

ANNUAL REPORT – 2001 - 2002



International Combustion (India) Limited

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Board of Directors

S. Bagaria	<i>Chairman</i>
I. Sen	<i>Managing Director</i>
S. Saha	<i>Executive Director</i> <i>(Wholetime Director)</i>

S. Faheem Ahmed
A. K. Ghose
R. L. Gaggar

Vice President (Finance) & Secretary

S. C. Saha

Auditors

Lodha & Co. Chartered Accountants

Bankers

Hongkong Bank
Punjab National Bank
State Bank of Mysore
ICICI Bank Limited

Registered Office

107/1 Park Street,
Kolkata - 700 016
Telephone : 226-6508/1732/1734/1729
Fax : (033)249-3713
Email : intcomc2@giasci01.vsnl.net.in

Regional Office

Aurangabad	- B.74/1, MIDC Waluj, P.O. Bajaj Nagar, Aurangabad - 431 136
Bangalore	- No. 14, 3rd Floor, Opp. R. T. Nagar Post Office, R. T. Nagar Main Road, Bangalore - 560 032
Chennai	- 17, Smith Road, Chennai - 600 002
Hyderabad	- Flat No. 204, Bhanu Enclave 7-1-638 to 643, Sundar Nagar Hyderabad - 500 038
Kolkata	- 107/1, Park Street, Kolkata - 700 016
Mumbai	- Khanna Construction House, 44, Dr. R. G. Thadani Marg, Worli Mumbai - 400 018
Nagpur	- Raina Building, Mount Road, Nagpur - 440 001
New Delhi	- 2E/28, Jhandewalan Extn. New Delhi - 110 055
Pune	- Flat No-4, 17, Kuldeep Prem Nagar Society Bibvewadi Road, Behind Pushpa Mangal Karyalaya, Pune - 411 037
Vadodara	- 508, Centre Point R. C. Dutta Road Alkapuri, Vadodara - 390 020


International Combustion (India) Limited

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Sixty Sixth Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

		(Rs. in lacs)	
	2001-2002		2000-2001
Profit before Depreciation, Interest and Tax	363.18		269.90
Less :			
Interest	243.81	226.62	
Depreciation	109.08	108.41	335.03
Profit / (Loss) before Tax	10.29		(65.13)
Less : Provision for Income Tax (including Rs. 4.43 lacs relating to earlier years)	5.20		
Deferred (reversed)	(6.57)		
	(1.37)		-
Profit / (Loss) after Tax	11.66	(65.13)	
Add : Transfer from Debenture Redemption Reserve	52.56		64.78
Transfer from General Reserve	-		0.35
	64.22		-
Appropriations :			
Transfer to General Reserve	52.56		-
Balance of Profit carried to Balance Sheet	11.66		-
	64.22		-

OPERATIONS

For the year under review, the market for capital goods continued to remain sluggish and the sale (net of excise duty) remained stagnant at Rs. 2325 lacs, as compared to Rs. 2357 lacs for the previous year. Despite this lack of growth in the market, your Company has been able to improve the performance and the profit for the year has been Rs. 10 lacs, as against a loss of Rs. 65 lacs for the previous year. Your Company has been suffering loss for the past few years due to severe recession in the Engineering Industry. The profit for the current year, though nominal, is therefore, a significant step towards turnaround.

The improved performance for the current year has been the cumulative effect of various measures taken by the Company in the past few years, including drastic cost saving measures, elimination of all non-contributing activities and expenses and sustained efforts in reducing the cost of material.

The Company informed you last year about the licensing agreement for manufacture of Omni Screens – a new generation screening system with IMS Engineering Pty. Ltd., South Africa. This product has received encouraging response from the Indian industry and we are happy to inform you that a number of these screens have already been sold and many others are in the process of finalisation. These products are expected to contribute to the future business of the Company.

