

FOR THE ATTENTION OF EQUITY SHAREHOLDERS / BENEFICIAL OWNERS OF EQUITY SHARES OF

ICI INDIA LIMITED

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[This Public Announcement is made pursuant to the provisions of Regulation 8(1) read with Regulation 15(c) and in compliance with the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as amended and contains the disclosures as specified in Schedule II to these Regulations]

Offer for Buyback of Equity Shares from Open Market through Stock Exchanges

1. THE BUYBACK

ICI India Limited ("ICI India" or "the Company") hereby announces the buyback ("the Buyback") of its fully paid-up Equity Shares of the face value Rs. 10 each ("Shares") from the owners of Equity Shares of the Company from the open market through stock exchange using the electronic trading facilities of Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE") (together "the Stock Exchanges"), in accordance with the provisions of Sections 77A, 77AA, 77B and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 as amended ("the Buyback Regulations") and the relevant provisions in the Articles of Association of the Company at a price not exceeding Rs. 575 per Share ("Maximum Buyback Price") payable in cash, for an aggregate amount not exceeding Rs. 211.06 crores (Rupees two hundred and eleven crores and six lakhs) ("the Buyback Size"). The Buyback Size represents 25% of the aggregate of the Company's paid-up Equity Share capital and Free Reserves as on 31 March 2007.

1.1 The Aggregate Paid up Equity Share capital and Free Reserves of the Company as at 31 March 2007 was Rs. 844.25 crores. At the Maximum Buyback Price of Rs. 575 per Share and for the Buyback Size not exceeding Rs. 211.06 crores the maximum number of Shares that can be bought back would be 36,70,600 Shares, representing 8.98% of the outstanding fully paid up Equity Shares of the Company as on March 31, 2007. Should the average purchase price be lower than Maximum Buyback Price, the number of equity shares that can be bought back would be greater, assuming a Buyback Size of Rs 211.06 crores. The maximum amount that will be utilized for the buyback will not exceed 25% of the paid up Equity Share capital and Free Reserves of the company. The Maximum Buyback Price of Rs. 575 per share offers a premium of approximately 11.1% over the closing price prevailing at the date of Board Meeting held on May 26, 2007 for approving the Buyback.

1.2 The Buyback will be implemented by the Company by way of open market purchases through BSE and NSE using their nationwide electronic trading facilities. The Company shall not Buyback its Shares from any person through negotiated deals, whether on or off the Stock Exchange(s) or through spot transactions or through any private arrangement in the implementation of the Buyback.

1.3 The maximum amount required by the Company for the said Buyback aggregating to Rs. 211.06 crores will be met out of the current surplus and/or cash balances and/or internal accruals of the Company.

2. Limit on Quantum of Buyback to Ensure Compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI Takeover Regulations")

Imperial Chemical Industries PLC ("ICI PLC") currently holds 20,776,213 shares representing 50.83% of the 40,870,612 outstanding shares of ICI India Limited. Even though ICI PLC may not acquire any shares in ICI India, the proposed buyback may have the effect of increasing ICI PLC's holding in ICI India beyond 55% of the total equity of the Company. ICI India has, vide its letter dated 17 July 2007, sought a clarification from SEBI regarding the applicability of clause 11(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations to ICI PLC, the Company's promoter, in the event of its shareholding in the Company crossing 55% pursuant to the buy-back of shares by ICI India Ltd. Considering the interests of the public shareholders, the prevailing market conditions and the current shareholding of ICI PLC, ICI India has decided to commence the buy-back. The Company proposes to initially limit its Buy-back to a maximum of 30,95,000 shares only, within the overall Buyback Size, such that ICI PLC's holding in ICI India remains below 55%.

3. PROPOSED TIME TABLE

Board Meeting approving the Buyback	May 26, 2007
Special Resolution passed by the Shareholders approving the Buyback through Postal Ballot	July 12, 2007
Date of Public Announcement	July 26, 2007
Date of opening of the Buyback	August 2, 2007
Acceptance of Shares	Within 15 days of the relevant payout dates of the Stock Exchanges
Extinguishment of Shares	Within 7 days of acceptance as above
Last Date for the Buyback	Upon exhaustion of Rs. 211.06 crores or July 11, 2008, whichever is earlier

All payment obligations related to the Buyback shall be completed by the last date for the Buyback.

4. AUTHORITY FOR THE BUYBACK

Pursuant to Section 77A, 77B and other applicable provisions of the Act, the Buyback Regulations and the relevant provisions in the Articles of Association of the Company, the Buyback from open market through Stock Exchange has been duly authorized by the resolution passed by the Board of Directors at their meeting held on May 26, 2007, a special resolution passed by the Shareholders of the Company through Postal Ballot, the result of which was declared on July 12, 2007.

