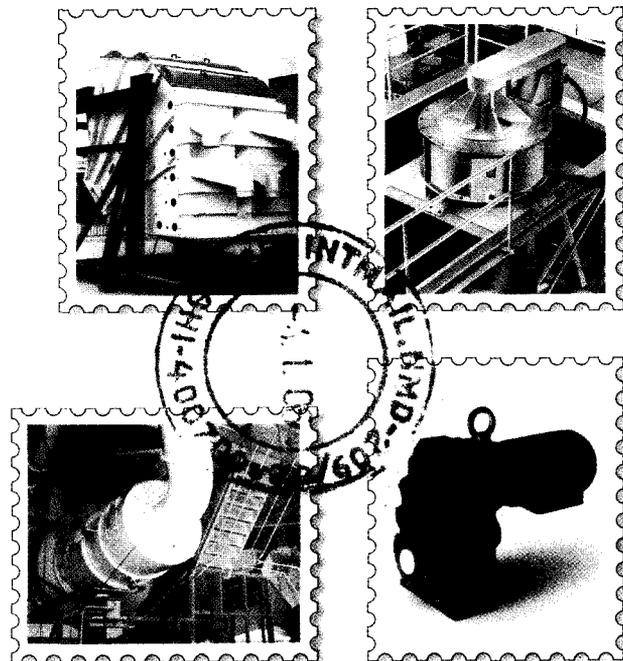


ANNUAL REPORT 2 0 0 5 - 2 0 0 6



The stamp of quality



IC International Combustion (India) Limited



CORPORATE INFORMATION

Board of Directors

S. Bagaria *Chairman*
 I. Sen *Managing Director*
 S. Saha *Executive Director*
 (Wholetime Director)

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

Board Committees

Share Transfer/Shareholders' Grievance Committee

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

Remuneration Committee

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

Finance Committee

S. Bagaria *Chairman*
 I. Sen
 S. Saha

Vice President (Finance) & Secretary

S. C. Saha

Auditors

Lodha & Co.
Chartered Accountants

Compliance Officer

S. C. Saha

Bankers

UCO Bank
 UTI Bank

Registered Office

107/1 Park Street,
 Kolkata 700 016
 Telephone : 2226-6508/1732/1734/1729
 Fax : (033) 2249-3713
 Email : intcomc2@giascl01.vsnl.net.in

Contents

	Page No.
Five Years' Financial Statistics	2
Directors' Report	3-5
Annexure to Directors' Report	6-12
Auditors' Report	13-15
Balance Sheet	16
Profit and Loss Account	17
Cash Flow Statement	18
Schedules to the Balance Sheet	19-22
Schedules to the Profit and Loss Account	23
Accounting Policies	24-25
Notes on Accounts	26-31
Balance Sheet Abstract	32



FIVE YEARS' FINANCIAL STATISTICS

(Rs. in lacs)

	2001-02	2002-03	2003-04	2004-05	2005-06
OPERATING RESULTS					
Sales	2325	2541	3086	4588	6684
Other Income	54	115	78	54	60
Total Income	2379	2656	3164	4642	6744
Profit before Interest & Tax (PBIT)	254	251	327	437	979
Interest	244	141	171	120	74
Profit before Tax	10	110	156	317	905
Profit after Tax	12	23	91	220	575
Dividends	—	—	22	54	109
Tax on Dividend	—	—	2	7	15
Retained Profit	12	23	67	159	451
NET ASSETS EMPLOYED					
Net Fixed Assets	1606	1447	1360	1297	1557
Net Current Assets	2064	1979	1991	1985	1945
Net Assets Employed	3670	3426	3351	3282	3502
Financed by					
Shareholders' Fund	2172	2183	2220	2351	2983
Borrowings	1498	1243	1131	931	519
Funds Employed	3670	3426	3351	3282	3502
RATIOS					
PBIT TO Sales (%)	10.9	9.9	10.6	9.5	14.6
Earnings per Share					
Basic	0.54	1.05	4.23	10.16	26.31
Diluted	0.54	1.05	4.23	10.16	25.74
Dividend per Equity Share	Nil	Nil	1.00	2.50	5.00
Net Worth per Share (Rs.)	100.54	101.05	102.76	108.83	136.57
Debt : Equity	0.69:1	0.57:1	0.51:1	0.40:1	0.17:1

