

REPORT

22

23

AkzoNobel



Akzo Nobel India Limited

CONTENTS

Overview

Chairman's Statement	02
Managing Director's Statement	04
Board of Directors	06
Our Presence	10
Financial Performance Highlights	12
Recent Years at a glance	16
Awards	17
Company Information	18

Statutory Reports

Directors' Report	20
Management Discussion & Analysis	22

Annexures to the Directors' Report

Report on Corporate Governance	41
Business Responsibility and Sustainability Report (BRSR)	59
Corporate Social Responsibility (CSR) Report	87

Secretarial Audit Report	93
---------------------------------	----

Standalone Financial Statements

Independent Auditors' Report	96
Standalone Balance Sheet	108
Standalone Statement of Profit and Loss	109
Standalone Statement of Cash Flows	110
Standalone Statement of Changes in Equity	112
Notes	113

Consolidated Financial Statements

Independent Auditors' Report	163
Consolidated Balance Sheet	170
Consolidated Statement of Profit and Loss	171
Consolidated Statement of Cash Flows	172
Consolidated Statement of Changes in Equity	174
Notes	175

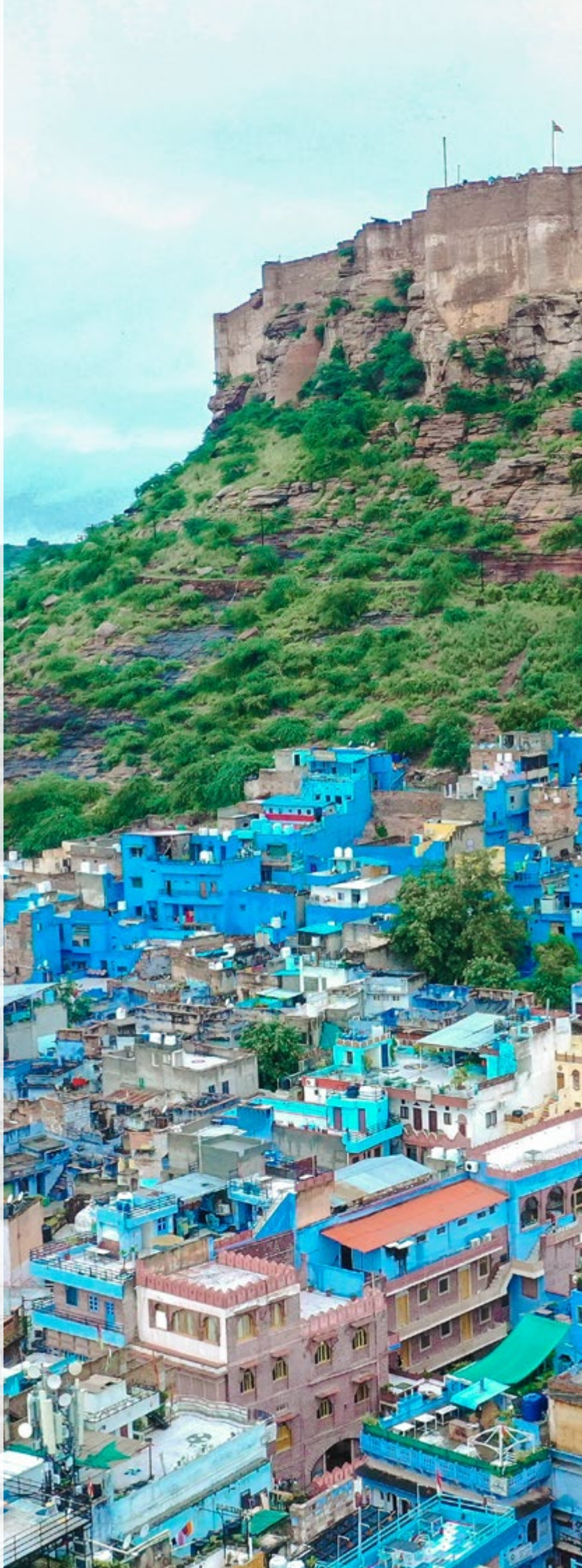
Notice of Annual General Meeting	224
---	-----



This annual report can be downloaded from www.akzonobel.co.in



Scan QR code to access website





Adding colors to lives

Our “Let’s Colour” project has helped preserve the signature Blue City appeal of Jodhpur. Around 250 homes leading up to the five-century old Mehrangarh Fort were repainted and refreshed with 5,600 liters of Dulux paint over a period of four months.