Though the domestic market has been sluggish in the past few years, there are some indications of improvement, especially in the area of infrastructure related industry like road, building, cement, steel and a few others. This trend is expected to continue and grow, leading further improvement of the domestic market in the coming years. The marketing efforts of the Company, both for the domestic and export market continue to remain the area of main focus. Considering the present trend and other factors


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stated earlier, your Company expects an improved performance for the current year.

DIVIDEND

The operating results of the Company for the year under review although show profit but the same being considered inadequate, your Directors do not recommend payment of any dividend on equity shares for the financial year ended 31st March, 2002.

PUBLIC DEPOSITS

All the deposits that matured during the year were either repaid or renewed barring matured deposits of Rs. 0.17 lac relating to six depositors which having remained unclaimed and unpaid for more than seven years as on 31st March 2002 have since been deposited into the Investor Education and Protection Fund.

INDUSTRIAL RELATIONS

The operations of Santoshpur Unit continue to be suspended. Due to shift in the market pattern, the contribution from the Company's Polyurethane Division also declined to a non-viable level and the operation of the Unit had to be suspended since August 2001. The restructuring of the division is under review.

During the year the Aurangabad Unit also faced industrial relation problems and a section of the workmen were on strike for two months from mid January 2002. The industrial relation issue has since been resolved.

The industrial relations at all other units have been satisfactory.

CONSERVATION OF ENERGY

The Company is continuing with its efforts for Conservation of Energy and all necessary steps have been taken towards optimisation of the power and fuel consumption.

TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

Progress made in Technology Absorption and Foreign Exchange Earnings and Outgo as required by the Companies (Disclosure of particulars in the report of

Board of Directors) Rules 1988 are set out in the Annexure forming part of this Report.

PERSONNEL

None of the employees of the Company employed throughout the financial year was in receipt of a remuneration exceeding Rs. 12 lacs per annum or Rs. 1 lac per month if employed for a part of the year and as such no statement containing particulars of employees as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975, is required to be annexed to this Report.

CORPORATE GOVERNANCE

Your Directors are to report that compliance with the Corporate Governance as required in terms of Clause 49 of the Listing Agreement with the Stock Exchange is not mandatory for your Company. However, your Directors are pleased to inform that your Company have decided to comply voluntarily, some of the requirements of Corporate Governance Code as prescribed by the Securities and Exchange Board of India. Accordingly certain information on Corporate Governance have been included in this Annual Report for your information.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, your Directors hereby confirm:

- i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- ii) that the Directors had 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 at the end of the financial year and of the loss of the Company for that period;
- iii) that the Directors had 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



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the Company and for preventing and detecting fraud and other irregularities;

- iv) that the Directors had prepared the Annual Accounts on a going concern basis.

AUDITORS' REPORT

The observation made by the Auditors in Para 2(a) in their Report regarding certain Loans and Advances, interest and debtors balances have been dealt with and explained in item No. 9 of the Notes to the Accounts in Schedule 17(B). Your Directors would like to add that the steps including legal actions in certain cases taken by your Company to expedite recovery of such outstanding dues, are expected to fetch some positive results shortly.

In regard to the comment made by the Auditors in Item 2(b) of their Report on the valuation of the closing stock of finished goods, raw materials, stores etc. at Santoshpur Unit, your Directors are to state that in view of the suspension of operation at the Company's Santoshpur Works, the physical verification of stock of finished goods, raw materials, stores and spare parts of that Unit could not be carried out. Shortfall in the values thereof if any being not ascertainable, these have been considered at book values and no provision is considered necessary in this regard, as explained in Note 11(a) of Notes on Accounts in Schedule 17(B).

On the comments made by the Auditors, for non-receipt of written representation from Mr. S. Faheem Ahmed, one of your Directors as required in terms of Section 274(1)(g) of

the Companies Act, 1956, your Directors are to report that Mr. Faheem Ahmed has already been informed about such requirement and a reply is expected from him shortly.