Previous years' figures have been re-arranged and re-grouped wherever necessary



DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Seventieth Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2006 :

FINANCIAL HIGHLIGHTS

			(Rs. in lacs)	
			2005-06	2004-05
Profit before Depreciation, Interest and Tax			1171.31	535.21
Less : Interest	74.22			120.22
Depreciation	191.76	265.98	98.34	218.56
Profit before Tax			905.33	316.65
Less : Provision for Income Tax				
Current Tax	334.62			59.16
Deferred Tax/ (reversed)	(30.49)			37.92
Fringe Benefit Tax	26.59	330.72	—	97.08
Profit after Tax			574.61	219.57
Profit brought forward from last year			85.40	98.95
Profit available for Appropriations			660.01	318.52
Appropriation to :				
General Reserve			375.00	172.00
Proposed Dividend			109.22	54.01
Tax on Proposed Dividend			15.32	7.11
Balance carried over to Balance Sheet			160.47	85.40
			660.01	318.52

DIVIDEND

Your Directors are pleased to recommend a dividend of 50% on the paid up capital of the Company (Rs. 5.00 per equity share) for the financial year ended 31st March, 2006 as against 25% declared for the previous year. The dividend, if approved at the forthcoming Annual General Meeting will absorb Rs. 109.22 lacs to be paid wholly out of the profits of the Company for the year under review. Dividend on equity shares issued on conversion of warrants during the year ended 31st March, 2006, shall be paid on a pro-rata basis from the date of issue of those shares.

OPERATIONS

For the year under review the turnover of your Company has increased by 46% to Rs. 6684 lacs as compared to Rs. 4588 lacs of last year. The profit before tax for the year has also increased by 185% to Rs. 905 lacs as compared to Rs. 317 lacs of the previous year. Profit after tax for the year has also gone up by 161% to Rs. 575 lacs from Rs. 220 lacs of the previous year.

Your Directors are pleased to report that the market demand for the equipments manufactured by your Company is on an encouraging growth-path, which is expected to take your Company to a new height.



DIRECTORS' REPORT (Contd.)

FUTURE PROSPECT

As reported earlier your Company has started manufacturing B2000 series of Geared Motors and Gear Boxes under licence from Danfoss Bauer GmbH, Germany. Your Directors are pleased to inform you that these state-of-art products have received excellent response from the Indian market and the Company expects major growth in business in both domestic and export markets for these products. To meet this future demand, an expansion programme has been initiated by the Company for augmenting the manufacturing capacity of the Gear Box/Geared Motor Division. The Company is also upgrading the manufacturing capacity of the Heavy Engineering Division. The manufacture of Microfine Classifiers under licence from Ecotec, Spain, has started. This product also has a strong market potential and is expected to make a major contribution in the future years.

SHARE ISSUE

Out of 2,30,000 warrants issued on preferential basis to the promoters' group, 1,12,000 warrants have been converted into equivalent number of fully paid equity shares of Rs. 10/- each at a premium of Rs. 168/- per equity share on 13th January, 2006, thereby enhancing the share capital of the Company to Rs. 2,27,22,760/-.

Fund raised from the above issue of equity shares has been utilized towards capital expenditure for existing operations and also to meet the working capital requirements of the Company.

PUBLIC DEPOSIT

The total amount deposited with the Company as on 31st March, 2006 did not include any unclaimed matured deposit.

INDUSTRIAL RELATIONS

Industrial Relations at all units of the Company have remained satisfactory during the year.

