



Akzo Nobel India Limited

17

Annual Report

18

Mission 2020

Pillars of Success

Passion for paint

We are reigniting our passion for making and selling paint. The pride we take in the products and services we deliver and our deep understanding of customer needs will help us stay ahead of the competition – establishing us as the number one choice. Putting a world class Integrated Supply Chain organization in place will drive improvements in quality, service and efficiency as we continue to anticipate current and future needs. This will be supported by relevant, focused innovation to ensure everyone benefits from our products and services.

Precise processes

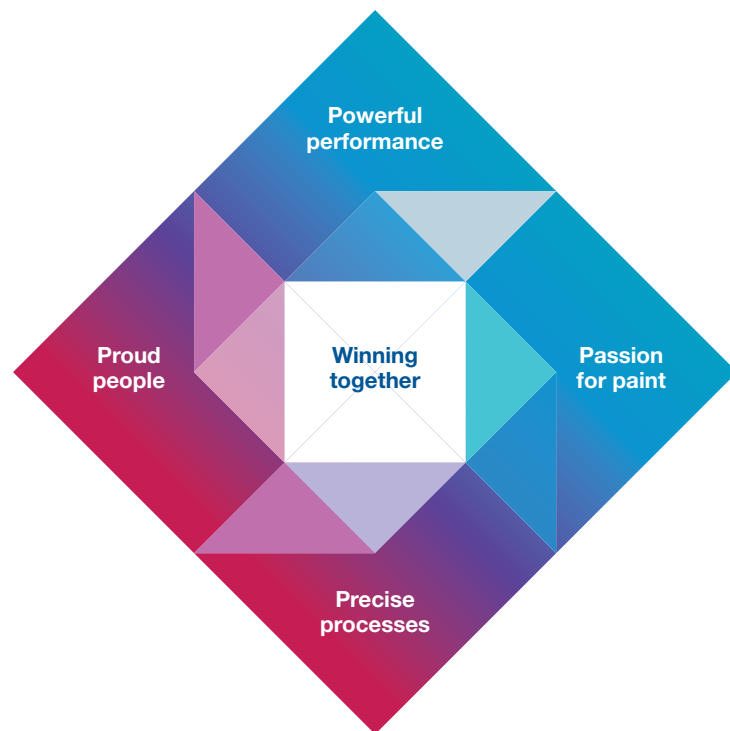
Integrated Business Planning will be the way we operate. We will get the waste out of our key end-to-end processes – including smooth hand-offs with our Global Business Services (GBS) organization – to ensure we rigorously execute simple and standardized processes. We will leverage a single Enterprise Resource Planning (ERP) and systems platform and use reliable, real-time information for decision-making.

Proud people

We believe in fostering a trusted workforce with the right values and a winning mindset. We intend to accelerate opportunities for the ample talent we have around the world. We are building a single, strong and diverse team for a focused, high performing Paints and Coatings company. One which takes pride in living our core principles and being the best at making and selling paint in our chosen segments.

Powerful performance

We are adopting a laser sharp focus to achieve 15% return on sales by 2020. A high performance culture will accelerate our pace of improvement. We will remain focused on margin improvement and will always look to deliver more by consuming less. We will combine our commitment to lowering fixed costs – building on our track record of continuous improvement – with frugal procurement.



Inside the Report

» Overview

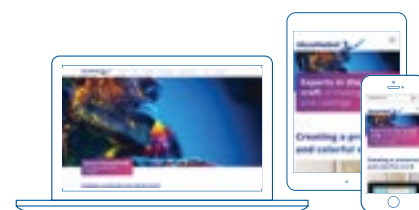
02	Chairman's Communique
04	Managing Director's Statement
06	Board of Directors
10	Akzo Nobel India at a Glance
12	Performance Highlights
13	Recent Years at a Glance
14	Company Information

» Statutory Reports

16	Directors' report
	Annexures to the Directors' report
27	- Report on Corporate Governance
36	- Business Responsibility report
41	- Corporate Social Responsibility report
46	- Extract of Annual Return
56	Secretarial Audit report

» Financial Statements

	Standalone Financial Statements
58	Independent Auditors' report
64	Financial Statements
	Consolidated Financial Statements
122	Independent Auditors' report
126	Financial Statements
181	Notice of Annual General Meeting
Appended	Attendance Slip, Proxy Form and E-Voting Particulars



This annual report reflects our commitment to creating a better tomorrow and can be accessed digitally from www.akzonobel.co.in



➤ Scan QR code to visit our website



Dulux Visualizer App

Scan QR code to download the App



For iOS



For Android

Chairman's Communique

When I look back and reflect on last year, I realise that a number of changes were experienced by your company both internally and externally. I would like to begin by thanking Mr Nihal Kaviratne CBE, your outgoing Chairman, for his immense contribution, in particular his leadership in guiding your Company through the merger of different AkzoNobel verticals in 2012 to make it an integrated coating solutions provider with unique advantages. He has also been instrumental in helping harness the power of 'One AkzoNobel' in India which proved its mettle in taking forward our mission to create everyday essentials for our customers.

