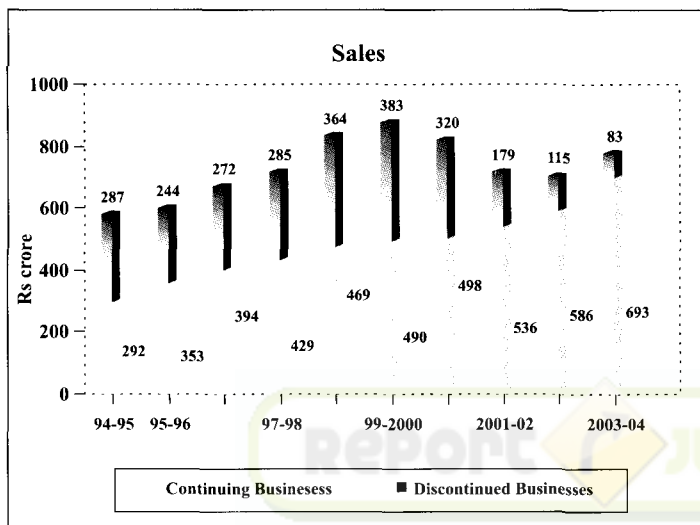


ICI India Limited



ICI India Limited

Ten Year Trends





ICI India Limited

Annual Report 2003-04

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ICI India

Vision

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

Mission

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

Values

We shall

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



ICI INDIA LIMITED ANNUAL REPORT 2003-04

BOARD OF DIRECTORS

CHAIRMAN

Aditya Narayan

MANAGING DIRECTOR

Rajiv Jain

DIRECTORS

M R Rajaram (Wholetime Director)

R Gopalakrishnan

Stephen Hamlett

Ms Renu S Karnad (w.e.f. 1 August 2003)

M V Subbiah

SECRETARY

R Guha

REGISTERED OFFICE

34, Chowringhee Road

Kolkata - 700071

Tel : 033-22267462

Fax: 033-22880804

CORPORATE OFFICE

DLF Plaza Tower, 10th Floor

DLF Qutab Enclave, Phase-1

Gurgaon - 122002, Haryana

Tel : 0124-2540400

Fax : 0124-2540849

WEBSITE

www.iciindia.com

BOARD COMMITTEES

Audit Committee

Ms Renu S Karnad (Chairperson)

R Gopalakrishnan

Stephen Hamlett

M V Subbiah

Remuneration and

Nominations Committee

M V Subbiah (Chairman)

R Gopalakrishnan

Stephen Hamlett

Ms Renu S Karnad

Shareholders/Investors

Grievance Committee

Stephen Hamlett (Chairman)

Rajiv Jain

M R Rajaram

AUDITORS

BSR & Co.

BANKERS

Central Bank of India

Citibank NA

Deutsche Bank AG

Standard Chartered Bank

REGISTRAR AND SHARE

TRANSFER AGENT

C B Management Services (P) Limited

P-22, Bondel Road

Kolkata - 700019

Tel. : 033-22806692-94

Fax : 033-22470263

e mail : cbmsl1@cal2.vsnl.net.in



DIRECTORS' REPORT 2003-04

Your Directors have pleasure in presenting their report for the year ended 31 March 2004.

BUSINESS ENVIRONMENT

During 2003-04, India's business environment was marked by a strong 8% GDP growth. This was led by a significant growth in agriculture aided by a good monsoon. The manufacturing sector grew 7%, while the services grew 13%.

Global rating agencies have forecast that on a sustainable basis, India's GDP growth in future could be around 6.5%, subject to areas like infrastructure development and correction of fiscal imbalances getting adequately addressed. This is in line with RBI's estimate of GDP growth for the year 2004-05.

Inflation, which was around 5% for most of 2003-04, showed a downward trend during March. While in 2004-05, it is expected to be around 4%, the recent run-away increase in oil prices remains a concern. The Rupee is expected to strengthen though it is presently showing some signs of weakening.

With the new government in place after the elections, the business environment in 2004-05 is likely to become a function of the new 'Common Minimum Programme'. Political stability with continuing reforms and normal monsoon appear necessary to sustain the overall growth momentum in 2004-05.

FINANCE AND ACCOUNTS

ICI India achieved sales of Rs 776 cr for the year reflecting a growth of 11% over the previous year. Sales from continuing businesses grew 19% with significant contribution from Paints and Industrial Specialties.

All the continuing businesses except for Rubber Chemicals recorded a strong growth. However, the overall profit from operations is lower by 10% compared to the previous year. This is primarily due to the fact that the 2002-03 results included profit from erstwhile Syntex business till October 2002 and income from investment in 2003-04 is lower as part of it will accrue in the next fiscal year.