CONSERVATION OF ENERGY

The Company is conscious about the need for conservation of energy and has taken necessary steps for optimum utilization of energy.

TECHNOLOGY AND FOREIGN EXCHANGE

In terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the particulars in respect of :-

- a) Technology Absorption and
 - b) Foreign Exchange Earnings and Outgo
- 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

In terms of the Clause 49 of the Listing Agreement with the Stock Exchanges, your Company is now coming within the purview of the Corporate Governance. While some of the norms of the Corporate Governance have already been complied with, steps are being taken to ensure that the remaining norms of Corporate Governance are also implemented shortly.



DIRECTORS' REPORT (Contd.)

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 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, 2006 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

The observations made by the Auditors in Para 2 of their Report about the eventual shortfall in the value of certain loans and debtors' outstanding, your Directors state that suitable steps including legal actions have already been taken by the Company as explained in item no. 10 of Notes on Accounts in Schedule 16(B).

DIRECTORS

Mr. I. Sen was appointed as Managing Director for a period of three years with effect from 1st April, 2004. Before the expiry of his term, the Board of Directors of the Company, reappointed Mr. I. Sen as Managing Director for a period of three years with effect from 1st May, 2006, subject to shareholders' approval at the forthcoming Annual General Meeting. Your Directors seek your approval to the aforesaid reappointment of and remuneration payable to Mr. I. Sen as Managing Director.

Mr. S. Saha was appointed as Executive Director (Wholetime Director) for a period of five years with effect from 16th November, 2001. Before the expiry of his term, the Board of Directors of the Company reappointed Mr. S. Saha as Executive Director (Wholetime Director) for a fresh term of three years with effect from 1st May, 2006, subject to shareholders' approval at the forthcoming Annual General Meeting. Your Directors seek your approval to the aforesaid reappointment of and remuneration payable to Mr. S. Saha, during the tenure of his office as Executive Director (Wholetime Director).

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

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 appreciation for the effort and commitment of the employees at all levels in achieving this improved performance of the Company. The Directors also place on record their appreciation to the shareholders, bankers and others associated with the operations of the Company for their unstinted support.

On behalf of the Board

Kolkata
the 28th June, 2006

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 :

Research & Development activities have been focused on efficiency and quality of the equipments manufactured by the Company.

ii) Benefits derived :

Achieved quality of higher standard and customer satisfaction.

iii) Future plan of action :

The Company is committed to continue with its programme of upgradation of its products through latest technology available with its collaborators.

iv) Expenditure on R&D :

Expense heads	(Rs. In lacs)
a) Capital	—
b) Recurring	34.74
c) Total	34.74
d) Total R&D expenditure as a percentage of total turnover	0.52 %

II. Technology Absorption, Adaptation and Innovation

i) Efforts made :

The Company has successfully absorbed the technology from its foreign partners for manufacture and upgradation of its various equipments.

ii) Benefits derived :

Improved quality and value added products resulted in customer satisfaction which in turn reflected in the higher volume of order intake.

iii) 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
Air classifiers for fine products ALPHA 200	2004	Yes	N. A.
B 2000 Series of Gear Box & Geared Motor	2005	Yes	N. A.

B. FOREIGN EXCHANGE EARNINGS & OUTGO

The information on foreign exchange earnings are contained in Note no. (22), while outgo has been shown in notes (20), (21) & (23) of Schedule 16(B) of Notes on Accounts.

Kolkata
the 28th June 2006

On behalf of the Board

S. Bagaria
Chairman



ANNEXURE TO DIRECTORS' REPORT - II

PARTICULARS OF EMPLOYEES

Employed throughout the year

Name	Age Last Birthday (Years)	Designation & Nature of Duties	Remuneration (Rs.)	Qualification	Experience (Years)	Date of Commencement of Employment	Last Employment
Sen I.	66	Managing Director	29,57,880	B.E. (Mech.)	44	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 receive remuneration exceeding Rs. 2,00,000/- per month was in the employment of the Company for a part of the year.



