

Annual Report 2004-05

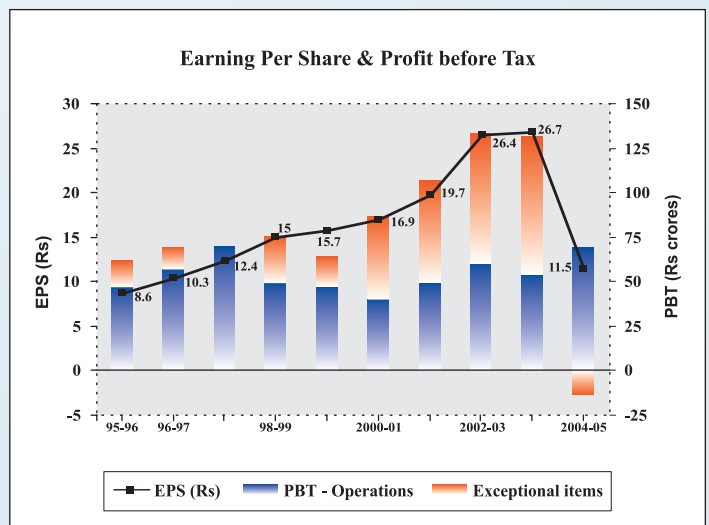
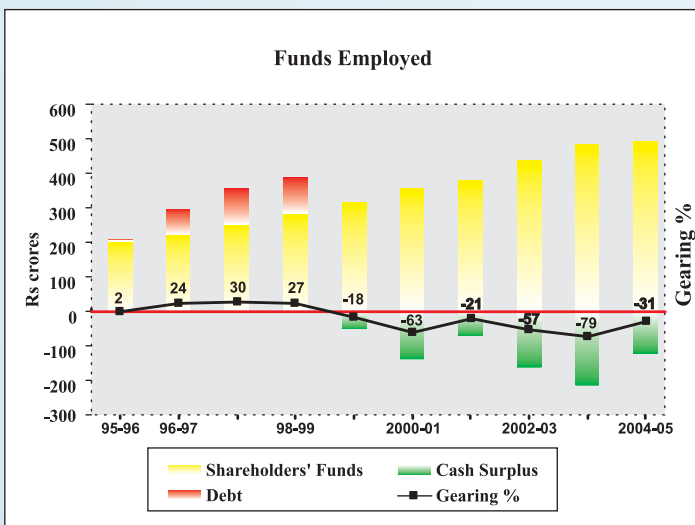
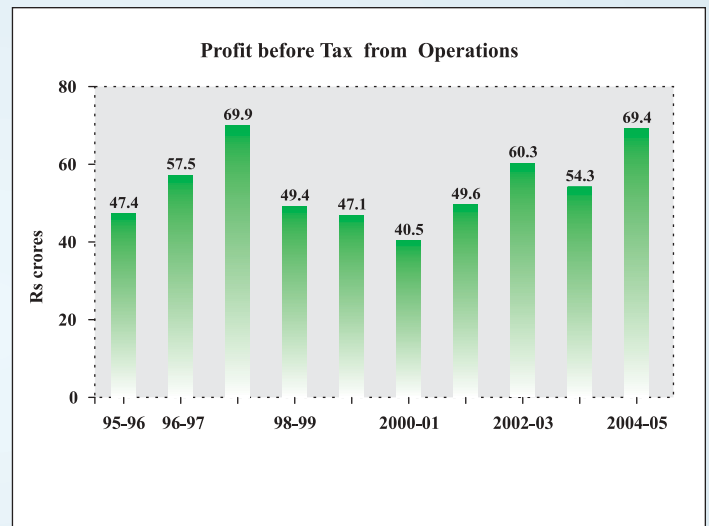
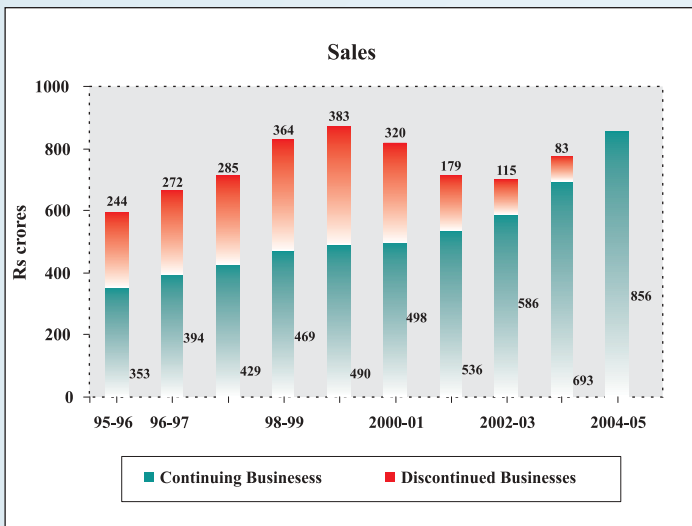


ICI India Limited



ICI India Limited

Ten Year Trends





ICI India Limited

Annual Report 2004-05

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ICI India

Vision

- | Our ambition is to be the industry leader in creating value for the customers and shareholders.
- | We will be the most admired specialty products Company in India.

Mission

- | We will be the leader in India in chosen specialty products to delight our customers while creating superlative value for the shareholders.
- | We will have an inspiring high performance culture underpinned by responsible care for all people and the environment.
- | Innovation will be the key driver for our winning in the market place.

Values

We shall

- | Show unrivalled understanding of customers and their markets.
- | Seize opportunities rapidly, taking intelligent risks when required to bring measurably better products to the market.
- | Meet demanding year on year growth targets above industry norms and constantly improve our operational performance.
- | Hire, inspire and develop outstanding people by encouraging initiative, supporting new ideas and rewarding delivery.
- | Never compromise our commitment to Security, Safety, Health and Environment.



ICI INDIA LIMITED ANNUAL REPORT 2004-05

BOARD OF DIRECTORS

CHAIRMAN

Mr Aditya Narayan

MANAGING DIRECTOR

Mr Rajiv Jain

DIRECTORS

Mr M R Rajaram (Wholetime Director)

Mr David J Gee (w.e.f. 28 January 2005)

Mr R Gopalakrishnan

Ms Renu S Karnad

Mr M V Subbiah

Mr David S Whitewood

(Alternate Director to Mr David J Gee)

SECRETARY

Mr R Guha

REGISTERED OFFICE

34, Chowringhee Road

Kolkata - 700071

Tel : 033-22267462

Fax: 033-22880804

CORPORATE OFFICE

10th Floor, DLF Plaza Tower

DLF Qutab Enclave, Phase-1

Gurgaon - 122002

Tel : 0124-2540400

Fax : 0124-2540849

WEBSITE

www.iciindia.com

KEY COMMITTEES OF THE BOARD

Audit Committee

Ms Renu S Karnad (Chairperson)

Mr David J Gee

Mr R Gopalakrishnan

Mr M V Subbiah

Remuneration and Nominations Committee

Mr M V Subbiah (Chairman)

Mr David J Gee

Mr R Gopalakrishnan

Ms Renu S Karnad

Shareholders/Investors Grievance Committee

Mr David J Gee (Chairman)

Mr Rajiv Jain

Mr M R Rajaram

AUDITORS

BSR & Associates

BANKERS

Central Bank of India

Citibank NA

Deutsche Bank AG

Standard Chartered Bank

REGISTRAR AND SHARE TRANSFER AGENT

C B Management Services (P) Limited

P-22, Bondel Road

Kolkata-700019

Tel : 033-22806692-94

Fax : 033-22870263

cbmsl1@cal2.vsnl.net.in



DIRECTORS' REPORT 2004-05

Your Directors have pleasure in presenting their report for the year ended 31 March 2005.

BUSINESS ENVIRONMENT

During 2004-05, Indian economy continued its strong performance with an estimated 7% growth in GDP. This was enabled by a growth in industrial production (8%), especially capital goods and consumer products, which grew by 11-12%. Exports grew by about 25%. Rupee, after its weakness in the early part of the year, strengthened in the second half. Inflation, which was around 6-7% for most part of the year, ended at 5% in March 2005.

As the foreign currency reserves touched USD 135 billion during the year, Standard & Poor raised India's long-term foreign currency rating to BB+, reflecting the improving external debt position and good growth prospects. Moody's have placed India's rating as 'Investment Grade'.

The growth in the economy in the coming year is expected to sustain the performance of the last year, assuming a normal monsoon. However, the recent run-away increase in oil prices, which appear to be stabilising at over USD 50 per barrel, remains a concern. This could adversely affect the domestic inflation rate and the GDP growth estimates.

FINANCE AND ACCOUNTS

Sales and profit from the continuing businesses recorded a strong growth of 23% and 56% respectively. Income from investment was also higher by Rs. 7.5 cr compared to the previous year due to difference in phasing. These resulted in a total income of Rs. 782.4 cr for the year reflecting a growth of 10% over the previous year. Profit before Tax from operations at Rs. 69.4 cr grew by 28% compared to the previous year as the improved performance of the continuing businesses more than offset the drop in profit from the businesses divested in the previous year.

The exceptional items during the year amounting to a net charge of Rs. 13.7 cr consist of provisions towards retiral benefits, matters under litigation, charge towards past VRS etc, net of writeback of past provisions no longer required and once off income. It may be recalled that in the previous year, there was an exceptional income of Rs. 77.2 cr mainly on account of profit of Rs. 96.6 cr from divestment of businesses and sale of investment in Indian Explosives Ltd.

Consequently, despite lower tax charge, the Company achieved a Profit after Tax of Rs. 47.2 cr, as against the previous year's Rs. 109.1 cr. In line with the prudent dividend distribution policy followed by the company, the Board has recommended a dividend of Rs. 5.50 per share, which will be paid after the approval of the shareholders at the forthcoming Annual General Meeting. In

this context, it may be noted that in the previous year, in view of the very special occasion of the Golden Jubilee year of the Company and the high level of exceptional income, a dividend of Rs. 12.50 per share was paid as a once off case and hence is not comparable to the current year's proposal.

The performance highlights of the Company for the year are summarized below:

	(Rs. Cr)	
	2004-05	2003-04
Total Income	782.4	708.0
Operating Profit from businesses	93.0	83.2
Depreciation	(20.1)	(24.3)
Interest	(3.5)	(4.6)
Profit Before Tax from operations	69.4	54.3
Exceptional items	(13.7)	77.2
Profit before Tax	55.7	131.5
Tax	(8.5)	(22.4)
Profit after tax	47.2	109.1

The appropriations of profit in 2004-05 are as follows:

	(Rs. Cr)
Transfer to General Reserve	28.0
Proposed Dividend	22.5
Tax on Dividend	3.3

The balance, together with the amount brought forward from the previous year, amounting to Rs. 226.2 cr shall be carried to the Balance Sheet.

MANAGEMENT DISCUSSION & ANALYSIS

Paints

Paints business achieved a much-improved performance compared to the previous year. The emphasis on building the premium Dulux portfolio, placement of in-store tinting machines, innovative colour offers and demand generation initiatives with painters/contractors yielded encouraging results with improved channel relationship and consumer satisfaction. Your Company is using its research and development base to bring to the consumer a number of new products with improved performance and special applications.

The business continues to focus on the exteriors, the fastest growing segment. WeatherShield Max and TileShield, the two premium products launched in this segment, quickly gained wide acceptance with the trade and consumers. Dulux



Supergloss 5-in-1, launched in the previous year, continued to win endorsements from painters and consumers. New products in other fast growing segments of Interior emulsions and Exterior primers were also launched. Woodcare is also emerging as an attractive and profitable opportunity. The "Previews" Colour Visualisation Service continues to remain a unique offering from the Company and efforts are on to extend this to interiors of homes.

The 2K range of Polyurethane (PU) based automotive refinishes maintained its leadership position in the market. In the conventional refinish segment, the Eterna, Duco PU and Vektor range of products gained wide acceptance with dealers and users. The trend of customers upgrading from conventional Refinish paints to PU based paints is continuing.

The business is expected to maintain its strong performance especially in key brands in Decorative and 2K segments in the coming year, subject to a normal monsoon and good GDP growth.

Chemicals

Uniqema

Uniqema business grew by 10% during the year with good contribution from textile auxiliaries and personal care products. Improved product mix and sustained efforts in containing costs helped in improving the profitability. The Textiles segment grew well on the back of superior customer service and R&D efforts. Personal Care growth was driven by focus on skin care products of leading FMCG companies. The Lubricants segment recorded significant growth, led by Industrial metal working fluid packages developed in-house. Supplies to Pharmaceuticals, Crop Protection and Industrial application areas reflected a steady growth.

The performance of the business in the coming year would largely depend on the overall economic factors, particularly the anticipated benefits in the post quota regime for Textiles.

National Starch & Chemical

The Adhesive, Starch and Polymer segments performed well with a growth in turnover of 37% over previous year. The business increased its market share in the woodworking, bookbinding and packaging industry. A new Polymer Plant was commissioned during 2004-05, which will support the business in extending its reach in woodworking and cigarette segments. The exports business to SAARC countries continues to grow.

The business will continue to pursue a larger share of the market with emphasis on R&D and new products in various segments.

Rubber Chemicals

The Business recorded an ahead of industry growth of 18% in sales in 2004-05, in the face of stiff competition. Though some price corrections were possible during the latter part of the year, margins suffered due to high input costs. Your Company continues its all out efforts to improve business performance through innovative steps in cost reduction along with higher thrust on export of specialty Rubber chemicals. Turnaround of the business is mainly dependant on further strengthening of international prices to offset continued raw material cost inflation.

RESPONSIBLE CARE - SECURITY, SAFETY, HEALTH, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

Your Company maintained its strong commitment to these areas across all its operations. All manufacturing sites of the Company are accredited under ISO 14001.

In line with global standards, your company has now adopted Occupational Safety & Health Administration (OSHA US) Standards which prescribe tighter norms for measuring safety performance. Under the new protocol, the Total Recordable Case (TRC) Rate was 1 for 2004 as compared to 3 in 2003.

The Company continues to pursue its Sustainability policy, which goes beyond the impact of its manufacturing operations to encompass Product Stewardship across the supply chain and relationship with the employees, suppliers, customers and the communities where it operates. The Company actively promotes use of materials which come from renewable and eco-friendly sources; all its operations aim to use technology to maximise process efficiency and minimise the use of raw materials, energy and water.

Paints, Hyderabad site was awarded Prashansa Puraskar for the year 2003 by National Safety Council of India. Uniqema, Thane was awarded the "most improved Uniqema site" at the Global Manufacturing Conference held in the UK.

No occupational illness was reported during the year.

A combined contribution of Rs 13.75 lacs from the Company and its employees was made during the year towards relief operations for those affected by the Tsunami.

CONSERVATION OF ENERGY, RESEARCH, DEVELOPMENT & INNOVATION

Continuous efforts to improve energy efficiency by close monitoring of operational parameters resulted in a general improvement in energy consumption across businesses. The innovation intensity in the key businesses improved during the year. 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

Successful running of SAP in Paints business has resulted in transparency, speed and on-line data availability. SAP has also been integrated with emerging mobile technology to provide real time information on inventories, outstanding etc. to the field force through an Intranet-based Information Portal "AgniNET".

An ERP system was successfully implemented in National Starch & Chemical business during the year.

HUMAN RESOURCES

Cordial relations with the employees prevailed at all the Company locations during the year. The total number of employees as at 31 March 2005 was 1203 in ICI India. A statement containing the particulars of employees as required under section 217(2A) of the Companies Act, 1956 is attached (page 14).

INTERNAL CONTROL SYSTEMS

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 commensurate with the operations of the Company and reports to the Audit Committee of the Board.

CORPORATE GOVERNANCE

The Company has been in full compliance with the norms of Corporate Governance as outlined in clause 49 of the Listing Agreements with the CSE, Kolkata and NSE and BSE, Mumbai. Annexure II to this report summarizes the status of compliance of the norms of Corporate Governance as provided in the said clause.

DIRECTORS

Mr S Hamlett resigned from the Board with effect from 28 January 2005. While reluctantly accepting his resignation, the Board recorded its deep gratitude and appreciation for his committed and highly valued contribution as a Director of the Company from January 2000 through the period of intense change and restructuring in the Company.

The Board appointed Mr D J Gee as a Director with effect from 28 January 2005, in the casual vacancy caused by the resignation of Mr S Hamlett. Mr D S Whitewood was appointed as an Alternate Director to Mr D J Gee with effect from 28 January 2005.

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

AUDITORS

The auditors have, vide their letter dated 1 March 2005, informed the Company that their name has been changed to BSR & Associates with effect from 1 March 2005.

M/s BSR & Associates (formerly known as BSR & Co.) 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 judgements 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 2005, 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

Statements in this report, particularly those which relate to Management Discussion and Analysis and Annexure I, describing the Company objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those that are expressed or implied in the event of changes in the assumptions/market conditions.

SUBSIDIARY COMPANY

The statement of particulars relating to the Company's subsidiary Quest International India Limited, ("QIIL") pursuant to Sec 212 of the Companies Act, 1956, is attached to this report. (page 38)

The Company has applied for the Central Government's approval for not publishing the full accounts of its subsidiary QIIL, as part of its Annual Report. A summary of the Balance Sheet as on 31 March 2005 of QIIL and its performance for the year ended on that date is given in Page 57.



CONSOLIDATED RESULTS

As required under the Listing Agreement, audited consolidated financial results are provided in the Annual Report. In the current year, the consolidated accounts include the performance of QIL, in which your Company holds majority shareholding. QIL, in the current year, recorded over 26% growth in sales and 78% in Profit after Tax with strong performance in exports and the Flavours segments.

A summary of the consolidated financial performance of the Company and its subsidiaries, after eliminating inter Company transactions, is given below:

	(Rs. Cr)	
	<u>2004-05</u>	<u>2003-04</u>
Total Income	892	909
Profit before Tax from Operations	79	70
Profit before Tax	64	142
Profit after Tax	55	113
Total assets employed	598	582
Total shareholder Funds	521	511

The current year's figures of Income and Profit are not comparable with those of the previous year on account of business divestments in the previous year.

ACKNOWLEDGMENT

The Directors wish to convey their gratitude and appreciation to all the employees of the Company for their valuable contributions 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
24 May 2005

A NARAYAN
Chairman

ANNEXURE I TO THE DIRECTORS' REPORT

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

		<u>2004-05</u>	<u>2003-04</u>
(a) Electricity			
(i) Purchased			
Unit	Mwh	20002	29388
Total Amount	Rs Lacs	891	1448
Rate	Rs/Kwh	4.45	4.93
(ii) Own Generation			
Unit	Mwh	154	74
Units/Kl of diesel oil	Kwh	3650	3825
Cost/Unit	Rs/Kwh	7.05	10.85
(b) Coal			
Quantity	Te	9878	9802
Total Cost	Rs Lacs	242	210
Average Rate	Rs/Te	2448	2140
(c) Fuel Oil			
Quantity	Kl	2793	7250
Total Amount	Rs Lacs	439	853
Average Rate	Rs/Kl	15731	11767

**2. Consumption per unit of production**

	Electricity (Kwh/Te)		Fuel Oil (Kl/Te)		Coal (Te/Te)	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Paints	115	127	0.01	0.01	-	-
Uniqema	152	176	0.04	0.05	-	-
National Starch	155	157	0.02	0.02	-	-
Rubber Chemicals	2690	3224	0.35	0.40	2.82	3.02
Nitrocellulose	-	1945	-	0.99	-	-
Catalysts	1721	2762	0.56	0.90	-	-

B. ABSORPTION OF TECHNOLOGY**1. Research & Development (R&D)****(a) Specific areas in which R&D is carried out by the Company**

During the year, R&D activities continued to concentrate on development of new products and applications with focus on yield improvements, efficient use of resources and enhancement of quality of finished products.

Paints : An eco-friendly biocide is under development, which would demonstrate your company's commitment to Responsible Care.

Chemicals : In Fibre finish, new products have been developed for fine denier Polyester Staple and Viscose fibre. Polymers for new application areas such as "Carpet flocking" are being explored.

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

As a result of these initiatives, the businesses achieved sales growth well ahead of the market. Contribution from R&D including share of new products increased significantly during the year.

In Paints, a new range of premium exterior products, WeatherShield Max and TileShield, were launched successfully during the year. Colored bases in WeatherShield for deep and vibrant shades were also launched during the year.

In Chemicals, a low cost Synthetic bottle labeling Adhesive was developed and commercialized. Several approvals were obtained for existing Metal working formulations from leading customers in India and Middle East.

(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

	(Rs. lacs)	
	2004-05	2003-04
(i) Capital	11	19
(ii) Recurring	406	277
(iii) Total	417	296
(iv) Total R & D expenditure as a percentage of turnover	0.55%	0.43%

2. Technology Absorption, Adaptation and Innovation**(a) Efforts**

More than 47 new products were commercialized during the year for Textiles, Health and Personal Care, Crop protection and Specialty Industrials segments.

(b) Benefits

11% of the year's turnover of Uniqema business came from new products/application introduced during the year.

(c) 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 plans of action
Tinters Manufacture	2002	Yes	NA
Detergent for new trend fabrics like microfibers Polyester Lycra etc.	2003	Yes	NA
Polymerization Technology	2005	Yes	Technology absorption is in progress

C. FOREIGN EXCHANGE EARNINGS AND OUTGO**(a) Total Foreign Exchange earned and used:**

	(Rs. lacs)	
	2004-05	2003-04
Earned	31,11	53,27
Used	178,59	155,03

The overall foreign exchange earned has come down on account of divestment of Nitrocellulose business in March 2004.

The foreign exchange use has gone up during the year mainly on account of increased imports, which have become attractive due to reduction in import tariffs.