DIRECTORS

The tenure of office of Mr. S. Saha, Executive Director having expired on 15th November, 2001, your Board has reappointed Mr. S. Saha as Executive Director (Wholtime Director) of the Company for a further period of five years w.e.f. 16th November, 2001 on the terms and conditions as set out in the Notice convening the ensuing Annual General Meeting. Keeping in view the wide experience of Mr. S. Saha and his long association with various activities of the Company, your Directors seek your approval to the aforesaid reappointment and remuneration paid/payable to Mr. S. Saha as Wholtime Director.

Mr. S. Bagaria and Mr. R. L. Gaggar will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

AUDITORS

Messrs. Lodha & Co., Auditors of the Company, will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

Kolkata,
the 26th June, 2002

On behalf of the Board
S. Bagaria
Chairman


International Combustion (India) Limited

Annexure

TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Forming part of the Directors' Report for the year ended 31st March, 2002

A. TECHNOLOGY ABSORPTION :
I. RESEARCH & DEVELOPMENT (R & D)
1. Specific Areas :

The Company continues its research and development activities in the area of quality upgradation and product development.

2. Benefits derived :

Successful development of new product and quality upgradation of existing products.

3. Future plan of action :

The Company plans to continue its programme of technology upgradation for more value addition to its existing range of products.

4. Expenditure on R & D :

	Rs. in Lacs
a) Capital	—
b) Recurring	18.55
c) Total	18.55
d) Total R & D expenditure	
as a Percentage of total turnover	0.79%

II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION
1. Efforts made :

Apart from successful absorption of foreign technology for manufacture of various equipments, the Company also continue its programme for absorption of technology for manufacture of Omni Screens, Omni Feeders and Omni Sizers.

2. Benefits derived :

The Company has started receiving various enquiries & orders of Omni Screens / Feeders / Sizers.

3. Imported Technology :

Technology imported	Year of import	Has Technology been fully absorbed ?	If not absorbed, areas where this has not taken place, reasons thereof & future plans of action.
Omni Screens/Feeders/Sizers	2001	No	Under Implementation

B. FOREIGN EXCHANGE EARNINGS & OUTGO :

The information of Foreign Exchange earnings and outgo are contained in Note Nos. (22), (20) and (21) of Schedule 17(B) of Notes on Accounts.

Kolkata,
the 26th June, 2002

On behalf of the Board
S. Bagaria
Chairman


International Combustion (India) Limited

General Shareholder Information

(a) AGM Date, time and venue :

28th August, 2002 - 3.30 p.m. at Park Hotel
17, Park Street, Kolkata - 700 016

(b) Financial Calendar :

Period	Approval of Quarterly results	
For the first quarter ending June 30, 2002	–	4th week of July, 2002
For the second quarter ending September 30, 2002	–	4th week of October, 2002
For the third quarter ending December 31, 2002	–	4th week of January, 2003
For the year ending March 31, 2003 (Audited)	–	4th week of June, 2003

AGM for the year ending

March 31, 2003 : Third/last week August 2003

(c) Book closure period : 21st August 2002 to
28th August 2002 (both days
inclusive)

(d) Listing on Stock Exchanges : The Company's securities are
listed at :

i) The Stock Exchange, Mumbai.
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400023

ii) The Calcutta Stock Exchange
Association Ltd.,
7, Lyons Range
Kolkata - 700 001

Listing fees for the year 2002-2003 as prescribed, have
been paid to all the aforesaid Stock Exchanges.