India's economy has a lot going for it over medium and long-term. The country's GDP growth showed sign of improvement since mid - 2017, with the impetus carrying over into 2018. India is expected to witness its GDP grow at over 7% in 2018-19.

With the economy poised to grow, consumer spending is expected to get a huge boost, resulting inter alia in higher demand for paints. India's young population represents a huge opportunity as more and more young

Indians join the workforce and will have disposable income available. The trend toward nuclear family augurs well for the paint industry.

The Government's increased emphasis on infrastructure development through a number of programmes has been widely welcomed. Infrastructure spends have a multiplier effect, enabling pan-industry growth, while contributing to an improved quality of life.

The per capita paint consumption in India of about 4 kgs is still very low and as more development takes place in the country, this figure is anticipated to increase.

In FY 17-18, the industry grew at a moderate rate. However, due to the demonetization and GST rollout, pace of growth was impacted in both paints and coatings markets in the early part of the year. Growth picked up pace during the second half of the year, owing to a good monsoon and a positive investment climate in the country. Consumer demand also picked up, signalling stabilization of the economy.

On the flip side, crude oil as well as commodity prices have been rising since

last year. Higher oil prices mean higher inflation. It also means higher input costs for paints and coatings companies.

I believe that the medium term prospects in India are favourable and that the structural reform process will continue over the next few years, with policy reforms to come in sectors like infrastructure and power. These reforms would provide great impetus to the economy as well as to the paint industry.

Last year, your company's specialty chemicals business was sold to an affiliate of AkzoNobel Group for ₹320 crore with your overwhelming support. I would personally like to thank all of you for your continued trust in the company. We have always believed in sharing wealth with all of you in a transparent manner, and this time is no different: a share buyback programme has been launched and a dividend of ₹22 per share has been recommended.

The creation of a single Paints & Coatings company with the sale of the Specialty Chemicals has been helping us build a laser-sharp focus in order to become an agile as well as a stronger company, at the leading edge of innovation, designed to delight

“The creation of a single Paints & Coatings company with the sale of the Specialty Chemicals has been helping us build a **laser-sharp focus** in order to become an agile as well as a stronger company, at the leading edge of innovation, designed to delight customers.”

customers. Our go-to market strategy is crystal clear now: our 2020 financial promise is to realize a Return on Sales of 15% and a Return on Investments of >25%. And we can only achieve this by working together as one AkzoNobel.

I would also take this opportunity to welcome Mr Jeremy Rowe, who has been appointed to the Board of your company on April 06, 2018. He is currently the Managing Director AkzoNobel Paints, South East & South Asia, Middle East (SESAME) and has been with AkzoNobel since 2009. Mr Rowe is also a board member of several AkzoNobel Group companies in the Asia Pacific Region.

The year that has gone by has been a period of transformation. I warmly acknowledge the trust reposed on us by each one of our valued shareholders through our journey.

Amit Jain
Chairman



Managing Director's Statement



“Our agility and passion for performance has worked well for us and I am confident that the team will achieve the ambitious goals that we have set for ourselves.”

Performance

Last year (2017-18) has been a landmark year in the history of our company. It marked the completion of the separation of Specialty Chemicals and as a result, the birth of Paints & Coatings as a single company. This puts back focus on our core capabilities – making and selling paint and striving for the best efficiency and performance in what we do.

In spite of unprecedented changes throughout 2017, we continued to deliver for our customers, develop new and exciting products, grow the business and increase our operational efficiency. After a dip due to GST introduction in early part of the year, demand for Coatings gradually bounced back even though, high raw material costs continued to impact margins. This reflected in our results - with the company growing its revenue by 5% over 2016-17, though PBT growth was impacted by cost pressures.

In order to strengthen our leading position in powder coatings, we have commissioned a new plant in Thane. This ₹650 million facility complements our existing plant capacity in Bangalore,

adding new product lines in bonded metallic and functional powder coatings.

Our strategic focus on driving innovation to support organic growth and profitability gathered momentum. We forayed into the waterproofing category with Dulux Aquatech; introduced Dulux Velvet Touch Colour Motion, a first of its kind signature wall finish that reveals subtle shades each time you view the wall from a different angle; and launched Dulux Platinum Glo, a premium quality, subtle-sheen, environment-friendly washable emulsion paint. Last year, we added tinting machines to more than 2,000 new outlets and are able to reach out to over 15,000 sales outlets. In addition, we successfully launched ColourFutures™ 2018 announcing ‘Heart Wood’ as the Colour of the Year.

