

Akzo Nobel India Limited

Annual Report 2012-13

AkzoNobel



Investing for
growth

It was the beginning of 2012 and Akzo Nobel India had decided that change was necessary if it had to leverage the potential for its businesses in India. Determined to position itself so, and in order to contribute effectively to India's growth story, it merged the three AkzoNobel Group companies in India with itself. What emerged was the power of 'One AkzoNobel'.

The year that followed was a hectic one as the company had a lot of promises to deliver on. We began by investing in talent, in innovative processes, in infrastructure, in a pan-India presence and most importantly, investing in a transformation.

It is now mid-2013 and our investments are paying off. Today, Akzo Nobel India is a major player in the coatings and chemicals sector. As an integrated coatings powerhouse, we have access to adequate resources, skills and talented people; all of which are helping us to meet the challenges of the economy. We are moving ahead by adhering to the highest standards of good governance.

As a responsible corporate, our deep commitment to sustainability in all our activities is another dimension of our investment that helps us achieve operational eco-efficiency. Our work in educating and empowering sections of the community is allowing us to repay our debt of gratitude to society.

This Annual Report 2012-13 presents the many hues of Akzo Nobel India.

Save trees!

To receive communication from the company in electronic form, please send an e-mail to **investor.india@akzonobel.com** with 'Green Initiative' as the subject.



