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Akzo Nobel India Limited
Annual Report





“
We have been proactively and consistently been engaging with investors through analyst calls and face-to-face meetings throughout the year in order to create shared value.
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Amit Jain
Chairman

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This annual report reflects our commitment towards creating a better tomorrow and can be accessed digitally at

www.akzonobel.co.in



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CHAIRMAN'S STATEMENT

“

In the midst of every crisis,
lies great opportunity

— Albert Einstein

”

Amit Jain
Chairman



These are extraordinary times. Never did I imagine that a Hollywood thriller movie, Contagion that I watched long ago will be playing in real life - an invisible and unknown virus is gripping the world, leaving an indelible mark on the socio-economic fabric of the world we live in.

As the battle with the coronavirus continues, the measures taken to contain the spread of the pandemic has triggered an economic downturn. According to the World Bank, the GDP rate in India is expected to shrink to 3.2% in the fiscal year 2020-21. The eight infrastructure industries dipped to a record low in April. Construction industry is expected to contract 7.5% in 2020

The Indian government announced an economic rescue package of ₹ 20-lakh-crore which is approximately 10 per cent of the GDP. The major thrust of the Atmanirbhar Bharat Abhiyan is to make the country self-reliant and identified economy, infrastructure, system, vibrant demography and demand as its key drivers. Various other measures have been introduced to drive the country on a new pro-business economic course. These structural interventions are expected to drive faster recovery.

Due to this crisis, consumer priorities are changing rapidly, and certain behavioral changes are here to stay for a long-term. The pandemic has paved way for acceleration of digital transformation as organisations are learning to work remotely, adapting their strategies to the changing environment, and caring for their eco-system. As businesses and individuals are coping with the new normal measures, more productive ways of doing work is coming to light, which is in turn having a ripple effect on digital roadmaps.

India's ₹ 50,000 crore paints industry, which has been growing at a compounded annual growth rate (CAGR) of 8.5 per cent in the last three years, has declined in the first half of 2020. Paints is a discretionary category and re-painting activity is expected to resume around September before the festive season.

In the Paints industry some green shoots are sprouting after the lifting of the lockdown with the release of the pent-up demand from incomplete re-painting projects. Segments related to packaging and critical medical

equipment (powder coatings) are witnessing an uptake.

The nationwide lockdown critically impacted the migrant workers. AkzoNobel India launched several initiatives to help communities deal with this outbreak.

- Provided essential food items to ~6,000 migrant workers.
- In partnership with Faridabad District Prison, 20,000 face masks were prepared by its inmates
- Provided initial screening for COVID through the e-health program benefiting ~1,000 people. Additionally, we contributed to the PM Cares Fund.
- Employees volunteered in six cities during the lockdown to provide dry food items to ~9,000 family members of our painters as a part of our Community Program.

We continued to partner with various NGOs and government schools to provide education for more than 10,000 underprivileged children in five states across India, raised road safety awareness among 20,000 youngsters, and provided skills development training to 3,000 painters and underprivileged people.

“

Employees volunteered in six cities during the lockdown to provide dry food items to ~9,000 family members of our painters as a part of our Community Program

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AkzoNobel India has always believed in generating sustainable total shareholder return (TSR). Due to the prevailing pandemic situation and the uncertainties around it, the Board has recommended a dividend of ₹ 14 per share.

I would like to welcome Ms. Harshi Rastogi as the Company Secretary having taken over from Mr. R. Guha who retired recently. I would like to thank Guha for his outstanding contribution and being a pillar of strength for more than three decades. Let

me also welcome Ms. Smriti Rekha Vijay and Mr Rahul Bhatnagar as the new independent members on the Board. Their wisdom and experience will help us navigate through these unprecedented times and achieve our strategic goals.

We have pro-actively and consistently been engaging with investors through analyst calls and face-to-face meetings throughout the year in order to create shared value. On behalf of all the Board Members, I would like to thank you, our shareholders for your continuing support, loyalty and above all for your trust.

Almost a decade ago, we rechristened ourselves as AkzoNobel India after AkzoNobel's acquisition of ICI . So, big thank you to everyone who has contributed in this journey. We have a world class portfolio of established brands which is trusted by customers. We've never stopped pushing the boundaries of what we can collectively achieve. We are in a good financial shape and will emerge stronger. And all this would not have been possible without the dedicated, resilient and diverse team whose passion for paint helps to deliver powerful performance.

Stay safe, stay healthy!

Amit Jain
Chairman



MANAGING DIRECTOR'S STATEMENT

Adapting to the New World

“

It is not the strongest of the species that survive, nor the most intelligent, but the one more responsive to change.

