



AkzoNobel

Tomorrow's Answers Today

ICI India Limited

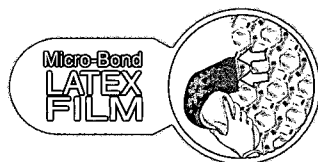
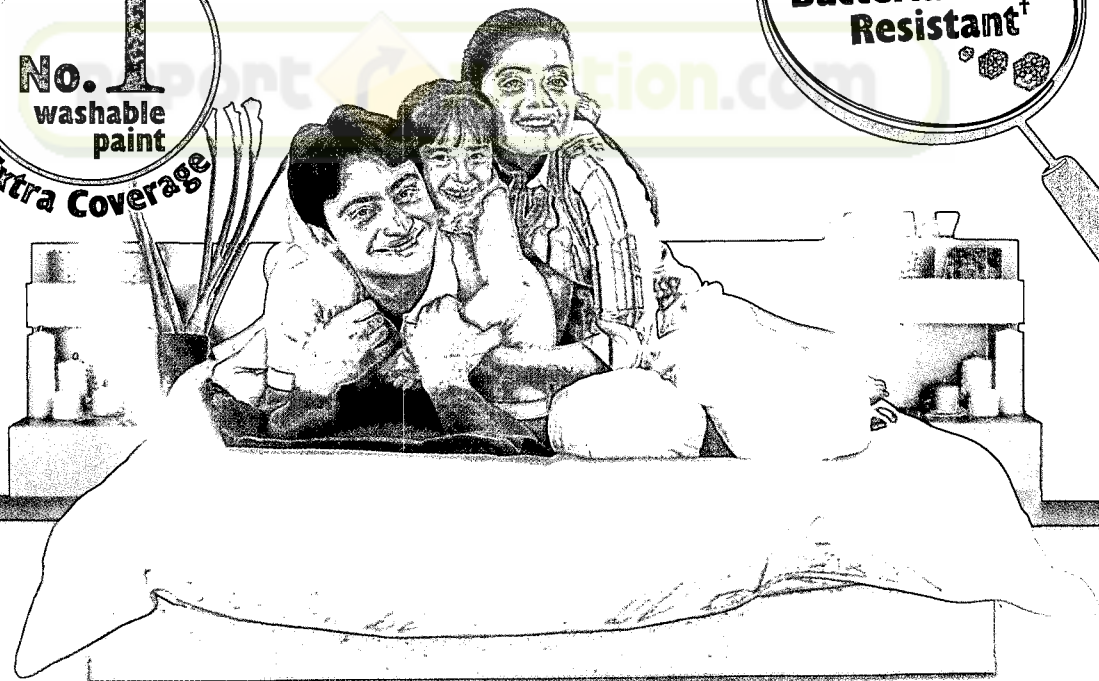
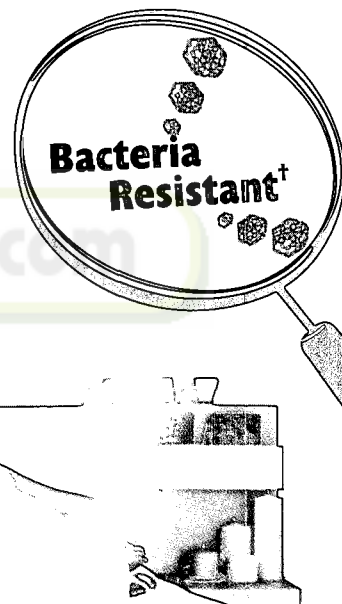
An AkzoNobel Company

ANNUAL REPORT

Dulux®

3in1 acrylic emulsion paint
StayClean, StayHealthy

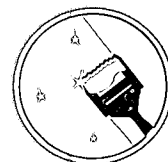
The washable paint that protects
your family from bacteria



Stain-resistant



Bacteria[†] & Fungus
resistant



Beautiful
finish

Up to **20%** Extra Coverage*



*The No. 1 in terms of stain resistance and washability benchmarked against the Interior Emulsion range of Dulux.
Up to 20% Extra coverage when diluted with 50-60% water as per specified application method as compared to DAE.
[†]Resists harmful bacteria like MRSA, E. Coli and S. Aureus. Lab test conducted by ICI Paints, R & T Team.
Images of bacteria & fungus are for graphic representation only and may be different from actual.

