

16th ANNUAL REPORT 2005 - 2006

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AKZO NOBEL CHEMICALS (INDIA) LIMITED





PROFILE

Akzo Nobel, N.V. is a multinational company that serves customers around the world with healthcare products, coatings and chemicals. Headquartered in the Netherlands, the

company has subsidiaries in more than 80 countries which employed almost 61,000 people. Total Sales in 2005 were EUR 13.0 billion.

COMPANY STATEMENT

OUR COMPANY

Akzo Nobel is a multicultural company. We are market driven and technology based, serving customers throughout the world with healthcare products, coatings and chemicals.

Akzo Nobel conducts its diversified activities through business units, which report directly to the Board of Management.

We maintain a product portfolio with leading positions in important market segments.

OUR PEOPLE

Akzo Nobel regards peoples as its most important resource. We foster leadership, individual accountability and teamwork.

Our employees are professionals whose entrepreneurial behaviour is result oriented and guided by personal integrity. They strive for the success of their own units in the interest of Akzo Nobel as a global company.

In return, our employees can count on opportunities for individual and professional development in an international working environment.

We offer them rewarding and challenging assignments with room for initiative

OUR COMMITMENTS

We will focus our efforts on the success of our customers. We will provide competitive returns on our shareholders' investments.

We will create an attractive working environment for our employees.

We will conduct our activities in a socially responsible manner.

OUR AMBITION

To be the first choice of customers, shareholders, and employees, and to be a respected member of society.



Sixteenth Annual Report 2005-2006

AKZO NOBEL CHEMICALS (INDIA) LIMITED

BOARD OF DIRECTORS

Mr. R E Margevich

Mr. B Stuu

Mr. H Aldenhoven

Mr. D Y Gaitonde

Mr. A S Dalal

PRESIDENT & MANAGER

Mr. S K Kulkarni

Asst. Company Secretary

Ms. K A Kakade

AUDITORS

M/s. BSR & Co

BANKERS

ABN Amro Bank N.V.

State Bank of India

HDFC Bank Limited

Registered Office

501-502, 5th Floor, San Mahu Complex,

5, Bund Garden Road, Opp. Poona Club,

Pune – 411001

Tel.: 020-26125822

Share Transfer Agent

M C S Limited

116/118, Akshay Complex,

Off Dhole Patil Road, Pune - 411001

Tel.: 020-26129597

Factory

C-61(Part), E 19/20, MIDC, Industrial Area, Mahad, Dist- Raigad – 402301. Tel : 02145-232153

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Shareholders of **AKZO NOBEL CHEMICALS (INDIA) LIMITED** will be held at the Registered Office of the Company at 501-502, 5th Floor, San Mahu Complex, 5, Bund Garden Road, Opp. Poona Club, Pune - 411001 on Monday 25th day of September, 2006 at 11.00 A.M. to transact the following business:

1. To consider and adopt the Reports of the Auditors and Directors and the Audited Statements of Accounts for the year ended 31st March, 2006.
2. To appoint a Director in place of Mr. Heinrich Aldenhoven who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Berend Stuut who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

By Order of the Board,

Place : Mumbai

Ms. Kanchan Kakade

Date : 2nd August 2006

Asst. Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ABOVE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Register of Members of the Company will remain closed from Monday the 18th day of September 2006 to Monday the 25th day of September 2006 both days inclusive.
3. Members desirous of getting any information about the accounts and operation of the Company are requested to address their query to the Secretary at the Registered Office well in advance so that the same may reach her at least seven days before the date of the Meeting to enable the Management to keep the required information readily available at the Meeting.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividend for the financial year 1998-99 and thereafter which remain unclaimed for a period of 7 (Seven) years will be transferred to the Investor Education and Protection Fund.
It may kindly be noted that no claim shall lie in respect of unclaimed dividend, which is transferred to the Investor Education and Protection Fund as above.
5. Members who are holding shares in identical order of names in more than one folios, are requested to write to the Company to consolidate their holdings in one folio.
6. Members are requested to notify change in address, if any, immediately to the Company at its Registered Office quoting their folio numbers.

