



AkzoNobel

Tomorrow's Answers Today

ICI India Limited

An AkzoNobel Company

Annual Report 2008-09

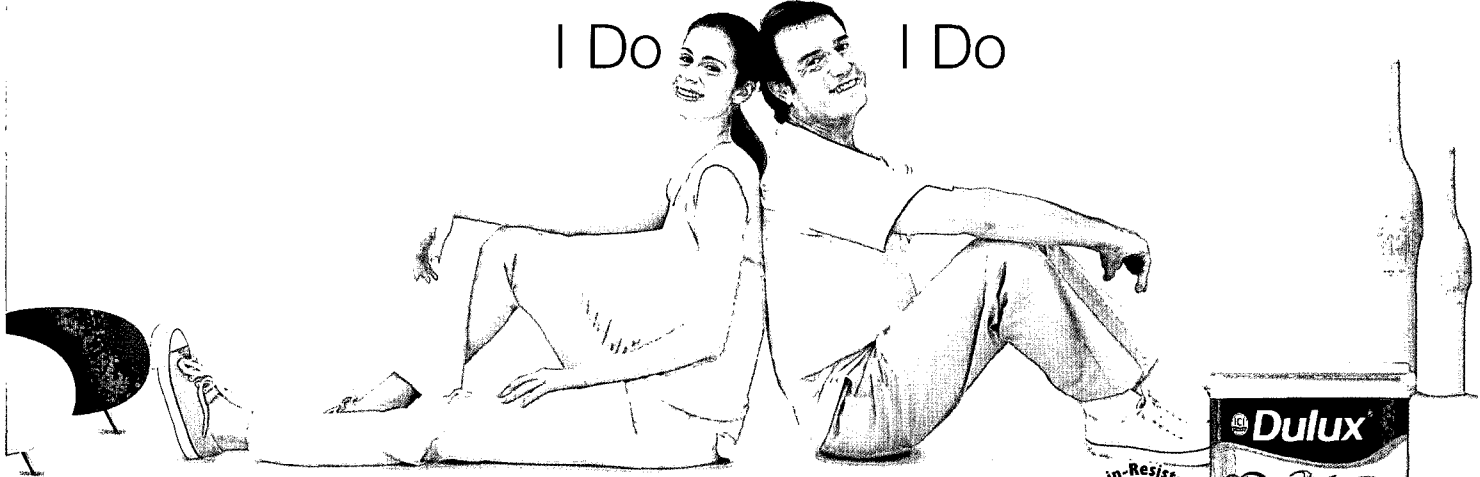
Dulux®

Do you agree Dulux *3in1* always delivers more?

Easy to wash walls
Healthy and safe family
Soft sheen and beautiful finish

Durable Micro-bond latex paint film
Bacteria & fungus* resistant Health Guard Technology
20%* more coverage

I Do I Do



1.



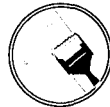
Stay Clean
Micro-bond latex film
give extra stain resistance
and durability

2.



Stay Healthy
Bacteria & fungus*
resistant

3.



Stay New
Smooth beautiful finish
and soft sheen



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

Report Junction.com

Jab ghar mein ho
Dulux Velvet Touch, toh
Dikhta hai!

Dulux®



The only paint with the Pearl Glow Finish

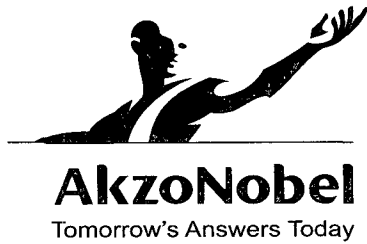

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ICI India Limited

Annual Report 2008-09

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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 (upto 31 May 09)

Mr Amit Jain (w.e.f. 1 June 09)

DIRECTORS

Mr Sandeep Batra - Wholetime Director
(upto 12 January 09)

Mr A J Britt

Mr R Gopalakrishnan

Ms R S Karnad

Mr Nihal Kaviratne CBE (w.e.f. 30 March 09)