The current year's exceptional income of Rs 77 cr consists mainly of profit on sale of 51% shareholding in Indian Explosives Limited, divestment of Nitrocellulose/Trading businesses and sale of property, partly offset by business reorganization costs and additional contribution to retiral funds necessitated by change in actuarial assumptions and decline in interest rates.

Overall, the Company achieved a record profit after tax of Rs 109 cr, marginally higher than that in the previous year. While your Board will follow a prudent dividend distribution policy in the coming years, in view of the very special occasion of Golden

Jubilee year of the Company and high level of non-recurring profit from divestments, it has recommended, as a once off special case, a dividend of Rs 12.50 per share (previous year Rs 10 per share). The dividend for the year will be paid after the approval of the shareholders at the forthcoming Annual General Meeting.

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

	2003-04	(Rs Cr) 2002-03
Sales	775.7	700.8
Operating Profit from businesses	83.2	87.0
Depreciation	24.3	23.4
Interest	4.6	3.3
Exceptional items	77.2	72.9
Profit before Tax	131.5	133.2
Tax	22.4	25.5
Profit after Tax	109.1	107.7

The appropriations of profit in 2003-04 are as follows:

	(Rs Cr)
Transfer to General Reserve	33.0
Proposed Dividend	51.1
Tax on Proposed Dividend	6.5

The balance, together with the amount brought forward from the previous year, amounting to Rs 232.8 cr, shall be carried to the Balance Sheet.

No public deposits were accepted or renewed during the year.

Unclaimed public deposits of Rs 1.64 lacs and unclaimed Dividends of Rs 14.39 lacs were transferred to the Investor Education & Protection Fund, in terms of section 205C of the Companies Act, 1956.

MANAGEMENT DISCUSSION & ANALYSIS

Paints

The Paints business performed well by gaining market share in chosen segments. The business launched a number of new products in the Decoratives category. Dulux Supergloss 5-in-1, a new enamel paint with improved glossy finish, clean colours, superior anti-yellowing properties, longer life and increased coverage was launched nationally and won endorsements from painters and consumers. Duette, a premium interior emulsion paint with a two-tone finish, was launched in select markets and has made a strong impact with consumers. The "Previews" colour visualization service remains a unique offering from the Company.



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 was continued to efficiently service customers and improve channel partnerships. New depots were opened to improve service level.

The housing sector is expected to grow rapidly on account of low interest rates and incentives given by the government. This will have a positive impact on the paints industry with the exterior segment likely to maintain its fast growth.

Polyurethane (PU) based automotive refinishes strengthened its leadership position in the market supported by introduction of new products. The Company focused its activities on upgrading the dealerships of the motor manufacturers with training and technical inputs. The new range of PU finishes, Belco has gained wide acceptance with dealers and users. The in-store tinting pioneered by the company has now been extended to all top-coats, which has helped to provide improved service and access to the entire colour offer.

The automobile sector has been growing rapidly due to reduction in excise duties and easy financing options, which have opened up growth opportunities for the business. Your Company is well positioned to improve its share in this growing market in view of its extensive R&D capability, innovation and market reach.

Industrial Specialties

Uniqema

The Uniqema business recorded good growth in 2003-04 posting a 14% increase in the topline. The Cleaning and the Fibre Finish segments reported strong performance with large orders from established customers. The Personal Care segment grew its sales aided by strong product/market development efforts and pricing strategies, tailored to the market environment. However, the business under-performed in the Crop Protection and Healthcare segments due to severe competitive pressures. Introduction of new products in the Lubricants segment has opened up new markets. As part of the simplification process, product and customer rationalization has been taken up as a key initiative to optimize resource utilization and maximize margins.

National Starch & Chemical

The Adhesives, Starch and Polymer segments performed well with an overall topline growth of 46%. The business consolidated its market position in the Glass fibre polymer segment during the year. In-house polymer production capacity is planned for commissioning by second half of 2004 and the business is poised to grow ahead of competition.

Industrial Chemicals

Rubber Chemicals

Through aggressive marketing, the business recorded a 10% volume growth in 2003-04 despite stiff global competition. However, the margins suffered due to low selling prices and high input costs. Your Company is making all efforts to improve business performance by focused cost reduction and export of key specialties. However, the recent reduction in import duty and the strengthening of Rupee have adversely affected the business' margins. Turnaround of the business is largely dependent on strengthening of the international selling prices, which is now overdue. Accordingly, investments necessary for improving internal efficiencies and augmenting throughput of specialty products are underway.

Nitrocellulose & Trading

Nitrocellulose and Trading businesses were divested to Nitrex Chemicals India Private Limited with effect from 16 March 2004. Accordingly, the operational results of the Company reflect the performance of the businesses up to 15 March 2004. The Company has invested Rs 94 lacs in the equity capital of Nitrex Chemicals India Private Limited, with an exit option over a 3-year period.