(b) Future Plans

Use innovation and R&T strengths to enhance forex earnings.

On behalf of the Board

Gurgaon
24 May 2005

A NARAYAN
Chairman

ANNEXURE II TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

As required under clause 49 of the Listing Agreements with the Stock Exchanges, a report on Corporate Governance followed in ICI India Limited is given below:

1. Company's philosophy on code of Governance

The Company's philosophy on Corporate Governance seeks to attain a high level of transparency, fairness and accountability in its functioning and conduct of business with due emphasis on regulatory compliance. The Executive Management has been empowered to take decisions with regard to the normal operations with necessary checks and balances to ensure that such decisions are taken with care and responsibility to meet shareholders' aspirations and societal expectations. All the employees are bound by ICI's Code of Business Conduct which contains explicit guidelines on important issues.

ICI India Board supports and endorses the corporate governance practices as per the provisions of the Listing Agreements.

2. Board of Directors

Composition

The Board composition is in conformity with the relevant provisions of the Companies Act, 1956 and the Listing Agreements. The present strength of the Board is 7 Directors comprising 2 Wholtime Directors (WTD) and 5 Non-Executive Directors (NED) including the Chairman.

The current composition of the Board (as on 24 May 2005) is as follows:

Name of Directors	Category of Directorship
Mr A Narayan	Non-Executive Chairman
Mr Rajiv Jain	Managing Director and Chief Executive Officer, Paints
Mr M R Rajaram	Chief Financial Officer and WTD
Mr D J Gee	NED
Mr D S Whitewood	Alternate Director to Mr D J Gee
Mr R Gopalakrishnan	NED - Independent
Ms R S Karnad	NED - Independent
Mr M V Subbiah	NED - Independent

Mr D J Gee joined the Board of your Company on 28 January 2005 in the casual vacancy caused by the resignation of Mr S Hamlett. Mr Gee holds a degree in Economics and is a certified Chartered Accountant from the UK. He has also worked in Canada as a Senior Financial Analyst and is currently working as Executive Vice President, Regional & Industrial businesses at ICI PLC's Headquarters in London. He has held several senior positions, including that of Vice President - Finance of the ICI Group, responsible for Treasury, Tax, Corporate Finance and Insurance. He is a Director on the Board of various other companies of the ICI Group and carries rich and diverse experience with him.

Directorship on Board and Membership in Committees of Companies including ICI India Limited (as on 24 May 2005)

Name of Directors	Directorship in Companies#		Membership in specified Committees*
	Public	Private/Ltd. by Guarantee	
Mr A Narayan	2	–	3
Mr Rajiv Jain	1	1	1
Mr M R Rajaram	3	1	4
Mr D J Gee	3	26**	3
Mr R Gopalakrishnan	12	3	10
Ms R S Karnad	14	1	4
Mr M V Subbiah	6	2	4

Excludes Alternate Directorships

* Specified Committees - Audit, Remuneration, Shareholders/Investors Grievance

** Various ICI Group companies incorporated outside India

Number and dates of Board Meetings held

4 Board Meetings were held during the year 2004-05 (On 22 May, 30 July, 26 October 2004 and 27 January 2005).

Attendance details of each Director at the Board Meetings and the last AGM

Name of Directors	No. of Board Meetings attended	Attendance at the last AGM
Mr A Narayan	4	Yes
Mr Rajiv Jain	4	Yes
Mr M R Rajaram	4	Yes
Mr S Hamlett*	4	Yes
Mr D J Gee**	N.A.	N.A.
Mr R Gopalakrishnan	4	Yes
Ms R S Karnad	3	Yes
Mr M V Subbiah	4	Yes

* Resigned from the Board w.e.f. 28 January 2005

** Joined the Board w.e.f. 28 January 2005.

Directors to be appointed/re-appointed

As per the Company's Articles of Association, one-third of the Directors are required to retire every year. Accordingly, Mr M R Rajaram and Mr R Gopalakrishnan would retire by rotation in the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. A brief resume of each of the above directors is given below:

a) Mr M R Rajaram

Mr M R Rajaram, a Chartered Accountant, joined the ICI Group in 1972 and after holding several senior positions in Finance function in India and the UK, he was appointed to the Board of the Company on 1 June 1997. With effect from 1 April 2002, he was designated as the Chief Financial Officer of the Company. His current responsibilities include Finance, Legal, Secretarial, HR, Mergers & Acquisitions, IT and Corporate Development. Apart from ICI India Limited, his other directorships are :

**Public**

1. Quest International India Limited
2. Nitrex Chemicals India Limited

Private/Limited by Guarantee

1. ICI India Research & Technology Centre

b) Mr R Gopalakrishnan

Mr R Gopalakrishnan has been a Non-Executive Director of ICI India Limited since May 1999. He has held several senior positions in the Unilever Group of Companies including that of the Vice Chairman of Hindustan Lever Limited. Currently, he is serving as the Executive Director of Tata Sons Limited. Apart from ICI India, he is a Director of the following companies:

Public

1. Rallis India Ltd. (Chairman)
2. Tata Chemicals Ltd. (Vice Chairman)
3. Tata Sons Ltd.
4. Tata Motors Ltd.
5. Tata Power Company Ltd.
6. Tata Teleservices Ltd.
7. Tata Teleservices (Maharashtra) Ltd.
8. Tata Auto Comp Ltd.
9. Tata Technologies Ltd.
10. Idea Cellular Ltd.
11. Castrol India Limited

Private

1. ABP Pvt Ltd.
2. Advinus Therapeutics Private Ltd.
3. IMACID S. A

Summary of membership of the Board Committees in different companies held by the above Directors is provided elsewhere in this report.

Disclosure of transactions where Non-Executive Directors have pecuniary interest

None of the five Non Executive Directors have any pecuniary relationship or transactions vis-à-vis the Company, except Mr A Narayan to the extent of pension and other benefits due to him from the Company and Mr D J Gee to the extent of his role as Executive Vice President, Regional & Industrial businesses of Imperial Chemical Industries PLC, the holding company.

The directors periodically disclose their interest in different companies and transactions/contracts of the company with such companies are noted by the Board at its meetings.

3. Audit Committee

The Audit Committee comprises 4 NEDs and is chaired by Ms R S Karnad. The Managing Director, Director in charge of Finance, Internal Auditors and Statutory Auditors are permanent invitees to the meetings of the Committee. The Company Secretary acts as the Secretary to the Committee. Any other person/Executive, where necessary, is also required to attend the meetings.

The terms of reference of the committee are in line with those specified under Clause 49 (including amendments) of the Listing Agreement and Section 292A of the Companies Act, 1956.

Meetings and attendance during the year

There were 4 Meetings of Audit Committee during the year 2004-05 (On 22 May, 30 July, 26 October 2004 and 27 January 2005). The attendance details of the members of the Committee are given below:

Name of Directors	No. of Meetings Attended
Ms R S Karnad	3
Mr R Gopalakrishnan	4
Mr S Hamlett*	4
Mr D J Gee**	N.A.
Mr M V Subbiah	4

* Resigned from the Board w.e.f. 28 January 2005

** Joined the Board w.e.f. 28 January 2005.

Ms R S Karnad, Chairperson of the Audit Committee, was present at the Annual General Meeting of the Company on 30 July 2004.

4. Remuneration & Nominations Committee

The Remuneration & Nominations Committee (R&N Committee) has four members all of whom are NEDs. The Committee is chaired by Mr M V Subbiah. The Chairman of the Board is a permanent invitee to the R&N Committee meetings. Director in charge of Human Resources acts as the Secretary to this Committee.

The Committee had one meeting on 22 May 2004, which was attended by all the members except Ms R S Karnad, who had conveyed her support to the decisions of the Committee at the meeting. The other business of the Committee was conducted through circulation and the recommendations were considered by the Board as appropriate.

Remuneration of Directors

The R&N Committee of the Board recommends the remuneration and changes therein of Managing/Wholetime Directors within the limits approved by the shareholders.

The remuneration to the NEDs is approved by the Board. Independent Directors and the Non Executive Chairman are paid sitting fees for attending Board/Committee meetings where they have been nominated as Members and commission, as approved by the Board/Shareholders from time to time.

The details of remuneration paid to the Directors during the year 2004-05 are given below:

Figures in Rs. lacs

	Total Remuneration	Fixed component	Performance linked payments
	a	b	c
	(b + c)	Salary, Allowances & Perquisites	Performance Pay/ Commission
Managing Wholetime Director			
Mr Rajiv Jain	115.39	86.39	29.00
Mr M R Rajaram	89.60	66.03	23.57
Total	204.99	152.42	52.57
Non-Executive Directors			
Mr A Narayan	5.40	0.40	5.00
Mr R Gopalakrishnan	5.90	0.90	5.00
Ms R S Karnad	5.60	0.60	5.00
Mr M V Subbiah	5.90	0.90	5.00
Total	22.80	2.80	20.00

Notes:

- The Service Contracts with the Managing/Wholetime Directors are normally for a period of five years terminable at six months notice on either side. Extracts from such contracts are communicated to the shareholders as required under law.
- Performance based payments are made to the Managing/Wholetime Directors on pre-agreed parameters and taking into account the recommendations of the R&N Committee.
- In case of NEDs, Fixed component of remuneration represents Sitting fees paid to them for attending Board/Committee meetings.
- Presently, the Company does not have any Stock Option Scheme.

5. Shareholders/Investors Grievance Committee

The Shareholders/Investors Grievance Committee of the Company functions under the Chairmanship of Mr D J Gee, a NED. The Company Secretary, who is also the Compliance Officer under the Stock Exchange requirements, functions as the Secretary to this Committee.

The Committee had two meetings (26 October 2004 and 27 January 2005). The attendance of each member is given below:

Name of Directors	No. of Meetings Attended
Mr S Hamlett*	2
Mr D J Gee**	N.A.
Mr Rajiv Jain	2
Mr M R Rajaram	2

* Resigned from the Board w.e.f. 28 January 2005

** Joined the Board w.e.f. 28 January 2005.

The Company received a total of 10 complaints regarding non-receipt of share certificates, annual report and dividends, from its shareholders for the period 1 April 2004 to 31 March 2005, all of which were resolved within the prescribed time limit. No share transfers arising out of the financial year in question were pending beyond the normal service time.

6. General Body Meetings

Details of location of the last three Annual General Meetings of the Company are given below :

Date of AGM	Time	Place
30 July 2004	2.30 pm	Bharatiyam Complex IB 201, Salt Lake, Kolkata - 700106
30 July 2003	2.30 pm	Science City Auditorium J B S Halden Avenue G K Road Post Office, Kolkata 700046
30 July 2002	11.00 am	-do-

All the resolutions set out in the respective notices were passed by the shareholders.

7. Disclosures

There was no significant related party transactions entered into by the Company with its promoters, Directors or the Management, their subsidiaries or relatives etc that may have potential conflict with the interests of the Company at large. Disclosures as required under Accounting Standard 18, have been incorporated in the notes to the Accounts.

There were no strictures or penalties imposed on the Company by Stock Exchanges or Securities Exchange Board of India or any statutory authority for non-compliance of any matter related to capital markets, during the last three years.

8. Means of Communication

Half yearly results to each household of shareholders	No, as the quarterly results of the Company are published in a leading English newspaper and in a local language newspaper
Quarterly Results	-do-
Newspapers in which results are normally published	Business Standard (English) Bartaman (Bengali)
Any website, where displayed	The results and other relevant information are displayed on the Company's website www.iciindia.com

Whether it also displays official news releases

Yes

Presentations made to institutional investors or to the analysts

No

Whether Management discussion and analysis is a part of Annual Report or not

Yes, incorporated in the Directors' Report

9. General Shareholder Information

- AGM: Date, Time and Venue 5 August 2005 at 1400 hours at Bharatiyam Complex, IB 201, Salt Lake, Kolkata - 700 106
- Financial Calendar a. Financial Year - April to March

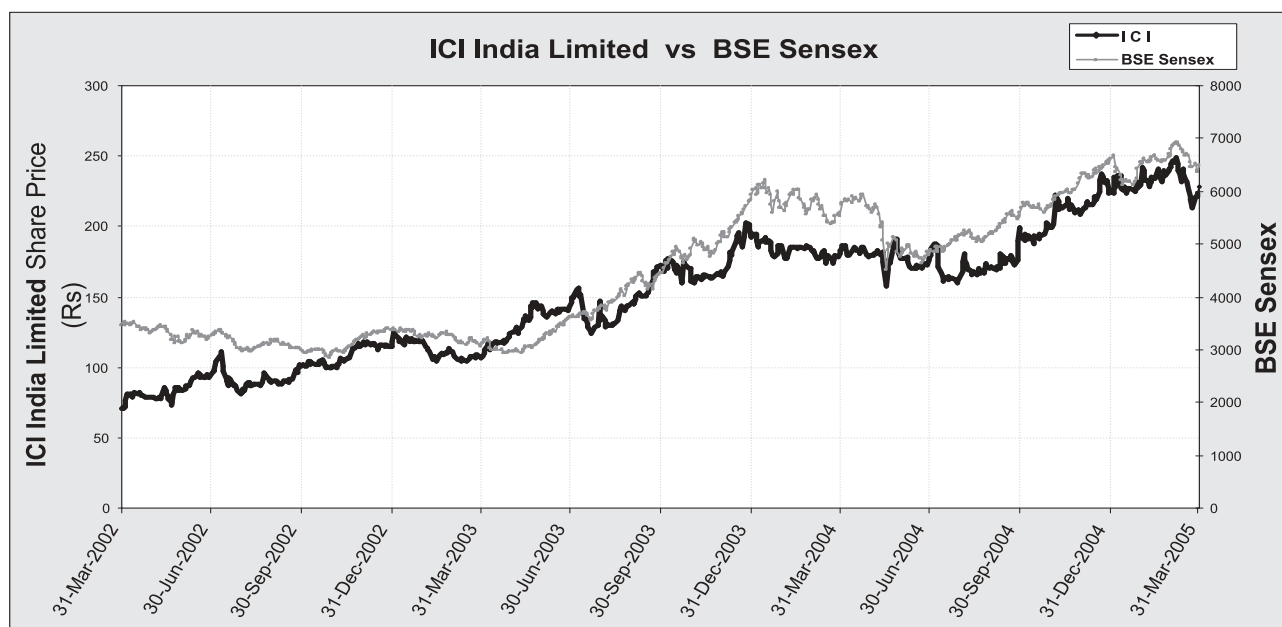


- b. First Quarter Results - Normally, second fortnight of July
 - c. Half yearly Results - Normally, second fortnight of October
 - d. Third Quarter results - Normally, second fortnight of January
 - e. Results for the year ending 31 March - Normally May/June
 - Date of Book Closure 12 July 2005 to 5 August 2005 (both days inclusive)
 - Dividend payment date(s) Around 12 August 2005 (after approval at the AGM)
 - Listing on Stock Exchange CSE, BSE, NSE
The Company has paid the listing fees for the period 1 April 2004 to 31 March 2005
 - Stock Code - Physical The Stock Exchange, Mumbai : 710
National Stock Exchange, Mumbai : EQ ICI
- ISIN Number for NSDL & CDSL INE133A01011

Market Price data (NSE) and stock performance in the last financial year

Month	ICI India Limited	
	High	Low
Apr-04	206	178
May-04	206	140
Jun-04	200	169
Jul-04	182	165
Aug-04	184	164
Sep-04	203	168
Oct-04	209	188
Nov-04	222	197
Dec-04	232	210
Jan-05	242	210
Feb-05	244	224
Mar-05	252	209

- Registrar and Transfer Agent C B Management Services (P) Ltd. P-22, Bondel Road, Kolkata-700019
- Share Transfer System All the transfers received are processed and approved by the Seal and Share Transfer Committee which normally meets twice a month. Share transfers are registered and returned within 30 days from the date of lodgement of complete documents.



**Shareholding Pattern as on 31 March 2005**

Shareholders	No. of shares ('000's)	% of total issued shares
Imperial Chemical Industries PLC	207,76	50.8
Domestic Financial Institutions & Mutual Funds	27,66	6.8
Foreign Financial Institutions	18,92	4.6
Banks & Insurance Companies	60,65	14.8
Other categories, incl individuals	93,72	23.0
TOTAL	408,71	100.0

Distribution of Shareholding as on 31 March 2005

Range (No. of shares)	No. of shareholders	No. of shares (000's)	% to Total issued Capital
1-50	28,110	5,77	1.4
51-500	17,303	25,76	6.3
501-5,000	1,641	18,61	4.6
5,001-50,000	55	7,14	1.7
50,001-10,00,000	22	74,41	18.2
10,00,001 & above	5	277,02	67.8
Total	47,136	408,71	100.0

- Dematerialization of shares and liquidity
As of 31st March 2005, 89.7% of the Company's equity shares (non-ICI PLC shares) have been dematerialized by the shareholders with total no. of 16,958 folios.
The Company has entered into agreements with NSDL & CDSL for smooth operation of demat mode of shareholding. The Company's equity shares have been notified for trading only in demat form w.e.f. 17.1.2000.
- Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity
None issued/outstanding
- Plant locations
The Company's plants are located at Hyderabad (Andhra Pradesh), Mohali (Punjab), Rishra (West Bengal) and Thane (Maharashtra)
- Address for correspondence
Shareholders correspondence may be addressed to:
1. C B Management Services (P) Ltd., P-22, Bondel Road, Kolkata - 700019
Or
2. The Company Secretary
ICI India Limited
DLF Plaza Tower, 10th Floor,
DLF Qutab Enclave, Phase-1
Gurgaon - 122002

NON-MANDATORY REQUIREMENTS

- a) **Chairman of the Board** Yes. The non-executive Chairman has been provided with an office at the Company's Corporate Office. All expenses incurred by the Chairman in the performance of his duties are borne by the Company.
- b) **Remuneration Committee** Please refer para A(4) above
- c) **Shareholders Rights**
Quarterly declaration of financial performance including summary of the significant events in the last 3 months should be sent to each household of shareholders
The Company's quarterly results are published in a leading daily English newspaper and a local language newspaper. The results are also posted on the EDIFAR database sponsored by SEBI, besides being displayed on the Company's web-site.
- d) **Postal Ballot** None during the year.

Certification by the Auditors

As required under Clause 49 of the Listing Agreement, the Auditors of the Company have verified the compliance of the Corporate Governance norms by the Company. Their report is attached.

On behalf of the Board

Gurgaon
24 May 2005

A NARAYAN
Chairman

AUDITORS' CERTIFICATE ON COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT**To the Members of ICI India Limited**

We have examined the compliance of conditions of corporate governance by ICI India Limited ("the Company") for the year ended 31 March 2005, as stipulated in clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We have been explained that no investors' grievances are pending for a period exceeding one month, as on 31 March 2005, against the Company as per the records maintained by the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BSR & Associates
(Formerly BSR & Co.)
Chartered Accountants

Gurgaon
24 May 2005

AKHIL BANSAL
Partner
Membership No. 090906



STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217(2A) OF THE COMPANIES ACT, 1956
(Annexure to the Directors' Report for the year ended 31 March 2005)

Name	Designation/Nature of Duties	Remuneration (Rs.)	Qualification	Experience in years	Joining Date	Age (years)	Previous Employment
(A) EMPLOYED THROUGHOUT THE FINANCIAL YEAR							
Batra S	General Manager-Finance, Paints	36,51,667	ACA	17	25-Jan-88	40	First Employment
Ghosh A Dr	Chief Executive, Uniqema	63,59,401	Ph D, DIC	28	6-Oct-93	52	Atul Products Ltd.
Ghoshal T	Works Manager, Panki	28,03,579	B Tech	30	8-Oct-92	52	Jenson & Nicholson (India) Ltd.
Guha R	Company Secretary & General Manager, Corporate Affairs	26,01,495	ACA, ACS	22	15-Jun-95	46	Duncans Industries Ltd.
Jain Rajiv	Managing Director & Chief Executive Officer, Paints	88,48,647	MBA, B Tech	33	18-Apr-83	54	Chemicals & Fibres India Limited
Kapoor S K (Dr)	Chief Executive, Rubber Chemicals	42,58,251	Ph D, M Sc	29	1-Apr-82	56	Alchemie Research Centre
Khullar S	General Manager-Supply Chain , Paints	32,10,108	B Tech	22	12-Sep-94	45	Apex Pvt. Ltd.
Krishna A P	General Manager, Specialty Polymers and Adhesives	48,74,842	B Tech	26	12-Aug-99	50	Hindustan Lever Ltd.
Mahajan J	General Manager - Refinish, Paints	25,92,077	MBA	14	3-Jun-91	39	First Employment
Mahato D C	General Manager- HR, Paints	34,76,043	MBA	29	25-Mar-85	53	Bharat Wagon & Engineering Company Ltd.
Mitra I	Manufacturing Manager, Paints	30,77,704	B Tech	21	9-Oct-84	46	Turnkey International Ltd.
Nagarajan H (Ms)	General Manager, Marketing (Decoratives), Paints	42,71,267	MBA	18	12-Oct-00	40	Nestle India Ltd.
Rajaram MR	Chief Financial Officer & Wholetime Director	79,59,902	ACA, B Com	36	1-Oct-84	59	The Alkali & Chemical Corpn of India Ltd.
Venkatakrishnan R	Taxation Controller	32,39,909	ACA	30	1-Jan-76	54	J K Synthetics Ltd.
(B) EMPLOYED FOR PART OF THE FINANCIAL YEAR							
Ahuja M	General Manager - Sales, Paints	11,06,867	MBA	13	8-Jun-04	37	Whirlpool of India Ltd.
Dutt P (Ms)	Business HR Manager, Paints	9,69,852	MBA	17	1-Dec-04	41	Bharti Tele Ventures Ltd.