Mr M R Rajaram

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-I
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 Nihal Kaviratne CBE (w.e.f. 15 May 09)

Mr M V Subbiah

Remuneration and Nominations Committee

Mr M V Subbiah (Chairman)

Mr A J Britt

Mr R Gopalakrishnan

Mr Nihal Kaviratne CBE (w.e.f. 15 May 09)

Ms R S Karnad

Shareholders/Investors

Grievance Committee

Mr A J Britt (Chairman)

Mr Rajiv Jain (upto 31 May 09)

Mr M R Rajaram

AUDITORS

B S R & 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 2009.

BUSINESS ENVIRONMENT

Following on the global financial meltdown, the business environment in India was depressed in 2008-09 resulting in the GDP growth for the year falling to about 7% against the average of 9% achieved during the past few years. The impact was significant during Oct 08-Mar 09 period, when the Index of Industrial Production grew by about 1% compared to 8% in Oct 07- Mar 08. The rupee depreciated by 24% during the fiscal year and foreign exchange reserves fell by 19% reflecting outflow of FII money from India and recession in the world economy.

The outlook for fiscal year 2009-10 is likely to be better, particularly in the latter half, as the stimulus packages rolled out by the government in 2008-09 take effect, inflation remains contained and interest rates fall.

FINANCE AND ACCOUNTS

Total Income from continuing operations at Rs 996.3 cr was up by 18% while the operating profit (PBDIT) at Rs 196.7 cr from continuing operations grew by 68%. In addition to the significantly improved operating performance, PBT at Rs 378.7 cr was much higher compared to last year's Rs 90.4 cr, mainly on account of profit of Rs 205.3 cr from divestment of Adhesives Business (including the shareholding in the Company's subsidiary Polyinks Limited), partially offset by an Exceptional charge of Rs 5.8 cr on account of Pension Fund top up. Consequently, PAT for the year at Rs 294.6 cr was much higher than the previous year (Rs 60.2 cr).

Keeping in view the current year's performance including the exceptional items, the Board has recommended a dividend of Rs 16.00 per share for the year 2008-09 (previous year: Rs 8.00 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:

	2008-09	(Rs cr) 2007-08
Total income		
From continuing operations	996.3	841.4
From discontinued operations	—	126.4
	<u>996.3</u>	<u>967.8</u>
Operating Profit (PBDIT)		
From continuing operations	196.7	117.3
From discontinued operations	—	13.8
	<u>196.7</u>	<u>131.1</u>
Depreciation	(21.3)	(22.5)
Interest income (net)	3.8	0.5
Profit before tax from operations	<u>179.2</u>	<u>109.1</u>
Exceptional items	199.5	(18.7)
Profit before tax	<u>378.7</u>	<u>90.4</u>
Tax	(84.1)	(30.2)
Profit after tax	<u>294.6</u>	<u>60.2</u>

The appropriations from the profit are as follows:

Balance in Profit & Loss Account	
brought forward from previous year	443.0
Profit after tax for the year	294.6
Total available for appropriation	<u>737.6</u>
Appropriations	
Transfer to General Reserve	(74.0)
Proposed Dividend	(60.9)
Tax on Dividend	(10.3)
Balance carried to Balance Sheet	<u>592.4</u>

No fresh public deposits were accepted by the Company during the year. Unclaimed deposits and unclaimed dividends amounting to Rs 0.2 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, approved by the members through postal ballot on 19 December 2008, was commenced in mid February 2009. Under this scheme, a total of 1.5 lac shares has been bought back upto 31 March 2009 at a cost of Rs 6.3 cr. The previous share buyback was closed on 12 July 2008 after buying back a total of 26.5 lac shares, constituting about 6.4% of the paid up capital of the Company, at a cost of Rs 140.5 cr.

The premium paid over the face value of the shares bought back and other costs of the buyback incurred during the year amounting to Rs 15.1 cr have been adjusted against General Reserve. In addition, as required under the provisions of the Companies Act 1956, a Capital Redemption Reserve has been created to the extent of Rs 0.3 cr by adjustment to the General Reserve.

