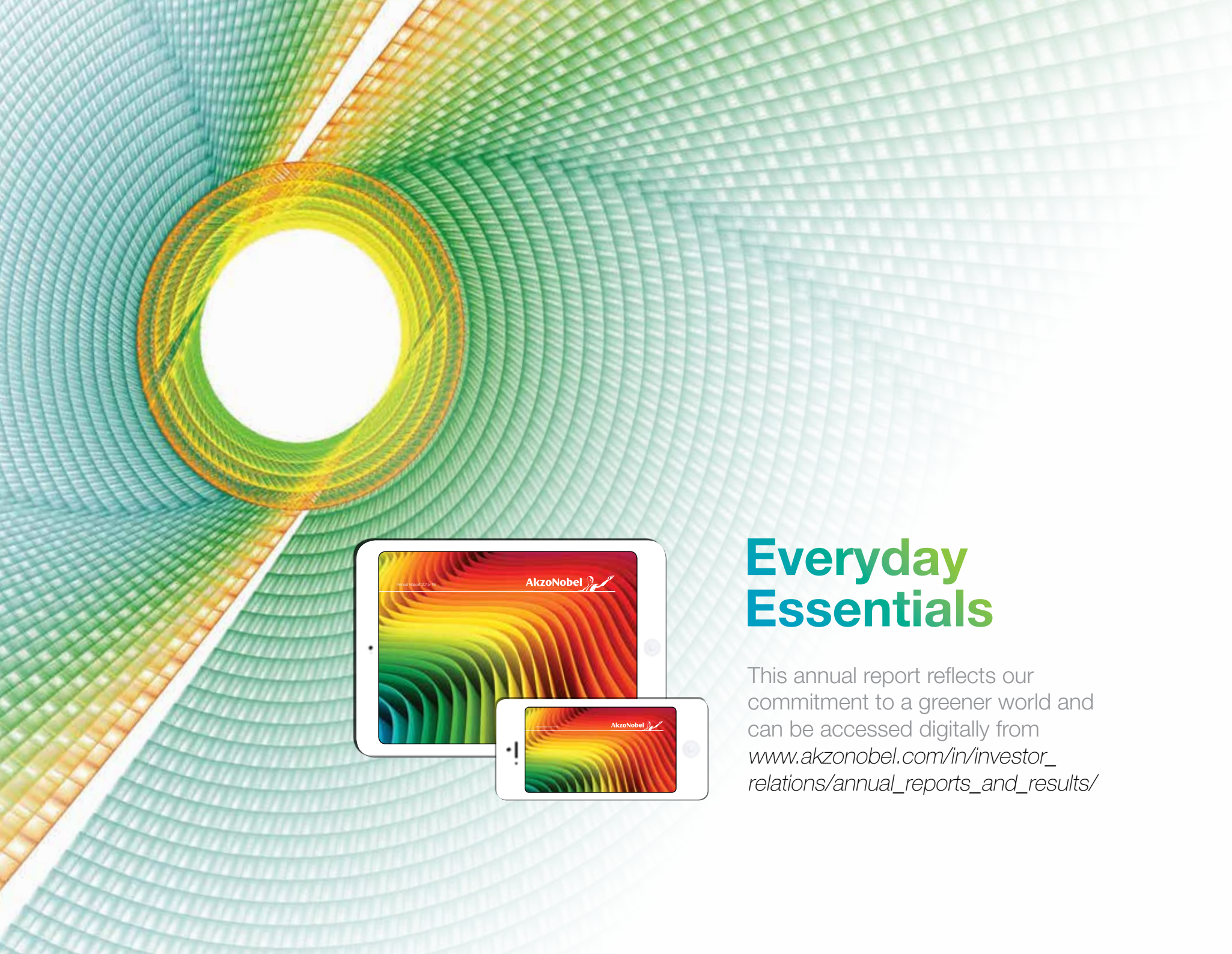


Annual Report 2015-16



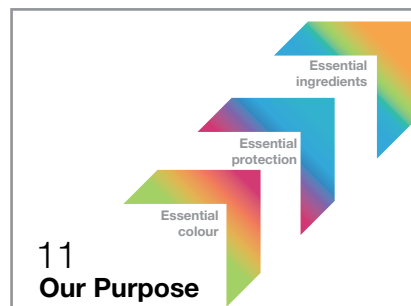
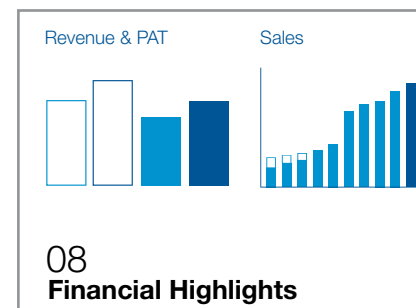


Everyday Essentials

This annual report reflects our commitment to a greener world and can be accessed digitally from www.akzonobel.com/in/investor_relations/annual_reports_and_results/