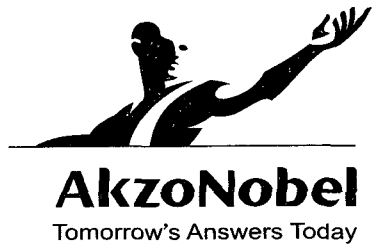

AkzoNobel

Tomorrow's Answers Today

ICI India Limited

Annual Report 2007-08

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Our commitment

As an organization, we are committed to:

- helping our customers make their businesses a success
- providing the most competitive returns for our shareholders
- creating an attractive working environment for our people
- conducting all our activities in the most socially responsible manner.

We strive to be:

- the first choice of customers, shareholders and employees
- a respected member of society.



AkzoNobel

Tomorrow's Answers Today

BOARD OF DIRECTORS

CHAIRMAN

Mr Aditya Narayan

MANAGING DIRECTOR

Mr Rajiv Jain

DIRECTORS

Mr Sandeep Batra (Wholtime Director)

Mr A J Britt (w.e.f. 12 May 2008)

Mr R Gopalakrishnan

Ms R S Karnad

Mr M R Rajaram

Mr A M Ransom (upto 28 April 2008)

Mr M V Subbiah

COMPANY SECRETARY

Mr R Guha

REGISTERED OFFICE

Geetanjali Apartment, 1st floor,

8-B, Middleton Street, Kolkata 700 071

Tel : 033-22267462 Fax: 033-22277925

CORPORATE OFFICE

10th Floor, DLF Plaza Tower

DLF Qutab Enclave, Phase-1

Gurgaon 122 002

Tel : 0124-2540400

Fax : 0124-2540849

WEBSITE

www.iciindia.com

KEY COMMITTEES OF THE BOARD

Audit Committee

Ms R S Karnad (Chairperson)

Mr A J Britt

Mr R Gopalakrishnan

Mr M V Subbiah

Remuneration and Nominations Committee

Mr M V Subbiah (Chairman)

Mr A J Britt

Mr R Gopalakrishnan

Ms R S Karnad

Shareholders/Investors

Grievance Committee

Mr A J Britt (Chairman)

Mr Rajiv Jain

Mr M R Rajaram

AUDITORS

BSR & Associates

BANKERS

Citibank NA

Deutsche Bank AG

HDFC Bank Limited

Hongkong & Shanghai Banking Corpn.

Standard Chartered Bank

State Bank of India

REGISTRAR AND SHARE TRANSFER AGENT

C B Management Services (P) Ltd

P-22, Bondel Road

Kolkata 700 019

Tel : 033-22806692-94

Fax : 033-22870263

Email : cbmsl1@cal2.vsnl.net.in

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report for the year ended 31 March 2008.

BUSINESS ENVIRONMENT

The business environment in India remained positive during 2007-08 with the GDP growing by nearly 9%, keeping up the trend established in the recent years. However the global slowdown, soaring international crude oil prices and spurt in inflation rate in early 2008 dampened the growth momentum.

Going forward, while the growth fundamentals of the Indian economy continue to be intact, the rate of growth in 2008-09 is likely to be tempered compared to the past few years.

FINANCE AND ACCOUNTS

During 2007-08 sales and profit from businesses on a comparable basis grew by 19% and 26% respectively. However, due to changes in the portfolio of businesses, the total income at Rs 964 cr and PBIT from operations at Rs 109 cr were only marginally higher than last year.

Exceptional items during the year amounting to a net charge of Rs 18.7 cr consist mainly of refund of part of the purchase consideration for Advanced Refinish business divested in March 2007, whereas the previous year had an exceptional income of Rs 446 cr from divestments. Consequently, the Profit after tax of Rs 60.2 cr for the year is not comparable with the previous year's corresponding figure of Rs 448.4 cr.

Following its prudent dividend policy, the Board has recommended a dividend of Rs 8.00 per share for the year 2007-08 (previous year: Rs 7.00 per share, plus an additional one off special dividend of Rs 20.00 per share), which will be paid after the approval of the members at the forthcoming Annual General Meeting.