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

During the year, the Company's factories at Valsad and Rishra have received ISO 14001 certification from BVQI. With this, all the main factories of your Company are now ISO 14001 accredited. Paints, Hyderabad site was selected as the Winner of the ICI India SSHE Excellence Trophy in July 2003 for achieving all-round improvement in terms of SSHE performance, RCMS compliance, Challenge 2005 initiatives etc.

Initiatives were taken during the year to improve the safety of operations and promote occupational health/clean environment at various sites.

No occupational illnesses were reported during the year. There were however one 'Reportable' and one 'Classified - not Reportable' injury incidents involving Contractors during the year. After an investigation, necessary corrective actions have been taken to prevent recurrence of such events.

CONSERVATION OF ENERGY

Continuous efforts to improve energy efficiency by close monitoring of operational parameters and selective investment in equipment resulted in a general improvement in energy consumption across businesses.



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

RESEARCH, DEVELOPMENT & INNOVATION

The innovation intensity in the key businesses improved during the year.

Paints

As mentioned earlier, a premium solvent based product Supergloss 5-in-1 has been launched nationally and is performing well. New premium exterior products, Weathershield Max and Tilesshield, have been developed and are set for all India launch by mid 2004. A large number of projects are in progress to develop new products and further enhance quality of existing range of products. Significant progress has been made in the use of materials that are environment friendly.

Industrial Specialties

During the year Uniqema concentrated on development of new products and applications in the fields of Textile Auxiliaries, Spin Finish, Lubricants, Personal Care, Polymers and Crop Protection. New emulsifiers, surfactants and detergents have been introduced in a range for applications such as non-reductive cleaning agents for polyester dyeing, metal working fluid packages, environment friendly detergents and new fairness actives for skin care applications.

National Starch introduced a number of new products and applications including retail products in woodcare segment. Closely working alongwith its key customers, the business has provided innovative solutions for improving productivity through new products and applications.

INFORMATION TECHNOLOGY

After successful implementation of an ERP system dealing with the customer interface in Paints in the early part of the fiscal year, the business is now leveraging the on-line data availability to better service its customers and further strengthen the control systems.

In order to leverage the benefits of IT for improved customer servicing, the National Starch Business is implementing an ERP package, which is expected to be operational in the second half of 2004.

HUMAN RESOURCES

Cordial relations with the employees prevailed at all the Company locations during the year. The total number of employees as at

31 March 2004 was 1077 in ICI India. A statement containing the particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is attached (Page 38).

INTERNAL CONTROL SYSTEMS

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

CORPORATE GOVERNANCE

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

CORPORATE RESTURCTURING

With the divestment of majority shareholding in Indian Explosives Limited and Nitrocellulose and Trading businesses during the year, your Company has substantially completed the divestment part of its strategy. It grew its core businesses by about 20% during the year and would continue its focus to grow them aggressively in the coming years.

The cost of business re-organization triggered by productivity improvement plans has been included under exceptional items.

DIRECTORS

In the Board meeting held on 30 July 2003, Mr D S Parekh conveyed his desire to step down from the Board with effect from 1 August 2003. While reluctantly accepting his request, the Board recorded its deep gratitude and appreciation of his valued contribution and wise counsel as a Director of the Company from May 1997 through a period of intense change in the Company.

In the same meeting on 30 July 2003, the Board decided to appoint Ms Renu S Karnad as a Director with effect from 1 August 2003, in the casual vacancy caused by the resignation of Mr D S Parekh.

Mr S Krishna, nominee Director of the Government of India, stepped down from the Board on 21 January 2004 consequent to the divestment of the GOI shareholding in the Company. The Board recorded its appreciation of the valued contribution of Mr Krishna as a Director of the Company from September 2002.



Mr S Hamlett and Ms R S Karnad, Directors, are due to retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. Their brief resume and other relevant details are given in Annexure II to this report.

AUDITORS

M/s BSR & Co. retire as the Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- b) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of
 - the state of affairs of the Company as on 31 March 2004, and
 - the profit for the year ended on that date;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) they have prepared the annual accounts on a going concern basis.

Cautionary Statement

Certain statements in this report, particularly those which relate to Management Discussion and Analysis describing the Company objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those that are expressed or implied in the event of changes in the assumptions/market conditions.

SUBSIDIARY COMPANIES

The statement of particulars relating to the Company's subsidiary Quest International India Limited ("QIIL"), pursuant to Section 212 of the Companies Act, 1956, is attached to this report (Page 36).

Consequent to the divestment of the Company's 51% shareholding in Indian Explosives Ltd., M/s Indian Explosives

Ltd. and Initiating Explosives Systems India Ltd. ceased to be the Company's subsidiaries with effect from 6 November 2003.