SIGNIFICANT DEVELOPMENTS

The divestment of Company's Adhesives business was completed after obtaining necessary statutory approvals; the agreed portion of Thane site and the Company's shareholding in its subsidiary Polyinks Limited has been handed over to the purchaser on 21 January 2009.

MANAGEMENT DISCUSSION & ANALYSIS

Paints

While Paints sales were up by 12%, segment profit grew by 31% on account of improved mix, higher realizations and cost control. Your Company continued to build the Dulux brand through relevant advertising/promotions, new colour offers, a reinvigorated placement of in-store tinting machines and best-in-class painter/contractor programmes and projects business.

To enable the Company's channel partners to offer value

added service and enriched customer experience, an initiative for shop modernization was taken up. These stores have the ambience of a design studio wherein the consumer can experience a painted wall finish, colour panels and other collaterals. The stores have dedicated space for consumer interaction and colour & product advice from a colour consultant.

The Company's PU based Auto Refinish products (Eterna and Vektor Duco PU) found good acceptance with the dealers and users. In the commercial vehicles segment, the business rolled out an aggressive strategy to acquire new customers by offering customized painting solutions and services.

The government's thrust on infrastructure development, soft interest rates and reduced excise duty will have a favourable impact on the paints industry. However the industry could witness lower growth till the revival of housing sector. The business intends to continue its focus on building the Dulux and Duco brands, extending its distribution reach and further strengthening its IT systems. Movement in crude prices and exchange fluctuations may adversely affect costs and your Company has a focused value creation plan to mitigate such impact.

Others

This segment comprising the trading operations in Specialty Polymers and Starches registered a decline in sales as well as profitability, mainly due to economic downturn in the consuming industries and depreciating rupee. Efforts are on hand to strengthen these businesses.

RESPONSIBLE CARE - HEALTH, SAFETY, ENVIRONMENT & SECURITY ('HSE&S') AND CORPORATE SOCIAL RESPONSIBILITY ('CSR')

Your Company continued to sustain its high standards of HSE&S performance, returning yet another year with no major injury or incidents. A new integrated HSE&S system was rolled out in the organization. Extensive efforts were put in to drive awareness of the basic requirements of HSE&S amongst employees across the organization and engaging them personally in the HSE&S process through reporting of at least one learning incident per person per month. All people driving on Company business were given training on defensive driving. More focus was given on training inputs to people using two-wheelers to reduce the risk. Mohali Plant was awarded the 'Punjab State Safety Award' for its outstanding HSE&S performance for the second year in succession. No occupational illness was reported during the year.

The Company encouraged a number of CSR initiatives in the neighbouring communities in partnership with NGOs for improving children's awareness on health, safety and environment.

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

As part of the global initiatives to improve effectiveness and efficiency on a group-wide basis, AkzoNobel's proven SAP solution called 'SATURN' has been implemented at all the three manufacturing plants and at the Head Office in Gurgaon. With this implementation, all operations of Paints business are now fully on SAP - manufacturing plants and HO running SATURN and other sites running on the earlier SAP system. The two systems have been interfaced seamlessly. However with a view to bring all systems on to a single platform, work is now in progress to have SATURN operational at all sites by end 2009.

The data network is being revamped and upgraded to provide high-speed links to all sites by end 2009. Upgradation of the links at eight major sites viz. HO, four Regional Sales Offices and three manufacturing plants, has already been implemented.

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 as at 31 March 2009 was 892. A statement containing the particulars of employees as required under section 217(2A) of the Companies Act, 1956 is given in page 44.

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. It has well-established procedures for internal control across its various locations, commensurate with its size and operations. The organization is 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.

CORPORATE GOVERNANCE

Annexure II to this report summarizes the details of compliance with the Corporate Governance norms outlined in clause 49 of the Listing Agreements with the National Stock Exchange and the Bombay Stock Exchange.