The performance highlights for the year are:

	(Rs cr)	
	2007-08	2006-07
Total income	964.3	954.3
Operating profit	131.1	133.8
Depreciation	(22.5)	(22.5)
Interest	0.5	(2.3)
Profit before tax from operations	109.1	109.0
Dividend from subsidiary company prior to divestment	-	31.1
Exceptional items	(18.7)	446.1
Profit before tax	90.4	586.2
Tax	(30.2)	(137.8)
Profit after tax	60.2	448.4

The appropriations from the profit are as follows:

Balance in Profit & Loss Account brought forward from previous year	472.7
Profit after tax for the year	60.2
Total available for appropriation	532.9

Appropriations

Transfer to General Reserve	(54.0)
Proposed Dividend	(30.7)
Tax on Dividend	(5.2)
Balance carried to Balance Sheet	443.0

No fresh public deposits were accepted by the Company during the year. Unclaimed deposits and unclaimed dividends amounting to Rs 0.18 cr were remitted into the Investor Education and Protection Fund of the Central Government as required under section 205C of the Companies Act, 1956.

SHARE BUY BACK

The share buyback through market operations, which was approved by the members through postal ballot on 12 July 2007, was pursued during the year. Till 31 March 2008, a total of 24.91 lac shares have been bought back, constituting 6.1% of the pre-buyback paid up capital of the Company, at an average price of Rs 528 per share.

The premium paid over the face value of the shares bought back and other costs of the buyback amounting to Rs 131.00 cr have been adjusted against Share Premium (Rs 1.15 cr) and General Reserve (129.85 cr). In addition, as required under the provisions of the Companies Act 1956, a Capital Redemption Reserve has been created to the extent of Rs 2.49 cr by adjustment to the General Reserve.

SIGNIFICANT DEVELOPMENTS

With effect from 2 January 2008, AkzoNobel NV, Netherlands has become the owner of the entire equity capital of Imperial Chemical Industries, UK, the majority shareholder of your Company, through a scheme of arrangement under section 425 of the UK Companies Act, 1985. Consequently, your Company became an AkzoNobel company effective that date.

The Board had, at its meeting held on 28 March 2008, recommended a proposal to divest the Adhesives business of the Company; this has since been approved by the shareholders through postal ballot on 17 May 2008. The initial consideration of Rs 260 cr, including Rs 30 cr towards the Company's shareholding in its subsidiary Polyinks Limited, has been received subject to certain agreed adjustments for cash, debt and working capital. The financial effect of this divestment will be reflected in the Company's results on completion of the transaction.

MANAGEMENT DISCUSSION & ANALYSIS

Paints

Market conditions were, on the whole, good for the Paints business and there was robust demand in most parts of the country. Backed by the strong demand for its products, the Paints business continued to grow aggressively and delivered a much higher performance over the previous year.

DIRECTORS' REPORT

The Paints business initiatives in building the premium Dulux portfolio, placement of in-store tinting machines, innovative and new colour offers and a demand-generation initiative with painters/contractors helped improve the Company's channel relationships whilst achieving higher consumer satisfaction.

In the Decorative segment, exteriors continued to be the fastest growing range and the business further strengthened its portfolio in this category. WeatherShield Max, a premium exterior paints, was renovated to improve its water resistant properties and the new formulation has gained wide acceptance with trade and consumers. The Company now has the full range of products and services in this category and is poised to improve its position.

The Company has also maintained its focus on the interior finishes. New products - low cost Acrylic Distemper, Primer and Putty - were launched in this category. The Enamel segment has been witnessing a slowdown for some years since other materials on signboards, hoarding and the like are replacing the enamel paint. Woodcare is emerging as an attractive opportunity and the business renovated its products to participate in this segment. The Company continues to use its research and development base to bring to the consumer new products with improved features and for special applications.

The refinish business continued to do well. The market continues to witness the trend of customer upgrading from conventional refinish paints to PU based paints. Company's PU based products viz. Eterna, Vektor and Duco PU have found good acceptance with the dealers and users.

Overall, the outlook for 2008-09 appears positive. The government's thrust on infrastructure and continuance of tax incentives on home loans and reduced excise duties will have a favourable impact on the paints industry. However, high crude oil prices and inflation will impact input costs leading to pressure on margins. The increase in interest rates could adversely affect the housing sector. The automobile sector too is expected to grow. While the reduction in excise duties should promote growth, inflation and higher prices could create negative pressures.

