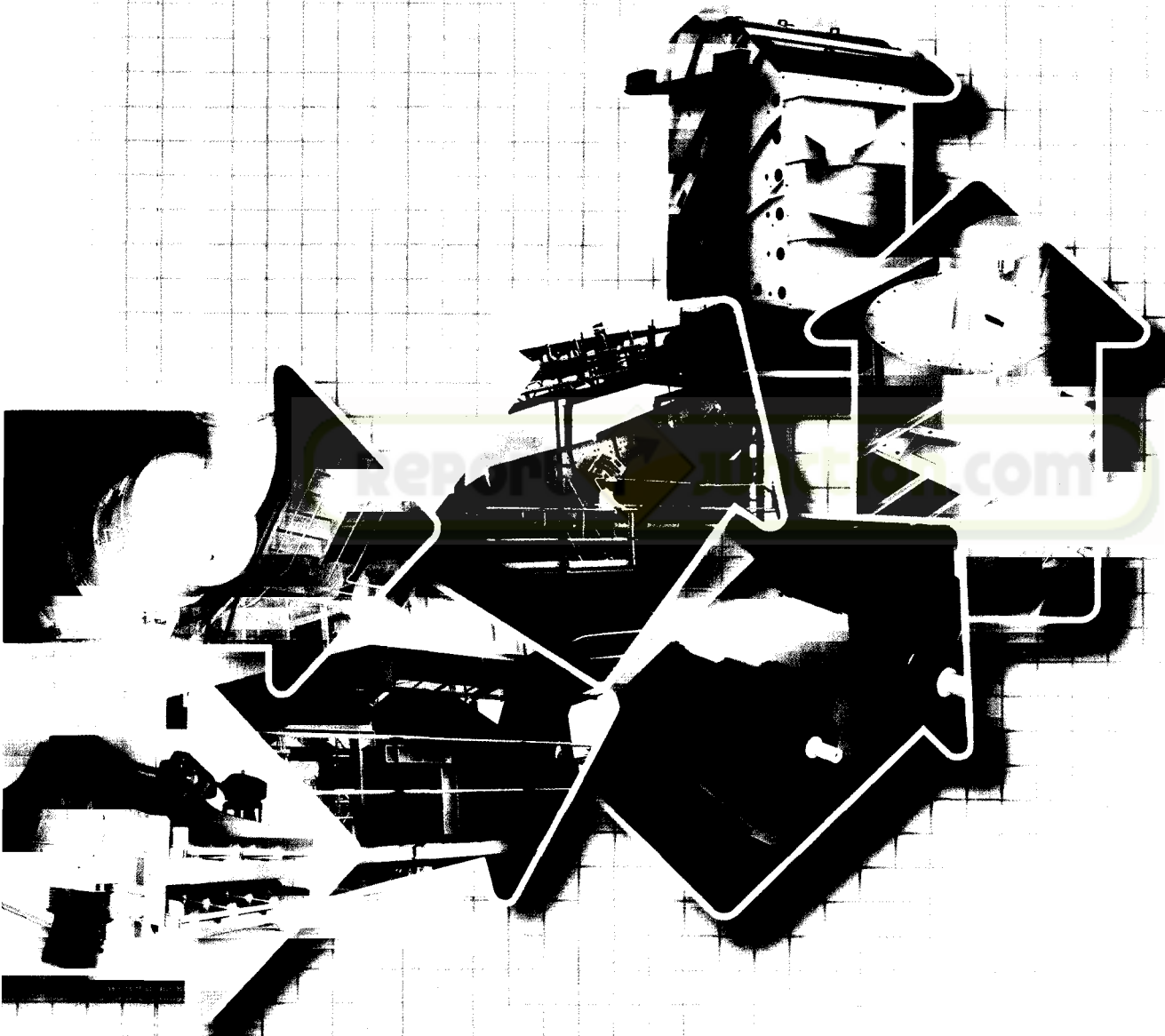


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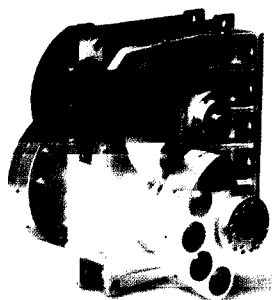
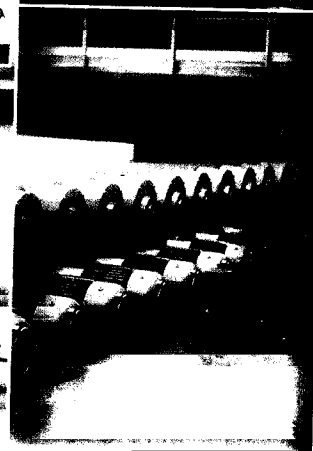
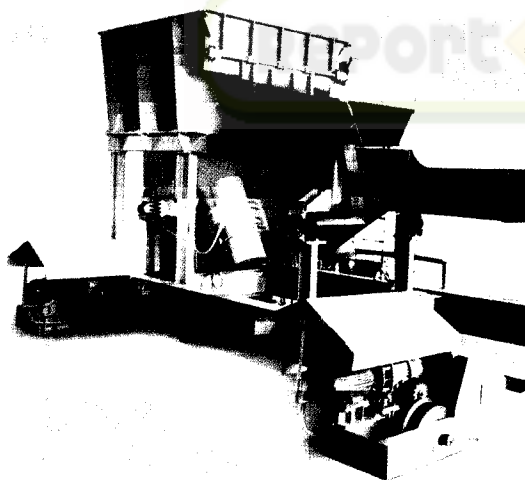
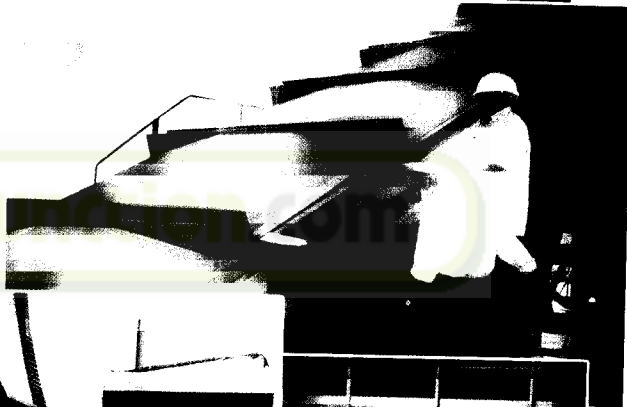
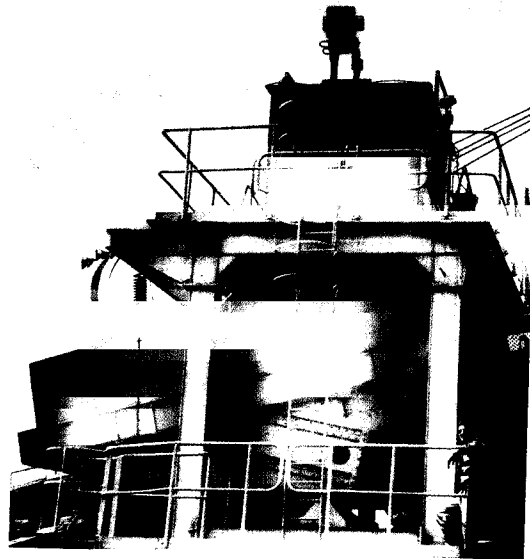


IC International Combustion (India) Limited

Acknowledged Leadership in Technology

International Combustion has maintained its position in the forefront of technology. License Agreements with world leaders, such as Danfoss Bauer, Mogensen, Gummi Kuper from Germany, IMS from South Africa and Ecutech, Spain, have ensured manufacture of premium quality equipment and set quality standards in many fields of application.

Today the Company serves all the major core industries with a product range that includes Gear Drive systems, Vibratory Equipment, Grinding / Classifying / Drying systems, Polymer screen decks and liners, and specialised equipment for Bulk Material Handling.