The transformed bright blue hillside is bringing pride to the 1,000 families there. It’s also creating new livelihood opportunities for the local community, supporting local artists, celebrating the rich Rajasthani heritage and making a sustainable difference by protecting homes and making them cooler.



Chairman's Statement



Winning in a new Indian era

“At AkzoNobel, we believe that we are at our best when our customers, employees, shareholders, business partners and communities, all progress.”

Oscar Wezenbeek
Chairman

Global flux

As I reflect on the fiscal gone by, the world continued to be in a state of flux and two realities ran in parallel. One, that of a sticky wicket. The second, akin to a strong batting pitch with favourable conditions.

It's a rocky recovery for the global economy but India stands tall

Uncertainty, inflationary pressures and weakened consumer demand trends saw global growth softening to 3.4% in

2022. In 2023, this is expected to further taper down to 2.8%. In comparison, India continues to be the fastest growing amongst the largest economies of the world.

The opportunity in Paint & Coatings

These are exciting times to be doing business in India as the world looks at the country with renewed expectations. The Union Budget has raised capital spendings by almost a third in high-multiplier infrastructure segments. There's also a focus on manufacturing,



investments in digitization, electric mobility and a green transformation underway in many sectors, resulting inter alia in higher demand for paints and coatings.

Unwavering commitment to India

The reality is that even if it's pitch perfect for India, ultimately, it's how well you perform that determines how far ahead you go. Hence, I am delighted to share that your Company has made the most of FY23 and created a new benchmark of success.

AkzoNobel's four strategic priorities for 2023

From a global perspective, Mr. Gregoire Poux Guillaume took charge as our new CEO in November 2022 and launched four strategic priorities for 2023.

Together, these are steering our ambitions to balance growth and profitability, as can be seen from our progress:

- **Margin management:** The benefit of prior pricing actions and softening raw material prices continued to drive profitability.
- **Operating expenses (OPEX):** We continued to manage our costs judiciously by contributing to our healthy EBIT growth in FY23.
- **Working capital:** With the stellar efforts of entire team, our operating working capital (OWC) management remains as one of the strongest in the industry.
- **Integrated Supply Chain:** Programs like the Advanced Planning Transformation are helping us respond more effectively to business opportunities, while enhancing customer delight.

I also take this opportunity to share that for AkzoNobel globally as well, India is a key focus market. Case in point, our new CEO's maiden Asia tour kicked-off with a strategic India-first visit. Between the multiple market visits, customer and stakeholder interactions, visit to our Thane manufacturing site and meeting our energetic India team; the intent is clear - to further build on our growing India business.

Our sustainable approach to business

At AkzoNobel, we believe that we are at our best when our customers, employees, shareholders, business partners and communities, all progress.

As a responsible corporate, our determination to remain a necessary business for a sustainable future is driven by three key 2030 ambitions for our India business - 50% less carbon emissions, utilize 100% renewable energy and moving towards zero waste.

Our actions are a proof of our progress here. 34% of our energy requirements are now being met by renewable energy. Similarly, nearly 60% of raw materials purchased during FY23 were sustainably sourced. Innovation also has a key role to play here. We continue to offer our customers solutions that enable them to reduce their own emissions and material use. Currently, nearly 30% of our revenue is coming from sustainable solutions. Well ahead of the new Extended Producer Responsibility regulations in India, we have achieved ~10% recycled content in the plastic packaging.

Winning together with communities

As AkzoNobel Cares, our focused initiatives on education, community healthcare and development through skill training are driving a more diverse, inclusive and empowered future for local communities.

In FY23, our AkzoNobel Paint Academies provided sustainable livelihood opportunities to ~3,800 underprivileged youth. Our education initiative benefitted more than 6,700 children. Over 25,000 teleconsultations were provided to our painter families and communities around our sites. Your Company also contributed to NITI Aayog's Aspirational Districts Programme. Another highlight was a major "Let's Colour" project that brought alive the timeless 'Blue City' appeal of the historic city of Jodhpur.

It is indeed heartwarming to share that as we stepped up, our societal initiatives were accorded prestigious validations by CII-ITC Center of Excellence, Institute of Company Secretaries of India (ICSI) and FICCI.