The Company has been granted approval by the Central Government for not publishing the full accounts of its subsidiary QIIL, as part of its Annual Report in terms of section 212(8) of the Companies Act, 1956. A summary of the Balance sheet as on 31 March 2004 of QIIL and its performance for the year ended on that date is given on Page 37.

CONSOLIDATED ACCOUNTS

As per requirements under the Listing Agreement, audited consolidated financial statements conforming to the applicable accounting standards are attached to the Annual Report. A summary of the consolidated financial performance of the Company and its subsidiaries, after eliminating inter Company transactions, is as follows:

	(Rs Cr)	
	2003-04	2002-03
Sales	1001	1011
PBT from Operations	70	79
Profit before Tax	142	151
Profit after Tax	113	113
Total Assets Employed	587	615
Total Shareholder Funds	511	498

Note:

The Income and Profit figures include those relating to ICI India Ltd. and Quest International India Limited for the full year and Indian Explosives Ltd. and Initiating Explosive Systems India Ltd. upto the date of divestment.

The figures of Assets and Shareholders Funds include those relating to ICI India Ltd. and Quest International India Limited.

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
22 May 2004

A NARAYAN
Chairman



ANNEXURE I TO THE DIRECTORS' REPORT

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

A. Power & Fuel Consumption

		2003-04	2002-03
1. Electricity			
(a) Purchased			
Unit	Lac Kwh	293.88	249.27
Total Amount	Rs Lacs	1448	1207
Rate	Rs/Kwh	4.93	4.84
(b) Own Generation			
Unit	Lac Kwh	0.74	0.93
Units/Kl of diesel oil	Kwh	3825	3760
Cost/Unit	Rs/Kwh	10.85	11.34
2. Coal			
Quantity	Te	9802	6019
Total Cost	Rs Lacs	210	123
Average Rate	Rs/Te	2140	2041
3. Fuel Oil			
Quantity	Kl	7250	7054
Total Amount	Rs Lacs	853	830
Average Rate	Rs/Kl	11767	11769

Consumption per unit of production

	Electricity (Kwh/Te)		Fuel Oil (Kl/Te)		Coal (Te)	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Paints	127	138	0.01	0.01	NA	NA
Uniqema	176	202	0.05	0.06	NA	NA
National Starch	157	139	0.02	0.01	NA	NA
Rubber Chemicals	3224	2674	0.40	0.41	3.02	2.05
Nitrocellulose	1945	1940	0.99	1.11	NA	NA
Synetix	2762	2199	0.90	0.65	NA	NA

NA = Not Applicable

B. DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION OF TECHNOLOGY

1. Research & Development (R&D)

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

During the year, R&D activities concentrated on development of new products and applications in Paints, Uniqema and National Starch businesses.

Process modifications were carried out for improving product yield and quality across all businesses.

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

As a result of these initiatives, the relevant businesses achieved sales growth well ahead of the market.

(c) Future plan of action

It is proposed to concentrate both on new product and application innovation in selected areas to meet market demand. Efforts to reduce waste generation and energy consumption would be continued to achieve overall reduction in environmental burden.

Expenditure on R&D

	2003-04	2002-03
(i) Capital	19	-
(ii) Recurring	277	206
(iii) Total	296	206
(iv) Total R & D expenditure as a percentage of turnover	0.4%	0.3%

2. Technology Absorption, Adaptation and Innovation

(a) Efforts

More than 50 new products were developed and commercialized during the year for Textiles, Health and Personal Care, Crop Protection and Specialty Industrials segments. Process modifications were implemented to achieve cost savings and reduction in environmental burden.

(b) Benefits

34% of the year's turnover of Uniqema business came from new products/applications.

(c) Particulars of technology imported in the last 5 years from the beginning of the current financial year

Technology imported	Year of import	Has the technology been fully absorbed?	If not fully absorbed, reasons and future plans of action
Detergent for new trend fabrics	2003	Yes	NA
Tinters Manufacture	2002	Yes	NA
Hot Melt Adhesives	1999	Yes	NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Total Foreign Exchange earned and used:

	2003-04	2002-03
Earned	53,27	54,63
Used	155,03	114,93

The overall foreign exchange earned has come down on account of divestment of Synetix business w.e.f. November 2002. During the year 2003-04, export sales in Rubber Chemicals Business increased significantly with entry into new markets.

The foreign exchange use has gone up during the year mainly on account of increased import requirement due to higher volumes and to avail commercial advantage.

Future Plans

Use innovation and R&T strengths to improve forex earnings.

On behalf of the Board

Gurgaon
22 May 2004

A NARAYAN
Chairman