Board of Directors

S. Bagaria *Chairman*
 I. Sen *Managing Director*
 S. Saha *Executive Director*
(Wholetime Director)
 R. L. Gaggar
 S. Ray
 P. K. Mallik

Remuneration Committee

R. L. Gaggar *Chairman*
 S. Ray
 P. K. Mallik

Share Transfer/Shareholders' Grievance Committee

S. Bagaria *Chairman*
 I. Sen *Member*
 S. Ray *Member*

Vice President (Finance) & Secretary

S. C. Saha

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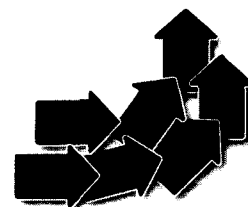


FIVE YEARS' FINANCIAL STATISTICS

	(Rs. in lacs)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Operating Results					
Sales	2357	2325	2541	3086	4588
Other Income	58	54	115	78	54
Total Income	2415	2379	2656	3164	4642
Profit before Interest & Tax (PBIT)	162	254	251	327	437
Interest	227	244	141	171	120
Profit before Tax	(65)	10	110	156	317
Profit after Tax	(65)	12	23	91	220
Dividends	-	-	-	22	54
Tax on Dividend	-	-	-	2	7
Retained Profit	-	12	23	67	159
Net Assets Employed					
Net Fixed Assets	1709	1606	1447	1360	1297
Net Current Assets	2022	2064	1979	1991	1720
Net Assets Employed	3731	3670	3426	3351	3017
Financed by					
Shareholders' Fund	2280	2172	2183	2220	2351
Borrowings	1451	1498	1243	1131	666
Funds Employed	3731	3670	3426	3351	3017
Ratios					
PBIT to Sales (%)	6.9	10.9	9.9	10.6	9.5
Earnings per Share	Nil	0.54	1.05	4.23	10.16
Dividend per Equity Share	Nil	Nil	Nil	1.00	2.50
Net Worth per Share (Rs)	105.54	100.54	101.05	102.76	108.83
Debt : Equity	0.64:1	0.69:1	0.57:1	0.51:1	0.28:1



DIRECTORS' REPORT



TO THE MEMBERS,

Your Directors have pleasure in presenting the Sixty-ninth Annual Report together with Audited Accounts of the Company for the financial year ended 31st March, 2005.

FINANCIAL HIGHLIGHTS

		2004-2005	(Rs in lacs)	
			2003-2004	
Profit before Depreciation, Interest and Tax		535.21	421.39	
Less : Interest	120.22		170.64	
Depreciation	98.34	218.56	94.63	265.27
Profit before Tax		316.65	156.12	
Less : Provision for Income Tax –				
Current Tax	59.16		12.00	
Deferred Tax	37.92		46.88	
Tax for earlier years	–	97.08	5.80	64.68
Profit after Tax		219.57	91.44	
Add : Profit brought forward from last year		98.95	34.45	
Transfer from Debenture Redemption Reserve		–	48.23	
Profit available for Appropriations		318.52	174.12	
Appropriations :				
Transfer to General Reserve		172.00	50.80	
Proposed Dividend		54.01	21.60	
Tax on Proposed Dividend		7.11	2.77	
Balance carried forward		85.40	98.95	
		318.52	174.12	

DIVIDEND

Your Directors are pleased to recommend a dividend of 25% (Rs 2.50 per Equity Share) for the financial year ended 31st March, 2005. The dividend, if approved at the forthcoming Annual General Meeting will absorb Rs 54.01 lacs to be paid wholly out of the profits of the Company for the year under review.

OPERATIONS

For the year under review the turnover of your Company has increased by 49% to Rs. 4588 lacs as compared to Rs. 3086 lacs of last year. The profit for the year also increased by over 103% to Rs. 317 lacs as compared to Rs.156 lacs of the previous year.

The unpredictable increase in the price of steel, cast iron and other input raw materials did affect the performance of the Company last year and continues to be an issue of concern for your Company. Necessary steps are being taken by your Company in this regard. For the current year the market demand for machinery and other equipment manufactured by your Company is continuing to grow strongly and your Directors are confident of further improvement in the performance.



DIRECTORS' REPORT (Contd.)

FUTURE PROSPECT

Your Company has entered into a new licensing agreement with Danfoss Bauer GmbH, Germany, for manufacture of B-2000 series, their current generation of Geared Motors & Gear Boxes. Your Company expects major growth in the Geared motor business on introduction of these state-of-art products in India and neighbouring countries. These equipment have strong global presence in Steel Industry, Automobile Industry, Beverage Industry, Material Handling Systems and various other industries.

The Company has also entered into a license agreement with Ecotec, Spain, for manufacture of Microfine Classifiers. The manufacture is expected to commence in the current year.