Long term shareholder value creation

Overall, our record FY23 performance in synergy with strong cash generation, presents us with an opportunity to reward our shareholders for their unstinted support. Hence, the Board has recommended a final dividend of ₹40 per share, over and above the interim dividend of ₹25 per share, taking the total recommended dividend to ₹65 per share. This takes our company's total shareholder return to 18 per cent YoY, well ahead of the benchmark S&P BSE 500.

Looking ahead with confidence and optimism

Stepping into FY24, our core value of Integrity continues to be at the heart of how we do business. Our robust Corporate Governance, Code of Conduct and overarching policies framework guides us to conduct business in an ethical, transparent, and accountable manner.

Finally, I would like to thank Ms Harshi Rastogi, the Company Secretary and Compliance Officer for her outstanding contribution and being a pillar of strength.

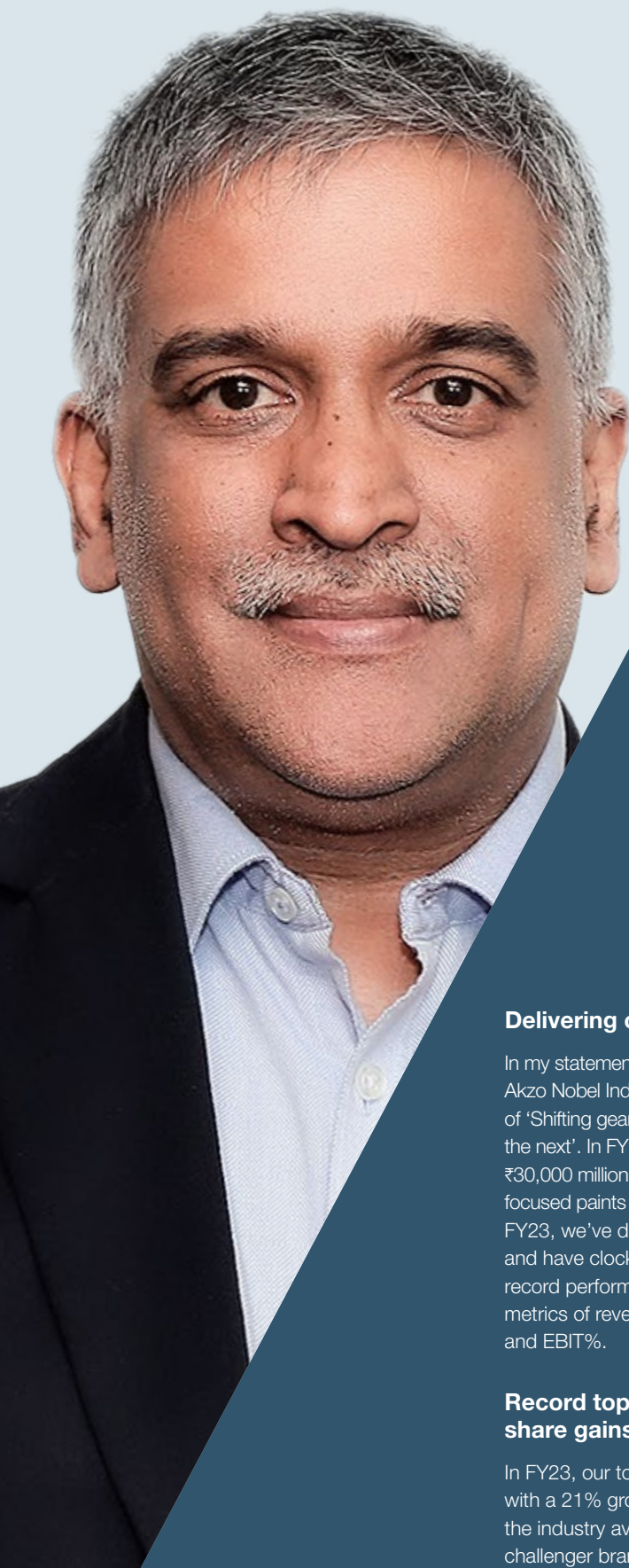
There's no doubt that we are a stronger AkzoNobel today. We have the right team and the right strategy in place. There's both an energy and a determination to succeed. Your Company's Board and Management are more confident than ever of our ability to create long-term sustainable value.

With your support, I am excited and looking forward to seeing our vision, strategy and plans come together in a harmonious whole.

Oscar Wezenbeek Chairman



Managing Director's statement



Batting on the offensive

“Overall, our businesses are performing well, our innovation pipeline is strong, we are reducing emissions while growing value.”