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Performance at a glance

Statement of Income

Revenue

in Rs million

2011-12	19,878	
2012-13	22,320	12%

Operating Profit

in Rs million

2011-12	2,737	
2012-13	2,942	7%

PBT

in Rs million

2011-12	2,464	
2012-13	2,791	13%

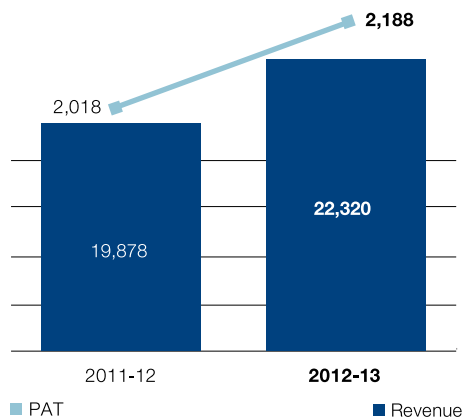
PAT

in Rs million

2011-12	2,018	
2012-13	2,188	8%

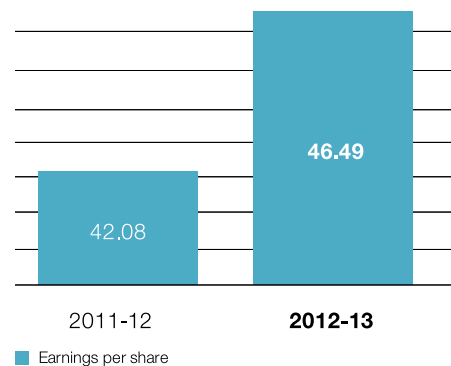
Revenue & PAT

in Rs million



Earnings per share

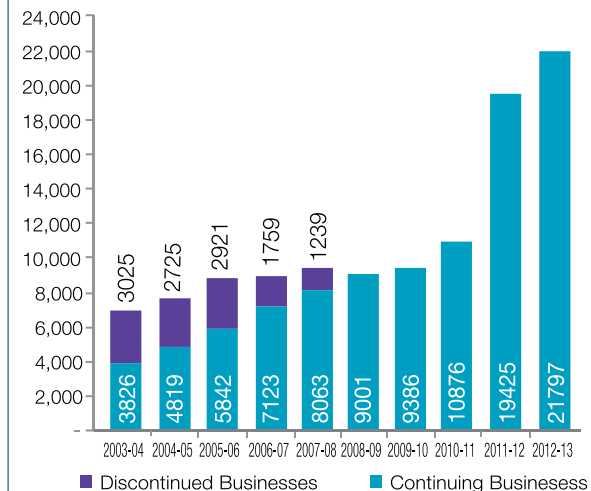
in Rs



10 Year Performance Trend

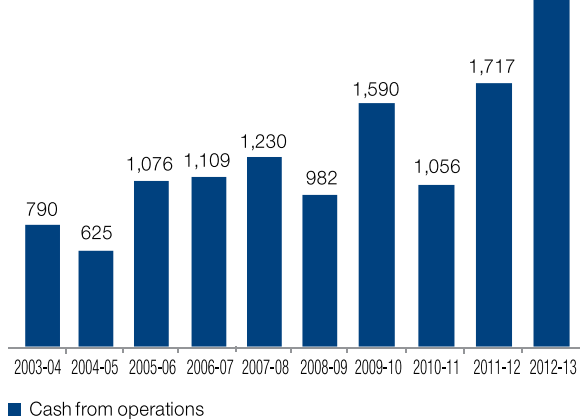
Sales

in Rs million



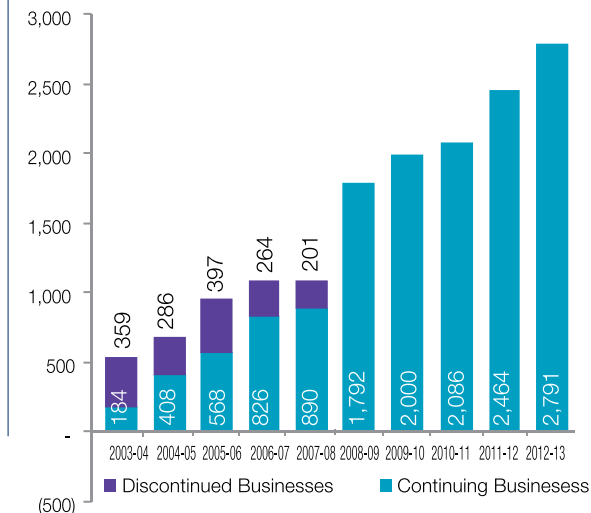
Cash flow from operations

in Rs million



Profit before Tax from operations

in Rs million



Our Board of Directors



Left to Right: Mr Partha Sarathi Basu, Wholetime Director, Mr Robert Molenaar, Non Executive Director, Mr R Gopalakrishnan, Independent Director, Mr Amit Jain, Managing Director, Mr Nihal Kaviratne CBE, Non Executive Chairman, Ms Renu Sud Karnad, Independent Director, Dr Sanjiv Misra, Independent Director and Mr Arvind Uppal, Independent Director.

Chairman's statement

In the life of an organisation, there are always moments which test its strength and determination to grow. Such occasions call for two attributes. One is the fortitude and long sightedness of those leading the organisation; the other equally important element is the faith of those who have invested in the organisation and in the vision set out by its management. Without the support of its employees and shareholders, an organisation cannot achieve success.

I extend my gratitude to all of you for believing in the 'Power of 1' and supporting us through the year gone by. I am pleased to report that despite a challenging environment, your company has managed to deliver strong growth and is well positioned to meet the changing trends in the Indian market.

Even though India's economic growth has slowed down, there is no cause for gloom. The GDP growth rate is higher than most countries around the world and the long term potential of the country is intact. Having said that, the slowdown in overall economic growth, in general, and industrial production in particular, coupled with high inflation has had a negative impact on the paints industry.

Until the economy turns around, we have to navigate tumultuous times, while at the same time, using this period as an opportunity to invest in growth. This has been the guiding principle of Akzo Nobel India's operations in the year gone by and also in the current one.

Over the last four years and with the integration which was completed last year, Akzo Nobel India today offers a solution for every coating need, be it for decorative purposes or for industrial needs. Last year was all about synergy; benefits from which are visible across our businesses, and the coming year will be about execution excellence and operational efficiency. The merger has enabled us to invest in growth initiatives across manufacturing capacity, brand building, sales and distribution. Your Board has been able to recommend a special dividend of Rs 60 per share this year

over and above the normal dividend of Rs 20 per share. Let me reiterate that your company continues to adhere to the highest standards of corporate governance and that it has well-established procedures for internal controls.