Notes

1. Remuneration includes all allowances, perquisites, commission payable if any to the Directors, employer's contribution to provident fund and employer's contribution to pension fund (if covered under defined contribution scheme). It excludes employer's contribution to gratuity fund and leave encashment.
2. All appointments are contractual and are subject to the rules of the Company from time to time.
3. None of the employees is a relative of any Director of the Company.

Gurgaon
24 May 2005

On behalf of the Board

A NARAYAN
Chairman



ICI INDIA LIMITED – TEN YEARS AT A GLANCE

Rs. lacs

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
ASSETS EMPLOYED										
Gross Fixed Assets	298,61	351,05	366,22	418,54	367,28	367,47	362,11	363,40	351,58	373,68
Accumulated Depreciation	(167,59)	(176,73)	(125,88)	(143,86)	(131,10)	(156,21)	(144,32)	(176,07)	(186,34)	(225,11)
Net Fixed Assets	131,02	174,32	240,34	274,68	236,18	211,26	217,79	187,33	165,24	148,57
Capital Work in Progress	23,42	14,71	15,12	11,27	5,24	2,52	5,20	11,72	3,81	2,67
Long Term Investments	20,33	28,03	28,03	13,80	13,03	12,97	159,95	199,96	243,25	293,24
Current Assets (excl. Cash & Bank and inter-corp deposits)	287,05	333,78	360,10	375,00	294,82	261,53	234,22	227,52	263,72	293,98
Current Liabilities	(233,18)	(229,84)	(256,46)	(248,28)	(202,20)	(195,74)	(214,73)	(275,59)	(348,08)	(303,24)
Net Current Assets	53,87	103,94	103,64	126,72	92,62	65,79	19,49	(48,07)	(84,36)	(9,26)
Provision for VRS liability (net)					(67,47)	(61,85)	(47,75)	(39,35)	(33,40)	(25,17)
Deferred Tax Liability	(4,00)	(4,50)	(4,00)	(12,00)	(4,36)	(6,80)	(24,71)	(17,29)	(8,54)	(9,85)
Misc. Expenditure not written off					9,78	9,78	7,94	5,14	5,09	2,58
Net Assets Employed	224,64	316,50	383,13	414,47	285,02	233,67	337,91	299,44	291,09	402,78
FINANCED BY										
Share Capital	40,87	40,87	40,87	40,87	40,87	40,87	40,87	40,87	40,87	40,87
Capital Reserves	47,72	47,23	47,23	46,08	39,42	38,66	32,28	30,75	30,17	27,61
Revenue Reserves	131,41	153,24	180,83	217,70	256,90	301,24	336,27	397,85	449,11	460,72
Shareholders Funds	220,00	241,34	268,93	304,65	337,19	380,78	409,42	469,47	520,15	529,20
Net Debt *	4,64	75,16	114,20	109,82	(52,17)	(147,10)	(71,51)	(170,05)	(229,06)	(126,42)
Total Funds Employed	224,64	316,50	383,13	414,47	285,02	233,67	337,91	299,44	291,09	402,78
SALES AND PROFIT										
Sales & services	597,30	665,67	713,61	833,33	873,12	818,42	712,19	700,83	775,70	855,90
Profit before Depreciation & Interest	73,42	92,25	108,35	101,12	86,50	67,07	74,23	87,04	83,13	93,00
Depreciation	(19,41)	(21,28)	(18,29)	(24,16)	(23,29)	(23,11)	(22,96)	(23,37)	(24,28)	(20,14)
Interest	(6,57)	(13,51)	(20,12)	(27,56)	(16,09)	(3,45)	(1,70)	(3,34)	(4,58)	(3,50)
Profit before Exceptional items/Taxation	47,44	57,46	69,94	49,40	47,12	40,51	49,57	60,33	54,27	69,36
Exceptional items	14,53	12,10	57	26,48	17,03	46,41	57,64	72,85	77,18	(13,68)
Taxation	(27,00)	(27,50)	(20,00)	(14,50)	–	(17,80)	(26,70)	(25,49)	(22,36)	(8,50)
Profit After Taxation	34,97	42,06	50,51	61,38	64,15	69,12	80,51	107,69	109,09	47,18
Earnings per share (Rs.)	8.56	10.29	12.36	15.02	15.70	16.91	19.70	26.35	26.69	11.54
Equity Dividend - Amount	16,35	18,39	20,44	22,48	22,48	22,48	40,87	40,87	51,09	22,48
- Percentage	40	45	50	55	55	55	100	100	125	55
Debt Equity Ratio	0.1 : 1	0.2 : 1	0.3 : 1	0.3 : 1	-0.2 : 1	-0.6 : 1	-0.2 : 1	-0.6 : 1	-0.8 : 1	-0.3 : 1
NUMBER OF EQUITY										
SHAREHOLDERS	58,369	57,480	56,977	56,063	54,744	58,433	57,632	55,080	49,104	47,136

* Net Debt consists of Secured and Unsecured Loans, (net of) cash and bank balances, current investments and inter corporate deposits. Current assets have been regrouped accordingly.



AUDITORS' REPORT

TO THE MEMBERS OF ICI INDIA LIMITED

We have audited the attached Balance Sheet of ICI India Limited as at 31 March 2005 and also the Profit and Loss Account of the Company for the year ended on that date, annexed thereto, and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) the Balance Sheet, Profit and Loss Account and Cash

Flow Statement dealt with by this report are in agreement with the books of account;

- (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;
- (v) on the basis of written representations received from the Directors of the Company as on 31 March 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2005;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For BSR & Associates
(Formerly BSR & Co.)
Chartered Accountants

Gurgaon
24 May 2005

AKHIL BANSAL
Partner
Membership No.: 090906

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the fixed assets are physically verified by the management in accordance with a phased programme designed to cover all items of fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and nature of its fixed assets. In accordance with the programme, fixed assets at certain locations have been physically verified by the management during the year and the discrepancies noted on such verification have been properly dealt with in the books of account.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2. (a) Physical verification has been conducted by management at reasonable intervals in respect of inventory of raw materials, stores and spare parts, work-in-process and finished goods in the Company's possession. The existence of stocks lying with third parties as at 31 March 2005 has been confirmed based on confirmations or statements of account received from such third parties. In our opinion, the frequency of physical verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed between the physical inventory as verified and the book records were not material.
3. The Company has not granted/ taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and, according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5. (a) According to the information and explanations provided to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to deposits accepted from the public. As informed to us, no order has been passed by the Company Law Board relating to the deposits accepted from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

8. According to the information and explanations given to us, maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for any products of the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has generally been regular in depositing during the year undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.

9. (a) (Contd...)

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 March 2005 for a period of more than six months from the date they became payable.

- (b) According to the information and explanation provided to us by the management the following dues of sales tax, income tax, customs duty and excise duty have not been deposited with the appropriate authorities on account of dispute:

(Amount in Rs. lacs)

Name of the Statute	Nature of the dues	Amount	Period	Forum where dispute is pending
Income Tax Act, 1961	Disallowances arising in Income-Tax proceedings	16,84	Assessment Year 1995-96 to 2003-04	Commissioner of Income Tax
Central Excise Act, 1944	Disallowances of Modvat credit	60	1991-1996	Commissioner of Central Excise
Central Excise Act, 1944	Disallowance of interest on receivables	18	1995-1996	Central, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Classification disputes	3,72	1993-1999	Central, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Valuation disputes	54	1992-1994	Central, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Penalty for differential duty on account of difference in Maximum Retail Price	26	2004-2005	Commissioner of Central Excise
Central Sales Tax	Disallowance arising in Sales Tax proceedings	9,99 #*	1983-85, 1993-94, 1995-2001	Sales Tax Officer/Sales Tax Revision Board/Deputy Commissioner/Deputy Commissioner (Appeal)/Tribunal
State Sales Tax	Disallowance arising in Sales Tax proceedings	10,22 #*	1976-79, 1980-93, 1994-2004	Sales Tax Officer/Sales Tax Revision Board/Deputy Commissioner/Deputy Commissioner (Appeal)/Additional Commissioner/Tribunal/High Court
Total		42,35		

* Excluding disputed dues of Rs.34,83 lacs, the realisation of which has been stayed.

Excluding the demands, the proceedings of which have been set aside and/or remanded for reassessment by the appropriate authorities.

As informed to us by the Company, there are no dues of Wealth Tax, Service Tax and Cess, which have not been deposited on account of any dispute.

10. The Company does not have any accumulated losses and has not incurred cash losses during the current year and in the immediately preceding year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company did not have any outstanding debentures or any outstanding loans from any financial institution during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/society.
14. Based on our examination of documents and records, we are of the opinion that proper records have been maintained of the transactions and contracts in shares, securities, debentures and other investments. Further, we are of the opinion that timely entries have been made in the said records and the shares, securities, debentures and other investments are held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. According to the information and explanations given to us, no term loan has been taken by the Company during the year.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that the funds raised on short-term basis have not been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company did not have any outstanding debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For BSR & Associates
(Formerly BSR & Co.)
Chartered Accountants

Gurgaon
24 May 2005

AKHIL BANSAL
Partner
Membership No.: 090906



BALANCE SHEET

	Schedule	As at 31 March 2005		As at 31 March 2004	
			(Rs. lacs)		(Rs. lacs)
I) SOURCES OF FUNDS					
1. Shareholders' funds					
a) Capital	1	40,87		40,87	
b) Reserves and surplus	2	488,33	529,20	<u>479,28</u>	520,15
2. Loan funds					
a) Secured loans	3	–		5,00	
b) Unsecured loans	4	16,00	16,00	<u>15,00</u>	20,00
3. Deferred tax liability (net)	19 (24)		9,85		8,54
Total			555,05		<u>548,69</u>
II) APPLICATION OF FUNDS					
1. Fixed assets	5				
a) Gross block		373,68		351,58	
b) Less : Accumulated depreciation		225,11		<u>186,34</u>	
c) Net block		148,57		165,24	
d) Capital work-in-progress at cost, including advances		2,67	151,24	<u>3,81</u>	169,05
2. Investments	6		413,61		468,89
3. Current assets, loans and advances					
a) Inventories	7	129,55		123,90	
b) Sundry debtors	8	123,38		106,59	
c) Cash and bank balances	9	22,05		23,40	
d) Loans and advances	10	41,05		<u>33,25</u>	
		316,03		<u>287,14</u>	
Less: Current liabilities and provisions					
a) Current liabilities	11	206,40		184,31	
b) Provisions	12	122,01		<u>197,17</u>	
		328,41		<u>381,48</u>	
Net current assets/(liabilities)			(12,38)		(94,34)
4. Miscellaneous expenditure not written off			2,58		<u>5,09</u>
Total			555,05		<u>548,69</u>
Significant accounting policies	18				
Notes to the accounts	19				

The accompanying schedules form an integral part of the Balance Sheet.

As per our report attached.

For BSR & Associates
(Formerly BSR & Co.)
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner
Membership No. 090906

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



PROFIT AND LOSS ACCOUNT

		For the year ended 31 March 2005	For the year ended 31 March 2004
	Schedule	(Rs. lacs)	(Rs. lacs)
Income			
Gross sales		855,90	775,70
Less : Excise duty		<u>101,56</u>	<u>90,58</u>
Net sales		754,34	685,12
Other income	13	<u>28,07</u>	<u>22,87</u>
Total income		<u>782,41</u>	<u>707,99</u>
Expenditure			
Materials consumed	14	462,36	400,54
Other expenditure	15	227,05	224,32
Depreciation (net)		20,14	24,28
Interest (net)	16	<u>3,50</u>	<u>4,58</u>
		<u>713,05</u>	<u>653,72</u>
Profit before taxation from operations		69,36	54,27
Exceptional items	17	<u>(13,68)</u>	<u>77,18</u>
Profit before taxation *		55,68	131,45
Provision for taxation			
- Current tax	19 (6)	2,44	31,00
- Deferred tax		<u>6,06</u>	<u>(8,64)</u>
Profit after taxation		47,18	109,09
Balance brought forward		<u>232,76</u>	<u>214,31</u>
Balance available for appropriation		279,94	323,40
Appropriations			
General reserve		28,00	33,00
Proposed dividend		22,48	51,09
Tax on dividend		<u>3,28</u>	<u>6,55</u>
		<u>53,76</u>	<u>90,64</u>
Balance carried to the Balance Sheet		226,18	232,76
Basic and diluted earnings per equity share (in Rs.)	19 (23)	11.54	26.69
Significant accounting policies	18		
Notes to the accounts	19		
* Refer to note 28, schedule 19 for information on discontinued operations.			
The accompanying schedules form an integral part of the Profit and Loss Account.			

As per our report attached.

For BSR & Associates
(Formerly BSR & Co.)
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner
Membership No. 090906

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



CASH FLOW STATEMENT

	For the year ended 31 March 2005 (Rs. lacs)	For the year ended 31 March 2004 (Rs. lacs)
A. Cash flow from operating activities		
Profit before taxation from operations	69,36	54,27
Adjusted for :		
Depreciation	20,14	24,28
Loss/(Profit) on sale of fixed assets (net)	-	(5)
Provisions/Liabilities no longer required written back	(64)	(1,32)
Bad debts/Advances	5,52	2,05
Provision for doubtful debts and advances (net)	(4,38)	(97)
Investment income and other income	(12,39)	(4,91)
Profit on sale of investments (mutual funds)	(3,49)	(2)
Interest (net)	3,50	4,58
Operating profit before working capital changes	77,62	77,91
Changes in :		
Trade and other receivables	(31,90)	(18,23)
Inventories	(5,66)	(26,59)
Trade payables and other creditors	22,38	45,93
Cash generated from operations	62,44	79,02
Direct taxes paid	(18,16)	(16,58)
Exceptional items (relating to outflow on account of voluntary retirement scheme payments, cost of business reorganisation and additional contribution to employee retiral funds)	(29,48)	(24,07)
Net cash before investments & financing activities (A)	14,80	38,37
B. Cash flow from investing activities		
Purchase of fixed assets	(21,10)	(13,39)
Sale of properties (including advance received)	1,50	2,41
Sale of businesses	8,94	65,78
Payments relating to divested businesses	(9,30)	(3,20)
Sale of other fixed assets	5	38
Purchase of investments	(50,00)	(50,94)
Sale of investment in Indian Explosives Limited	-	66,65
Profit on sale of investments (mutual funds)	3,49	2
Interest received	32	38
Investment and other income	10,02	3,30
Net cash used in investing activities (B)	(56,08)	71,39
C. Cash flow from financing activities		
Borrowings during the year	16,00	20,00
Borrowings repaid during the year	(20,00)	-
Dividend paid	(50,87)	(40,55)
Tax on Dividend	(6,67)	(5,24)
Interest paid	(3,81)	(4,96)
Net cash used in financing activities (C)	(65,35)	(30,75)
Net change in cash & cash equivalents (A+B+C)	(106,63)	79,01
Cash and cash equivalents - opening balance	249,05	170,04
Cash and cash equivalents - closing balance	142,42	249,05

**CASH FLOW STATEMENT (contd.)****Notes to the cash flow statement**

	<u>As at 31 March 2005</u>	<u>As at 31 March 2004</u>
Cash and cash equivalents comprise:		
Cash, cheques in hand and in transit	43	31
Bank balance in Current Account	19,55	21,24
Bank balance in Unclaimed Dividend Account *	2,07	1,85
Govt. of India Securities	62	62
Fixed Maturity Debt Mutual Funds	119,75	222,00
Liquid Mutual Funds	-	3,03
	<u>142,42</u>	<u>249,05</u>

* Not available for use by the Company

As per our report attached.

For BSR & Associates For ICI India Limited
(Formerly BSR & Co.)
Chartered Accountants

AKHIL BANSAL Partner Membership No. 090906	A NARAYAN Chairman	RAJIV JAIN Managing Director	M R RAJARAM Wholetime Director	R GUHA Secretary
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Gurgaon
24 May 2005

SCHEDULES TO THE ACCOUNTS**SCHEDULE 1 : CAPITAL**

	<u>As at 31 March 2005</u>	<u>As at 31 March 2004</u>
	(Rs. lacs)	(Rs. lacs)
Authorised		
416,90,000 equity shares of Rs. 10 each	<u>41,69</u>	<u>41,69</u>
Issued, Subscribed and Paid Up		
408,70,612 equity shares of Rs. 10 each	<u>40,87</u>	<u>40,87</u>

Of the above equity shares :-

- 85,32,667 were allotted as fully paid up bonus shares by capitalisation of share premium and reserves.
- 29,68,824 were issued on part conversion of debentures.
- 2,07,76,213 are held by the holding company, Imperial Chemical Industries PLC, UK.
- 89,18,121 were issued as fully paid up otherwise than for cash.

SCHEDULE 2 : RESERVES AND SURPLUS**(Rs lacs)**

	As at 1 April 2004	Additions	Deductions	As at 31 March 2005
Capital reserves	23,92	-	-	<u>23,92</u>
Share premium	1,15	-	-	<u>1,15</u>
Revaluation reserve *	5,10	-	2,56	<u>2,54</u>
General reserve **	216,35	28,00	9,81	<u>234,54</u>
Profit and Loss Account	232,76	-	6,58	<u>226,18</u>
Total	<u>479,28</u>	<u>28,00</u>	<u>18,95</u>	<u>488,33</u>
Previous year	428,60	51,45	77	479,28

* Deduction represents withdrawal on account of :

- Fixed assets disposed/written off, Rs. 5 lacs (2003-04 : Rs. 50 lacs)
- Depreciation on revalued assets Rs. 4 lacs (2003-04 : Rs. 8 lacs) (Refer to note 8 , Schedule 19)
- Rs. 247 lacs adjusted in respect of impairment of fixed assets of Rubber Chemicals business (Refer to note 15, Schedule 19)

** Deduction represents adjustments (net of deferred tax credit) in respect of impairment of fixed assets of Rubber Chemicals business (refer to note 15, Schedule 19)



	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 3 : SECURED LOANS		
Working Capital Demand Loan from bank * #	—	5,00
	—	5,00

* Secured by hypothecation of raw materials, finished goods, work-in-process, stores and book debts of the Company.

SCHEDULE 4 : UNSECURED LOANS

Short term loan from bank #	—	15,00
Short term loan from others #	16,00	—
	16,00	15,00

Refer to note 3, Schedule 19

SCHEDULE 5 : FIXED ASSETS

(Rs. lacs)

Particulars	Gross block				Depreciation				Net block	
	Book value at cost or revalued amounts as at 1 April 2004	Additions at cost	Disposals/ adjustments at book value	Book value at cost or revalued amounts as at 31 March 2005	As at 1 April 2004	Depreciation for the year	In respect of disposals/ adjustments	As at 31 March 2005	As at 31 March 2005	As at 31 March 2004
Land leasehold	1,42	—	—	1,42	52	2	—	54	88	90
Land freehold	5,59	—	(4)	5,55	—	—	1,56	1,56	3,99	5,59
Buildings	66,34	1,43	(3)	67,74	18,21	1,38	2,92	22,51	45,23	48,13
Plant and machinery	212,88	8,22	—	221,10	138,25	9,78	13,76	161,79	59,31	74,63
Railway sidings and jetties	3	—	—	3	3	—	—	3	—	—
Rolling stock, motor vehicles etc.	56	1	(1)	56	52	1	—	53	3	4
Furniture, fittings and equipment	10,84	64	(2)	11,46	6,14	55	21	6,90	4,56	4,70
Patents, trademarks, knowhow etc.	4,85	—	—	4,85	1,09	49	—	1,58	3,27	3,76
Assets under operating leases	24,71	10,49	—	35,20	8,77	5,18	—	13,95	21,25	15,94
Data processing equipment	24,36	1,45	(4)	25,77	12,81	2,77	14	15,72	10,05	11,55
	351,58	22,24	(14)	373,68	186,34	20,18	18,59	225,11	148,57	165,24
Previous year	363,40	21,30	(33,12)	351,58	176,07	24,35	(14,08)	186,34	165,24	
Capital work-in-progress including advances on capital account									2,67	3,81

- Notes :**
- (1) Land and buildings at certain locations were revalued in 1983.
 - (2) As explained in note 15, Schedule 19, net book value of fixed assets of Rubber Chemicals business as on 1 April 2004 amounting to Rs. 1777 lacs and fixed assets additions in the business during the year, amounting to Rs. 86 lacs, have been impaired in accordance with Accounting Standard -28. Both the above amounts have been shown under 'Depreciation in respect of disposals/adjustments' in the above schedule.
 - (3) Depreciation on revalued assets : Rs. 4 lacs (2003-04 : Rs. 8 lacs) (Refer to note 8 , Schedule 19)

**SCHEDULE 6: INVESTMENTS #**

(At cost less write offs/provisions)

	No. as on 31 March 2005	Face Value Rs. per unit	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
(A) LONG TERM INVESTMENTS				
(i) Investment in subsidiaries				
Equity shares - unquoted				
– Quest International India Limited	14,40,001	100	151,98	151,98
(ii) Trade Investments				
Equity shares - unquoted				
Nitrex Chemicals India Limited	9,50,000	10	94	94
Belvedere Estates Limited	40,020	10	5	5
Adyar Property Holding Company Limited * (Paid-up Rs. 65 per share)	205	100	–	–
Debentures - unquoted				
0.5% Belvedere Estates Limited - redeemable	1	624,420	6	6
5% Woodlands Research Foundation - non-redeemable		86,000	–	–
0.5% Woodlands Research Foundation - (Book Value Re 1 only)	110	100	–	–
6.5% Bengal Chamber of Commerce and Industry	19	1,000	–	–
(iii) NON-TRADE INVESTMENTS				
Equity shares - quoted				
ICICI Bank Limited	57,918	10	21	21
Equity shares - unquoted				
Kohinoor Mills Limited	5	100	–	–
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited (Book Value Re 1 only)	144	250	–	–
Debentures - unquoted				
6.00% Sholapur Spinning & Weaving Co. Limited (in Liquidation) (Book Value Re 1 only)	523	100	–	–
Capital Gains Bond - unquoted				
7.00% National Highways Authority of India	20,000	10,000	20,00	20,00
5.00% National Bank for Agriculture and Rural Development	25,000	10,000	25,00	10,00
5.50% National Housing Bank	10,000	10,000	10,00	10,00
5.10% National Housing Bank	30,000	10,000	30,00	15,00
6.10% Rural Electrification Corporation Limited	10,000	10,000	10,00	10,00
5.15% Rural Electrification Corporation Limited	30,000	10,000	30,00	15,00
5.00% Small Industries Development Bank of India	15,000	10,000	15,00	10,00
(B) CURRENT INVESTMENTS - Non Trade				
Investment in Fixed Maturity Debt Mutual Funds - unquoted (NAV as on 31 Mar 2005, Rs. per unit)				
Birla Sun Life Mutual Fund (March 2003)	–	10	–	30,00
HDFC Mutual Fund (March 2003)	–	10	–	35,00
Birla Sun Life Mutual Fund (March 2004) (Rs. 10.54)	100,00,000	10	10,00	10,00
Birla Sun Life Mutual Fund (February 2005) (Rs. 10.09)	50,00,000	10	5,00	–
JM Mutual Fund (March 2004)	–	10	–	12,00
Kotak Mahindra Mutual Fund (March 2004) (Rs. 10.52)	150,00,000	10	15,00	15,00
Principal Mutual Fund (January 2004)	–	10	–	15,00
Principal Mutual Fund (March 2004) (Rs. 10.53)	250,00,000	10	25,00	25,00

**SCHEDULES TO THE ACCOUNTS (Contd.)**

	Number	Face Value Rs. per unit	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
Prudential ICICI Mutual Fund (March 2004) (Rs. 10.53)	157,56,455	10	15,75	20,00
Standard Chartered Mutual Fund (March 2003)	–	10	–	40,00
Standard Chartered Mutual Fund (March 2004) (Rs. 10.54)	200,00,000	10	20,00	20,00
Standard Chartered Mutual Fund (December 2004) (Rs. 10.19)	140,00,000	10	14,00	–
SBI Mutual Fund (January 2005) (Rs. 10.13)	150,00,000	10	15,00	–
Investment in Liquid Mutual Funds - unquoted				
Deutsche Mutual Fund	–	10	–	2,01
Kotak Mahindra Mutual Fund	–	10	–	1,02
Government of India Securities - quoted				
6.75% Government of India Tax free bonds	62,050	100	62	62
			413,61	468,89

* Indicates shares are partly paid up.