Contents

| | |
|--|----------|
| Chairman's Statement | 02 |
| Managing Director's Statement | 04 |
| Board of Directors | 06 |
| Financial Highlights | 08 |
| Ten Years at a Glance | 09 |
| Our Businesses | 10 |
| Our Purpose | 11 |
| Caring for Life | 18 |
| Company Information | 24 |
| Directors' Report | 25 |
| Annexures to the Directors' Report | |
| - Corporate Governance | 32 |
| - Business Responsibility | 41 |
| - Corporate Social Responsibility | 45 |
| - Extract of Annual Return | 49 |
| Secretarial Audit Report | 56 |
| Independent Auditors' Report | 58 |
| Balance Sheet | 62 |
| Statement of Profit and Loss | 63 |
| Cash Flow Statement | 64 |
| Notes to Financial Statements | 66 |
| Notice of Annual General Meeting | 102 |
| Attendance Slip, Proxy Form and E-Voting Particulars | Appended |



“In the five years
since the merger of
our different verticals,
‘One AkzoNobel’ has
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everyday essentials
for our customers.”



Chairman's statement

The power of 'One AkzoNobel'

Looking back at the five years since the merger of different AkzoNobel verticals with your company in 2011-12, 'One AkzoNobel' has proved its power and edge in taking forward our mission to create everyday essentials for our customers. The time is now ripe to consolidate the gains and move forward.

Our performance this past year once again set our company apart as an integrated solutions provider with unique advantages. Our portfolio of brands, across coatings and specialty chemicals, has grown steadily and delivered sustained value to all our stakeholders. This success is based on our culture of continuous improvement, innovation and operational excellence, which has made us more agile, enabling growth in the face of global economic uncertainties. What we do now will take us from where we are, to where we deserve to be.

In the period following the merger, we rolled synergies into various company operations. This is reflected in a top-line

CAGR of over 18 per cent in the past five years, with profit from our businesses growing in tandem. We ensured that this reached our shareholders through special dividends in two of the past four years, topped by further distribution proposed for this year.

Based on our consistently improving performance and continuous build-up of cash surplus, the Board has recommended a special dividend of ₹ 50 in addition to the normal dividend of ₹ 20 per share, compared with a total of ₹ 20 per share in the previous year. This takes our company's total shareholder return to 97 per cent since the merger, well ahead of the benchmark Sensex, which delivered a growth of 27 per cent in the same period. We are now more confident than ever of our ability to continue serving shareholder interests while, at the same time, generating sufficient resources to support our growth plans.

We expect 2016-17 to bring its own challenges, and our aim will be to optimise the use of every resource available.

India is expected to continue as the global 'bright spot' with a fast growing economy. And we are positioned well to be a part of this growth story, with a portfolio servicing several sectors of the economy. We will keep striving towards a sustainable leadership position in the times to come.

All that has been achieved is the result of persistent efforts made by every employee at AkzoNobel India. I would like to thank each member of our team for making 2015-16 such a satisfying year.

I would also like to thank those who have been with us on this journey – our valued shareholders, loyal customers, banks, supply chain partners and all other stakeholders – for their support and faith, which made this success possible. I take this opportunity to renew our commitment towards you and our business as we come together once again for an inspiring year ahead.

Nihal Kaviratne CBE

“Organisations that are truly strong can overcome any hurdle. They develop their capabilities to constantly raise the bar. **They create opportunities rather than leave it to chance. That is the kind of company we are.”**



Managing Director's statement

2015-16 was another successful year for us, as we continued on our vibrant journey of creating everyday essentials that make lives more liveable and inspiring. Our brands are intricately present in people's worlds, from the things they use and rely on each day to the spaces they inhabit. Delivering these essentials through our individual efforts is what brings us to work each day – the ability to coat or protect or support a part of people's lives. These three pillars – essential ingredients, essential protection and essential colour – have been our key strengths as well as differentiators. They have built the foundation on which our business will grow in the coming year.

The last five years have been critical for the company, since the merger of our operations in 2012. Today, I am happy to share with you that over this time, we have earned the 'right to grow' by harnessing the synergies of operating as one integrated company. While we have been driving productivity of people and assets, our efforts have been geared towards being 'future ready' by proactively investing ahead of the curve and keeping pace with the India growth story.

Leading examples of this are our greenfield investment in the Narmada factory in Gwalior, brown-field expansion in the Bangalore facility and specialised labs for Agrochemicals and Asphalt at Thane. These investments reaffirm our commitment towards meeting the needs of Indian customers, bringing them the experience of being a partner with an innovative global company.

We have devised new ways of capturing previously untapped markets; launched innovative products; equipped the field force with modern technology enablers; and made our manufacturing units efficient and sustainable. Further, as our capacity utilisation improved, our units also optimised their energy usage, creating an eco-friendly model for the industry.

These collective efforts have helped our company grow its top-line by over 18 per cent CAGR in the past five years, while retaining profitability. The entire AkzoNobel India

family has contributed significantly to this growth story. Despite challenging economic conditions this year, we battled the headwinds to emerge stronger, to realise our vision of acquiring leading market positions and delivering leading performances.