The future is exciting and we are gearing ourselves to leverage the opportunities it presents.

Nihal Kaviratne CBE



Managing Director's statement

A year ago, we unleashed the 'Power of One'. United in vision and focused in its endeavors, Akzo Nobel India is now a force to reckon with. I am pleased to report that despite challenges, your company has delivered a strong performance in 2012-13. Akzo Nobel India's market capitalisation has gone up significantly and is a reflection of the shareholder confidence in the company. To a great degree, this performance can be attributed to the synergy benefits reaped by the company post-merger in 2012 and the subsequent adoption of the 'One AkzoNobel' blueprint.

The synergy benefits are visible in the form of decline in capital requirements in the near term and operational efficiency reflected by improvements in working capital. The success is also a result of your company augmenting its position in the market with the introduction of new and innovative products and scaling-up its distribution network. However, it wasn't easy. The economy slowed down and there was considerable pressure on the demand side of our business. This was addressed to a great degree, by aligning our strategy to five strategic focus areas. The performance delivered underscores the effectiveness of the strategy adopted by your company to continue on the growth trajectory, despite the volatile macro-economic environment.

Your company follows a customer-centric approach and has started establishing itself as an integrated solutions provider with end-to-end coatings solutions for every need. Through its customer-focused services, it has managed to deepen relationships with its customers, who are prominent names in the industry, across sectors. This best-in-class model and has helped your company's business gain momentum. The customer demand in the infrastructure space, under which one can place everything from real-estate to highways and power plants, is healthy in the medium to long term.

Your company takes pride in informing you that we have deep ties with our vendors, who are, our partners-in-progress. We are facilitating platforms for their growth by strengthening our existing relationships and continuously working with our vendors to develop specialised products so as to address the diverse and evolving needs of our customers.

Over the course of the past year, we have given immense focus on cash. This has allowed us to achieve profitable growth and generate a cash flow of Rs 2441 million from operations (previous year Rs 1717 million) and a ROCE of 30% in the financial year 2012-13, an improvement over last year's 28%. Your company also invested in a state-of-the-art greenfield factory at Gwalior, which was fully funded from internal accruals. I am glad to report this is one of our largest investments in capacity, since the 1980s. This factory, with its eco-friendly technology including low water and

energy consumption norms, will be commissioned in the current year.

Akzo Nobel India has also benefited tremendously from its relationship with its parent company, Akzo Nobel NV, through seamless access to superior technology, global brands and modern processes. We will continue to bring in latest technology to our operations in India so as to enhance the overall performance of the company.

Tomorrow's success depends on our ability to do much more with much less. Your company follows a sustainable model of growth which focuses on effective use of natural resources and getting more value from fewer resources. Thus, in this process, generating more cost savings and value for your company and its business partners. We continue to undertake social change initiatives within the communities we operate in. Our 'Small Dreams' project in Thane, which aims at giving deprived children a bright future, received a commendation and prize in the Akzo Nobel Community Program Best Practices Competition 2012. I am also pleased to report that in HSE&S, we are on track to achieve near zero injury rates.

Employees are the backbone of our organisation. Results from recent surveys indicate that our employee engagement levels have been improving consistently over the past few years, thereby reflecting the fact that our company's employees are deeply engaged with the organisation and its vision.

The year ahead looks challenging and there can be unexpected twists. But we must look at the larger long term picture which is vibrant and offers tremendous opportunities for growth. Akzo Nobel India believes in the country, the potential and opportunities that this market offers. In certain ways, we have just begun our journey as 'One AkzoNobel' and there is a lot more to be done. We will continue to invest in growth, in brands and in building a strong distribution network, to serve our customers. And we look forward to your continued support.

Amit Jain