Kolkata
the 28th June 2006

On behalf of the Board

S. Bagaria
Chairman



ANNEXURE TO DIRECTORS' REPORT - III

A. CORPORATE GOVERNANCE :

Some aspects of Corporate Governance related to the year 2005-06 are appended below as a step towards implementation of the same in the current year :

(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. The Company did not have any pecuniary relationship or transactions with the Non-Executive Directors during the period under review.

During the year, 12 (twelve) Board Meetings were held on 19.04.05, 16.06.05 (2 Nos.), 29.07.05, 03.08.05, 02.09.05, 25.10.05, 03.11.05, 20.12.05, 13.01.06, 30.01.06 & 17.03.06. All such meetings have been attended by all Directors excepting Mr. R. L. Gaggar and Mr. S. Ray who attended 10 (ten) meetings each. All the Directors attended the last Annual General Meeting held on 2nd September 2005.

(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 to promptly and properly. The Committee comprises 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 14 times and all the members of the committee were present at all the meetings barring one meeting which Mr. Sukhendu Ray could not attend.

The Company did not have any investors' complaint at the beginning of the year 2005-2006. During the year 6 (six) complaints were received which have been duly resolved.

(ii) Remuneration Committee

The Board of Directors has constituted a Remuneration Committee consisting of 3 (three) Non-executive independent Directors, Mr. R. L. Gaggar (Chairman), Mr. Sukhendu Ray and Mr. P. K. Mallik. This Committee has been constituted to recommend/determine the remuneration package of the Managing Director and the Wholetime Director based on performance and defined criteria in consonance with the existing industrial practice. The Committee met last on 28th April 2006 and all the members of the Committee were present at the said meeting.

(iii) Finance Committee

Finance Committee was reconstituted on 27th August, 2004 primarily to make borrowings or investments within the delegated limits between any two Board meetings. No meeting of this Committee was held during the year.



ANNEXURE TO DIRECTORS' REPORT - III (Contd.)

(c) Details of Directors' Remuneration for the year ended 31st March, 2006

Name	Salary Rs.	Perquisites Rs.	Retirement Benefits Rs.	*Sitting Fees Rs.	Total Rs.
i) Executive Director: Mr. I. Sen Managing Director	13,20,000	13,07,880	3,30,000	—	29,57,880
Mr. S. Saha Executive Director (Wholetime Director)	7,80,000	7,79,013	1,95,000	—	17,54,013
					47,11,893
ii) Non-Executive Directors: Mr. S. Bagaria	—	—	—	64,000	
Mr. R. L. Gaggar	—	—	—	26,000	
Mr. S. Ray	—	—	—	58,000	
Mr. P. K. Mallik	—	—	—	30,000	1,78,000
					48,89,893

* Remuneration by way of sitting fees for attending Board Meetings and Committee Meetings are paid to Non-Executive Directors. Such fees have been increased from Rs.2,000/- to Rs.5,000/- for attending each Board / Committee Meeting on and from 30th January 2006.

(d) General Body Meetings :

The last three Annual General Meetings of the Company were held as under :

Financial Year	Date	Time	Location
2004-2005	02.09.2005	3.30 PM	Kala Kunj 48, Shakespeare Sarani, Kolkata 700 017
2003-2004	27.08.2004	3.30 PM	Kala Kunj 48, Shakespeare Sarani, Kolkata 700 017
2002-2003	29.08.2003	3.30 PM	Park Hotel 17, Park Street Kolkata 700 016

B. GENERAL SHAREHOLDERS' INFORMATION :

(a) Annual General Meeting

70th Annual General Meeting

Date : 1st September, 2006

Time : 3.30 pm

Venue : Kalakunj, 48, Shakespeare Sarani, Kolkata – 700 017.