5. BRIEF INFORMATION ABOUT THE COMPANY

ICI India manufactures and markets paints, specialty chemicals, adhesives and starch. ICI India has about 900 employees on its rolls, with its manufacturing sites, business and sales offices and distribution network spans the length and breadth of the country.

The History

The ICI Group commenced its operations in India in 1911 when Brunner Mond & Co, one of the four companies that combined in 1926 to form ICI in UK, opened a trading office in Calcutta to sell alkalies and dyes. In 1923, it became Brunner Mond & Co (India) and in 1929, the name was changed to Imperial Chemical Industries (India) Ltd. This was followed by a period of sustained expansion, diversification and growth.

ICI's manufacturing activities commenced in 1939 with the setting up of Alkali and Chemical Corporation of India Ltd. in Rishra, West Bengal.

The Company was formed in 1954 under the name Indian Explosives Ltd as a joint venture between ICI PLC and the Government of India. The Company's name was changed to IEL Limited in 1985 and was again changed to its present name ICI India Limited in 1989. The Government of India's holding in the Company became nil on October 24, 2003 and the Company ceased to be a joint venture with the Government of India with effect from that date.

The Company's first factory for manufacturing commercial and blasting Explosives was set up in Gornia (now in Jharkhand state) in 1954. Thereafter, the Nitrogenous fertilizer manufacturing operations began in Panki near Kanpur in 1969, which was expanded in 1983 to reach a capacity to manufacture 675,000 tpa of urea. The company also commissioned its Catalyst business at Panki in 1984.

The Company sponsored, along with the other subsidiary companies of ICI PLC the establishment of ICI Research and Technology Centre in Thane in 1976.

Consolidation and Restructuring

In 1984 three other subsidiary companies of ICI PLC in India, viz., The Alkali and Chemical Corporation of India Ltd, Chemicals and Fibres India Limited and Crescent Dyes and Chemicals Limited merged with the Company in order to better utilize the synergies of the ICI Group and operate an enriched portfolio of business ranging from Paints, Rubber Chemicals, Water Treatment chemicals, Pharmaceuticals, Agrochemicals, Seeds, Fibres and Surfactants, apart from Explosives, Fertilisers and Catalysts.

Nalco Chemicals India Ltd was formed in 1987 with Nalco Chemical Company USA and the Company, each holding 40% of the equity, to take over the Company's Water Treatment chemicals Business. The first phase of ICI India's restructuring was completed in 1993 with the divestment of seeds, fibres and fertilizers businesses while the agrochemicals business was transferred to a joint venture with Zeneca Limited of UK in 1995.

1996 saw the establishment of a joint venture, Initiating Explosives Systems India Ltd. (IES), with The Ensign-Bickford Company of the USA for the manufacture of Initiating Explosives Systems. While the new paints plant and polyurethanes systems house were commissioned at Thane in 1997, another Paints plant was commissioned at Mohal near Chandigarh and the Uniqema Innovation Centre opened at Thane the following year. 1997 also saw the Company acquiring a Nitrocellulose manufacturing facility at Valsad (Gujarat).

In 1998 the Company exited from its joint ventures with Nalco Chemical Company, USA and Zeneca, UK, as part of its continuing restructuring exercise.

The explosives business of the Company together with the interest in IES, was transferred to Indian Explosives Limited, a joint venture between the company and Orica Investments Pty Ltd., Australia in 1999. The Company has exited from the joint venture in late 2003.

Trading in National Starch Adhesives products commenced in 1999, followed by the commissioning of a plant at Thane in 2000. The business has since been strengthened an acquisition of portfolio from Hindustan Lever Ltd and has further been strengthened through de-bottlenecking of the plant with additional capital expenditure.

In line with ICI India's strategic objective, the Polyurethanes business was sold to the Huntsman Group of USA in 2001. The Motors and Industrial Paints business was transferred to a Joint Venture with Berger Paints India Limited, also in 2001, from which the company exited in 2002.

The flavours and fragrances business was taken over as a joint venture (with ICI India holding a majority stake) with Hindustan Lever Limited and Quest International B.V. in 2001. The share holding of Hindustan Lever Limited was bought over by the Company in May 2006. The Company has exited from this business in March 2007 by the sale of its shareholding to Givaudan Group.