Chemicals / Others

The Adhesives, Polymer and Starch businesses performed well with sales growing by 20%. The Adhesives business grew by 19% with good growth in Tobacco and Wood working segments. The Speciality Polymer group also grew by 28% with excellent growth in the Elotex segment. The food and pharmaceutical starch business growth was flat during the year.

With customs duty nearing ASEAN levels, competition will further intensify from imports as well as from low cost players. To effectively counter these factors, the business intensified

its focus on value selling and leveraging its first mover advantage to enhance its market position.

Your Company has entered into a contract with Henkel CAC Private Limited, an affiliate of the Henkel Group, to divest its Adhesives business. In line with the contract, the risk and reward from the Business has been assumed by the purchaser with effect from 3 April 2008.

RESPONSIBLE CARE - SECURITY, SAFETY, HEALTH, ENVIRONMENT ('SSHE') AND CORPORATE SOCIAL RESPONSIBILITY

Your Company continued to sustain its high standards of SSHE performance, returning yet another year with no major injury or incident. Extensive efforts were carried out to drive awareness amongst all employees across the organisation on the basic requirements of SSHE and engaging them personally in the SSHE process through reporting of at least one learning incident per person per month. Recognising that the use of two wheeler is a major risk to the individuals, a new guideline for two wheeler usage was put in place aiming to reduce risks on two wheeler usage in the course of work.

Mohali Plant was awarded the 'Punjab State Safety Award' for its outstanding SSHE performance.

No occupational illness was reported during the year.

CONSERVATION OF ENERGY, RESEARCH, DEVELOPMENT & INNOVATION

The Company's performance on energy and waste reduction continued to improve ahead of targets. 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.

INFORMATION TECHNOLOGY

The SAP system in Paints business was extended to cover more areas of front-end operations like management of Colour Solution Stores equipment, distribution of Point of Sale ('POS') merchandise etc. The SAP system with the added facility to make relevant information available on 'Anytime Anywhere' basis through SMS on the mobile phones and the on-line business tracker, has now been well ingrained in the blood stream of the business. The business also introduced e-payment system for all its vendors to enable direct credit of the amounts to the vendors' bank accounts through electronic banking, thereby dispensing with paper cheques altogether for vendor payment.

Similar initiatives were also pursued by the National Starch business to improve operating efficiencies and internal controls and deliver value to the customers.

HUMAN RESOURCES

Cordial relations with the employees prevailed at all the Company locations during the year. The total number of employees on the rolls of the Company, including its subsidiary, as at 31 March

DIRECTORS' REPORT

2008 was 952. A statement containing the particulars of employees as required under section 217(2A) of the Companies Act, 1956 is given in page 42.

INTERNAL CONTROL SYSTEMS

The Company has an effective Risk Management framework, which helps the Board to monitor the exposure and state of controls in the key business processes. 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 and reports to the Audit Committee of the Board.

During the year there was one instance of defalcation, resulting in a loss of approx Rs 1 lac. Necessary actions have been taken to strengthen the control system to prevent recurrence.

CORPORATE GOVERNANCE

The Company is in due compliance with the norms of Corporate Governance as outlined in clause 49 of the Listing Agreements with National Stock Exchange and Bombay Stock Exchange; **Annexure II** to this report summarizes the details of such compliance.

DIRECTORS

Mr Rajiv Jain was re-appointed as the Managing Director of the Company for a period of five years with effect from 1 April 2008, subject to approval of the shareholders in the forthcoming Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956 proposing Mr Jain's reappointment.

Mr A M Ransom resigned from the Board vide his letter dated 28 April, 2008. The Board placed on record its deep appreciation of the valuable services rendered by Mr Ransom during his tenure as Director of the Company. The Board also placed on record its appreciation of the valuable contribution of Mr D R Carter during his tenure as Alternate Director to Mr Ransom.

Mr A J Britt was appointed as a Director with effect from 12 May 2008 in the casual vacancy caused by the resignation of Mr A M Ransom.

Mr A Narayan and Mr R Gopalakrishnan, Directors, will retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s BSR & Associates 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 judgments 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 2008 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

Some of the statements in this report, describing the Company's objectives and expectations expressed in good faith, may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those, in the event of changes in the assumptions/market conditions.