DIRECTORS' REPORT**FOR THE YEAR ENDED 31st MARCH, 2006**

Dear Shareholders,

We have pleasure in presenting the 16th Annual Report and the Audited Statements of Accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS

	This Year (Rupees in Thousand)	Previous Year (Rupees in Thousand)
Turnover	578243	448772
Other Income	49315	37678
Gross Profit	230837	157065
Less : Depreciation	12679	34268
Less : Provision for Taxation	75410	52880
Less : Deferred Tax Credit	(2168)	(7592)
Less : Fringe Benefit Tax	940	Nil
Net Profit	143976	77509

Add :

Balance brought forward from previous year	463702	386193
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Balance carried forward to next year	607678	463702
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DIVIDEND

In order to conserve the reserve position of the Company, dividend has not been recommended for the year ended 31st March 2006.

COURSE OF BUSINESS

The performance of your Company for the year 2005-06 was good. Net Sales increased by 28.85% compared to previous year due to higher exports.

Profit before Tax is higher by 77.66% compared to the previous year due to increase in Sales and reduction in the Depreciation Cost. Net Profit after Tax is Rs. 143.976 Millions. Plant operations were safe and there was no lost time incident. Also, production efficiency was better and expenses of the Company were under control.

We acknowledge the valuable contribution of Akzo Nobel Chemicals International B. V. through continued technological assistance.

ORGANISATION AND HUMAN RESOURCES

Employees are fully involved in accomplishing the vision of the Company, which states 'Significantly Grow the Business by being Low Cost Producer, Market Leader and

Global Player'.

Our employees conduct business activities with a spirited enthusiasm to achieve global standards.

Our employees are motivated and perform with excellent teamwork.

SAFETY, HEALTH AND ENVIRONMENT

Safety, Health and Environment remain our top priority. Awareness training is regularly imparted to employees on Fire Fighting, First Aid and On-Site Emergency Plan. Statutory Rules and Regulations for Safety, Health and Environment are strictly observed.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information regarding Energy conservation measures, 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 a separate statement attached hereto and forming a part of the Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made 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 profit or loss of the Company for the financial year ended on that date;
- 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;
- the Annual Accounts have been prepared on a going concern basis.



DIRECTORS

In accordance with the Articles of Association of the Company, Mr. H. Aldenhoven and Mr. Ben Stuit retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

M/s. BSR & Co., Chartered Accountants, Mumbai, the Statutory Auditors of the Company will retire from the office of the Auditors and being eligible offer themselves for reappointment. Their remuneration for the current year is to be fixed by you.

GENERAL

Information regarding employees in accordance with Section 217(2A) of the Companies Act, 1956 is given in the Annexure to this Report.

APPRECIATION

Your Directors wish to acknowledge and thank the Central and State Governments, Bankers and Shareholders for continual support extended to the Company for better performance.

Dinanath Gaitonde
Ashish Dalal
Directors

Mumbai
2nd August 2006

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ANNEXURE TO THE DIRECTORS' REPORT

(Additional information given in terms of Notification 1029 of 31.12.1988 issued by the Department of Company Affairs)

A. CONSERVATION OF ENERGY

- (a) Energy Conservation measures taken:

Various energy saving measures have been taken in plant and office building to save energy. Also more emphasis was given to increase the awareness throughout the organisation towards best energy saving practices.

- (b) Additional investment and proposals, if any, being implemented for saving of energy: Nil

- (c) As an effect of the above measures taken, there shall be a saving in power cost of the Company.

B. TECHNOLOGY ABSORPTION

- (a) Research & Development

(1) Specific areas in which R & D is carried out by the Company : NIL

(2) Benefits derived as a result of the above R & D : NIL

(3) Future plan of action : NIL

(4) Expenditure on R & D : NIL

- (b) Technology Absorption, Adaptation, Innovation

- (1) Efforts towards technology absorption, adaptation and innovation:

Process optimisation trials were taken which have shown promising results. These optimisations need to be finalised and approved by Technology Department in Deventer. This will result into reduction of process effluent, improving cycle times and saving in raw materials.

- (2) Benefits derived as a result of above efforts:

Above efforts have resulted in increase in yield, reaction efficiency, reduction of batch times and cost reduction.

INFORMATION ON IMPORTED TECHNOLOGY

(Imported during the last 5 years from the beginning of the financial year)

- (a) Technology Imported

- (b) Year of import

- (c) Technology absorption

NIL

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C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Notes on Accounts.

Mumbai
2nd August 2006

Dinanath Gaitonde
Ashish Dalal
Directors