DIRECTORS

After 35 years of distinguished service and leadership in various capacities, Mr Rajiv Jain will be stepping down as the Managing Director of the Company with effect from 1 June 2009. He will

DIRECTORS' REPORT

be succeeded by Mr Amit Jain who has been appointed as the Managing Director of the Company for a period of five years with effect from 1 June 2009, subject to approval of the shareholders.

Mr Nihal Kaviratne CBE joined the Board as an Additional Director with effect from 30 March 2009 and will hold office till the date of the forthcoming Annual General Meeting.

Mr M V Subbiah, will be retiring by rotation at the forthcoming Annual General Meeting. In line with the Company's policy on retirement of non executive Directors, Mr Subbiah has expressed a desire not to seek re-appointment.

Ms R S Karnad, Director, will be retiring by rotation at the forthcoming Annual General Meeting and is eligible for re-appointment.

Mr S Batra resigned from the Board on 12 January 2009 to pursue other interests outside the Company.

The Board wishes to place on record its deep appreciation of the contribution of Mr Rajiv Jain, Mr M V Subbiah and Mr S Batra.

AUDITORS

M/s B S R & 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 2009; 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 & CONSOLIDATED RESULTS

Polyinks Limited ceased to be a subsidiary of the Company during the year. However, audited consolidated financial results are being provided in the Annual Report for the period when Polyinks Limited remained a subsidiary of the Company. A summary of the consolidated financial performance is given below:

	(Rs cr)	
	<u>2008-09</u>	<u>2007-08</u>
Total income	996	976
Profit before tax from operations	179	109
Profit before tax	379	90
Profit after tax	295	60
Total Shareholder Funds	971	763

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
15 May 2009

A NARAYAN
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*

		2008-09	2007-08
(a) Electricity			
(i) Purchased			
Unit	Mwh	10298	11426
Total cost	Rs Lacs	463	510
Rate	Rs / Kwh	4.50	4.46
(ii) Own Generation			
Units	Mwh	275	1076
Units / KL of HSD	Kwh	11275	7271
Cost / unit	Rs / Kwh	9.56	11.42

(b) Fuel Oil

Quantity	KL	1269	1405
Total cost	Rs Lacs	406	391
Average rate	Rs / KL	32007	27829

* Including the figures relating to Catalyst business, for which actual costs are borne by Johnson Matthey Chemicals India Pvt. Ltd under a Toll Conversion Arrangement.

2. Consumption per unit of production

Electricity (Kwh per Te/Kl)			
Paints		99	99
Adhesives		-	140
Catalysts		1402	1584
Fuel Oil (Kwh per Te/Kl)			
Catalysts		0.43	0.53

B) ABSORPTION OF TECHNOLOGY

1. Research & Development (R&D)

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

The company continues to use its research and development base to bring to the consumer new products with improved performance features and products for special applications.

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

Major benefits derived from the R&D initiatives are:

- Launch of new and innovative products (e.g. PU ancillaries, Alkyds); and
- Cost saving through 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 and waste reduction, savings in energy consumption and introduction of environment friendly products.

(d) Expenditure on R&D

	2008-09	2007-08
(i) Capital	35	30
(ii) Recurring	374	382
(iii) Total	409	412
(iv) Total R & D expenditure as a percentage of turnover	0.4%	0.4%

2. Technology Absorption, Adaptation and Innovation

(a) Efforts & Benefits

- New and innovative products in response to changing customer needs and customer feedback are continuously under development.
- As part of the Company's value creation initiatives, 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

Adhesives Business for which Polymerisation Technology was imported in 2005, has been divested during the year.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

(a) Total Foreign Exchange earned and used

	2008-09	2007-08
Earned	99	6.86
Used	98,21	148,10

(b) Future Plans

Use innovation and R&D strengths to reduce costs through process improvements and import substitution.