— Charles Darwin

”

Rajiv Rajgopal
MD, AkzoNobel India



As I write this statement, COVID-19 has changed things that we took for granted. It has created both challenges and opportunities and it will now be on us to recalibrate the journey ahead and make AkzoNobel India more adaptable in these changing times. It seems even more that change is the only constant.

The financial year ending 31 March 2020 was a year of transformations. During 2019, we continued our transformation into a focused paints and coatings company. The transformation journey enabled us to drive further efficiencies, implement new ways of working and making the organization agile and adopt best practices to get ready for the next decade.



On a visit to India towards the end of 2019, Global CEO Thierry Vanlancker and CFO Maarten de Vries officially inaugurated our new office in Gurugram, India.

We continued to build on our solid foundation of operational excellence to create long-term value for our people, our customers and our shareholders. Though, our revenue from operations stood at ₹ 2,661.8 crore, it declined 9% over the previous year. However, EBIT at ₹ 300.1 crore grew by 9% over the previous year. Profit after Tax at ₹ 237.4 crore grew by 13% over the previous year. We achieved a double-digit ROS% for the very first time which stood at 11.3%.

We set an ambitious improvement target and identified significant improvement opportunities across the Company. Simplification of our Enterprise Resource Planning (ERP) systems to one single system was implemented to increase agility and reduce costs. Transformations across various functions increased focus, efficiency and more importantly simplicity in the way we run our business across the Paints and Coatings organization. The implementation of Integrated Business Planning (IBP) including warehouse consolidation resulted in performance improvement and cost efficiencies.

Towards the end of 2019, we moved into a new Corporate office in Gurugram which was officially inaugurated by Thierry Vanlancker, CEO and Maarten de Vries, CFO, AkzoNobel N.V. The new office signifies our rich heritage, vibrancy and open culture fostering teamwork and collaboration.

Key Initiatives

Our strategy is focused on:

- 1) Strengthening the core propositions,
- 2) Driving reach in our Paints business to smaller towns,
- 3) Building and growing adjacent categories, and
- 4) Delivering the right cost structure to build a long-term profitable growth journey,

while ensuring our teams are engaged, motivated and living our core values of Safety, Integrity and Sustainability.

In order to strengthen the core, we launched our global brand Ambiance in India in the super premium interior range.

Its best in class specially crafted design finishes were showcased through a new advertising campaign. Our flagship brand, Weathershield Powerflex, a new campaign with Boman Irani was launched to bring alive the 2X protection for the exterior walls.

Our strategic focus on driving innovation to support organic growth gathered momentum. We launched Sadolin wood protector and Dulux Ambiance Velvet Touch. In the adjacent categories, we strengthened Dulux AquaTech, a range of superior waterproofing products to address specific needs and make sure we drive long-term category growth.

AkzoNobel N.V secured a supply deal with leading luxury car manufacturer, the BMW Group to provide vehicle refinish products and services to a large part of its distribution network worldwide.

Our coatings technology drives the fastest train in the Indian Railways- Vande Bharat Express. Our Sikkens BT coatings system is helping the carriages look good as well as providing functional benefits of corrosion protection and being anti-scratch.

“

The process of digitalizing the sales process by 80% is already underway. This will improve sales productivity, transparency amongst distributors and dealers.

— **Rajiv Rajgopal** ”
MD, AkzoNobel India



One of our manufacturing sites in Thane, launched phase three of a major solar installation project.

In line with the global approach towards sustainability, we too embraced the new approach: People. Planet. Paint. Our sustainability agenda was brought into sharper focus as we stepped up our activities. One of our manufacturing sites in Thane, launched phase three of a major solar installation project. The panels are situated next to our Powder Coatings plant,

which opened in 2018. Given the fact that the products made at the site are inherently sustainable, it's somehow fitting that the facility's renewable energy use is steadily increasing. Our other manufacturing sites in Bangalore, Gwalior, Hyderabad, and Mohali – use significant power from roof top solar panels to meet their power consumption needs.

Adapting to new ways of working: The COVID Age

These are unprecedented times that require extraordinary actions and leadership.

We created a framework-

'Three Rings of Protection' to help us navigate in these difficult times. The three rings of protection comprise of Self & Family,



Team & Site, and Company.

Over the years we have been continuously investing in the digital sphere. However, this situation accelerated the drive towards our digital journey. Overnight more than 1,400 employees of our Company started working from home.

Virtual learning, engagement and communication processes are being increasingly used to upskill as well as keep employees abreast of the latest company update. We are leveraging a wellness app to cater to the emotional and physical wellbeing of the employees. Additionally, Amber, an AI chatbot is helping us understand the sentiments and mood of the organisation so that we can intuitively respond to the ever-changing scenario.