SUBSIDIARY COMPANY

The statement of particulars relating to the Company's subsidiary Polyinks Limited ('Polyinks'), pursuant to Sec 212 of the Companies Act, 1956, is given in page 44.

The Company has obtained the approval of the Central Government for not attaching the full accounts of Polyinks to its annual accounts. A summary of the Balance Sheet of Polyinks as on 31 March 2008 and its performance for the year ended on that date is given in page 44.

CONSOLIDATED RESULTS

As required under the Listing Agreement, audited consolidated financial results provided in the Annual Report include the performance of Polyinks. A summary of the consolidated financial performance is given below:

	2007-08	(Rs cr) 2006-07
Total income	973	1057
Profit before tax from operations	109	117
Profit before tax	90	603
Profit after tax	60	463
Total Assets Employed	765	871
Total Shareholder Funds	763	870

The current year's figures are not comparable with those of the previous year on account of acquisition and divestment of businesses in the previous year.

ACKNOWLEDGMENT

The Directors wish to convey their gratitude and appreciation to all the employees of the Company for their valuable contribution 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
20 May 2008

ANARAYAN
Chairman

ANNEXURE I

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) CONSERVATION OF ENERGY

1. Power & fuel consumption

		2007-08	2006-07
(a) Electricity			
(i) Purchased			
Unit	mwh	11426	11249
Total cost	Rs lacs	510	482
Rate	Rs / kwh	4.46	4.28
(ii) Own Generation			
Units	mwh	1076	447
Units / KL of diesel oil	kwh	7271	4109
Cost / unit	Rs / kwh	11.42	8.83
(b) Fuel Oil			
Quantity	kl	1405	1659
Total cost	Rs lacs	391	446
Average rate	Rs / kl	27829	26683

2. Consumption per unit of production

Electricity (kwh per te/kl)

Paints	99	103
Uniqema	-	138
National Starch	140	143
Catalysts	1584	1529

Fuel Oil (kl per te/kl)

Paints	-	0.01
Uniqema	-	0.04
National Starch	0.01	0.01
Catalysts	0.53	0.60

B) ABSORPTION OF TECHNOLOGY

1. Research & Development (R&D)

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

The Company's R&D activities concentrated on development of new products and applications, efficient use of resources and improving environment friendliness of the products.

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

The businesses achieved sales growth ahead of market and improved their profitability through:

- Launch of new and innovative products; and

- Cost savings through process improvements and substitution of raw materials.

(c) Future plan of action

R&D efforts of your Company will continue to focus on development of new products and applications, efficiency improvements, waste reduction, saving in energy consumption and introduction of environment friendly products.

(d) Expenditure on R&D

	(Rs lacs)	
	2007-08	2006-07
(i) Capital	30	25
(ii) Recurring	382	277
(iii) Total	412	302
(iv) Total R & D expenditure as a percentage of turnover	0.4%	0.3%

2. Technology Absorption, Adaptation and Innovation

(a) Efforts & Benefits

- New and innovative products in response to changing customer needs, like Polypatty, Hi-endurance exterior emulsions and Weathershield Clear for alternate surfaces were launched.
- Based on customer feedback, some products in the woodcare range were renovated and re-launched.
- Usage of raw materials in some product lines were optimized.

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

Technology imported	Year of import	Has the technology been fully absorbed?	If not fully absorbed, reasons and future plan of action
Polymerization Technology	2005	No	Technology absorption is in progress

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Total Foreign Exchange earned and used

	(Rs lacs)	
	2007-08	2006-07
Earned	6,86	11,02
Used	148,10	184,12

(b) Future Plans

Use innovation and R&D strengths to achieve further process improvements and development of new products and applications.

ANNEXURE II

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Corporate Governance

Your Company remains strongly committed to sound Corporate Governance practices in order to achieve the highest standards of management and business integrity and to give sustainable long term returns to all its stakeholders.