The operations of Rubber & Polyurethane Division, which was suspended for some time, has commenced during the year and the Unit is presently manufacturing Modular Screen Decks with the technology from Gummi Küper GmbH, Germany.

INDUSTRIAL RELATIONS

As informed earlier the operation of Santoshpur Unit has been closed and all employees have been paid their dues. The industrial relations at all other units have been satisfactory.

CONSERVATION OF ENERGY

The Company has been continuing with the study of identifying the areas for energy savings. Due to better utilisation of power as well as optimisation of fuel consumption there has been substantial savings in the power & fuel expenditure in relation to the increased volume of business.

TECHNOLOGY AND FOREIGN EXCHANGE

Information relating to Technology Absorption, Foreign Exchange Earnings and Outgo required to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are set out in Annexure I forming part of this Report.

PARTICULARS OF EMPLOYEES

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, are given in Annexure II to this Report.

CORPORATE GOVERNANCE

Your Company is committed to Corporate Governance. Although it has not yet been mandatory for your Company to comply with the norms of Corporate Governance in terms of Clause 49 of the Listing Agreement, your Directors have already taken steps for gradual implementation of the same. Accordingly, certain information on Corporate Governance have been provided in Annexure III to this Report by way of monitoring of your Company's efforts in this direction.

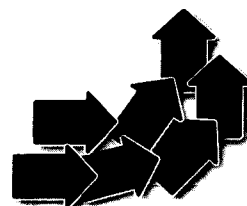
DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed by the Company.
- (ii) appropriate accounting policies have been selected and applied consistently and such judgements and



DIRECTORS' REPORT (Contd.)



estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2005 and of the profit of the Company for the year ended on that date;

- (iii) proper and sufficient care has been taken 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
- (iv) the annual accounts have been prepared on a going concern basis.

AUDITORS' REPORT

In reply to the observations made by the Auditors in para 2 of their Report on certain Loans, Advances and Debtor's balances which have become overdue for payment, your Directors have to state that suitable steps including legal actions have been taken by the Company for recovery of such outstanding dues as explained in note 9(a) & (c) of the Notes on Accounts in Schedule 16(B).

DIRECTORS

Mr. Sukhendu Ray retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

Mr. A.K. Ghose resigned with effect from November 1, 2004. The Board placed on record its appreciation of the continued assistance and guidance extended by Mr. Ghose during his long association with the Company.

Mr. P.K. Mallik was appointed as Director in the casual vacancy caused by the resignation of Mr. A.K. Ghose and shall hold office upto the forthcoming Annual General Meeting in terms of Section 262 of the Companies Act, 1956. A notice has been received from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Mallik as Director of the Company at the ensuing Annual General Meeting.

AUDITORS

The Auditors of the Company - M/s Lodha & Company, Chartered Accountants retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the continued co-operation and support extended to the Company by the Company's Bankers – UCO Bank and UTI Bank. Your Directors also place on record their deep appreciation of the dedicated work put in by the employees at all levels to achieve the turnaround in the performance of your Company.

Your Directors also take this opportunity to record their gratitude to you – the shareholders of the Company for unstinted support and for the confidence reposed in the Company.

Date : 16th June 2005
Place : Kolkata

On behalf of the Board
S. Bagaria
Chairman



ANNEXURE TO DIRECTORS' REPORT - I

TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

A. TECHNOLOGY ABSORPTION :

I. Research & Development (R&D)

i) Specific Areas :

The Company continues its Research & Development activities in the area of quality upgradation and product development.

ii) Benefits derived :

Quality upgradation and product development created a competitive edge with respect to enhancement of performance in domestic as well as export market.

iii) Future plan of action :

The Company has plan to continue its programme of upgrading its technology in collaboration with its overseas technology partners for more value addition to its existing range of products.

iv) Expenditure on R&D :

Expense heads	(Rs. In lacs)
a) Capital	-
b) Recurring	31.08
c) Total	<u>31.08</u>
d) Total R&D expenditure as a percentage of total turnover	<u>0.68%</u>

II. Technology Absorption, Adaptation and Innovation

i) Efforts made :

Successful absorption of foreign technologies for manufacture of various equipments and constant research and development activities are assimilated to upgrade the equipments manufactured by the Company.

ii) Benefits derived :

Benefits are derived through enhanced technology absorption in the area of product development and product quality improvement leading to customer satisfaction.