For investments purchased and sold during the year, refer to note 20, Schedule 19

	As at 31 March 2005		As at 31 March 2004	
	Book Value (Rs. lacs)	Market Value (Rs. lacs)	Book Value (Rs. lacs)	Market Value (Rs. lacs)
Quoted investments	83	2,91	83	2,39
Unquoted investments	412,78		468,06	
	413,61		468,89	

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 7 : INVENTORIES *		
Stores and spare parts	2,64	3,27
Packing materials	2,11	2,75
Raw materials	40,06	30,02
Finished products	80,40	82,80
Work-in-process	4,34	5,06
	129,55	123,90

* Refer note 9, Schedule 19.

SCHEDULE 8 : SUNDRY DEBTORS

Secured - considered good		
- Debts outstanding over six months	32	13
- Other debts	2,98	2,71
	3,30	2,84
Unsecured		
- Debts outstanding over six months		
Considered good	3,77	2,24
Considered doubtful	6,91	11,14
	10,68	13,38
Less : Provision for doubtful debts	6,91	11,14
	3,77	2,24
- Other debts - considered good #	107,81	84,48
Dues relating to sale of businesses	8,50	17,03
	123,38	106,59

Includes amount of Rs. 48 lacs (2003-04 : Rs 20 lacs) due from bodies corporate under the same management as defined in Section 370(1B) of the Companies Act, 1956. For details refer to note 29 (4), Schedule 19



	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	43	31
With scheduled banks :		
Current accounts	19,55	21,24
Dividend accounts	2,07	1,85
	<u>22,05</u>	<u>23,40</u>
SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received :		
Considered good *	28,83	24,36
Considered doubtful	1,08	1,23
	<u>29,91</u>	<u>25,59</u>
Less : Provision for doubtful advances	1,08	1,23
	<u>28,83</u>	<u>24,36</u>
Balances with Customs, Port Commissioners, Railways, Excise Authorities etc.	2,93	2,13
Other Deposits	4,55	4,39
Interest accrued on investments	4,74	2,37
	<u>41,05</u>	<u>33,25</u>
* Includes		
(a) Held on fixed deposit/margin money with a scheduled bank	3	27
(b) Due from Directors	96	1,03
Maximum amount due at any time during the year	1,03	2,07
(c) Due from Officer	-	1
Maximum amount due at any time during the year	1	20
(d) Amount due from companies under the same management		
- Quest International India Limited	-	3
(e) Maximum amount due from the companies under the same management at any time during the year		
- Indian Explosives Limited (under the same management upto 5 November 2003)	-	11
- Quest International India Limited	5	5
SCHEDULE 11 : CURRENT LIABILITIES		
Acceptances	49,79	50,70
Sundry creditors - SSI units *	1,46	4,62
Sundry creditors - others **	143,83	118,04
Unclaimed dividends	2,07	1,85
Interest accrued but not due on loans	1	-
Other liabilities	9,24	9,10
	<u>206,40</u>	<u>184,31</u>
* Refer note 4, Schedule 19		
** Refer note 5, Schedule 19		
SCHEDULE 12 : PROVISIONS		
Proposed dividend on equity shares	22,48	51,09
Tax on dividend	3,15	6,55
Provision for taxation (net of advance tax)	20,69	37,14
Provision for Voluntary Retirement Scheme liability	25,17	33,40
Provision for retirement benefits	15,51	21,21
Other provisions *	35,01	47,78
	<u>122,01</u>	<u>197,17</u>
* Refer note 25, Schedule 19		



	For the year ended 31 March 2005 (Rs. lacs)	For the year ended 31 March 2004 (Rs. lacs)
SCHEDULE 13 : OTHER INCOME *		
From businesses		
Insurance claims received	27	52
Commission	1,62	5,62
Lease rentals	4,37	3,87
Miscellaneous receipts	5,01	4,34
	<u>11,27</u>	<u>14,35</u>
Other operating items		
Income from non trade investments	12,39	4,91
Profit on sale/maturity of investments (mutual funds)	3,49	2
Profit/(Loss) on disposal of fixed assets (net)	-	5
Provisions/liabilities no longer required written back	64	1,32
Miscellaneous receipts	28	2,22
	<u>16,80</u>	<u>8,52</u>
	<u>28,07</u>	<u>22,87</u>

* Refer note 7, Schedule 19

SCHEDULE 14 : MATERIALS CONSUMED

Opening stock		
Raw materials	30,02	22,01
Packing materials	2,75	1,71
Finished products	82,80	71,19
Work-in-process	5,06	6,42
	<u>120,63</u>	<u>101,33</u>
Add : Purchases		
Raw materials	346,76	321,85
Packing materials	41,60	36,91
Finished products	79,84	65,74
	<u>468,20</u>	<u>424,50</u>
Less : Inventory adjustments in respect of divested businesses		
Raw materials and work-in-process	-	3,93
Packing materials	-	2
Finished products	-	3,24
	<u>-</u>	<u>7,19</u>
Less : Closing stock #		
Raw materials	40,06	30,02
Packing materials	2,11	2,75
Finished products	80,40	82,80
Work-in-process	4,34	5,06
	<u>126,91</u>	<u>120,63</u>
Add : Excise duty adjustment for movement in finished goods inventory (including duty on inventory of divested business)		
	44	2,53
Materials consumed	<u>462,36</u>	<u>400,54</u>

Refer note 9, Schedule 19



	For the year ended 31 March 2005 (Rs. lacs)	For the year ended 31 March 2004 (Rs. lacs)
SCHEDULE 15 : OTHER EXPENDITURE		
Stores and spare parts	7,28	7,51
Repairs to buildings	65	52
Repairs to plant and machinery	4,59	4,49
Power and fuel	13,78	18,99
Salaries, wages, and bonus	41,50	42,42
Contributions to provident and other funds	5,65	5,42
Workmen and staff welfare	2,75	3,35
Travelling	8,87	8,16
Rates and taxes	6,47	5,83
Rent	5,84	5,82
Communication	4,28	4,54
Insurance	3,17	3,26
Freight and transport	23,30	23,40
Selling commission	1,74	4,13
Publicity and sales promotion	38,29	31,47
Royalty and technical fees	1,13	96
Cash discount on sales	26,62	21,88
Formulation/processing charges	76	1,04
Bad debts/advances	5,52	2,05
Provision for doubtful debts and advances (net)	(4,38)	(97)
Loss on sale of fixed assets	4	-
Research and development	2,23	1,20
Directors' fees	3	1
Sundries (include consultancy, godown maintenance, computer maintenance etc.)	26,94	28,84
	<u>227,05</u>	<u>224,32</u>
SCHEDULE 16 : INTEREST		
Interest on other loans	3,82	4,96
Less : Interest income from banks and others *	(32)	(38)
Net interest	<u>3,50</u>	<u>4,58</u>
* Refer note 7, Schedule 19		
SCHEDULE 17 : EXCEPTIONAL ITEMS		
Provision no longer required written back (Refer to note 13, Schedule 19)	2,30	-
Charge for Post Retiral Medical Benefit Scheme (Refer to note 14 , Schedule 19)	(8,17)	-
Impairment charge on additions to fixed assets of Rubber Chemicals (Refer to note 15 , Schedule 19)	(86)	-
Provision in respect of custom duty litigation (Refer to note 16, Schedule 19)	(3,13)	-
Profit on sale of properties (Refer to note 17, Schedule 19)	1,50	2,91
Additional consideration on sale of Polyurethanes business	40	1,03
Charge for additional contribution to employees retiral funds (Refer to note 18, Schedule 19)	(3,15)	(13,88)
Charge for Voluntary Retirement Scheme	(2,57)	(2,97)
Profit on sale of investment in Indian Explosives Limited	-	50,30
Profit on sale of Nitrocellulose and Trading businesses	-	46,31
Cost of business reorganisation	-	(4,57)
Arrear lease rent	-	(1,95)
	<u>(13,68)</u>	<u>77,18</u>



SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared on the accrual basis under the historical cost convention, in accordance with the applicable Accounting Standards ("AS") issued by the Institute of Chartered Accountants of India ("ICAI") and provisions of the Companies Act, 1956.

Fixed assets/Depreciation

- Fixed Assets are stated at cost or at revalued amounts less accumulated depreciation.
- Depreciation for the year is computed on the straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956.
- Intangible assets comprising Patents, Trademarks, and Knowhow arising from the acquisition of businesses are being amortised on a straight line method over their estimated useful lives of ten years, in line with the accounting standard AS 26 issued by ICAI.
- Fixed assets are reviewed for impairment on each Balance Sheet date, in accordance with the accounting standard AS 28 issued by ICAI.
- Leaseholds improvements are amortised over the period of the lease.

Revenue recognition

- Revenue from sale of products is recognised when the products are despatched against orders from customers in accordance with the contract terms.
- Sales are stated inclusive of excise duty net of rebates, trade discounts and sales tax.
- Revenue from services are recognised when services have been rendered in accordance with contract terms.

Income from sale of properties

Income from the sale of properties is accounted on transfer of the risk and benefits in the property to the purchaser.

Investments

Long term investments are stated at cost less amount written off, where there is a permanent diminution in value. Current investments are stated at lower of the cost and net realisable value. In respect of fixed income securities, premium paid on purchase of securities is amortised over the period of the investment.

Current assets

- Stores and spare parts are valued at cost. Cost is determined on the basis of weighted average method.
- Finished goods including traded items, raw material, packing material and work-in-process are valued at the lower of cost and net realisable value. Cost includes an appropriate portion of manufacturing overheads, where applicable. Excise duty on finished goods produced is included in the value of finished goods inventory.
- Customs duty on inventories lying at the year end in bonded warehouse is included in the value of inventories.
- All other items of current assets are stated after adequate provisions for any diminution in the carrying value.

Foreign currency transactions

- Foreign currency transactions are accounted for at the exchange rate prevailing on the date of the transaction. All monetary foreign currency assets and liabilities are converted at the exchange rates prevailing at the date of the balance sheet. All exchange differences other than those relating to the acquisition of fixed assets are dealt with in the Profit and Loss Account. Exchange gain or loss relating to fixed assets acquired from outside India are adjusted in the cost of the respective fixed assets.
- In case of forward exchange contracts, the cost of the contracts is amortised over the period of the contract. Any profit or loss arising on the cancellation or renewal of a forward exchange contract is recognised as income or expense for the year, except in case of a forward exchange contract relating to liabilities incurred for acquiring fixed assets from outside India, in which case, such profit or loss is adjusted in the cost of fixed assets.
- Exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.

Retirement benefits

Liability for post retirement medical benefit, leave encashment, gratuity and pension is accrued on the basis of actuarial valuation as at the date of the Balance Sheet. Contributions to the recognised provident fund are charged to the Profit and Loss Account as incurred.

Accounting for Voluntary retirement scheme liability

- The total liability under the voluntary retirement scheme is amortised to the Profit and Loss Account over the period of expected future benefits commencing from the year the employee opts for the scheme. The unamortised amount to the extent not written off has been disclosed as "Miscellaneous expenditure not written off".
- The unamortised voluntary retirement scheme liability related to the business unit(s) which is/are hived off is adjusted against the disposal proceeds of the respective business unit(s).

Research and Development

Revenue expenditure on Research and Development including contribution to research associations is charged to Profit and Loss Account. Capital expenditure on research and development is shown as additions to Fixed Assets.

Deferred taxation

Income tax expense comprises current tax and deferred tax charge or credit. Current tax provision is made based on the tax liability computed after considering tax allowances and exemption under the Income Tax Act, 1961.

The deferred tax charge or credit and the corresponding deferred tax liability and assets are recognised using the tax rates that have been enacted or substantially enacted on the balance sheet date.

Deferred tax assets arising from unabsorbed depreciation or carry forward losses are recognised only if there is virtual certainty of realisation of such amounts. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets are reviewed at each balance sheet date to reassess the realisability.



SCHEDULES 19 : NOTES TO THE ACCOUNTS

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
1. Capital expenditure :		
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances).	3	73
(b) Demand for enhanced compensation in respect of leasehold land at Mohali, under dispute.	1,16	5,88
2. Contingent liabilities not provided for:		
(a) Uncalled liability on shares partly paid up	-	-
(b) Sales tax matters under Appeal	8,34	11,69
(c) Excise matters in dispute/under Appeal	2,43	4,45
(d) Customs matters in dispute/under Appeal	-	3,74
(e) Industrial relations and other matters under dispute	37	10
(f) Income tax matters in dispute/under Appeal *		
* The Income tax assessments for the Company have been completed up to the financial year ended 31 March 2002. Arising from the completed assessments and also appellate orders, there is net demand of Rs. 1081 lacs (2003-04 : net demand of Rs. 1140 lacs) comprising total refunds of Rs. 2627 lacs excluding interest (2003-04 : Rs. 1721 lacs), and demand/liability of Rs. 3708 lacs, excluding interest (2003-04 : Rs. 2861 lacs). The Company as well as the Income tax department have gone on further appeal on these matters. Pending progress in the appeals, neither the refund nor the liability for the demand has been recognised in the accounts.		
3. Loans due within a year		
Secured loans : Working capital demand loan from bank	-	5,00
Unsecured loans : Short term loan from bank	-	15,00
Unsecured loans : Short term loan from others than bank*	16,00	-
* Advance against unsecured debentures, but since repaid prior to issue of the debentures.		
4. The names of small scale industrial units to whom the Company owes a sum which is outstanding for more than 30 days at the Balance Sheet date, computed on a unit wise basis, are :		
Akay Organics Ltd.	Hydro Carbons & Chemicals	S S Packaging
Anand Casein Udyog	Jaju Chemicals Pvt. Ltd.	Sabari Chemicals Pvt. Ltd.
Ballal Chemicals	Laxmi Polyplast Industries	Shree Ganesh Enterprises
Banshidhar Chemicals	Lignin Research Centre	Sigma Packaging
Dhanashree Polymers Pvt. Ltd.	Mountain Minerals & Microns	Sri Venkateswara Packaging
Elkay Chemicals Pvt. Ltd.	Mukut Plastic Pvt. Ltd.	Sumex Organics Pvt. Ltd.
Fibro Chem Industries	Parag Pharma Chem	Tanvi Indl. Corporation
Geeta Enterprises	Party Time Ice Pvt. Ltd.	Techno Waxchem
	Piyanshu Chemicals	Vishal Chemical Industries
The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.		
5. Sundry creditors - others (Schedule 11) include unclaimed matured fixed deposits from public amounting to Rs. 12 lacs (2003-04 : Rs. 14 lacs).		
6. (a) The Company has invested Rs. 50 crores in Capital Gains Tax exemption bonds during the current year, out of the long term capital gains on divestment of its Nitrocellulose and Trading businesses on 16 March 2004 and has accordingly written back Rs. 10.25 crores in provision for current tax in respect of long term capital gains tax provided in the previous year.		
(b) Provision for current tax includes Rs. 170 lacs relating to previous years.		
7. Income from investments, interest and others are stated at gross amounts. The amount of income tax deducted thereon is Rs. 35 lacs (2003-04 : Rs. 9 lacs).		
8. Gross depreciation for the year amounts to Rs. 2018 lacs (2003-04 : Rs. 2435 lacs), which includes a sum of Rs. 4 lacs (2003-04: Rs. 8 lacs) being the depreciation on revalued assets charged to Revaluation reserve.		
9. Hitherto the Company was not making provision for customs duty on stocks lying at the year end in bonded warehouse. The related customs duty amounts were however disclosed by way of a note to the accounts. From the current year the Company has changed its accounting policy and has provided for customs duty on such stocks, amounting to Rs. 123 lacs (2003-04 : Rs. 107 lacs). Consequently its inventory and other liabilities are higher by this amount. This has no effect on the profit for the year.		
10. Profit on account of foreign exchange transactions for the year is Rs. 106 lacs (net) {2003-04 : Rs. 126 lacs (net)}.		
11. Sales exclude sale of equipment amounting to Rs. 346 lacs (2003-04: Rs. 419 lacs) at cost.		

2004-05
(Rs. lacs)

12. Directors' remuneration *

Salaries and allowances	1,70
Commission	20
Estimated cost of benefits	35
	<u>2,25</u>

Computation of Directors' remuneration

Profit before depreciation, taxation & exceptional items	89,50
Add : Directors' remuneration	<u>2,25</u>
	91,75

Less : Depreciation as per section 350	20,14	
Voluntary retirement scheme provision	2,57	
Provision for Post Retiral Medical Benefits	8,17	
Provision for doubtful debts and advances (net)	4,38	
Profit on sale of investment	3,49	
Impairment charge on additions to fixed assets of Rubber Chemicals	86	
Provision in respect of custom duty litigation	3,13	
Pension provision	3,15	45,89
Net profit under section 198 of the Companies Act, 1956		<u>45,86</u>
Maximum remuneration payable to Directors :		
- Managing/Wholtime Directors @10% of net profit		4,58
- Directors not in wholtime employment @1% of net profit		46
		<u>5,04</u>

* The above amounts do not include provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations carried out on an overall Company basis rather than separately for Directors.

13. Following settlement of legal disputes relating to municipal taxes on land and building at 34 Chowringhee Road, Kolkata and Mumbai Port Trust agreeing to reconsider computation of arrear lease rent in respect of Company depot in Mumbai, part of the provision made in the earlier years in respect of the aforesaid, amounting to Rs. 230 lacs are considered no longer necessary and have been written back and shown as an exceptional item in Profit and Loss Account.

14. Hitherto, payment of post retirement medical benefits were being charged to the Profit and Loss Account on actual reimbursement of such benefits. Following certain changes to the scheme, the Company has now made a provision for the future liability of such benefit entitlements on the basis of an actuarial valuation carried out as on 31 March 2005, amounting to Rs. 817 lacs and this has been shown as an exceptional item in the Profit and Loss Account.

15. Following the applicability of Accounting Standard on Impairment of Assets (AS-28) from 1 April 2004 and consequent to the review carried out thereupon, the net book value of fixed assets of the Rubber Chemicals business as on 1 April 2004 amounting to Rs. 1777 lacs has been recognised as an impairment loss. This was based on the difficult market conditions prevailing in the Rubber chemical industry in the two years prior to the review and an assessment of the prospects of the business. Out of the above, Rs. 247 lacs has been charged against Revaluation reserve in respect of these assets and in accordance with the transitional provisions of the Accounting Standard, an amount of Rs. 981 lacs (after netting of deferred tax credit of Rs. 549 lacs) has been charged to the General Reserve.

Consequently, additions to fixed assets in Rubber Chemicals business during the year 2004-05 amounting to Rs. 86 lacs have also been recognised as an impairment loss and shown as an exceptional item in the Profit and Loss Account.