Rajiv Rajgopal
Managing Director

Delivering on our promise

In my statement last year, I shared how Akzo Nobel India was at an inflection point of 'Shifting gears: From the new highs to the next'. In FY22, our revenue surpassed ₹30,000 million for the first time as a focused paints and coatings company. In FY23, we've delivered on the commitment and have clocked the 'next' high with a record performance across the financial metrics of revenue, gross margins, EBIT and EBIT%.

Record topline drives market share gains

In FY23, our topline of ₹38,021 million with a 21% growth outperformed the industry average yet again. As a challenger brand, an accelerated growth trajectory resulted in our being among the

Top 2 in incremental share gains in the industry since two years in a row.

Profitability too at all time high

While growing faster, equal thrust was also on bolstering profitability. Our EBIT surpassed ₹4,000 million mark for the first time - a significant 24% increase over last year. Calibrated pricing actions, better mix and enhanced operating efficiencies translated into the highest ever EBIT% of 11.6%. with a fourth consecutive year of double-digit profitability.

Maintaining a healthy liquidity, our operating working capital (OWC) as a percentage of revenue reduced from double digits to 6.8% on the back of better inventory management and contributed to strongest operating cash ever.



Business overview

Across paints and coatings businesses, growth momentum gained pace.

In decorative paints, portfolio augmentation in premium, new launches across segments and strategic expansion of our network footprint unlocked new vistas of growth in retail; while the rebound in construction and real estate acted as a tailwind for projects.

In tandem, conducive business sentiments across marine, core sector industries, wholesome infrastructure demand and automotive resurgence drove gains across coatings business. From India's fastest train to its first indigenous aircraft carrier... AkzoNobel coatings are today protecting the pride of India!

Six growth levers catapult us into accelerated growth

Earlier this year, our CEO Gregoire Poux-Guillaume, announced the four strategic priorities for 2023. These drive our intent to balance growth with profitability globally and your Company's Chairman shared our progress on these in his address.

Building on these priorities and fueling our competitive advantage in the growing Indian market are our actions on six areas of Brand Building, Innovation, Distribution, Digitization, Value Creation, and People.

Leveraging the power of global brands

In FY23, differentiated campaigns reinforced the strength of global brands such as Dulux, Interpon, Sikkens, International amongst many others in AkzoNobel's portfolio.

Taking forward the 'Ghar Ka Champion' positioning of Dulux Weathershield Powerflexx with new Triple Defence Technology in television were Ashutosh Rana and Ishaan Khattar. Dulux Aquatech was the hero in the love story of 'Parul and Painter' – a digital campaign that not only increased brand saliency in the water-proofing segment, but also won the Best Campaign in Home Improvement & Décor segment by the India chapter of International Advertising Association. Dulux, our global brand was also recognized as one of the Most Trusted Brands of India 2023!

A culture of innovation

Innovation is the cornerstone of how we do business. From cloud-based color database to technologies that merge the

best of performance with aesthetics, our two world-class RD&I centers in India are bringing alive a diversified portfolio for our customers.

Taking this further is the power of collaborative innovation. In the Accelerator Program, AkzoNobel experts, together with the two winners of Paint the Future India startup challenge are partnering to enhance the digital experience of our consumers.

Driving breadth and depth with Distribution 2.0

As consumer expectations evolve, so has our marketplace strategy. In just five years our numeric reach has doubled to over 5,000 towns under the hub-and-spoke model. While an aggressive upcountry focus is driving the breadth of our network expansion, increasing the value per outlet is bolstering the depth. In addition, strategic online partnerships with leading e-commerce players mean that we are now just a click away from our consumers.

Value creation with technology

Embedding technology and leveraging data have redefined how we operate and engage with our customers. A key digitalization initiative this year was implementation of AkzoNobel's Advanced Planning Transformation (APT) program which is designed to better connect our end-to-end supply chain. With the aim to sustain our double-digit profitable journey, value creation initiatives including greater efficiencies in sourcing, import substitution and network optimization have been institutionalized in our processes.

People Power

Your Company is committed to imbibing a people-centric culture. A consistent top decile score in Organization Health Index shows that employees are highly engaged. Progressive policies and Employee Resource Groups such as Women Inspired Network (WIN) are strengthening our diverse and inclusive culture. Capability development programs are empowering high-performance teams. It is hence, very satisfying for me to share that Akzo Nobel India has been validated for second straight year as Great Place to Work™ certified organization.