iii) Imported Technology :

Technology imported	Year of Import	Has technology been fully absorbed?	If not absorbed, areas when this has not taken place, reasons thereof & future plans of action
Air classifiers for fine products - ALPHA 200	2004	Yes	N.A.
B-2000 Series of Gear Box & Geared Motor	2005	No	Under implementation

B. FOREIGN EXCHANGE EARNINGS & OUTGO

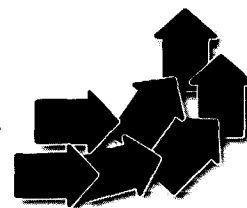
The information on foreign exchange earnings and outgo are contained in Note Nos. (20), (19) & (21) of Schedule 16(B) of Notes on Accounts.

Kolkata
the 16th June 2005

On behalf of the Board
S. Bagaria
Chairman



ANNEXURE TO DIRECTORS' REPORT - II



PARTICULARS OF EMPLOYEES

Employed throughout the year

Name	Age (Years) Last Birthday	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commence- ment of Employment	Last Employ- ment
Sen I.	65	Managing Director	29,69,138	B.E. (Mech.)	43	14.12.1971	Hooghly Docking & Engg. Co. Ltd.

Notes :

1. Remuneration includes, inter alia, leave travel assistance, reimbursement of medical expenses, Company's contribution to Provident & Superannuation Funds, wherever applicable. In addition to the above remuneration, the employees are entitled to Gratuity etc. in accordance with the Company's Rules.
2. Nature of employment is contractual.
3. No employee who receives remuneration exceeding Rs 2,00,000/- per month was in the employment of the Company for a part of the year.

Kolkata
the 16th June 2005

On behalf of the Board
S. Bagaria
Chairman



ANNEXURE TO DIRECTORS' REPORT - III

A. CORPORATE GOVERNANCE :

Some aspects of Corporate Governance are appended below for information of the members :

a) Board of Directors :

The Board of the Company comprises of 2 (two) Executive Directors - Managing Director and Executive Director (Wholetime Director) and 4 (four) non-executive Directors. The Chairman of the Board is a non-executive Director. During the financial year under review 8 (eight) Board Meetings were held and all such meetings have been well attended.

b) Board Committees :

(i) Share Transfer/Shareholders' Grievance Committee

The Share Transfer Committee have been reconstituted by the Board of Directors and renamed as "Share Transfer & Shareholders' Grievance Committee" to oversee and ensure that the shareholders' and the investors' grievances in relation to transfer of shares, non receipt of Annual Report, etc., are attended, promptly and properly. The Committee comprises of 3 (three) Directors, i.e. Mr. Sanjay Bagaria - Chairman, Mr. Indrajit Sen - Managing Director and Mr. Sukhendu Ray - Non-executive Director. During the year under review the Committee has met 12 times and all the members of the committee were present at all the meetings.

(ii) Remuneration Committee

The Board of Directors during the year under review has constituted a Remuneration Committee consisting of 3 (three) independent Non-executive Directors. Mr. P.K. Mallik was inducted on the Committee w.e.f. 29th November, 2004 in place of Mr. A.K. Ghose, who resigned. This Committee has been constituted to recommend/determine the remuneration package of the Managing Director, Wholetime Director and Sr. managerial personnel based on performance and defined criteria in consonance with the existing industrial practice.

During the year 2004-05 the Committee met once and all the members of the Committee who are independent Non-executive Directors were present at the said meeting.

c) Details of Directors' Remuneration for the year ended 31st March, 2005

Name	Salary Rs.	Perquisites Rs.	Retirement Benefits Rs.	Sitting Fees Rs.	Total Rs.
i) Executive Directors :					
Mr. I Sen Managing Director	13,20,000	13,19,138	3,30,000	-	29,69,138
Mr. S. Saha Executive Director (Wholetime Director)	7,80,000	7,63,082	1,95,000	-	17,38,082
					47,07,220
ii) Non-Executive Directors :					
Mr. S. Bagaria	-	-	-	40,000	
Mr. R.L. Gaggar	-	-	-	16,000	
Mr. A.K. Ghose	-	-	-	28,000	
Mr. S. Ray	-	-	-	24,000	
Mr. P.K. Mallik	-	-	-	4,000	1,12,000
					48,19,220