We continued our journey with regard to digital innovation – because meeting customer needs is at the heart of whatever we do.

- Dulux launched digital shade card which gives an almost life-like experience of selecting colours.
- The Protective Coatings business

launched ‘Select’ application to streamline the sales process.

- Intertrac@Vision is the shipping industry's first enhanced consultancy tool that provides ship operators with predictions of potential fuel and CO₂ emission savings.
- ColorMix, a mobile application that helps our customers to get the color formulations online as well as offline for point of sale tinting solutions. In addition, this application also gives the pricing information of the color variants that are sold through retail channel.
- Mixit Cloud has been introduced for our vehicle refinishes customers for color related information for all Sikkens and Lesonal range of products, which work seamlessly online.

Where are we headed

There have only been a few moments in the rich past of this company where the course and focus of the entire company has so drastically changed.

Moving forward, we will be measuring our performance by a clear company-wide target: 15% Return on Sales (ROS) and >25% Return on Investment (ROI) by the year 2020.

In order to meet our 2020 goals, we are making changes to the way we operate and work together to deliver the targets, in alignment with our global organisation. We are working towards improving our profitability by selling more, improving margins, reducing costs and standardizing while getting closer to our customers.

Foundation for the future

There are four pillars on which we are building our success, so that we become the reference for our customers when it comes to products, people and performance.

- **Passion for paint:** A world class Integrated Supply Chain organization which drives safety and sustainability and is passionate about efficiency and quality. A Research and Development organization delivering relevant cutting-edge innovation, and businesses that understand how to get rewarded by customers for the products and services we bring;
- **Precise processes:** Integrated Business Planning will be the way we operate. We will get the waste out of our key end-to-end processes, including smooth hand-offs with Global Business Services (GBS) to avoid the repeated work we see today. We will leverage a single Enterprise Resource Planning (ERP) and systems platform. Customer Relationship Management (CRM) systems and world class pricing management will keep us ahead of the competition, establishing us as first choice for our customers;
- **Proud people:** A trusted workforce with the right values and a winning mindset. We need to accelerate opportunities for the ample talent we have around the world. One single team taking pride in being the best at making and selling paint in those segments we strategically choose to compete in;

- **Powerful performance:** Leading in sustainable footprint, focused on margin improvement and always looking to deliver more by consuming less. We will combine our passion to lower fixed costs with frugal procurement, both in raw materials and non-product related (NPR) spend.

Our ambitious goal of Winning Together: 15 by 20 is not just about meeting financial targets for investors. It is to ensure we preserve our strong heritage, are able to continue to develop products we are proud of.

Social Responsibility

Seeing examples of our purpose being brought to life has been a fulfilling journey. We have been focusing on education of underprivileged children and skill development of youth. During the year, we have trained about 1,500 youth in the Akzo Nobel Paint Academy, taking the cumulative total to 2,025 since inception of the Academy. The state of the art Paint Gun Simulator is helping to provide practical training in airless spray painting technique among underprivileged youth.

AkzoNobel and global peace movement MasterPeace reached the milestone of creating 100 "walls of connection". The 100th mural was painted at the AkzoNobel education center in Badshahpur, Gurugram, India.

English Premiere League Chelsea FC team visited AkzoNobel India's CSR education project in Bangalore. Coaches Ian Woodroffe and James Hagerty conducted a day-long soccer training session for 90 students to encourage education and sports amongst girl children.

As part of Mission Salamati project, over 9,000 school and college students have been sensitised and educated about road safety, safe behaviour and traffic rules. As a value addition, we have introduced first responders training in schools and colleges of Mohali. In this training, 100 students were trained on how to respond if they come across accidents, injuries, sudden sickness etc.

Our contribution towards creating societal impact has been recognised during the year with the prestigious ICSI (Institute

of Company Secretaries of India) CSR Excellence Award 2017 in 'Emerging Companies' category.

Sustainability

Sustainability remains at the heart of our company: by reducing material waste, increasing our energy efficiency, continuing to drive eco-premium solutions and water-based paints. Our Bangalore plant makes use of wind energy to meet 95% of its energy requirements. A number of renewable energy initiatives have been implemented across sites. The company has a focused approach to reduce waste generation and water consumption. It's our commitment to doing more with less and creating more value from fewer resources.

Our sustainability agenda was brought into sharper focus with Dulux and Dulux Professional range of products getting accredited by the prestigious "GreenPro Certification" by CII - Green Products & Services Council.