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	–	2
Mr Rajiv Jain	Managing Director	1	2	1
Mr Sandeep Batra ³	Wholetime Director	1	1	–
Mr A J Britt	Non Executive	–	3	2
Mr R Gopalakrishnan	Non Executive Independent	8	3	5
Ms R S Karnad	Non Executive Independent	13	7	5
Mr N Kaviratne CBE ⁴	Non Executive Independent	5	5	6
Mr M R Rajaram	Non Executive	1	3	2
Mr M V Subbiah	Non Executive Independent	7	3	2

¹ Excludes Alternate Directorships

² Specified Committees - Audit, Shareholder/Investor Grievance

³ Resigned w.e.f. 13 January 2009

⁴ Appointed w.e.f. 30 March 2009

Meetings & Attendance

Given below is the consolidated list of meetings of the Board and specified Committees held during 2008-09 and attendance details of Directors:

Meeting details during April 2008 to March 2009

Name of the meeting	Dates on which meetings were held
Annual General Meeting (AGM)	17 July 2008
Board	20 May, 17 July, 23 October 2008 and 20 January 2009
Audit Committee	20 May, 17 July, 23 October 2008 and 20 January 2009
Shareholders/Investors Grievance Committee (SHIGC)	23 October 2008 and 24 March 2009
Remuneration & Nominations (R&N) Committee	20 May 2008

Attendance details at meetings during April 2008 to March 2009

	AGM	Board	Audit	SHIGC	R&N
No. of meetings held	1	4	4	2	1
Mr A Narayan	1	4	NA	NA	NA
Mr Rajiv Jain	1	4	NA	2	NA
Mr Sandeep Batra	1	3	NA	NA	NA
Mr A J Britt	–	2	2	1	–
Mr R Gopalakrishnan	1	3	3	NA	–
Ms R S Karnad	1	4	4	NA	1
Mr N Kaviratne CBE	NA	NA	NA	NA	NA
Mr M R Rajaram	1	4	NA	2	NA
Mr M V Subbiah	1	3	3	NA	1

NA signifies not a member of the relevant committee or meetings held when the Director was not a member of the Board/ Committee.

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

Directors to be appointed/re-appointed

- Mr Amit Jain, who was appointed as the Managing Director of the Company for a period of five years with effect from 1 June 2009, subject to shareholder approval.
- Mr Nihal Kaviratne CBE, who was appointed as an Additional Director of the Company with effect from 30 March 2009 to hold office till the forthcoming Annual General Meeting.
- In terms of the Articles of the Association of the Company, Mr M V Subbiah and Ms R S Karnad will retire by rotation in the forthcoming Annual General Meeting. In line with the Company's policy regarding retirement of non executive Directors, Mr Subbiah has expressed a desire not to seek re-appointment at the forthcoming Annual General Meeting. Ms R S Karnad is eligible for re-appointment.

Brief resume of each of the above directors to be appointed/re-appointed are given below, as required under clause 49(VI) of the Listing Agreement:

i. Mr Amit Jain

Mr Amit Jain will be joining the Board of ICI India Limited as Managing Director on 1 June 2009. He has over 20 years of multi-function management experience and has held senior management positions across Asia, with two global leaders, Coca-Cola & Viacom.

Before joining ICI India, Mr Jain was Executive Vice President & Managing Director, MTV Networks India, China & South East Asia, based at Singapore. Prior to MTV, he worked with Coca-Cola for 11 years, in leadership roles across S.E. Asia & India, with his last assignment as Regional Vice President, Coca-Cola India. He commenced his career with ICI India, Paints business and managed diverse responsibilities in sales & marketing between 1987 and 1994.

Born in Sep 1964, he holds a management degree from Faculty of Management Studies, Delhi and an Advanced Management Program from Wharton Business School.

Mr. Amit Jain does not hold Directorship in any other company.

ii. Mr Nihal Kaviratne CBE

Mr Nihal Kaviratne CBE has joined the Board of the Company as a Non Executive Director with effect from 30 March 2009.

Born in 1944, Mr Kaviratne holds an Honours degree in Economics from Mumbai University. His global career with