The Pharmaceuticals business of the company was divested to Nicholas Piramal India Limited in 2002. The Catalyst business of the company has been divested to Johnson Matthey Group in late 2002. The Nitrocellulose and Trading businesses were divested in 2004 to Nitrex Chemicals India Ltd (owned / funded by ACTIS), in which the company holds a minority stake.

The Rubber Chemicals business was transferred to an affiliate of PMOC Group International, USA in December 2005, where the company holds a minority stake.

The company has acquired controlling interest during 2006 in Polyinks Limited, Hyderabad, which manufactures Hot Melt Adhesives; this business is being integrated with the National Starch operations in India.

In early 2007, the Uniqema business was divested to Croda Group of UK and the Advanced Refinish Paints Business (2K) was divested to an affiliate of the PPG Industries, USA.

The continuing businesses currently in the portfolio of the company are Paints and National Starch.

The brief audited financial information of the Company for the last three financial years ended 31st March 2007, 31st March 2006 and 31st March 2005 is provided below:

Particulars	2006-07	2005-06	2004-05
Income from operations	888.22	876.24	754.34
Other Income	66.10	31.59	28.07
Total Income	954.32	907.83	782.41
Earnings before Finance Charges, Depreciation and Tax	164.87	121.94	93.00
Exceptional Items @	446.12	(11.01)	(13.68)
Profit after Tax	448.42	50.15	47.18
Equity Dividend (including dividend tax)	129.10	27.96	25.76
Subscribed Equity Share Capital	40.87	40.87	40.87
Reserves & Surplus, excluding capital reserve and revaluation reserve	803.38	484.06	461.87
Net Worth	844.25	524.93	502.74
Debt outstanding	-	-	16.00
Key Ratios			
Earnings per Share (Rs.)	109.72	12.27	11.54
Book value per Share (Rs.)	206.56	128.44	123.01
Debt-Equity Ratio	0.00	0.00	0.03
Average Return on Net Worth (%)	65.5%	9.76%	9.49%

@ Details of Exceptional Items:

Particulars	2006-07	2005-06	2004-05
Profit on sale of Uniqema business	250.85	-	-
Profit on sale of investment in subsidiary Quest International India Limited	158.45	-	-
Profit on sale of Paints Advanced Refinish (2K) business	32.20	-	-
Profit on sale of properties	4.99	1.59	1.50
Charge for voluntary retirement scheme expenses	(37)	(1.61)	(2.57)
Loss on sale of Rubber Chemicals business	-	(10.12)	-
Impairment of additions to fixed assets of Rubber Chemicals business	-	(87)	(86)
Charge for additional contribution to employee retriial funds	-	-	(3.15)
Charge for post retiral medical benefit scheme	-	-	(617)
Provision no longer required, written back	-	-	2.30
Provision in respect of customs duty litigation	-	-	(3.13)
Additional consideration on sale of Polyurethane business	-	-	40
TOTAL	446.12	(11.01)	(13.68)

6. PRESENT CAPITAL STRUCTURE AND SHARE HOLDING PATTERN

6.1 The Share Capital of the Company as on the date of this Announcement is as follows:

	Rupees
Authorized 4,16,90,000 Equity Shares of Rs. 10 each	41,69,00,000
Issued, Subscribed and Paid-Up 4,08,70,612 Equity Shares of Rs. 10 each fully paid up	40,87,06,120

6.2 The shareholding pattern of the Company as on July 20, 2007 is as given below:

Sr. No	Category of shareholder	Total number of shares (Pre-buyback)	Total shareholding as a % of total number of shares (Pre-buyback)	Total number of shares (Post-buyback)	Total shareholding as a % of total number of shares (Post-buyback)
(A)	Shareholding of Promoter and Promoter Group				
-1	Indian				
(a)	Individuals/Hindu Undivided Family	NA	NA	NA	NA
(b)	Central Government/ State Government(s)				
(c)	Bodies Corporate				
(d)	Financial Institutions/ Banks				
(e)	Any Other (specify)				
	Sub-Total (A)(1)	NA	NA	NA	NA
-2	Foreign				
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)				
(b)	Bodies Corporate	2,07,76,213	50.83	2,07,76,213	55.00
(c)	Institutions				
(d)	Any Other (specify)				
	Sub-Total (A)(2)	2,07,76,213	50.83	2,07,76,213	55.00
	Shareholding of Promoter and Promoter Group A)=(A)(1)+(A)(2)	2,07,76,213	50.83	2,07,76,213	55.00
(B)	Public shareholding				
-1	Institutions				
(a)	Mutual Funds/ UTI	38,71,239	9.47		
(b)	Financial Institutions/ Banks	29,031	0.07		
(c)	Central Government/ State Government(s)	276	0.00		
(d)	Venture Capital Funds	-	-		
(e)	Insurance Companies	50,07,545	12.25		
(f)	Foreign Institutional Investors	21,55,003	5.27		
(g)	Foreign Venture Capital Investors	-	-		
(h)	Any Other (specify) FFI	600	0.00		
	Sub-Total (B)(1)	1,10,63,694	27.07		
-2	Non-institutions				
(a)	Bodies Corporate	50,17,172	12.28		
(b)	Individuals -	39,25,850	9.60		
(c)	Any Others (specify)				
	NRIs and Clearing Members	87,883	0.22		
	Sub-Total (B)(2)	90,30,705	22.10		
	Total Public Shareholding (B)=(B)(1)+(B)(2)	2,00,94,399	49.17	1,69,99,399*	45.00
	TOTAL (A)+(B)	4,08,70,612	100.00	3,77,75,612	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued	-	-	-	-
	GRAND TOTAL (A)+(B)+(C)	4,08,70,612	100.00	3,77,75,612	100.00