(e) Market Price Data:

There being no regular trading of Company's shares in
Calcutta Stock Exchange the monthly high/low prices of
equity shares could not be furnished. However, the monthly
high/low prices of the equity shares of the Company
quoted at Stock Exchange, Mumbai during the year
2001-2002 are given below:

Month	Bombay Stock Exchange	
	High (Rs.)	Low (Rs.)
April 2001	NT	NT
May 2001	3.55	2.25
June 2001	4.90	2.90
July 2001	4.70	3.00
August 2001	4.90	3.50
September 2001	4.00	3.30
October 2001	5.00	3.00
November 2001	4.75	3.70
December 2001	4.80	3.85
January 2002	5.25	3.50
February 2002	5.60	2.85
March 2002	4.30	2.40

(f) Registrar and Share Transfer Agents:

The Company has engaged C B Management Services
Pvt. Ltd., P-22, Bondel Road, Kolkata 700 019 (CBMS), a
SEBI registered Share Transfer Agent for processing
transfers, sub-division, consolidation, splitting of securities,
etc. Requests for dematerialisation of shares are received
directly by CBMS who after processing give confirmation
to the respective depositories i.e National Securities
Depository Limited (NSDL) and Central Depository
Services (India) Ltd. (CDSL).

(g) Distribution of Shareholding:

Range	No. of Shareholders	Percentage to Shareholders	No. of Shares held	Percentage to Capital
1-500	4695	93.75	554728	25.68
501-1000	203	4.05	145965	6.76
1001-2000	60	1.20	82467	3.82
2001-3000	20	0.40	50147	2.32
3001-4000	10	0.20	35225	1.63
4001-5000	3	0.06	13024	0.60
5001-10000	5	0.10	34595	1.60
10001 and above	12	0.24	1244125	57.59
Total	5008	100.00	2160276	100.00


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(h) Shareholding pattern as on 26th June, 2002:

Category	No. of Shares held	%age Shareholding
A. Promoter's holding		
1. Promoters		
– Indian Promoters	614335	28.44
– Foreign Promoters	422596	19.56
2. Persons acting in concert	–	–
Total	1036931	48.00
B. Non Promoters holding		
3. Institutional Investors		
a. Mutual Funds and UTI	1100	0.05
b. Banks, Financial Institutions, Insurance Companies (Central / State Government Institutions / Non Government Institutions)	180632	8.36
c. FIs	–	–
Sub-Total	181732	8.41
4. Others		
a. Private Corporate Bodies	20589	0.96
b. Indian Public	909742	42.11
c. NRIs / OCBs	3537	0.16
d. Any other		
1. Clearing Members	7595	0.35
2. Clearing House	150	0.01
Sub Total	941613	43.59
Grand Total	2160276	100.00

(i) Dematerialisation of Shares:

As on 26th June, 2002, 25.01% of the Company's total shares representing 540308 shares were held in dematerialised form and the balance of 74.99% representing 1619968 shares were in scrip form.

(j) Factory Locations:

Baidyabati :	156, G. T. Road, Baidyabati, Hooghly, West Bengal.
Santoshpur :	Budge Budge Trunk Road, Maheshtala, 24 Pgs., West Bengal.
Nagpur :	L-7, MIDC, Industrial Area, Hingna, Nagpur-440 016, Maharashtra.
Aurangabad :	B-74/1, MIDC Waluj, P.O. Bajaj Nagar, Aurangabad-431 136, Maharashtra.

(k) Number of Employees : Total number of employees as on 26th June, 2002 was 633

(l) Address for Correspondence :

International Combustion (India) Ltd.
107/1, Park Street, 4th Floor, Kolkata - 700 016.

(m) Shareholders' Correspondence :

C. B. Management Services Pvt. Limited
P-22, Bondel Road, Kolkata- 700 019.
Telephone : 280-6692/6693; Fax : (033) 247-0263
E-mail : cbmsl1@cal2.vsnl.net.in



International Combustion (India) Limited

AUDITORS' REPORT

TO THE MEMBERS

INTERNATIONAL COMBUSTION (INDIA) LIMITED.