2. Board of Directors

Composition

The Board composition is in conformity with the provisions of the Companies Act, 1956 and the Listing Agreement. The composition of the Board and details of directorship in companies including ICI India Limited are as follows:

Name of Directors	Category of Directorship in ICI India	Directorships in other companies ¹		Membership in specified Committees ²
		Public	Private / Foreign / limited by guarantee	
Mr A Narayan	Non Executive Chairman	1	1	2
Mr Rajiv Jain ³	Managing Director	—	1	1
Mr Sandeep Batra	Wholtime Director	1	1	—
Mr A J Britt ⁴	Non Executive	—	3	2
Mr R Gopalakrishnan	Non Executive Independent	9	3	4
Ms R S Karnad	Non Executive Independent	13	5	5
Mr M R Rajaram	Non Executive	2	2	2
Mr A M Ransom ⁵	Non Executive	—	—	2
Mr M V Subbiah	Non Executive Independent	4	2	2

¹ Excludes Alternate Directorships

² Specified Committees - Audit, Shareholder/Investor Grievance

³ Re-appointed w.e.f. 1 April 2008

⁴ Appointed w.e.f. 12 May 2008

⁵ Resigned w.e.f. 28 April 2008

Meetings & Attendance

Given below is the consolidated list of meetings of the Board and specified Committees held during 2007-08 and attendance details of Directors:

Meeting details during April 2007 to March 2008

Name of the meeting	Dates on which meetings were held
Annual General Meeting (AGM)	19 July 2007
Board	16 May, 26 May, 19 July, 26 October, 2007, 24 January and 28 March 2008
Audit Committee	16 May, 19 July, 26 October 2007 and 24 January 2008
Shareholders/Investors Grievance Committee (SHIGC)	26 October 2007 and 24 January 2008
Remuneration & Nominations (R&N) Committee	16 May 2007

Attendance details at meetings during April 2007 to March 2008

	AGM	Board	Audit	SHIGC	R&N
No. of meetings held	1	6	4	2	1
Mr A Narayan	1	6	NA	NA	NA
Mr Rajiv Jain	1	5	NA	2	NA
Mr Sandeep Batra	1	5	NA	NA	NA
Mr M R Rajaram	1	6	NA	2	NA
Mr A M Ransom	1	4	4	2	1
Mr R Gopalakrishnan	1	3	3	NA	1
Ms R S Karnad	—	5	3	NA	1
Mr M V Subbiah	1	3	3	NA	—

NA-signifies not a member of the relevant committee.

All information in terms of Listing Agreement are shared with the Board through periodic reports and statements and discussions in Board/Committee meetings.

Directors to be appointed/re-appointed

In terms of the Articles of the Association of the Company, Mr Aditya Narayan and Mr R Gopalakrishnan will retire by rotation in the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-appointment.

Mr Rajiv Jain was re-appointed as the Managing Director with effect from 1 April 2008 for a further period of five years. Mr Jain's re-appointment as the Managing Director and his remuneration are to be approved by the members in the forthcoming Annual General Meeting.

Mr A J Britt, who was appointed as a Director of the Company with effect from 12 May 2008 in the casual vacancy caused by the resignation of Mr A M Ransom, will continue in office till the date on which Mr Ransom would have retired in the normal course.

A brief resume of each of the above directors, as required under clause 49(VI) of the Listing Agreement, is given below. Though Mr Britt is not liable to retire and seek re-election at the forthcoming Annual General Meeting, his resume is also being included hereunder for information of the members.

i. Mr Rajiv Jain

Mr Rajiv Jain joined the ICI Group in 1974 and was appointed to the Board of the Company in 1997. He had held a number of senior positions in Corporate Finance, Information Technology and headed the Specialty Chemicals, Rubber Chemicals, Catalysts and Explosives businesses. He was appointed Chief Financial Officer in December 1997 and Chief Operating Officer of the Company in February 2000. He was appointed Managing Director and CEO Paints in April 2003 for a term of 5 years and has since been re-appointed w.e.f. 1 April 2008. Mr Jain, born in January 1951, has done his B Tech (Hons) in Chemical Engineering from IIT Kharagpur and MBA from USA. Apart from ICI India Limited, Mr Jain is the Chairman of ICI India Research & Technology Centre and a Director of CIC Paints Pvt Ltd, Colombo.

ii. Mr Aditya Narayan

Mr Aditya Narayan was appointed Chairman of the Board in April 2003. Starting as a management trainee in 1973, he worked in diverse functions and has held several senior positions including those of the Chief Executive of Fertilizer and Explosives businesses. He served as the Managing Director of the Company from August 1996 to April 2003,