The process of digitalizing the sales process by 80% is already underway. This will improve sales productivity, transparency amongst distributors and dealers. Similarly, digital marketing will lead the way as the media consumption patterns have also undergone changes in this period.

We extended support to over 12,000 painters whose livelihoods have been

impacted by the pandemic by providing an out of turn pay-out through the annual loyalty program – Colour Guru. This early disbursement of funds is aimed at placing cash in the hands of painting contractors so that they can fulfil their essential needs and cater to any emergency during the extended lockdown period.

With COVID-19, the situation continues to evolve, and we are constantly adapting our actions. We are also taking all reasonable steps to continue serving our customers and maintain business continuity. Our focus has become People, Customers & Operations, Cash and Cost. Some of the key elements of our post COVID-19 strategic approach comprise of:

- **Immediate term:** War Room & Business Continuity
- **Near Term:** Reinforce supply and demand recovery
- **Medium Term:** Win in the new reality and identify new consumers

I take this opportunity to welcome Anushree Singh, Country Manager, HR who joined the Country Leadership Team last year. I am certain that she will effectively drive employee engagement and talent development making AkzoNobel India a truly great place to work. I would like to thank the outstanding contribution of Mr. R. Guha who retired as Company Secretary after serving the organization for more than three decades.

All our achievements were made possible by our dedicated and proud teams. On behalf of the Country Leadership Team, I thank everyone for their passion, dedication and hard work. The progress we've made, and the innovations we've delivered, are all important in terms of building the foundation for profitable growth.

As a team we have an unfinished agenda regarding how to make sure we move faster and gain market share profitably. I am confident that we will continue to deliver on the journey of profitable growth and now focus on our market share, despite the many difficulties being posed by the current situation and emerge as a stronger, more agile Company, with best in class quality products, and a solid operational and financial foundation while creating tangible value for our people, customers and shareholders. I would like to thank our shareholders who have kept an unstinted faith in the Company, our brand and our teams.

I would like to end by remembering following quote from Robert Frost:

“These woods are lovely, dark and deep, But I have promises to keep, And miles to go before I sleep, And miles to go before I sleep.”

Rajiv Rajgopal
MD, AkzoNobel India

BOARD OF DIRECTORS



Mr Amit Jain
Chairman



Mr Rajiv Rajgopal
Managing Director



Mr Lakshay Kataria
Wholtime Director and CFO



Mr Oscar Wezenbeek
Non Executive Director



Mr Arvind Uppal
Independent Director



Mr Hemant Sahai
Independent Director



Mr Rahul Bhatnagar
Independent Director



Ms Smriti Rekha Vijay
Independent Director

Mr Amit Jain Chairman

Amit Jain is the Chairman of the Company since 15 August 2017.

Earlier, he served as the Managing Director of the Company from 2009-13 and continued on the Board as a Non-Executive Director from Jan 2014 consequent to his appointment as Managing Director for AkzoNobel Decorative Business for North & West Europe. He is currently the Managing Director of L'Oreal India Private Limited.

Amit commenced his career with ICI India, where he managed a diverse set of responsibilities within sales & marketing. He subsequently served in business leadership roles with Coca-Cola and Viacom & MTV across Asia.

He is an MBA from the Faculty of Management Studies, Delhi and has

done Advanced Management from the Wharton Business School. An avid reader and golfer, Amit actively supports wildlife conservation and literacy for underprivileged children.

Mr Rajiv Rajgopal Managing Director

Rajiv Rajgopal was appointed as the Managing Director of the Company from November 2018. He joined AkzoNobel in 2013 as Head of Sales and Marketing, Decorative Paints, AkzoNobel India and was appointed Country General Manager India in 2014. Rajiv was appointed as the Regional Director, Performance Coatings, Middle East & Africa in January 2017 and has served on the Boards of several AkzoNobel group companies in the Middle-East and Africa.

Prior to joining AkzoNobel India, Rajiv was the CEO - Broadband & Data at Bharti

Airtel Limited. He has also worked with organizations such as Hindustan Unilever and BP/Castrol India primarily in Sales, Marketing and Business Leadership roles.

Rajiv is a Chemical Engineer from University of Mumbai and MMS (Marketing) from SP Jain, Mumbai of the 1993 Batch. He has attended programs at INSEAD Singapore and Harvard Business School and Centre for Creative Leadership.

Mr Lakshay Kataria Wholtime Director and CFO

Lakshay Kataria is the Wholtime Director and CFO of the Company since February 2019.

He has 18 years of experience with reputable organisations like Unilever, GSK Consumer, Microsoft and 21st Century Fox (Star India).