The net book value of each class of assets impaired is as follows:

	Charged to General Reserve	(Rs. lacs) Charged as exceptional item during the year
Land	1,56	-
Building	2,95	-
Plant and machinery	11,80	1,88
Furniture, fittings and equipments	29	-
Data processing equipments	14	1
Capital Work-in-progress	1,03	(1,03)
	<u>17,77</u>	<u>86</u>

As a result of the impairment, depreciation charge on fixed assets during the year is lower by Rs. 247 lacs.

16. Following the adverse outcome in the proceedings relating to the Company's appeal against demand made by customs authorities on concessions availed on certain import licences, a provision of Rs. 313 lacs has been made and shown as an exceptional item in the Profit and Loss Account.



17. Income from sale of properties of Rs. 150 lacs (2003-04 : Rs. 291 lacs) represents net profit on sale of two flats at Kolkata.
18. During the year, a deficit in the employees retiral funds amounting to Rs. 315 lacs (2003-04 : Rs. 1388 lacs) has been determined on the basis of actuarial valuation carried out by the Company and has been provided as an exceptional item in the Profit and Loss Account. The above deficit has arisen mainly because of lower interest rate considered in the actuarial valuation assumptions.
19. In the absence of any progress in the matter and continuing outstanding obligation of the Company, the provision of Rs. 1500 lacs made in respect of probable land cost liability while determining the profit on sale of Catalyst business in 2002-03 has been carried forward in the current year's accounts.
20. During the year the Company invested the temporary surplus funds in the following Liquid/Cash Mutual Funds and Fixed Maturity Plans of Mutual Funds which were invested and redeemed within the year :

Liquid/Cash Mutual Funds	Number of units	Purchase value (Rs. lacs)
ABN Amro Mutual Fund	120,01,411	12,00
Birla Sunlife Mutual Fund	189,87,421	19,02
Deutsche Mutual Fund	19,77,171	2,04
HDFC Mutual Fund	85,39,484	9,09
HSBC Mutual Fund	67,43,928	7,04
ING Vysya Mutual Fund	180,08,326	18,02
Kotak Mahindra Mutual Fund	130,89,593	16,04
Prudential ICICI Mutual Fund	84,54,108	10,02
Reliance Mutual Fund	91,73,322	14,02
Standard Chartered Mutual Fund	534,36,792	53,44
Templeton Mutual Fund	26,475	4,00
Floating Rate Funds		
Deutsche Mutual Fund	39,16,803	4,00
HDFC Mutual Fund	46,62,092	5,00
HSBC Mutual Fund	70,07,615	7,02
ING Vysya Mutual Fund	40,10,626	4,01
Kotak Mahindra Mutual Fund	50,19,218	5,02
Prudential ICICI Mutual Fund	49,93,414	5,02
Standard Chartered Mutual Fund	228,92,820	23,05
Tata Mutual Fund	159,96,679	16,01
Fixed Maturity Plans		
Prudential ICICI Mutual Fund	50,00,000	5,00
Reliance Mutual Fund	390,00,000	39,00

21. Payments to Auditors	2004-05 (Rs. lacs)	2003-04 (Rs. lacs)
(i) Audit fee	12	12
(ii) Tax Audit fee	3	3
(iii) Certification work/others matters	8	10
(iv) Reimbursement of expenses/service tax	4	4
Total	27	29

22.(a) Particulars in respect of goods manufactured

	Unit	Licensed Capacity		Installed Capacity		Actual Production meant for sale	
		2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Adhesives & Polymers	Tonnes	N.A.	N.A.	5,000	2,500	5,515	4,411
Catalysts (see note 7)	Tonnes	N.A.	N.A.	2,480	2,480	-	-
Nitrocellulose (see note 8)	Dry Tonnes	N.A.	N.A.	-	-	-	4,514
Paints	K Litres	N.A.	N.A.	60,740	60,740	33,134	30,502
Rubber Chemicals & Diphenylamine (DPA)	Tonnes	N.A.	N.A.	10,000	10,000	10,988	9,825
Textile Auxiliaries & Surfactants	Tonnes	N.A.	N.A.	8,600	8,600	3,461	3,199
Thinners	Tonnes	N.A.	N.A.	@	@	12,035	11,758
	K Litres	N.A.	N.A.	4,460	4,460	2,343	2,154



Notes :

1. N.A. - Not Applicable.
2. Production meant for sale is after adjustment of shortages, handling losses and quantity internally consumed and includes quantities manufactured by third parties on behalf of the company.
3. Licensed and Installed capacity in respect of intermediates used entirely for captive consumption have not been furnished.
4. All items are delicensed.
5. Installed capacities are as certified by the management.
6. @ - Dependent on the product mix.
7. Installed capacity of Catalysts is utilised for toll conversion operations undertaken on behalf of Johnson Matthey Chemicals India Private Limited.
8. Production of Nitrocellulose in the year 2003-04 is for the period 1 April 2003 to 15 March 2004. With effect from 16 March 2004, the manufacturing facility along with the licence was transferred to Nitrex Chemicals India Private Limited. (now known as Nitrex Chemicals India Limited)

22 (b) Particulars in respect of sales, opening and closing stocks of finished goods

	Unit	Sales		Opening Stock		Closing Stock	
		Quantity	Value	Quantity	Value	Quantity	Value
			(Rs. lacs)		(Rs. lacs)		(Rs. lacs)
		2004-05	2004-05	2004-05	2004-05	2004-05	2004-05
		2003-04	2003-04	2003-04	2003-04	2003-04	2003-04
Adhesives and Polymers	Tonnes	7,808	83,10	428	4,20	938	6,13
	Tonnes	5,372	60,50	241	2,46	428	4,20
Nitrocellulose *	Dry Tonnes	-	-	-	-	-	-
	Dry Tonnes	4,636	75,95	280	3,36	-	-
Paints	K. Litres	34,658	604,01	5,614	63,57	5,043	58,84
	Tonnes	12,237		1,351		1,371	
	K. Litres	29,546	490,18	3,691	46,84	5,614	63,57
	Tonnes	10,819		1,565		1,351	
Rubber Chemicals & DPA	Tonnes	4,612	106,06	347	5,56	224	4,61
	Tonnes	4,238	90,08	391	6,58	347	5,56
Textile Auxiliaries & Surfactants	Tonnes	12,931	128,54	635	4,69	627	5,11
	Tonnes	12,437	117,34	846	6,25	635	4,69
Thinners	K. Litres	2,385	27,52	260	1,50	254	1,79
	K. Litres	2,090	23,64	153	1,23	260	1,50
Others	Various		7,50		3,28		3,92
	Various		16,39		4,47		3,28
Less : Rebates			100,83				
			98,38				
			855,90		82,80		80,40
			775,70		71,19		82,80

* Closing stocks as on date of divestment, have been transferred to the respective buyers.

22.(c)Particulars in respect of purchase of finished products

	Unit	Quantity		Value (Rs. lacs)	
		2004-05	2003-04	2004-05	2003-04
Adhesives and Polymers	Tonnes	2,803	1,148	33,93	19,50
Paints	K. Litres	953	967	21,92	19,73
	Tonnes	1,269	780		
Textile Auxiliaries & Surfactants	Tonnes	888	468	5,23	2,98
Thinner	Tonnes	36	43	30	30
Rubber Chemicals & DPA	Tonnes	1,028	995	10,67	10,14
Others	Various	N.A.	N.A.	7,79	13,09
				79,84	65,74

22.(d)Details of raw materials consumed

	Unit	Quantity		Value (Rs. lacs)	
		2004-05	2003-04	2004-05	2003-04
Pigments, tinters	Tonnes	5288	4772	59,90	54,47
Resins	Tonnes	10324	9841	54,99	48,04
Latex	Tonnes	6230	4697	35,81	23,06
Solvents	Tonnes	16901	14986	30,75	22,85
Organic chemicals	Tonnes	7971	14939	58,05	68,85
Other chemicals	Various			97,22	92,64
				336,72	309,91

Raw materials consumed are after adjustment including shortage/excess and provision for losses.



22.(e) Value of raw materials, stores and spare parts consumed

	Raw Materials				Stores & spare parts and packing materials (Excluding capital jobs)			
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
	(Rs. lacs)	(Rs. lacs)	%	%	(Rs. lacs)	(Rs. lacs)	%	%
Imported	131,99	117,23	39	38	2	-	-	-
Indigenous	204,73	192,68	61	62	49,50	43,36	100	100
	336,72	309,91	100	100	49,52	43,36	100	100

Raw materials, stores and spare parts consumed are after adjustment including shortage/excess and provision for losses.

22. (f) Earnings in foreign exchange

	2004-05 (Rs. lacs)	2003-04 (Rs. lacs)
Export of goods (FOB basis)	29,49	47,65
Direct sales commission	1,62	5,62

22. (g) Value of imports (CIF basis)

	2004-05	2003-04
Raw materials	147,60	129,25
Stores and spare parts	4	-
Capital goods	11	8
Other items	25,14	21,72

22. (h) Expenditure in foreign currencies (on payment basis; net of tax where applicable)

	2004-05	2003-04
Royalty and technical fees	58	98
Professional and consultation fees	96	81
Others	4,16	2,19

22. (i) Remittance in foreign currencies on account of dividends on equity shares

Dividend relating to	No. of Non-Resident Share holders	No. of Shares (in 000's)	2004-05 (Rs. lacs)	2003-04 (Rs. lacs)
2003-04	1	207,76	25,97	-
2002-03	1	207,76	-	20,78

23. Earnings per share

	2004-05	2003-04
(a) Calculation of weighted average number of equity shares of Rs. 10 each		
Number of shares at the beginning of the year	4,08,70,612	4,08,70,612
Shares issued during the year	-	-
Total number of equity shares outstanding at the end of the year	4,08,70,612	4,08,70,612
(b) Net profit after tax available for equity shareholders (Rs. lacs)	47,18	109,09
(c) Basic and diluted earnings per share (Rs.)	11.54	26.69

24. Details of provision for deferred taxation

	Deferred Tax Assets		Deferred Tax Liability	
	2004-05	2003-04	2004-05	2003-04
Timing differences on account of:				
Difference between book depreciation and depreciation under Income-tax Act, 1961			27,09	32,82
Expenditure deferred under section 43B of Income Tax Act, 1961	1,29	1,46		
Provision for doubtful debts and advances	2,69	5,18		
Voluntary retirement scheme liability	2,91	4,20		
Liability for leave encashment and retirement benefit provision	5,44	8,66		
Other items	4,91	4,78		
Total	17,24	24,28	27,09	32,82
Net deferred tax liability #			9,85	8,54

As explained in note 15 herein, deferred tax credit of Rs. 549 lacs has been netted off against amount charged to General Reserve in respect of impairment of fixed assets of Rubber Chemicals Business. Further, Rs. 74 lacs has been adjusted in deferred tax assets on account of other adjustments.



25. Details of Other Provisions (refer to Schedule 12)

	Indirect Taxes	Divested Businesses	Others	(Rs. Lacs) Total
Opening Balance as on 1 April 2004	6,81	31,28	9,69	47,78
Additional provision made	4,15	-	-	4,15
Payments against provisions	(17)	(9,29)	(4,42)	(13,88)
Write back	-	(5)	(2,73)	(2,78)
Adjustments	(26)	-	-	(26)
Closing Balance as on 31 March 2005 *	10,53	21,94	2,54	35,01

* Notes

- (a) Provisions relating to indirect taxes are in respect of proceedings of various sales tax, excise duty, customs duty and other indirect tax cases, including those relating to discontinued businesses. Outflows in all these cases, both timing and certainty, would depend on the developments/outcome in these cases.
- (b) Provisions relating to divested businesses (other than any indirect tax cases relating to such businesses) include Rs. 1500 lacs as referred to in note 19. Other provisions, amounting to Rs. 694 lacs are relating mainly to Catalyst, Explosives and Nitrocellulose/Trading business divestments.
- (c) Other provisions are relating to litigation matters in respect of sale of properties and arrear lease rent of the Company's depot in Mumbai.
- (d) Majority of provisions under (b) and (c) above are expected to be substantially utilised over the next two years.

26. Operating lease

- (a) The Company has given colour solution machines under operating leases. The future minimum lease rentals receivable as on 31 March 2005 in respect of these assets are as under:

Amount receivable	Total future minimum lease rentals receivable as on 31 March 2005 (Rs. lacs)	Total future minimum lease rentals receivable as on 31 March 2004 (Rs. lacs)
Within one year	3,96	3,32
Later than one year and not later than five years	3,80	2,84
Later than five years	2	2
Total	7,78	6,18

- (b) **Obligation on long term non-cancellable operating leases**

The lease rental charge during the year and maximum obligations on long term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

	2004-05 (Rs. lacs)	2003-04 (Rs. lacs)
- Lease rentals charged during the year	70	87
- Lease obligations	Total future minimum lease rentals payable as on 31 March 2005 (Rs. lacs)	Total future minimum lease rentals payable as on 31 March 2004 (Rs. lacs)
Within one year	68	85
Later than one year and not later than five years	1,12	35
Later than five years	-	-
Total	1,80	1,20

27. Segment Information

A. Information about primary business segments

- (1) (a) The Company's primary business segments comprises Paints and Chemicals. The businesses included in these primary business segments are given below :

Paints : Decorative and Refinish Paints.
Chemicals : Uniqema; Food Starch, Polymers and Adhesives; and Rubber Chemicals

- (b) From 1 April 2004, following the divestment of Nitrocellulose and Trading businesses on 16 March 2004, the Company has been monitoring the performance of its Chemicals businesses on a combined basis, since it considers the risks and rewards associated with these businesses to be similar. Consequently, the Company has combined the segment data relating to the remaining business of the Industrial Chemicals segment, viz. Rubber Chemicals, and the Industrial Specialties segment businesses viz., Uniqema and National Starch & Chemical, into a single business segment called 'Chemicals'. The previous year's business segment results have been regrouped accordingly.

Segment information relating to Nitrocellulose and Trading businesses for the previous year has been shown under "discontinued businesses".



(2) Segment revenues, results and other information (Rs. lacs)

	Paints		Chemicals		Discontinued Businesses		Total of Reportable Segments	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
External sales	550,25	437,56	305,65	255,43	-	82,71	855,90	775,70
Inter segment sales	24	22	2,48	2,10	-	4,11	2,72	6,43
Other business related income	6,16	5,34	5,11	4,33	-	4,68	11,27	14,35
Segment revenues	556,65	443,12	313,24	261,86	-	91,50	869,89	796,48
Segment results	31,73	22,39	28,49	16,20	-	19,33	60,22	57,92
Segment assets	266,29	260,17	147,48	141,94	-	-	413,77	402,11
Segment liabilities	134,23	119,87	75,44	71,86	-	-	209,67	191,73
	132,06	140,30	72,04	70,08	-	-	204,10	210,38
Capital expenditure	14,44	9,87	6,63	2,56	-	41	21,07	12,84
Depreciation/Amortisation (net of adjustment from revaluation reserve)	16,56	14,93	3,02	5,80	-	2,81	19,58	23,54

(3) Reconciliation of reportable segments with the financial statements (Rs. lacs)

	Revenues		Results/Net Profit		Assets		Liabilities	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Total of reportable segments	869,89	796,48	60,22	57,92	413,77	402,11	209,67	191,73
Corporate - Unallocable/Others (Net)	16,80	8,52	12,64	93	328,61	279,97	129,93	199,26
Inter segment adjustments	(2,72)	(6,43)	-	-	(1,34)	(97)	(1,34)	(97)
Interest expense (net)			(3,50)	(4,58)				
Exceptional items			(13,68)	77,18				
Taxes			(8,50)	(22,36)				
As per financial statements	883,97	798,57	47,18	109,09	741,04	681,11	338,26	390,02

B. Information about secondary segment (by geographical segment) (Rs. lacs)

	India		Outside India		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Revenue	853,08	749,32	30,89	49,25	883,97	798,57
Carrying amount of segment assets *	735,39	674,87	5,65	6,24	741,04	681,11
Capital expenditure *	21,10	13,39	-	-	21,10	13,39

* Excludes inter segment assets

Notes:-

- The business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of products, risks and return, organisation structure and internal reporting system.
- Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.
- Segment revenue, results and assets and liabilities figures include the respective amounts identifiable to each of the segments. Segment revenues are gross of excise duty. Other un-allocable items in segment results include income from investment of surplus funds of the Company and corporate level expenses. Unallocable/Others in assets includes un-allocable fixed assets, current assets other than cash and bank balances of Rs. 2205 lacs (2003-04: Rs 2341 lacs), unallocated miscellaneous expenditure not written off and investments other than current investments of Rs. 12037 lacs (2003-04: Rs. 22565 lacs). Unallocable/Other liabilities includes un-allocable current liabilities net deferred tax liability other than loan funds of Rs. 1600 lacs (2003-04 : Rs. 2000 lacs).

28. Information on results of discontinued businesses

The results for the previous year include results of the Nitrocellulose and Trading businesses (which were divested on 16 March 2004), for the period 1 April 2003 to 15 March 2004 and are given below:

	Year ended 31 March 2005	Year ended 31 March 2004
Net Profit before Taxation from ordinary activities	-	19,33
Income tax expense related to the above	-	6,93
Profit on disposal of discontinued businesses (pre tax)	-	46,31

**29. Related Party Disclosures**

1. List of related parties:

- a) Holding Company: Imperial Chemical Industries PLC, UK
 b) Subsidiary of the Company: Quest International India Limited
 c) Other related parties in the ICI Group where common control exists and with whom transactions have taken place during the year:

Acheson Industries	National Starch & Chemical, Italy	National Starch & Chemical Trading Co., Thailand
Chemical Industries (Colombo) Ltd.	National Starch & Chemical, Korea	Nippon NSC Ltd.
Dongsung NSC Ltd.	National Starch & Chemical, Malaysia	Nitrex Chemicals India Limited
Elotex AG	National Starch & Chemical, Netherlands	PT Uniqema, Indonesia
Hindustan Lever Ltd.	National Starch & Chemical, Singapore	Quest International, Singapore
ICI Argentina	National Starch & Chemical Co., USA	The Glidden Co.
ICI Paints Thailand	National Starch & Chemical, Taiwan	Uniqema Chemie B.V.
ICI Pakistan Ltd.	National Starch & Chemical, Thailand	Uniqema, Malaysia
ICI Woobang Co. Ltd., Korea	National Starch & Chemical Co., UK	Uniqema, U.K.
National Starch & Chemical, Hongkong	National Starch & Chemical, Vietnam	Uniqema, U.S.A.
National Starch & Chemical, France	National Starch & Chemical, Shanghai	Uniqema Chemicals Ltd.
National Starch & Chemical, Guandong	National Starch & Chemical, Australia	
National Starch & Chemical, Indonesia		

d) Directors during the year 2004-05

Mr. A Narayan	Chairman	Mr. S Hamlett (upto 27 Jan. 2005)	Non-executive Director
Mr. Rajiv L Jain	Managing Director	Mr. D J Gee (wef 28 Jan. 2005)	Non-executive Director
Mr. MR Rajaram	Wholetime Director	Ms. R S Karnad	Non-executive Director
Mr. R Gopalakrishnan	Non-executive Director	Mr. M V Subbiah	Non-executive Director

2. The following transactions were carried out with related parties referred to in items 1 (a), (b) and (c) above in the ordinary course of business:

	(Rs. lacs)		
	Holding Company	Subsidiaries of the Company	Other Related Companies in the Group
	<u>2004-05</u> 2003-04	<u>2004-05</u> 2003-04	<u>2004-05</u> 2003-04
Purchase of materials / finished goods	-	-	27,65
	-	6	22,33
Sale of finished goods	-	5	33
	-	5	71
Purchase of Fixed assets	-	-	-
	-	-	-
Expenses incurred and recovered from other companies	-	-	4,13
	-	68	37
Expenses recovered by other companies	1,05	-	87
	79	-	1,50
Royalty paid	-	-	58
	-	-	98
Dividend paid	25,97	-	-
	20,78	-	-
Due to related parties	-	-	5,63
	1,46	-	5,57
Rendering or receiving of services	-	-	-
	-	-	11
Indent Commission received	-	-	1,16
	-	-	1,42
Due from related parties	-	-	48
	-	-	20



3. The following transactions were carried out with related parties referred to in items 1 (d), above in the ordinary course of business:
 Remuneration : Refer note 12, Schedule 19
 Outstanding loans receivable : Refer Schedule 10

4. Details of amount due as at 31 March 2005, from bodies corporate under the same management as defined in Section 370 (1B) of the Companies Act, 1956, as referred to in Schedule 8, are given below :

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
Chemical Industries Colombo Ltd.	-	-
Elotex AG	-	-
ICI Argentina	-	4
ICI Pakistan Ltd.	23	-
ICI Woobang Co. Ltd., Korea	6	-
National Starch, Shanghai	-	-
PT Uniqema, Indonesia	7	-
Uniqema Asia Pacific	-	4
Uniqema Chemie B. V.	-	6
Uniqema Chemicals Ltd	-	-
Uniqema UK	5	2
Uniqema, Malaysia	7	4
Total	<u>48</u>	<u>20</u>

30. The Profit & Loss account and Cash Flow Statement of the current year are not comparable with the previous year in view of divestment of Nitrocellulose and Trading businesses during 2003-04.

31. The figures relating to previous year have been regrouped wherever necessary to conform with the current year's classification.

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.

State Code

Balance Sheet Date: - -

Date Month Year

II Capital raised during the year (Amount in Rs. Lacs)

Public Issue:

Rights Issue

Bonus Issue

Private Placement

III Position of mobilisation and deployment of funds (Amount in Rs. Lacs)

Total Liabilities

Total Assets

Sources of Funds

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liability

Net Fixed Assets

Net Current Assets/(liability)

Application of Funds

Investments

Misc. Expenditure not written off

IV Performance of Company (Amount in Rs. Lacs)

Turnover

Profit/(Loss) before Tax

Earnings per share in Rs.