We have audited the attached Balance Sheet of **INTERNATIONAL COMBUSTION (INDIA) LIMITED**, as at 31st March, 2002 and Profit & Loss Account of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by 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, and according to the information and explanations given to us and on the basis of such checks, as we considered appropriate, we state with respect to the matters specified in paragraphs 4 and 5 of the said order, that :

- (i) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The fixed assets of the Company *except those at Santoshpur Works have been physically verified by the management during the year* and this revealed no material discrepancies.
- (ii) The fixed assets of the Company have not been revalued during the year.
- (iii) The stocks of finished goods, stores, spare parts and raw materials of the Company *except those at Santoshpur Works and lying with the third parties* have been physically verified during the year.
- (iv) In our opinion, *having regard to para (iii) above*, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (v) The discrepancies between the physical stocks to the extent verified and the book stocks were not material and these have been properly dealt with in the books of account.

- (vi) In our opinion, the valuation of finished goods, stores, spare parts and raw materials has been 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 taken unsecured loans from parties listed in the Register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. As informed to us, there are no companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
- (viii) 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. As informed to us, there are no companies under the same management as defined under Section 370(1-B) of the Companies Act, 1956.
- (ix) Parties including employees to whom loans or advances in the nature of loans have been given by the Company are generally repaying the principal amounts and interest where applicable as stipulated. *In certain cases as stated in Note 9 of Schedule 17(B) principals and interests have become overdue for payment.* Steps for recovery in such cases are being taken by the Company.
- (x) In our opinion, the internal control procedures of the Company relating to purchases of stores, raw materials including components, plant and machinery, equipment and other similar assets and for the sale of goods are commensurate with the size of the Company and the nature of its business.
- (xi) As per the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of goods, materials and services aggregating during the year to Rs. 50,000 or more in respect of each party in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xii) The Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on the aforesaid basis, in our opinion, adequate amounts have been written off in the accounts.
- (xiii) In the cases of public deposits accepted by the Company, the directives issued by the



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Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the applicable rules framed there under have been complied with.

- (xiv) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of production scrap. The Company has no by-product.
 - (xv) In our opinion, the Company's internal audit system in respect of areas covered during the year is commensurate with the size and the nature of the business.
 - (xvi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed account and records have been made and maintained. We are however, not required to make a detailed examination of such records to ascertain whether these are accurate or complete.
 - (xvii) During the year the Company has been generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
 - (xviii) There was no amount outstanding on 31st March, 2002 in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which was due for more than six months from the date these became payable.
 - (xix) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account nor have we been informed of any such case by the management.
 - (xx) The Company is not a sick industrial company within the meaning of Section 3(1)(O) of the Sick Industrial Companies (Special Provisions) Act, 1985.
2. *Attention is invited to*
- (a) *Note 9 of Schedule 17(B) regarding certain Loans and Advances, interest and debtors balances which has become overdue for payment in respect of which the eventual shortfall in the values thereof and their impact, if any, are currently not ascertainable.*
 - (b) *Note 11(a) of Schedule 17(B) regarding stock of finished goods, raw materials, stores and spares etc. lying at Santoshpur Unit in respect of which the eventual shortfall in the values thereof and their impact, if any, are currently not ascertainable.*

- 3. *The overall impact of the adjustment to be carried out as per our remarks as given in Para 2(a) and 2(b) above has not been ascertained and therefore cannot be commented upon by us.*

4. Further to the 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 purpose of our audit.
- (b) In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books. The Balance Sheet and the Profit and Loss Account dealt with by the report are in agreement with the books of account.
- (c) In our opinion, the aforesaid Balance Sheet and Profit and Loss Account have been prepared by the Company in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
- (d) *Mr. S. Faheem Ahmed who is a director of the Company has not produced a written representation that he is not disqualified in terms of Section 274(1)(g) of the Company's Act, 1956. In the absence of this representation we are unable to comment whether the said Director is disqualified from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956. As far as the other Directors are concerned, on the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956.*
- (e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts *subject to para 2 and 3 above* and read together with the other Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2002; and
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For LODHA & CO.,
Chartered Accountants
H. K. Verma
Partner

Kolkata,
the 26th June, 2002