*Assuming that the proposed buyback is initially limited to a maximum of 30,95,000 shares only, within the overall Buyback Size such that the Promoter's holding in ICI India remains below 55%.

6.3 There are no partly paid-up shares or outstanding convertible instruments.

6.4 Neither the Promoter group, directors of the promoter nor the persons who are in control of the Company have purchased or sold shares of the Company during the twelve months preceding the date of this Public Announcement i.e. July 26, 2007.

6.5 The Promoters of the Company hold a total of 20,776,213 Equity Shares as on date.

6.6 The Promoters of the Company do not intend to participate in the buyback offer. The Promoters of the Company are not permitted to participate in the Buyback under stock exchange mechanism as per SEBI (Buyback of Securities) Regulations, 1998.

NECESSITY FOR BUYBACK

7.1 The Board is of the view that the Buyback will help the Company achieve the following objectives:

(a) Optimize returns to shareholders; and

(b) Enhance overall shareholder value.

7.2 This objective will be achieved by returning surplus cash back to shareholders. This may lead to reduction in outstanding shares, improvement in earning per share and enhanced return on invested capital. The Buyback will not in any manner impair the ability of the Company to pursue growth opportunities or meet its cash requirements for business operations.

EXTRACTS FROM THE EXPLANATORY STATEMENT ANNEXED TO THE NOTICE DATED MAY 26, 2007 FOR THE POSTAL BALLOT THROUGH WHICH THE SPECIAL RESOLUTION APPROVING THE BUY BACK WAS PASSED

The Board of Directors of ICI India at their meeting on July 25, 2006 authorized the buyback of the fully paid-up Equity Shares of the Company for an amount not exceeding Rs. 131.23 cr. at a maximum price of Rs. 350 per share. A special resolution was passed by the Shareholders of the Company through Postal Ballot to approve the buyback on September 14, 2006. However, due to buoyancy in the stock markets, strong performance of the Company's businesses and business investments at attractive prices during the year 2006-07, the market price of the Company's shares have been ruling well above the aforesaid maximum price. As a result, no shares could be purchased under the buyback programme.

The Board of Directors of the Company believes using part of the existing surplus funds for the proposed new buy-back and the Company's shares will enhance shareholder value and will still provide enough financial headroom for growth of the Company. Accordingly, at its meeting held on 26 May 2007, the Board approved, subject to approval of the members by means of a special resolution through postal ballot, a proposal to buy-back the fully paid-up equity shares of Rs 10/- each in accordance with the provisions contained in Article No.3A of the Articles of Association of the Company and also the provisions of Section 77 A, 77 AA, 77B and all other applicable provisions of the Act and the Regulations. This buyback resolution would supersede the buyback resolution authorized by the Board on July 25, 2006 and passed by the shareholders of the Company through Postal Ballot on September 14, 2006. The buy-back would be undertaken through open market purchases via the stock exchanges. There will be no negotiated deals, spot transactions or any private arrangements in the implementation of the buy-back.

The equity shares of the Company are proposed to be bought back at a price not exceeding Rs.575/- per equity share and the funds to be utilised for this purpose will be up to 25% of the paid-up equity share capital and free reserves of the Company as on March 31, 2007 which is approximately Rs. 211.06 cr. This price has been arrived at after considering the stock market quotations, book value and the possible impact of the buy-back on the earnings per share of the Company.