Total Expenditure

Profit/(Loss) after Tax

Dividend rate %

V Generic names of three Principal Products/Services of Company

Item Code No. (ITC Code)

Product Description Emulsion Paints

Item Code No. (ITC Code)

Product Description Adhesives

Item Code No. (ITC Code)

Product Description Rubber Chemicals

STATEMENT REGARDING SUBSIDIARY COMPANY PURSUANT TO SECTION 212(3) OF THE COMPANIES ACT, 1956

1	Name of the subsidiary company	Quest International India Limited
2	The financial year of the subsidiary ended on	31 March 2005
3	Holding company's interest	
	Number of equity shares	14,40,001 of Rs. 100 each
	Percentage holding	50% and one share
4	The net aggregate amount of profits of the subsidiary company so far as it concerns the members of ICI India Limited	
	a) Not dealt with in the accounts of ICI India Limited	
	i) for the subsidiary's current financial year	Rs. 642 lacs
	ii) for the previous financial years since it became a subsidiary of ICI India Limited	Rs. 745 lacs
	b) Dealt with in the accounts of ICI India Limited	
	i) for the subsidiary's current financial year	Nil
	ii) for the previous financial years since it became a subsidiary of ICI India Limited	Nil

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005

Annual Report 2004-05 – ICI India Consolidated

AUDITORS' REPORT

Auditors' report to the Board of Directors of ICI India Limited on the consolidated financial statements of ICI India Limited and its subsidiary

We have examined the attached consolidated Balance Sheet of ICI India Limited ("the Company") and its subsidiary, Quest International India Limited as at 31 March 2005 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on 31 March 2005.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework generally accepted in India and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, consolidated financial statements, issued by the Institute of Chartered Accountants of India and on

the basis of the separate audited financial statements of the Company and its aforesaid subsidiary included in the consolidated financial statements.

On the basis of the information and explanation given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its aforesaid subsidiary, we are of the opinion that:

- (a) the consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Company and its aforesaid subsidiary as at 31 March 2005;
- (b) the consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Company and its aforesaid subsidiary for the year ended on 31 March 2005; and
- (c) the consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Company and its aforesaid subsidiary for the year ended on 31 March 2005.

For BSR & Associates
(formerly BSR & Co.)
Chartered Accountants

Gurgaon
24 May 2005

AKHIL BANSAL
Partner
Membership No.: 090906



CONSOLIDATED BALANCE SHEET

	Schedule	As at 31 March 2005		As at 31 March 2004	
			(Rs. lacs)		(Rs. lacs)
I) SOURCES OF FUNDS					
1. Shareholders' funds					
a) Capital	1	40,87		40,87	
b) Reserves and surplus	2 (a)	480,60	521,47	470,17	511,04
2. Minority interest	2 (b)		62,69		56,27
3. Loan funds					
a) Secured loans	3	–		5,00	
b) Unsecured loans	4	16,00	16,00	15,00	20,00
4. Deferred tax liability (net)	19(23)		15,45		14,63
Total			615,61		601,94
II) APPLICATION OF FUNDS:					
1. Fixed assets	5				
a) Gross block		564,93		542,64	
b) Less : Accumulated depreciation		278,05		225,80	
c) Net block		286,88		316,84	
d) Capital work-in-progress at cost, including advances		2,67	289,55	3,81	320,65
2. Investments	6		312,13		348,26
3. Current assets, loans and advances					
a) Inventories	7	145,22		138,75	
b) Sundry debtors	8	140,49		123,76	
c) Cash and bank balances	9	22,32		26,07	
d) Loans and advances	10	55,68		41,51	
		363,71		330,09	
Less : Current liabilities and provisions					
a) Current liabilities	11	230,00		203,07	
b) Provisions	12	122,36		199,08	
		352,36		402,15	
Net current assets/(liability)			11,35		(72,06)
4. Miscellaneous expenditure not written off			2,58		5,09
Total			615,61		601,94
Significant accounting policies	18				
Notes to the accounts	19				

The accompanying schedules form an integral part of the Balance Sheet.

As per our report attached.

For BSR & Associates
(formerly BSR & Co.)
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner
Membership No. 090906

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the year ended 31 March 2005	For the year ended 31 March 2004
	Schedule	(Rs. lacs)	(Rs. lacs)
Income	13		
Gross sales and services		973,88	1000,86
Less: Excise duty		111,73	118,27
Net sales and services		<u>862,15</u>	<u>882,59</u>
Other income		30,05	26,44
Total income		<u>892,20</u>	<u>909,03</u>
Expenditure			
Materials consumed	14	528,73	515,45
Other expenditure	15	246,90	276,68
Depreciation/Amortisation (net)		33,86	41,90
Interest (net)	16	3,50	5,18
		<u>812,99</u>	<u>839,21</u>
Profit before taxation from operations		79,21	69,82
Exceptional items	17	(15,17)	72,35
Profit before taxation *		<u>64,04</u>	<u>142,17</u>
Provision for taxation :			
- Current tax	19(5)	3,48	35,12
- Deferred tax		5,57	(6,30)
Profit after taxation		<u>54,99</u>	<u>113,35</u>
Transfer to minority interest (including dividend)		6,42	7,25
Profit attributable to the group		48,57	106,10
Balance brought forward		220,71	207,98
Less : Adjustment in respect of amortisation		-	2,73
Balance available for appropriation		<u>269,28</u>	<u>311,35</u>
Appropriations			
General reserve		28,00	33,00
Proposed dividend		22,48	51,09
Tax on dividend		3,28	6,55
		<u>53,76</u>	<u>90,64</u>
Balance carried to the balance sheet		215,52	220,71
Basic and diluted earnings per equity share (in Rs.)	19(22)	11.88	25.96
Significant accounting policies	18		
Notes to the accounts	19		

* Refer to note 27, schedule 19 for information on discontinued operations.

The accompanying schedules form an integral part of the Profit and Loss Account.

As per our report attached.

For BSR & Associates
(formerly BSR & Co.)
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner
Membership No. 090906

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2005	31 March 2005 (Rs. lacs)	31 March 2004 (Rs. lacs)
A. Cash flow from operating activities		
Profit before taxation from operations	79,21	69,82
Adjusted for :		
Depreciation	33,86	41,90
Provisions/Liabilities no longer required written back	23	(1,32)
Bad debts and advances	5,52	2,05
Provision for doubtful debts and advances (net)	(4,43)	(72)
Investment income and other income	(12,39)	(4,91)
Provision for diminution in value of investments written back	-	-
Profit on sale of investments (mutual funds)	(4,62)	(1,42)
Interest (net)	3,40	5,18
Loss/(Profit) on sale of fixed assets (net)	23	6
Unrealised exchange (gain)/loss	3	18
Operating profit before working capital changes	21,83	18
Changes in :		
Trade and other receivables	(35,05)	(18,00)
Inventories	(6,47)	(50,32)
Trade payables and other creditors	25,51	65,95
Cash generated from operations	85,03	108,45
Direct taxes paid	(22,18)	(22,70)
Exceptional items (relating to outflow on account of voluntary retirement scheme payments, cost of business reorganisation and additional contribution to employee retiral funds)	(31,84)	(24,65)
Net cash before investments & financing activities (A)	31,01	61,10
B. Cash flow from investing activities		
Purchase of fixed assets	(21,95)	(15,20)
Sale of properties (including advance received)	1,50	2,41
Sale of businesses	8,94	65,78
Payments relating to divested businesses	(9,30)	(3,19)
Sale of other fixed assets	23	42
Purchase of Investments	(50,00)	(50,94)
Sale of investment in Indian Explosives Limited	-	66,65
Profit on sale of investment (mutual funds)	4,47	1,37
Interest received	41	58
Investment and other income	10,16	3,35
Net cash from/(used in) investing activities (B)	(55,54)	71,23
C. Cash flow from financing activities		
Borrowings during the year	16,00	20,00
Borrowings repaid during the year	(20,00)	(2,77)
Dividend paid	(50,87)	(40,55)
Tax on Dividend	(6,67)	(5,24)
Interest paid	(3,81)	(5,97)
Net cash used in financing activities (C)	(65,35)	(34,53)
Net changes in cash & cash equivalents (A+B+C)	(89,88)	97,80
Cash and cash equivalents - opening balance	283,07	201,56
Cash and cash equivalents - closing balance (continuing businesses) (See note 2 below)	193,19	283,07

**Notes to the cash flow statement**

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
1. Cash and cash equivalents of continuing businesses comprise:		
Cash, cheques in hand and in transit	44	32
Bank balances in Current Account	19,81	21,56
Bank balances in Unclaimed Dividend Account *	2,07	1,85
Fixed Deposits with Banks	-	2,34
Govt. of India Securities	62	62
Fixed Maturity Debt Mutual Funds	170,25	251,00
Liquid/Floating Rate Mutual Funds	-	5,38
	<u>193,19</u>	<u>283,07</u>
2. Cash and cash equivalents of divested businesses		16,29

* Not available for use by ICI India Limited

As per our report attached.

For BSR & Associates
(formerly BSR & Co.)
Chartered Accountants

For ICI India Limited

AKHIL BANSAL
Partner
Membership No. 090906

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005

SCHEDULES TO THE CONSOLIDATED ACCOUNTS**SCHEDULE 1 : CAPITAL**

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
Authorised		
416,90,000 equity shares of Rs. 10 each	<u>41,69</u>	<u>41,69</u>
Issued, Subscribed and Paid Up		
408,70,612 equity shares of Rs. 10 each	<u>40,87</u>	<u>40,87</u>

Of the above equity shares:-

- 85,32,667 were allotted as fully paid up bonus shares by capitalisation of share premium and reserves.
- 29,68,824 were issued on part conversion of debentures.
- 207,76,213 are held by the holding company, Imperial Chemical Industries PLC, UK.
- 89,18,121 were issued as fully paid up otherwise than for cash.

SCHEDULE 2 : (a) RESERVES AND SURPLUS

(Rs. lacs)

	As at 1 April 2004	Additions	Deductions	As at 31 March 2005
Capital reserves	23,92	-	-	<u>23,92</u>
Share premium	1,15	-	-	<u>1,15</u>
Revaluation reserve *	5,10	-	2,56	<u>2,54</u>
General reserve **	219,29	28,00	9,81	<u>237,48</u>
Profit and Loss Account	220,71	-	5,20	<u>215,51</u>
Total	<u>470,17</u>	<u>28,00</u>	<u>17,57</u>	<u>480,60</u>
Previous year	456,88	48,46	35,17	470,17

* Deduction represents withdrawal on account of :

- Fixed assets disposed/written off, Rs. 5 lacs (2003-04 : Rs. 50 lacs)
- Depreciation on revalued assets, Rs. 4 lacs (2003-04 : Rs. 8 lacs) (Refer to note 7, Schedule 19)
- Rs. 247 lacs adjusted in respect of impairment of fixed assets of Rubber Chemicals business (Refer to note 14, Schedule 19)

** Deduction represents adjustments (net of deferred tax credit) in respect of impairment of fixed assets of Rubber Chemicals business (Refer to note 14, Schedule 19)



	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 2 : (b) MINORITY INTEREST		
Opening balance	56,27	100,60
Add : Profit for the year attributable to minority	6,42	7,25
Less : Adjustment on divestment of Explosives business	-	48,43
: Other adjustments	-	3,15
Closing balance	<u>62,69</u>	<u>56,27</u>

SCHEDULE 3 : SECURED LOANS

Working capital demand loan * #	-	5,00
	<u>-</u>	<u>5,00</u>

* Secured by hypothecation of raw materials, finished goods, work-in-process, stores and book debts of ICI India Limited.

SCHEDULE 4 : UNSECURED LOANS

Short term loan from bank #	-	15,00
Short term loan from others #	16,00	-
	<u>16,00</u>	<u>15,00</u>

Refer to note 3, Schedule 19

SCHEDULE 5 : FIXED ASSETS

(Rs. lacs)

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	Book value at cost or revalued amounts as at 1 April 2004	Additions at cost	Disposals/ adjustments at book value	Book value at cost or revalued amounts as at 31 March 2005	As at 1 April 2004	Depreciation/ Amortisation for the year	In respect of disposals/ adjustments	As at 31 March 2005	As at 31 March 2005	As at 31 March 2004
Goodwill *	114,65	-	-	114,65	18,09	6,44	-	24,53	90,12	96,56
Land leasehold	1,42	-	-	1,42	53	1	-	54	88	89
Land freehold	5,59	-	(4)	5,55	-	-	1,56	1,56	3,99	5,59
Buildings	69,07	1,43	(10)	70,40	18,37	1,45	2,91	22,73	47,67	50,70
Plant and machinery	216,12	8,42	(14)	224,40	138,86	10,03	13,74	162,63	61,77	77,26
Railway sidings and jetties	3	-	-	3	3	-	-	3	-	-
Rolling stock, motor vehicles etc.	85	41	(25)	1,01	58	4	(5)	57	44	27
Furniture, fittings and equipment	14,74	86	(14)	15,46	6,93	91	12	7,96	7,50	7,81
Patents, Trademarks, Knowhow etc	70,76	-	-	70,76	20,64	7,01	-	27,65	43,11	50,12
Assets under operating leases	24,71	10,49	-	35,20	8,78	5,17	-	13,95	21,25	15,93
Data processing equipment	24,70	1,47	(12)	26,05	12,99	2,84	7	15,90	10,15	11,71
Total	542,64	23,08	(79)	564,93	225,80	33,90	18,35	278,05	286,88	316,84
Previous Year	650,45	24,17	(131,98)	542,64	217,24	41,97	(33,41)	225,80	316,84	
Capital work-in-progress including advances on capital account									2,67	3,81

Note :

(1) Land and buildings at certain locations were revalued in 1983.

(2) As explained in note 14, Schedule 19, net book value of fixed assets of Rubber Chemicals business as on 1 April 2004, amounting to Rs. 1777 lacs and fixed assets additions in the business during the year amounting to Rs. 86 lacs, have been impaired in accordance with Accounting Standard AS-28. Both the above amounts have been shown under 'Depreciation in respect of disposals/adjustments' in the above schedule.

(3) Depreciation on revalued assets, Rs. 4 lacs (2003-04 : Rs. 8 lacs) (Refer to note 7, Schedule 19)

* Gross block as on 1 April 2004 represents goodwill arising out of consolidation (Rs. 10038 lacs), and assets acquisitions (Rs. 1427 lacs)

SCHEDULE 6: INVESTMENTS #

(At cost less write offs/provisions)

	No. as on 31 March 2005	Face Value Rs. per unit	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
(A) LONG TERM INVESTMENTS				
(i) Trade				
Equity shares - unquoted				
Nitrex Chemicals India Limited	950,000	10	94	94
Belvedere Estates Limited	40,020	10	5	5
Adyar Property Holding Co Limited * (Paid-up Rs. 65 per share)	205	100	—	—
Debentures - unquoted				
0.5% Belvedere Estates Limited - redeemable	1	624,420	6	6
5% Woodlands Research Foundation - non-redeemable		86,000	—	—
0.5% Woodlands Research Foundation - (Book Value Re 1 only)	110	100	—	—
6.5% Bengal Chamber of Commerce and Industry	19	1,000	—	—
(ii) Non - trade				
Equity shares - quoted				
ICICI Bank Limited	57,918	10	21	21
Equity shares - unquoted				
Kohinoor Mills Limited	5	100	—	—
Maneck-Chowk & Ahmedabad Manufacturing Co Limited (Book Value Re 1 only)	144	250	—	—
Debentures - unquoted				
6% Sholapur Spinning & Weaving Co Limited (in Liquidation) (Book Value Re 1 only)	523	100	—	—
National Saving Certificate				
Capital Gains Bond - unquoted				
7.00% National Highways Authority of India	20,000	10,000	20,00	20,00
5.00% National Bank for Agriculture and Rural Development	25,000	10,000	25,00	10,00
5.50% National Housing Bank	10,000	10,000	10,00	10,00
5.10% National Housing Bank	30,000	10,000	30,00	15,00
6.10% Rural Electrification Corporation Limited	10,000	10,000	10,00	10,00
5.15% Rural Electrification Corporation Limited	30,000	10,000	30,00	15,00
5.00% Small Industries Development Bank of India	15,000	10,000	15,00	10,00
(B) CURRENT INVESTMENTS - Non Trade				
Investment in Fixed Maturity Debt Mutual Funds - unquoted (NAV as on 31 March 2005, Rs. per unit)				
Birla Sun Life Mutual Fund (February 2005) (Rs. 10.09)	90,00,000	10	9,00	—
Birla Sun Life Mutual Fund (March 2003)	—	10	—	30,00
Birla Sun Life Mutual Fund (March 2004) (Rs. 10.54)	180,00,000	10	18,00	18,00
HDFC Mutual Fund (March 2003)	—	10	—	35,00
HDFC Mutual Fund (July 2004) (Rs. 10.39)	115,00,000	10	11,50	—
JM Mutual Fund (March 2004)	—	10	—	12,00
Kotak Mahindra Mutual Fund (March 2004) (Rs. 10.52)	150,00,000	10	15,00	15,00
Principal Mutual Fund (January 2004)	—	10	—	24,00
Principal Mutual Fund (March 2004) (Rs. 10.53)	280,00,000	10	28,00	25,00
Prudential ICICI Mutual Fund (March 2004) (Rs. 10.53)	157,56,455	10	15,75	20,00



SCHEDULES TO THE CONSOLIDATED ACCOUNTS (Contd.)

	Number	Face Value Rs. per unit	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
Prudential ICICI Mutual Fund (December 2004) (Rs. 10.16)	50,00,000	10	5,00	–
Prudential ICICI Mutual Fund (July 2004) (Rs. 10.34)	50,00,000	10	5,00	–
Reliance Mutual Fund (July 2004) (Rs. 10.36)	50,00,000	10	5,00	–
Standard Chartered Mutual Fund (December 2004) (Rs. 10.19)	140,00,000	10	14,00	–
SBI Mutual Fund (January 2005) (Rs. 10.13)	210,00,000	10	21,00	–
Standard Chartered Mutual Fund (Aug 2003)	–	10	–	12,00
Standard Chartered Mutual Fund (March 2003)	–	10	–	40,00
Standard Chartered Mutual Fund (March 2004) (Rs. 10.54)	200,00,000	10	20,00	20,00
Tata Mutual Fund (March 2005) (Rs. 10.01)	30,00,000	10	3,00	–
Investment in Liquid/Floating rate Mutual Funds				
Birla Sun Life Mutual Fund	–	10	–	1,59
Deutsche Mutual Fund	–	10	–	2,01
Kotak Mahindra Mutual Fund	–	10	–	1,78
Government of India Securities - quoted				
6.75% Government of India Tax free bonds	62,050	100	62	62
			312,13	348,26

* Indicates shares are partly paid up.