Sustainability – our core value

We continue to act on our core value of Sustainability to make a difference where it matters most. Our Project Indradhanush has empowered more than 600 women

to become professional painters and ignited the entrepreneurial spirit across 200 villages of India. A strong focus on renewable energy and reducing carbon footprint across our operations and value chain are also some ways we are contributing to a sustainable future.

Looking ahead

Overall, our businesses are performing well, our innovation pipeline is strong, we are reducing emissions while growing value. Our strategy is working and delivering improved performance and returns to shareholders. We anticipate that the market will get even more competitive in the years ahead but I'm confident that with our solid foundation and by leaning further into our strategic priorities, your Company is ready to rise to the challenge.

Gratitude for the Year that was

On behalf of the Country Leadership Team, I would like to highlight the remarkable efforts of our nearly 1,500 high-performing colleagues. Firmly anchored in our Purpose and driven by our core values – Safety, Integrity and Sustainability, their excellence enables us to delight consumers and positively impact communities. I also extend my gratitude to our business partners – suppliers, distributors, retailers and other stakeholders - for their continued support.

Finally, I would like to place on record my deep sense of gratitude to Ms Harshi Rastogi for her outstanding business partnering and enhancing the governance framework of your Company.

I am extremely proud of what we have achieved together. Driven by our passion, confidence in our abilities, clarity in our actions and invigorated by your support, we are ready to maximize every opportunity in the year ahead and accelerate our growth trajectory.

Rajiv Rajgopal
Managing Director



Board of Directors



Krishna Rallapalli
Wholetime Director and CFO

Amit Jain
Independent Director

Oscar Wezenbeek
Chairman



Smriti Rekha Vijay
Independent Director

Hemant Sahai
Independent Director

Rajiv Rajgopal
Managing Director



Board of Directors

Oscar Wezenbeek

Chairman

Mr Oscar Wezenbeek joined the Board of the Company as a Non Executive Director in May 2019. Oscar is the Chairman of the Company since 23 May 2021.

Oscar is currently the Managing Director, Decorative Paints, South East & South Asia (SESA) at AkzoNobel. Over the course of his 33 years career with AkzoNobel Group, he has successfully led various portfolios in the coatings and automobile businesses in different countries.

Oscar is a multilingual, globally oriented passionate people manager, driving customer focus and performance improvement. Other areas of his expertise include market research, business planning, strategy development and innovation.

Oscar went through an ELT Training Program at IMD Business School in 2019, Global Executive Leadership Program at Yale School of Management in 2016 and an Advanced Management Program at INSEAD in 2006. He has done his Masters in Business Engineering and Management Sciences from Technical University Eindhoven in 1988. Oscar is a member of the (British) Institute of Director (IoD) and a Certified Director by the Singapore Institute of Directors (SOD).

Having a keen interest in sustainability, Oscar actively promotes painting the construction industry green and collaborates closely with the World Green Building Council in Asia in many initiatives and thought leadership platforms.

Rajiv Rajgopal

Managing Director

Mr Rajiv Rajgopal is the Managing Director of Akzo Nobel India Limited since November 2018.

In his nearly 30 years of experience, Rajiv has also worked across FMCG, Oil & Gas (Lubricants) and Telecom. He has rich experience in managing and leading diverse Hi-performance teams which resulted in strong business performances in the companies he has worked with.

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

Prior to joining Akzo Nobel 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. Rajiv is a Chemical Engineer from University of Mumbai and an MMS (Marketing) from SP Jain, Mumbai. He has attended Management and leadership programs at Harvard Business School, INSEAD Singapore, Centre for Creative Leadership and ELT program at IMD Lausanne.

Krishna Rallapalli

CFO and Wholetime Director

Mr Krishna Rallapalli is the CFO and Wholetime Director of the Company since December 2021.

Krishna is a member of the Institute of Chartered Accountants of India (ICAI). He has over 24 years of experience and his last role was that of Regional Commercial Controller, Vehicle Refinish and Automotive for Asia with AkzoNobel Group. He joined the Company in 2006 and has handled various leadership roles in the Commercial and Finance functions.

His primary expertise lies in leading finance function across insurance, chemicals and paints & coatings industries. His achievements include building focused strategies for sustained business growth, reorganizing finance function, driving continuous improvement, bringing operational efficiencies by redesigning cost models, setting up systems to handle multiple projects simultaneously and forging strong relationships with internal/external stakeholders. He is also proficient in handling complex business projects in a cross functional and multicultural work situations.