It may be noted that in terms of Securities and Exchange Board of India Press Release Ref No. - PR 74/99 dated 19.03.1999, read with Regulation 7(a) of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998, a company which seeks to buy-back securities can disclose in the Explanatory Statement, the maximum price at which the buy-back of securities shall be made and the Board of Directors may determine the specific price. With view to affording the required operational flexibility, it is proposed that the Board of Directors or a Committee of the Board of Directors duly authorized by the Board for the purpose, determine the specific price for the buy-back of equity shares of the Company, not exceeding Rs 575/- per share and the time frame for such buy-back.

The buy-back is proposed to be completed within a period of 12 months from the date of passing of this resolution. In accordance with the regulatory provisions, the shares bought back by the Company will be compulsorily cancelled and will not be held for re-issuance.

As the Company proposes to use part of its surplus cash for this purpose, buy-back will not lead to any new debt and accordingly total debt equity ratio, after the share buyback will be well below the maximum limit of 2:1 as specified in the Act. The share buy-back programme will be implemented after the approval of the shareholders subject to completion of necessary formalities as prescribed by law.

As a consequence of the buy-back, the holdings of Public, Financial Institutions, NRIs and other categories of shareholders would undergo a change based on the number of shares bought back from these shareholders. The proposed buy-back, however, will not affect the present management structure of the Company.

The buy-back of equity shares of the company will be financed out of the free reserves and/or share premium account of the Company.

The particulars of the equity shares of the company held by Imperial Chemical Industries PLC, the promoter of the Company and of the Directors of the Company as on the date of the Board Meeting is given below:-

Imperial Chemical Industries PLC	20776213 equity shares
Directors	108 equity shares

No equity shares were either purchased or sold by the persons referred to above, during the period of 6 months preceding the date of the Board meeting held on 26 May 2007 and subsequent to the said Board meeting till the date of dispatch of this postal ballot to the shareholders. Imperial Chemical Industries PLC, the Promoters, have confirmed that they will not be tendering their shares in the proposed buy-back process.

As per the provisions of Section 77A(8) of the Act, the company will not be allowed to issue fresh equity shares within a period of 6 months after the completion of the buy-back except by way of bonus shares or shares issued in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares. There are no such subsisting obligations as on date.

The Board of Directors of the Company confirm that there are no defaults subsisting in repayment of deposits, redemption of debentures or preference shares or repayment of term loans to any financial institutions or banks.

The Board of Directors have made a full enquiry into the affairs and prospects of the Company and have formed an opinion that:

(a) Immediately following the date of the Board Meeting held on 26 May 2007, there are no grounds on which the Company could be found unable to pay its debts;

(b) As regards the Company's prospects for the year immediately following the date of the Board Meeting held on 26 May 2007 that, having regard to Board's intentions with respect to the management of the Company's business during that year and to the amount and character of the financial resources which will in the Board's view be available to the Company during that year, the Company will be able to meet its liabilities as and when they fall due and will not be rendered insolvent within a period of one year from that date; and

(c) Confirm further that in forming an opinion as aforesaid, the Directors have taken into account the liabilities as if the Company were being wound up under the provisions of the Companies Act, 1956 (including prospective and contingent liabilities).

The text of the report dated 26 May 2007 received from M/s BSR & Associates, Chartered Accountants, the statutory auditors of the Company addressed to the Board of Directors of the company is reproduced below:

"We have been informed that the Board of Directors in their meeting held on 26 May 2007 have decided to buy-back Company's Shares as allowed under Section 77A of the Companies Act, 1956. In this connection, we confirm as under-

(i) We have inquired into the state of affairs of the Company in relation to its audited accounts for the year ended March 31, 2007, which were taken on record by the Board of Directors in the meeting held on 26 May 2007 and audited by us.

(ii) The amount of permissible capital payment towards buy-back of equity shares in questions as ascertained below, has been properly determined in accordance with Section 77 A(2)(c) of the Companies Act, 1956:

	Rs. lacs
Equity Share Capital as on 31 March 2007	4087
(408,70,612 equity shares of Rs. 10/- each, fully paid-up)	
Free Reserves (excluding capital and revaluation reserves) as on 31 March 2007	80338
(as defined in Section 77A read with explanation (b) of Section 372A of the Companies Act, 1956)	
Total	84425
Maximum amount permitted for buy-back i.e. 25% of total paid up capital and free reserves	21106

(iii) based on the representations made by the Company and other information and explanations given to us, which to the best of our knowledge and belief were necessary for this purpose, we report that the Board of Directors in their meeting held on May 26, 2007 have formed their opinion, as specified in clause (x) of Schedule I of SEBI (Buy-back of Securities) Regulations, 1998, on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from that date".

For BSR &