For investments purchased and sold during the year, refer to note 20, Schedule 19

	As at 31 March 2005		As at 31 March 2004	
	Book Value (Rs. lacs)	Market Value (Rs. lacs)	Book Value (Rs. lacs)	Market Value (Rs. lacs)
Quoted investments	83	2,91	83	239
Unquoted investments	311,30		347,43	
	312,13		348,26	

	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 7 : INVENTORIES *		
Stores and spare parts	2,64	3,27
Packing materials	2,30	3,01
Raw materials	49,66	37,70
Finished Products	86,28	89,71
Work-in-process	4,34	5,06
	145,22	138,75

* Refer to note 8, Schedule 19

SCHEDULE 8 : SUNDRY DEBTORS

Secured - considered good		
- Debts outstanding over six months	32	13
- Other debts	2,98	2,71
	3,30	2,84
Unsecured		
- Debts outstanding over six months		
Considered good	3,87	3,02
Considered doubtful	7,61	11,81
	11,48	14,83
Less : Provision for doubtful debts	7,61	11,81
	3,87	3,02
- Other debts - considered good #	124,82	100,87
Dues relating to sale of business/property	8,50	17,03
	140,49	123,76

Includes amount of Rs. 48 lacs (2003-04 : Rs. 20 lacs) due from bodies corporate under the same management as defined in 370(1B) of the Companies Act, 1956. For details refer to note 28 (4), Schedule 19



	As at 31 March 2005 (Rs. lacs)	As at 31 March 2004 (Rs. lacs)
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash and cheques in hand and in transit	44	32
With scheduled banks :		
Current accounts	19,81	21,56
Dividend accounts	2,07	1,85
Fixed deposits	—	2,34
	<u>22,32</u>	<u>26,07</u>
SCHEDULE 10 : LOANS AND ADVANCES (UNSECURED)		
Advances recoverable in cash or in kind or for value to be received :		
Considered good *	34,04	26,32
Considered doubtful	1,14	1,37
	<u>35,18</u>	<u>27,69</u>
Less : Provision for doubtful advances	1,14	1,37
	<u>34,04</u>	<u>26,32</u>
Balances with Customs, Port Commissioners, Railways, Excise Authorities etc.	8,77	4,77
Others Deposits		8,13
8,05		
Interest accrued on investments	4,74	2,37
	<u>55,68</u>	<u>41,51</u>
* Includes		
(a) Held on fixed deposit/margin money with a scheduled bank	3	27
(b) Due from Directors	96	1,39
Maximum amount due at any time during the year	1,39	2,44
(c) Due from Officer	—	1
Maximum amount due at any time during the year	1	20
SCHEDULE 11 : CURRENT LIABILITIES		
Acceptances	55,22	50,70
Sundry creditors - SSI units	1,50	4,66
Sundry creditors - others *	161,96	136,55
Unclaimed dividends	2,07	1,85
Interest accrued but not due on loans	1	—
Other liabilities	9,24	9,31
	<u>230,00</u>	<u>203,07</u>
* Refer to note 4, Schedule 19		
SCHEDULE 12 : PROVISIONS		
Proposed dividend on equity shares	22,48	51,09
Tax on dividend	3,15	6,55
Provision for taxation (net of advance tax)	20,69	36,52
Provision for Voluntary Retirement Scheme liability	25,17	33,40
Provision for retirement benefits	15,86	23,74
Other provisions *	35,01	47,78
	<u>122,36</u>	<u>199,08</u>
* Refer to note 24, Schedule 19		



	For the year ended 31 March 2005 (Rs. lacs)	For the year ended 31 March 2004 (Rs. lacs)
SCHEDULE 13 : INCOME		
a) Gross sales and services		
Sales	973,88	999,08
Services	—	1,78
	<u>973,88</u>	<u>1000,86</u>
b) Other income *		
From businesses		
Insurance claims received	27	52
Commission	1,62	5,64
Lease rentals	4,36	3,87
Miscellaneous receipts	5,77	6,49
	<u>12,02</u>	<u>16,52</u>
Other operating items		
Income from non trade investments	12,39	4,91
Profit on sale/maturity of investments (mutual funds)	4,62	1,42
Profit on disposal of fixed assets	—	5
Provisions/liabilities no longer required written back	65	1,32
Miscellaneous receipts	37	2,22
	<u>18,03</u>	<u>9,92</u>
	<u>30,05</u>	<u>26,44</u>

* Refer to note 6, Schedule 19

SCHEDULE 14 : MATERIALS CONSUMED

Opening stock		
Raw materials	37,70	45,24
Packing materials	3,01	3,42
Finished products	89,71	80,08
Work-in-process	5,06	6,73
	<u>135,48</u>	<u>135,47</u>
Add : Purchases		
Raw materials	413,84	454,99
Packing materials	41,64	42,22
Finished products	79,84	65,74
	<u>535,32</u>	<u>562,95</u>
Less : Inventory adjustments in respect of divested businesses (net)		
Raw materials	—	39,18
Packing materials	—	1,65
Finished products	—	9,48
	<u>—</u>	<u>50,31</u>
Less : Closing stock		
Raw materials	49,66	37,70
Packing materials	2,30	3,01
Finished products	86,28	89,71
Work-in-process	4,34	5,06
	<u>142,58</u>	<u>135,48</u>
Add : Excise duty adjustment for movement in finished goods inventory (including duty on inventory of divested business)	51	2,82
Materials consumed	<u>528,73</u>	<u>515,45</u>

* Refer to note 8, Schedule 19



	For the year ended 31 March 2005 (Rs. lacs)	For the year ended 31 March 2004 (Rs. lacs)
SCHEDULE 15 : OTHER EXPENDITURE		
Stores and spare parts	7,33	8,37
Repairs to buildings	83	95
Repairs to plant and machinery	4,85	6,24
Other repairs	–	1
Power and fuel	14,22	23,48
Salaries, wages, and bonus	46,00	54,92
Contributions to provident and other funds	6,08	7,22
Workmen and staff welfare	3,14	4,56
Travelling	10,19	9,47
Rates and taxes	7,34	8,05
Rent	8,07	8,40
Communication	4,89	5,05
Insurance	3,39	4,17
Freight and transport	27,96	32,25
Selling commission	3,42	4,88
Commission to consignment agents	–	2,67
Publicity and sales promotion	38,29	31,47
Royalty and technical fees	1,13	1,56
Cash discount on sales	26,62	21,88
Formulation/processing charges	76	1,40
Lease and hire	–	68
Bad debts/advances	5,67	2,05
Provision for doubtful debts and advances (net)	(4,43)	(72)
Research and development	2,23	1,20
Directors' fees	3	1
Loss on sale of fixed assets	27	11
Sundries (include consultancy, godown maintenance, computer maintenance etc.)	28,62	36,35
	<u>246,90</u>	<u>276,68</u>
SCHEDULE 16 : INTEREST		
Interest on fixed loans	–	47
Interest on other loans	3,82	5,45
	<u>3,82</u>	<u>5,92</u>
Less : Interest income from banks and others *	(32)	(74)
Net interest	<u>3,50</u>	<u>5,18</u>
* Refer to note 6, Schedule 19		
SCHEDULE 17 : EXCEPTIONAL ITEMS		
Provision no longer required written back (Refer to note 12, Schedule 19)	2,30	–
Charge for Post Retiral Medical Benefit Scheme (Refer to note 13, Schedule 19)	(8,17)	–
Impairment charge on additions to fixed assets of Rubber Chemicals (Refer to note 14, Schedule 19)	(86)	–
Provision in respect of custom duty litigation (Refer to note 15, Schedule 19)	(3,13)	–
Profit on sale of properties (Refer to note 16, Schedule 19)	1,50	2,91
Additional consideration on sale of Polyurethanes business	40	1,03
Charge for additional contribution to employees retiral funds (Refer to note 17, Schedule 19)	(3,15)	(13,88)
Charge for Voluntary Retirement Scheme	(2,57)	(3,23)
Profit on sale of investment in Indian Explosives Limited	–	45,73
Profit on sale of Nitrocellulose and Trading business	–	46,31
Employee Separation Costs (Quest) (Refer to note 19, Schedule 19)	(1,49)	(4,57)
Arrear lease rent	–	(1,95)
	<u>(15,17)</u>	<u>72,35</u>



SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The financial statements are prepared on the accrual basis under the historical cost convention, in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956.

2. Principles of Consolidation

The consolidated financial statements relate to "ICI India Limited" (the Parent Company), and its subsidiary, Quest International India Limited, incorporated in India. ICI India Limited holds 50% plus one equity shares of Quest International India Limited.

The consolidated financial statements have been prepared on the following basis:

- (a) The financial statements of the parent Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses. The amounts shown in respect of reserves comprises the amount of the relevant reserve as per the Balance Sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of subsidiary.
- (b) Consolidated financial statements are prepared by using uniform accounting policies for like transactions and other events in similar circumstances.
- (c) The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent Company for its separate financial statements.
- (d) The excess/shortfall of cost to the parent Company of its investment in subsidiary over its portion of equity in the subsidiary is recognised in the financial statements as Goodwill/Capital Reserve respectively. The parent Company's portion of equity in the subsidiary is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiary.
- (e) Goodwill arising on consolidation is amortised over the expected useful life of 20 years.

3. Other Significant Accounting Policies

These are set out in the notes to accounts under "Statement of Accounting Policies" of the individual financial statements of ICI India Limited and the subsidiary company.

SCHEDULE 19 : NOTES TO THE CONSOLIDATED ACCOUNTS

	As at 31 March 2005	As at 31 March 2004
	(Rs. lacs)	(Rs. lacs)
1 Capital expenditure		
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances)	3	73
(b) Demand for enhanced compensation in respect of leasehold land at Mohali, of ICI India Limited, under dispute.	1,16	5,88
2 Contingent liabilities not provided for:		
(a) Uncalled liability on shares partly paid up	-	-
(b) Sales tax matters under Appeal	8,34	11,69
(c) Excise matters in dispute/under Appeal	2,43	4,45
(d) Customs matters in dispute/under Appeal	-	3,74
(e) Industrial relations matters under Appeal	37	10
(f) Income tax matters in dispute / under Appeal *		
(g) Bank Guarantees	4,70	4,81
* The Income tax assessments for ICI India Limited have been completed upto the financial year ended 31 March 2002. Arising from the completed assessments and also appellate orders, there is net demand of Rs. 1081 lacs (2003-04 : net demand of Rs. 1140 lacs), comprising total refund of Rs. 2627 lacs excluding interest (2003-04 : Rs. 1721 lacs), and demand/liability of Rs. 3708 lacs excluding interest (2003-04 : Rs. 2861 lacs). ICI India Limited as well as the Income tax department have gone on further appeal. Pending progress in the appeals, neither the refund nor the liability for the demand has been recognised in the accounts.		
	As at 31 March 2005	As at 31 March 2004
	(Rs. lacs)	(Rs. lacs)
3. Loans due within a year		
Secured loans :		
Working Capital Demand Loan (ICI India Limited)	-	5,00
Unsecured loans :		
Short term loan from bank (ICI India Limited)	-	15,00
Short term loan from other than bank (ICI India Limited) *	16,00	-

* Advance against unsecured debentures, but since repaid prior to issue of debentures.



4. Sundry creditors - others (Schedule 11) include unclaimed matured fixed deposits of ICI India Limited from public amounting to Rs. 12 lacs (2003-04 : Rs. 14 lacs).
5. (a) ICI India Limited has invested Rs. 50 crores in Capital Gains Tax exemption bonds during the current year, out of the long term capital gains on divestment of its Nitrocellulose and Trading businesses on 16 March 2004 and has accordingly written back Rs 10.25 crores in provision for current tax in respect of long term capital gains tax provided in the previous year.
- (b) Provision for current tax also includes Rs. 170 lacs relating to previous years.
- (c) In Quest International India Limited, the income tax provision is computed after claiming deduction under section 80IB of the Income Tax Act, 1961 and unabsorbed depreciation carried forward. This has resulted in the provision for tax under section 115JB of the Income Tax Act, as the taxable profit was lower than the book profit.
6. Income from investments and others are stated at gross amounts. The amount of Income Tax deducted thereon is Rs. 35 lacs (2003-04 : Rs. 12 lacs).
7. Gross depreciation/amortisation for the year amounts to Rs. 3390 lacs (2003-04 : Rs. 4197 lacs), includes a sum of Rs. 4 lacs (Rs. 2003-04 : Rs. 8 lacs) being the depreciation on revalued assets charged to revaluation reserve.
8. Hitherto ICI India Limited was not making provision for customs duty on stocks lying at the year end in bonded warehouse. The related customs duty amounts were however disclosed by way of a note to the accounts. From the current year, the Company has changed its accounting policy and has provided for customs duty on such stocks, amounting to Rs. 123 lacs (2003-04 : Rs. 107 lacs). Consequently, its inventory and other liabilities are higher by this amount. This has no effect on the profit for the year.
9. Profit/(Loss) on account of foreign exchange transactions for the year is Rs. 143 lacs (net) (2003-04 : Rs. 162 lacs (net)).
10. Sales excludes sales of equipment of ICI India Limited amounting to Rs. 346 lacs (2003-04 : Rs. 419 lacs) at cost.
11. Directors' remuneration *

	2004-05
	(Rs. lacs)
Salaries and allowances	2,24
Commission	20
Estimated cost of benefits	52
	<u>2,96</u>

* Does not include provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations carried out on an overall basis rather than separately for Directors.

12. Following settlement of legal disputes relating to municipal taxes on land and building of ICI India Limited at 34 Chowringhee Road, Kolkata and Mumbai Port Trust agreeing to reconsider computation of arrear lease rent in respect of ICI India Limited depot in Mumbai, part of the provision made in the earlier years in respect of the aforesaid, amounting to Rs. 230 lacs are considered no longer necessary and have been written back and shown as an exceptional item in Profit and Loss Account.
13. Hitherto, payment of post retirement medical benefits were being charged to the Profit and Loss Account on actual reimbursement of such benefits. Following certain changes to the scheme, ICI India Limited has now made a provision for the future liability of such benefit entitlements on the basis of an actuarial valuation carried out as on 31 March 2005, amounting to Rs. 817 lacs and this has been shown as an exceptional item in the Profit and Loss Account.
14. Following the applicability of Accounting Standard on Impairment of Assets (AS-28) from 1 April 2004 and consequent to the review carried out thereupon, the net book value of fixed assets of the Rubber Chemicals business of ICI India Limited as on 1 April 2004 amounting to Rs. 1777 lacs has been recognised as an impairment loss. This was based on the difficult market conditions prevailing in the Rubber chemical industry in the two years prior to the review and an assessment of the prospects of the business. Out of the above, Rs. 247 lacs has been charged off against revaluation reserve in respect of these assets, and in accordance with the transitional provisions of the Accounting Standard, an amount of Rs. 981 lacs (after netting of deferred tax credit of Rs. 549 lacs) has been charged to the General Reserve.
- Consequently, additions to the fixed assets in Rubber Chemicals business during the year 2004-05 amounting to Rs. 86 lacs have also been recognised as an impairment loss and shown as an exceptional item in the Profit and Loss Account.

The net book value of each class of assets impaired is as follows:

	Charged to	Rs. lacs
	General Reserve	Charged as Exceptional
		item during the year
Land	1,56	-
Building	2,95	-
Plant and machinery	11,80	1,88
Furniture, fittings and equipments	29	-
Data processing equipments	14	1
Capital work-in-progress	1,03	(1,03)
	<u>17,77</u>	<u>86</u>

As a result of the impairment, depreciation charge on fixed assets during the year is lower by Rs. 247 lacs.



15. Following the adverse outcome in the proceedings relating to ICI India Limited's appeal against demand made by customs authorities on concessions availed on certain import licences, a provision of Rs. 313 lacs has been made and shown as an exceptional item in the Profit and Loss Account.
16. Income from sale of properties of ICI India Limited of Rs. 150 lacs (2003-04 : Rs. 291 lacs) represents net profit on sale of two flats at Kolkata.
17. During the year, a deficit in the employees retiral funds amounting to Rs. 315 lacs (2003-04 : Rs. 1388 lacs) has been determined on the basis of actuarial valuation carried out by ICI India Limited and has been provided as an exceptional item in the Profit and Loss Account. The above deficit has arisen mainly because of lower interest rate considered in the actuarial valuation assumptions.
18. In the absence of any progress in the matter and continuing outstanding obligation of the Company, the provision of Rs. 1500 lacs made in respect of probable land cost liability while determining the profit on sale of Catalyst business in 2002-03 has been carried forward in the current year's accounts.
19. Employee separation costs in Quest International India Limited, are after netting of writeback of excess provision for retirement benefits of Rs. 88 lacs.
20. During the year the Group invested the temporary surplus funds in the following Liquid/Cash Mutual Funds and Fixed Maturity Plans of Mutual Funds which were purchased and sold during the year :

Liquid/Cash Mutual Funds	Number of units	Purchase value (Rs. lacs)
ABN Amro Mutual Fund	120,01,411	12,00
Birla Sunlife Mutual Fund	325,39,132	29,52
Deutsche Mutual Fund	19,77,171	2,04
HDFC Mutual Fund	85,39,484	9,09
HSBC Mutual Fund	110,59,346	11,54
ING Vysya Mutual Fund	180,08,326	18,02
Kotak Mahindra Mutual Fund	130,89,593	16,04
Principal Mutual Fund	63,31,392	6,33
Prudential ICICI Mutual Fund	84,54,108	10,02
Reliance Mutual Fund	91,73,322	14,02
Reliance Mutual Fund	8,98,189	1,00
Standard Chartered Mutual Fund	534,36,792	53,44
Templeton Mutual Fund	26,475	4,00
Floating Rate Funds		
Deutsche Mutual Fund	39,16,803	4,00
HDFC Mutual Fund	46,62,092	5,00
HSBC Mutual Fund	70,07,615	7,02
ING Vysya Mutual Fund	40,10,626	4,01
Kotak Mahindra Mutual Fund	50,19,218	5,02
Prudential ICICI Mutual Fund	231,19,657	24,82
Standard Chartered Mutual Fund	228,92,820	23,05
Tata Mutual Fund	195,90,352	20,01
Fixed Maturity Plans		
Prudential ICICI Mutual Fund	50,00,000	5,00
Reliance Mutual Fund	390,00,000	39,00

21. Payments to Auditors*	2004-05 (Rs. lacs)	2003-04 (Rs. lacs)
(i) Audit fee	16	17
(ii) Tax Audit fee	4	4
(iii) Certification work/other matters	8	11
(iv) Reimbursement of expenses/service tax	5	4
Total	33	36

* Includes payments made to statutory auditors of subsidiary.



22. Earnings per share	2004-05	2003-04
(a) Calculation of weighted average number of equity shares of Rs. 10 each		
Number of shares at the beginning of the year	4,08,70,612	4,08,70,612
Shares issued during the year	-	-
Total number of equity shares outstanding at the end of the year	4,08,70,612	4,08,70,612
(b) Net profit after tax and transfer to minority interest available for equity shareholders (Rs. lacs)	48,57	106,10
(c) Basic and Diluted Earnings per share (Rs.)	11.88	25.96

23. Details of provision for deferred taxation

Timing differences on account of:

	Deferred Tax Assets		Deferred Tax Liability	
	2004-05	2003-04	2004-05	2003-04
Difference between book depreciation and depreciation under Income Tax Act, 1961			33,68	40,05
Expenditure deferred under Section 43B of Income Tax Act, 1961	1,40	1,70		
Provision for doubtful debts and advances	2,93	6,08		
Voluntary retirement scheme liability & Business reorganisation costs	3,55	4,20		
Liability for leave encashment and retirement benefit provision	5,44	8,66		
Other items	4,91	4,78	-	-
Total	18,23	25,42	33,68	40,05
Net Deferred Tax Liability			15,45	14,63

As explained in note 15 herein, deferred tax credit of Rs. 549 lacs has been netted off against amount charged to General Reserve in respect of impairment of fixed assets of Rubber Chemicals business. Further, Rs. 74 lacs has been adjusted in deferred tax assets on account of other adjustments.

24. Details of Other Provisions (refer to Schedule 12)

	(Rs. Lacs)			Total
	Indirect Taxes	Divested Businesses	Others	
Opening balance as on 1 April 2004	6,81	31,28	9,69	47,78
Additional provision made	4,15	-	-	4,15
Payments against provisions	(17)	(9,29)	(4,42)	(13,88)
Write back	-	(5)	(2,73)	(2,78)
Adjustments	(26)	-	-	(26)
Closing balance as on 31 March 2005 *	10,53	21,94	2,54	35,01

* Notes

- Provisions relating to indirect taxes are in respect of proceedings of various sales tax, excise duty, customs duty and other indirect tax cases, including those relating to discontinued businesses. Outflows in all these cases, both timing and certainty, would depend on the developments/outcome in these cases.
- Provisions relating to divested businesses (other than any indirect tax cases relating to such businesses) include Rs. 1500 lacs as referred to in note 18. Other provisions, amounting to Rs. 694 lacs are relating mainly to Catalyst, Explosives and Nitrocellulose/Trading business divestments.
- Other provisions are relating to litigation matters in respect of sale of properties and arrear lease rent of ICI India's depot in Mumbai.
- Majority of provision under (b) and (c) above are expected to be substantially utilised over the next two years.

25. Operating lease

- ICI India Limited has given colour solution machines under operating lease. The future lease rental receivable as on 31 March 2005 in respect of these assets are as under :

	Total future minimum lease rentals receivable as on 31 March 2005 (Rs. lacs)	Total future minimum lease rentals receivable as on 31 March 2004 (Rs. lacs)
Within one year	3,96	3,32
Later than one year and not later than five years	3,80	2,84
Later than five years	2	2
Total	7,78	6,18

**(b) Obligation on long term non-cancellable operating leases**

The lease rental charge during the year and maximum obligations on long term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

	2004-05	2003-04
	(Rs. lacs)	(Rs. lacs)
- Lease rentals charged during the year	70	87
- Lease obligations		
	Total future minimum lease rentals payable as on 31 March 2005	Total future minimum lease rentals payable as on 31 March 2004
	(Rs. lacs)	(Rs. lacs)
Within one year	68	85
Later than one year and not later than five years	112	35
Later than five years	-	-
Total	180	120

26. Segment Information**A. Information about primary business segments:**

- (1) (a) The Group's primary business segments comprises Paints, Chemicals and Flavours & Fragrances. The businesses included in these primary business segments are given below :

Paints	:	Decorative and Refinish Paints.
Chemicals	:	Uniqema, Food Starch, Polymers and Adhesives; and Rubber Chemicals
Flavours & Fragrances	:	Flavours and Fragrances Business of Quest International India Limited.

- (b) From 1 April 2004, following the divestment of the Nitrocellulose and Trading businesses on 16 March 2004, ICI India Limited has been monitoring the performance of its Chemicals businesses on a combined basis, since it considers the risks and rewards associated with these businesses to be similar. Consequently, ICI India Limited has combined the segment data relating to the remaining business of the Industrial Chemicals segment, viz. Rubber Chemicals, and the Industrial Specialties segment businesses viz., Uniqema and National Starch, into a single business segment called 'Chemicals'. The previous year's business segment results have been regrouped accordingly.

Segment information relating to Nitrocellulose, Trading and Explosives businesses for the previous year has been shown under 'discontinued businesses'.