We are on a path to becoming the leading paints company in India, making the finest paints and coatings - and taking great pride in delighting our customers. We have the commitment, the products, the brands and - most importantly - the people to deliver. I am very confident that with our laser-sharp focus and a clear strategy, we will become the reference point when it comes to people, products and performance.

I take this opportunity to thank all the employees and business partners for their consistent efforts in delivering on our strategy, relentlessly pursuing continuous improvement and driving organic growth and innovation. I am confident that the year in progress will prove to be yet another success story for the AkzoNobel India family.

Jayakumar Krishnaswamy
Managing Director

Board of Directors





5

6

7

10

1. Arabinda Ghosh

Non-Executive Director

Arabinda Ghosh is a Director on the Board of Akzo Nobel India since 2015 and Managing Director of AkzoNobel's Surface Chemistry business globally. Arabinda (AB) brings considerable experience with him from his roles in Finance and General Management in other global businesses of Powder Coatings, Automotive and Aerospace Coatings, Marine Coatings, Protective Coatings and Metal Coatings.

Arabinda was born in New Delhi, India, and had spent his youth in Thailand after which he moved to the UK to complete his schooling. He qualified as a chartered accountant while working at Deloitte in Bristol, UK.

2. Dr Sanjiv Misra

Independent Director

Dr Sanjiv Misra has been a Director on the Board of Akzo Nobel India since May 2010.

Dr Misra graduated in Economics from St. Stephen's College, Delhi. He has a Master's degree in Economics from the Delhi School of Economics, a Master's degree in Public Administration from the Harvard Kennedy School, USA and a Ph. D from the Jawaharlal Nehru University, New Delhi.

Dr Misra was a member of the Indian Administrative Service for over 35 years during which period he held a wide range of key positions in the federal and state governments, including as Managing Director of the Gujarat Industrial Development Corporation and stints at senior levels in the Government of India in the Cabinet Office, the Ministry of Petroleum and the Ministry of Finance. He was a Secretary in the Ministry of Finance till his superannuation in 2008. Subsequently, he served as a Member of the 13th Finance Commission, a constitutional

position with the rank of a Minister of State.

Dr Misra is the Chairman of Axis Bank Limited and a Director of Hindustan Unilever Limited.

3. R Gopalakrishnan

Independent Director

R Gopalakrishnan is a Director on the Board of Akzo Nobel India since May 1999. He is the Chairman of the Nomination and Remuneration Committee.

Gopal also serves on the Boards of several companies as a Non-Executive Director. He has worked with the Unilever Group for over 30 years in senior positions and served on the Boards of several Tata Group companies in Executive as well as Non-Executive roles.

Gopal is a Bachelor of Science in Physics from the University of Calcutta and a Bachelor of Technology from the Indian Institute of Technology, Kharagpur. He has also attended the Advanced Management Programme of the Harvard Business School.

He is an accomplished author (with several books already published), an international speaker, a corporate advisor and a teacher.

4. Raj S Kapur

Independent Director

Raj S Kapur joined the Board of Akzo Nobel India in March 2014. He is the Chairman of the Corporate Social Responsibility (CSR) Committee.

Based in Gurgaon, Raj is the owner of Country Strategy Business Consultants and in his professional capacity, he advises companies on their geographic expansion and market development strategies. He has an in-depth

technical and business knowledge of the chemicals industry and more specifically, performance coatings and specialty chemicals.

He started his career as a chemical process engineer and over time, moved to finance and business roles. His career spans almost 40 years of which around 35 years were spent at Dow Corning in various parts of the world before he returned to India to start that organization in the country.

Raj is a Chemical Engineer from the Indian Institute of Technology (IIT), Kanpur and a Masters in Business Administration (MBA) in Finance & Marketing from the Central Michigan University, USA. He also holds a Masters in Polymer Engineering from Case Western University, USA.

Raj is passionate about helping international companies build their business in India and then leveraging the Indian capabilities to strengthen their Global position. He enjoys playing tennis, squash, bridge and travelling.

5. Arvind Uppal

Independent Director

Mr. Arvind Uppal joined the Board of Akzo Nobel India as a Non-Executive Director in April 2011. He is the Chairman of the Stakeholder Relationship Committee.

He is a Chemical Engineer from IIT, Delhi and holds a Master in Business Administration from the FMS, Delhi. He has also attended a programme for Executive Development at IMD, Lausanne, Switzerland.

Mr. Uppal is currently the Chairman of Whirlpool of India Ltd. He has worked with Nestle for over 18 years, having joined that company as a management trainee in 1987. He is also a Director on the Boards of Tuscan Capital and Whirlpool (Australia).