(2) Segment revenues, results and other information (Rs. lacs)

	Paints		Chemicals		Flavours & Fragrances		Discontinued Businesses		Total of Reportable Segments	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
External sales	550,25	437,56	305,65	255,43	117,98	95,65	-	212,22	973,88	1000,86
Inter segment sales	24	22	2,48	2,16	-	-	-	4,11	2,72	6,49
Other business related income	6,16	5,34	5,11	4,33	76	23	-	6,62	12,03	16,52
Segment revenues	556,65	443,12	313,24	261,92	118,74	95,88	-	222,95	988,63	1023,87
Segment results	31,73	22,39	28,49	16,20	14,87	10,24	-	30,26	75,09	79,09
Segment assets	266,29	260,17	147,48	141,94	104,16	105,34	-	-	517,93	507,45
Segment liabilities	134,23	119,87	75,44	71,86	29,56	26,79	-	-	239,23	218,52
	132,06	140,30	72,04	70,08	74,60	78,55	-	-	278,70	288,93
Capital expenditure	14,44	9,87	6,63	2,56	85	3	-	2,03	21,91	14,49
Depreciation/Amortisation	16,56	14,93	3,02	5,80	8,70	8,71	-	6,70	28,28	36,14

(Net of adjustment from revaluation reserve)

(3) Reconciliation of reportable segments with the financial statements (Rs. lacs)

	Revenues		Results/Net Profit		Assets		Liabilities	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Total of reportable segments	988,63	1023,87	75,09	79,09	517,93	507,45	239,23	218,52
Corporate-Unallocable/Others (net)	18,02	9,92	7,62	(4,09)	258,19	215,50	129,92	200,21
Inter segment adjustments	(2,72)	(6,49)	-	-	(1,34)	(1,93)	(1,34)	(1,93)
Interest expense (net)	-	-	(3,50)	(5,18)	-	-	-	-
Exceptional items	-	-	(15,17)	72,35	-	-	-	-
Taxes	-	-	(9,05)	(28,82)	-	-	-	-
As per financial statements	1003,93	1027,30	54,99	113,35	774,78	721,02	367,81	416,80

**B. Information about secondary segment (by geographical segment) (Rs. lacs)**

	India		Outside India		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Revenue	926,96	978,05	76,97	49,25	1003,93	1027,30
Carrying amount of segment assets *	758,96	714,78	15,82	6,24	774,78	721,02
Capital expenditure *	21,95	15,20	-	-	21,95	15,20

* Excludes inter segment assets

Notes:-

- The business segments have been identified in line with the Accounting Standard 17 on "Segment Reporting", taking into account the nature of products, risks and return, organisation structure and internal reporting system.
- Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for ICI India Group.
- Segment revenue, results and assets and liabilities figures include the respective amounts identifiable to each of the segments. Segment revenues are gross of excise duty. Other un-allocable items in segment results include income from investment of surplus funds of the Group and corporate level expenses. Unallocable/Others in assets includes un-allocable fixed assets, current assets other than cash and bank balances of Rs. 2232 lacs (2003-04: Rs. 2607 lacs), unallocated miscellaneous expenditure not written off and investments other than current investments of Rs. 17087 lacs (2003-04: Rs. 25699 lacs). Unallocable/Others liabilities includes un-allocable current liabilities and net deferred tax liability other than loan funds of Rs. 1600 lacs (2003-04 : Rs. 2000 lacs).

27. Information on results of discontinued businesses

The results for the previous year include results of the Nitrocellulose and Trading businesses (which were divested on 16 March 2004) and the subsidiary Indian Explosives Limited and its subsidiary, Initiating Explosives Systems India Limited (51% holding of the former was divested on 6 November 2003), for the period from 1 April 2003 to the respective dates of divestment and are given below:

	(Rs. lacs)	
	Year ended 31 March 2005	Year ended 31 March 2004
Net Profit before Taxation	-	29,10
Income tax expense related to the above	-	10,04
Profit on disposal of discontinued businesses (pre tax)	-	92,04

28. Related Party Disclosures

1. List of related parties :

a) Holding Company: Imperial Chemical Industries PLC, UK

b) Other related parties in the ICI Group where common control exists and with whom transactions have taken place during the year:

Acheson Industries	National Starch & Chemical, Malaysia	PT Uniqema, Indonesia
Brasil Comercio LTDA	National Starch & Chemical, Shanghai	Quest International Egypt SAE
Chemical Industries (Colombo) Ltd.	National Starch & Chemical, Singapore	Quest International Indonesia
Dongsung NSC Ltd.	National Starch & Chemical, Taiwan	Quest International Australia Pvt. Limited
Elotex AG	National Starch & Chemical, Thailand	Quest International Do Brasil Industria
Hindustan Lever Ltd.	National Starch & Chemical, Australia	Quest International Nederland BV
ICI Argentina	National Starch & Chemical, Netherland	Quest International UK Limited
ICI Paints Thailand	National Starch & Chemical, France	Quest International USA
ICI Pakisan Ltd.	National Starch & Chemical, Guandong	Quest International, Singapore
ICI Woobang Co. Ltd., Korea	National Starch & Chemical, Korea	The Glidden Co.
Lever India Exports Limited	National Starch & Chemical, Netherland	Uniqema Chemicals Ltd.
National Starch & Chemical Co., USA	National Starch & Chemical, Vietnam	Uniqema, Malaysia
National Starch & Chemical Co., UK	National Starch & Chemical, Hongkong	Uniqema, U.K
NSC Trading Co., Thailand	Nepal Lever Limited	Uniqema, U.S.A.
National Starch & Chemical, Italy	Nippon NSC Ltd	Uniqema Chemie B.V.
National Starch & Chemical, Indonesia	Nitrex Chemicals India Limited	

c) Directors of ICI India Limited and its subsidiary during the year 2004-05:

Mr. A Narayan	Mr. S. Hamlett (upto 27 Jan. 2005)	Mr. J Hunter
Mr. Rajiv L Jain	Mr. D J Gee (wef 28 Jan. 2005)	Mr. D Sundaram
Mr. M R Rajaram	Ms. R S Karnad	Mr. A K Mathur
Mr. R Gopalakrishnan	Mr. M V Subbiah	Mr. J M Sohoni (upto 30 Sept. 2004)
		Ms. M Kothari (wef 1 Oct. 2004)



2. The following transactions were carried out with related parties referred to in items 1 (a) and (b) above in the ordinary course of business:

	(Rs. lacs)			
	Holding Company		Other Related Companies in the Group	
	2004-05	2003-04	2004-05	2003-04
Purchase of material/finished good/services	-	-	36,85	29,99
Sale of finished goods	-	-	13,08	19,15
Purchase of Fixed assets	-	-	-	-
Expenses recharged to other companies	-	-	4,13	37
Expenses recovered by other companies	1,05	79	87	1,50
Royalty Paid/Booked	-	-	58	98
Outstanding payables (Net of receivable)	-	-	1,25	2,06
Dividend Paid	25,97	20,78	-	-
Due to related parties	-	1,46	5,63	5,57
Due from related parties	-	-	48	20
Deposit placed	-	-	-	45
Others	-	-	1,41	2,05

3. The following transactions were carried out with related parties referred to in items 1 (c), above in the ordinary course of business:

Remuneration : Refer note 11, Schedule 19
Outstanding loans receivable : Refer Schedule 10

4. Details of amount due as at 31st March 2005 from bodies corporate under the same management as defined in Section 370 (1B) of the Companies Act, 1956, as referred to in Schedule 8, are given below :

	(Rs. lacs)	
	As at 31 March 2005	As at 31 March 2004
Chemical Industires Colombo Ltd.	-	-
Elotex AG	-	-
ICI Argentina	-	4
ICI Pakistan Ltd	23	-
ICI Woobang Co. Ltd.; Korea	6	-
National Starch and Chemical, Shanghai	-	-
PT Uniqema, Indonesia	7	-
Quest International, Singapore	-	-
Uniqema Malaysia	-	4
Uniqema Chemie B. V.	-	6
Uniqema Chemicals Ltd.	-	-
Uniqema UK	5	2
Uniqema, Malaysia	7	4
Total	48	20

29. The Profit & Loss Account and Cash Flow Statement for the current year are not comparable with the previous year in view of divestment of Nitrocellouse, Trading and Explosives businesses during 2003-04.

30. The figures relating to previous year have been regrouped wherever necessary to conform with the current year's classification.

A NARAYAN
Chairman

RAJIV JAIN
Managing Director

M R RAJARAM
Wholetime Director

R GUHA
Secretary

Gurgaon
24 May 2005



QUEST INTERNATIONAL INDIA LIMITED

Summary of Accounts for the year ended 31 March 2005

Balance Sheet as at	31 March 2005	31 March 2004
	(Rs. lacs)	(Rs. lacs)
Capital	28,80	28,80
Reserves	96,58	83,75
	<u>125,38</u>	<u>112,55</u>
Total Assets (excluding Investments)	104,43	108,13
Investments	50,50	31,34
Total Liabilities	(29,55)	(26,92)
	<u>125,38</u>	<u>112,55</u>
Details of Investments		
National Savings Certificates	–	–
Birla Sunlife Mutual Fund (Fixed Maturity Plan)	12,00	8,00
Birla Sunlife Mutual Fund (Liquid Fund)	–	1,59
HDFC Mutual Fund (Fixed Maturity Plan)	11,50	–
Kotak Mahindra Mutual Fund (Floater Fund)	–	75
Principal Mutual Fund (Fixed Maturity Plan)	3,00	9,00
Prudential ICICI Mutual Fund (Fixed Maturity Plan)	10,00	–
Reliance Mutual Fund (Fixed Maturity Plan)	5,00	–
SBI Mutual Fund (Fixed Maturity Plan)	6,00	–
Standard Chartered Mutual Fund (Fixed Maturity Plan)	–	12,00
Tata Mutual Fund (Fixed Maturity Plan)	3,00	–
	<u>50,50</u>	<u>31,34</u>
Profit & Loss Account for the year ended		
	<u>31 March 2005</u>	<u>31 March 2004</u>
Turnover - Net of Excise	107,86	85,39
Profit before taxation	13,38	10,55
Provision for taxation	55	3,36
Profit after Taxation	<u>12,83</u>	<u>7,19</u>
Proposed Dividend	NIL	NIL

Note : ICI India Limited has been granted approval by the Central Government for not publishing the full accounts of its subsidiary Quest International India Limited (QIIL), as part of its Annual Report, in terms of Section 212(8) of the Companies Act, 1956. The full accounts of QIIL will be available for inspection by any investor at the Registered Office of the Company and also at the Head Office of QIIL. Members who are interested in having a full set of the audited accounts of QIIL, may write to the Company Secretary.



ICI INDIA LIMITED

Registered Office : 34 Chowringhee Road, Kolkata - 700071

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 51st Annual General Meeting of the Members of ICI India Limited will be held on Friday, 5 August 2005 at 1400 hours at Bharatiyam Complex, IB 201, Salt Lake, Kolkata - 700106 to transact the following business:

Ordinary Business

1. To consider and adopt the audited Profit and Loss Account for the financial year ended 31 March 2005, the audited Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend on equity shares for the year ended 31 March 2005.
3. To appoint Directors in place of Mr M R Rajaram and Mr R Gopalakrishnan who retire by rotation and being eligible offer themselves for reappointment as Directors of the Company. A brief resume of the said directors has been given in the Corporate Governance section of the Directors Report.

Accordingly, to consider and, if thought fit, to pass with or without modification, the following resolutions as ordinary resolutions:

- a) "Resolved that Mr M R Rajaram be and is hereby re-appointed a Director of the company";
- b) "Resolved that Mr R Gopalakrishnan be and is hereby re-appointed a Director of the Company".
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution; provided that in the event of the provisions of Section 224A of the Companies Act, 1956, becoming applicable to the Company on the date of holding this meeting, the same will be proposed as a special resolution:

"Resolved that the Auditors, M/s BSR & Associates, Chartered Accountants, who retire at the conclusion of this meeting, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General Meeting of the Company at the same remuneration as last year which is given below:

Statutory Audit	Rs 12 lacs
Tax Audit	Rs 3 lacs

In addition, reasonable out-of-pocket expenses and service tax as applicable may also be reimbursed to the Auditors.

Any other fees for certification and other services may be billed by the Auditors at such rates as may be agreed between the Auditors and the Company."

By order of the Board

Gurgaon
24 May 2005

R GUHA
Company Secretary

NOTES

- i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of him but the proxy shall not have any right to speak at the meeting. A proxy need not be a member of the company. The Proxy form, in order to be effective, should be received at the Registered Office of the Company or at the office of its Registrar and Share Transfer Agent M/s C B Management Services (P) Limited ("CBMSPL"), P-22, Bondel Road, Kolkata - 700019 not later than 48 hours before the commencement of the meeting.
- ii) Members/Proxy holders must bring the Attendance Slip to the meeting and hand it over at the entrance, duly signed. A blank format of the Attendance slip is appended to the Annual Report.

- iii) The Register of Members and Share Transfer Books of the Company will remain closed from 12 July 2005 to 5 August 2005 both days inclusive.
- iv) Payment of dividend @ Rs 5.50 per share, if approved at this meeting, will be made on or after 12 August 2005 by means of direct bank credit or dividend warrants or cheques to those members whose names appear on the Company's Register of Members as on 5 August 2005.
- v) As per current SEBI Regulations, dividend is required to be credited to shareholders through Electronic Clearing Service (ECS) wherever the facility is available and the requisite details/mandates have been provided by the Members. Members desirous of availing of this facility may send the details of their bank account with the address and the MICR Code of their bank to their Depository Participants (in case of shares held in dematerialized form) or to CBMSPL (in case of shares held in physical form) at the earliest.
- vi) Members having shares registered in the same name or in the same order of names but in several Folios, may please write to CBMSPL for consolidation of the folios.
- vii) Members holding shares in the Physical form, who are desirous of making nomination as permitted under Section 109A of the Companies Act, 1956 in respect of their shares, may write to the CBMSPL for the prescribed form.
- viii) Members who wish to obtain any information on the Company or the Accounts may visit Company's website www.iciindia.com or may send their queries at least 10 days before the date of the meeting to the Company Secretary at the Company's Corporate Office at DLF Plaza Tower - 10th Floor, DLF Qutab Enclave Phase I, Gurgaon - 122002.
- ix) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, the dividends which remain unpaid or unclaimed for a period of 7 years will be transferred to the "Investor Education and Protection Fund" of the Central Government. Shareholders who have not encashed their dividend warrants so far, for the financial year ended 31 March 1998 or any subsequent financial years, are requested to send their unencashed dividend warrants, to CBMSPL for revalidation. Separate intimation to those Members whose dividend warrants remain unencashed as on 31 March 2005 have been sent in this regard. All unclaimed dividends in respect of financial year 1997-98 are due for transfer to the said Fund in August 2005. Pursuant to the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the said Fund after the said transfer.

Explanatory Note

Item 4

This explanatory note is being provided for the information of the members even though it is not prescribed under the applicable laws or regulations:

Members may note that the total shareholding of Public Financial Institutions ("PFI") in the Company is around 21% as on the date of this notice. However, in the event of PFI holding in the Company increasing to not less than 25% of the subscribed capital as on the date of the Annual General Meeting, the re-appointment of Auditors will need to be approved by the shareholders by means of a special resolution in terms of Sec 224A of the Companies Act.

Accordingly, this resolution will be proposed as an ordinary or special resolution, as the case may be, at the Annual General Meeting.

By order of the Board

Gurgaon
24 May 2005

R GUHA
Company Secretary



ICI India Limited

Registered Office : 34 Chowringhee Road, Kolkata - 700 071

ATTENDANCE SLIP

I/We hereby record my/our presence at the 51st ANNUAL GENERAL MEETING of the Company at Bharatiyam Complex, IB 201, Salt Lake, Kolkata - 700 106 on Friday 5 August 2005 at 2.00 P.M.

REGD. FOLIO NO. DPID Client ID	NO. OF SHARES
Name of the Member : Name of the Proxy :	
_____ SIGNATURE(S) OF THE SHAREHOLDER(S)	_____ SIGNATURE OF PROXY

Note : Please remember to bring this attendance slip with you duly filled in and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.



ICI India Limited

Registered Office : 34 Chowringhee Road, Kolkata - 700 071

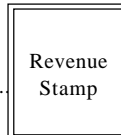
REGD.FOLIONO. DPID CLIENT ID	PROXY FORM	NO. OF SHARES
---	-------------------	----------------------

I/We
of
..... being a Member of ICI India Limited
hereby appoint of
or failing him/her of
or failing him/her of

as my/our proxy to attend and vote for me/us on my/our behalf at the 51st ANNUAL GENERAL MEETING of the Company to be held on 5 August 2005 at 2.00 P.M. and at any adjournment thereof.

AS WITNESS whereof my/our hand is/are affixed this day of2005

Signed by the said

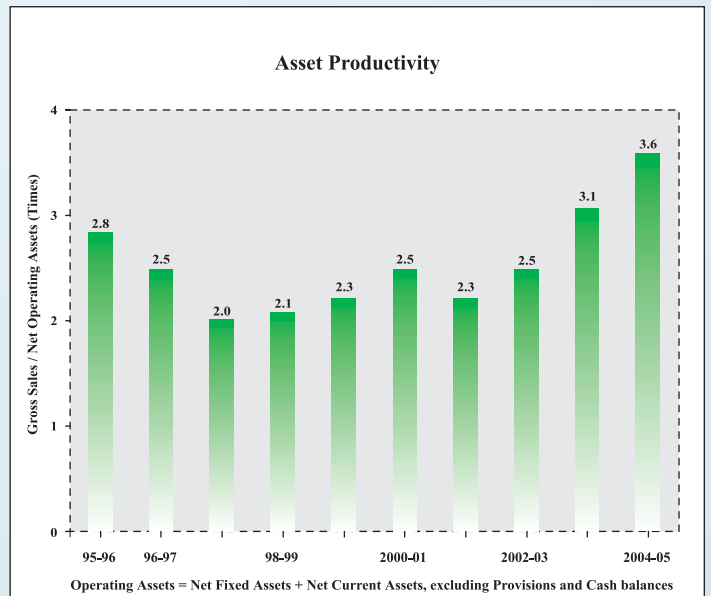
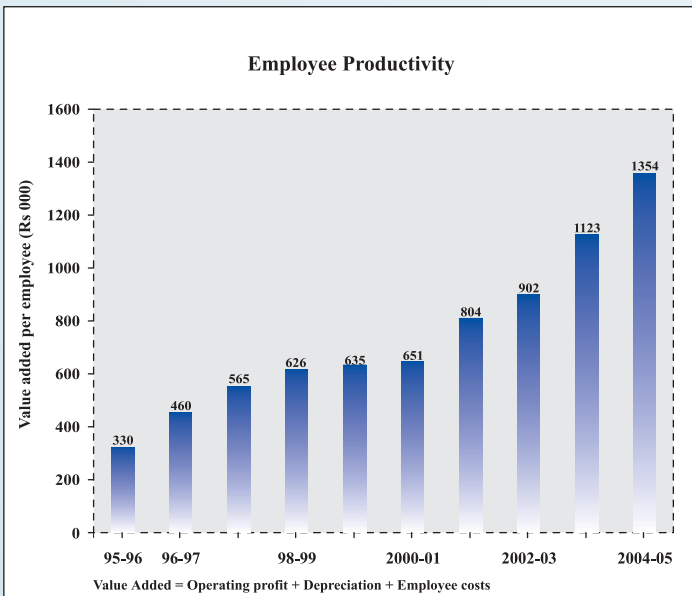
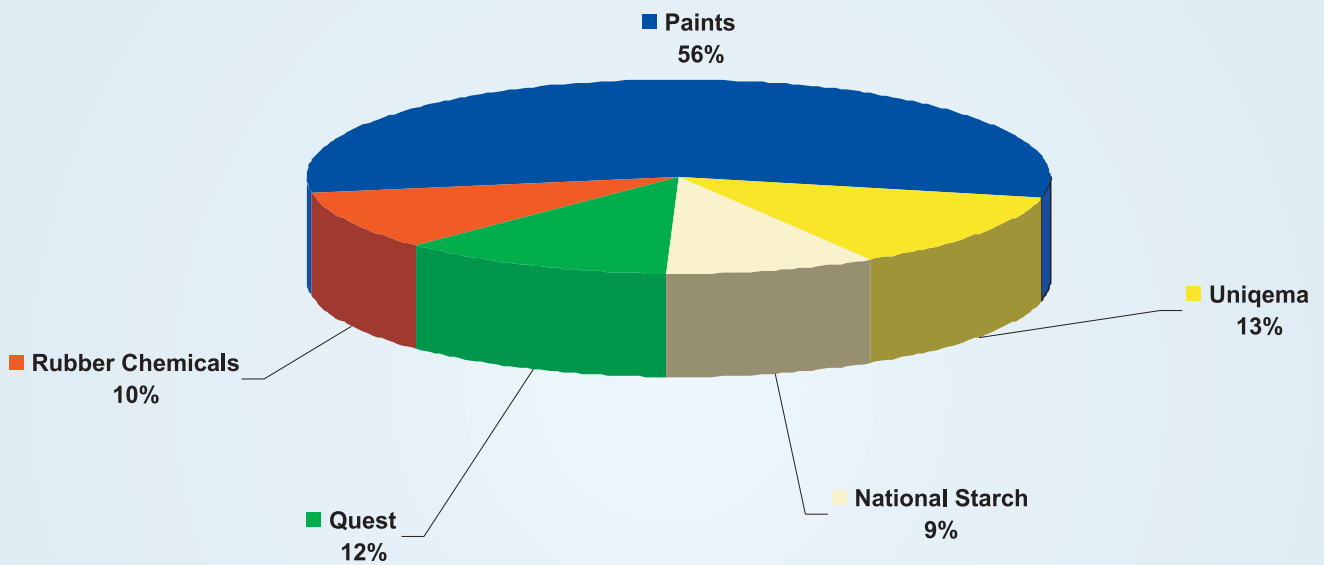


Note : Proxy Form duly completed must reach the Company's Registered Office/Company's Registrar M/s CB Management Services (P) Limited, P-22, Bondel Road, Kolkata - 700 019 not less than 48 hours before the time for holding the Meeting.



ICI India Limited

Group Turnover 2004-05 : Rs 974 crores





Paint only outside
Beauty inside outside.

The Elasto-shield advantage

Only Dulux WeatherShield MAX is made with Elasto-shield technology. Its special formulation gives an elastic film that covers hairline cracks and keeps rainwater from seeping into the walls.

Ordinary Exterior Emulsions



Raw Water Enters Cracks
Fungal Attacks Damp Walls

WeatherShield MAX Protection



Elastic Film Covers Hairline Cracks
Resists Dampness, Fights Fungus



Covers Cracks • Resists Dampness • Fights Fungus