Our strategies are working well for us, as is evident in our performance for 2015-16 with 8 per cent growth over the last year. This highlights the success of our new operational models, targeted product offerings and go-to-market strategies. We managed to sweat our assets with minimum additional capital cost. Revenues stood at ₹ 2,740 crore, and PAT was ₹ 202 crore, compared to ₹ 2,527 crore and ₹ 186 crore, respectively, in the previous year. Our business segments earned a profit of ₹ 251 crore, growing by 20 per cent over the previous year, despite tough market conditions, justifying the shareholder faith in AkzoNobel India.

Innovation has always been at the heart of how we do business. In this context, I also recognise the continued support from AkzoNobel, who have been providing seamless access to all technologies and innovations developed anywhere in the world and has demonstrated its continued commitment to grow the India business to its potential. We are now investing in import substitution to guard our profitability against international fluctuations. This approach is also aligned to the sustainability principle that underlines the innovations of our company.

We have also ensured our positive contribution to the sustainability theme by improving on power, water, waste management parameters, all focusing on 'doing more with less'. AkzoNobel India continued to invest in engagements under its corporate social responsibility initiatives, imparting valuable skills to the less privileged. These skills can make India a centre of excellence, fuelling income and business growth across industries. We particularly lay emphasis on protecting our natural resources, which is critical in a country with rapid urbanisation. AkzoNobel India has created a strong position in infrastructure building with its

research facility that is dedicated to providing efficient and green coating solutions.

We are now a stronger, more unified and cohesive unit than ever before. Our identity of 'One AkzoNobel' guides us, bringing our employees to the forefront. As the world's fastest growing economy, this decade appears to belong to India and AkzoNobel is confident of contributing towards this growth. The country's investment in infrastructure projects is set to boost the country's coating industry. I believe that we are well positioned to leverage this advantage with a portfolio of high performance products that play a vital role in the construction sector.

Our Human Cities initiative highlights our commitment to improving, energising and regenerating urban communities in the country, in line with the government's Smart Cities agenda. I am proud to report that our efforts under this initiative continue to thrive with each passing year. The implementation of the long-awaited GST will further help us to build supply chain efficiencies that ensure maximum advantage to our consumers. I foresee the country and the company growing together. We hope to create an India full of colour and imagination by caring for and protecting the things important to its citizens. That is why we focus on creating life's essentials – be it protection for our buildings, roads and transport; essential ingredients for everyday products; or more colour for our personal and community spaces.

Organisations that are truly strong can overcome any hurdle. They develop their capabilities to constantly raise the bar. They create opportunities rather than leave it to chance. That is the kind of company we are. Thank you for walking this path with us. I look forward to further strengthening our association as we move towards realising our vision. Let us collectively help build the India of tomorrow – an India where cities are more human, have a strong sense of community and are full of energy.

Jayakumar Krishnaswamy



AkzoNobel



Board of Directors

1. R Gopalakrishnan, Independent Director

Mr. R Gopalakrishnan joined the Board of the Company as a Non-Executive Director in May 1999. He is a Bachelor of Science in Physics from the University of Calcutta and has a B.Tech from IIT, Kharagpur. He has also attended the Advanced Management Programme of the Harvard Business School.

Mr. Gopalakrishnan is an accomplished author (with five books already published), an international speaker, a corporate advisor and a teacher. He also serves on the board 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.

2. Pradip Kumar Menon, Wholetime Director and Chief Financial Officer

Mr. Pradip Kumar Menon is the Wholetime Director and Chief Financial Officer of the Company since February 2016.

Mr. Menon is a chartered accountant, and cost management accountant with an excellent track record of over two decades in the FMCG sector. Prior to joining AkzoNobel, he was Vice-President, Finance, Global Procurement, of Unilever, and a member of the Global Procurement Leadership team based out of Switzerland. Before that, he was the CFO for the Unilever Gulf business in 2009-2012.

3. Arvind Uppal, Independent Director

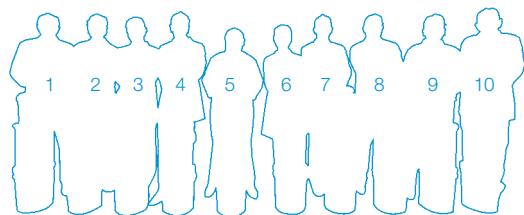
Mr. Arvind Uppal joined the Board of the Company as a Non-Executive Director in April 2011. He is a Chemical Engineer from IIT, Delhi and holds a Master in Business Administration from the Faculty of Management Studies, New Delhi. He has also attended a programme for Executive Development at IMD, Lausanne, Switzerland.

Mr. Uppal is currently President, Whirlpool Asia Pacific and Chairman, 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).

4. Raj S Kapur, Independent Director

Mr. Raj Kapur joined the Board of the Company as a Non-Executive Director in March 2014. He is a Chemical Engineer from IIT, Kanpur and a Master in Business Administration (Finance and Marketing) from the Central Michigan University, USA. He also holds a Master's degree in Polymer Engineering from Case Western University, USA.

Mr. Kapur's career spans almost 40 years of which around 35 were spent with Dow Corning. He is the founder-owner of



Country Strategy Business Consultants, advising companies on their geographic expansion and market development strategies.

5. Nihal Kaviratne CBE, Chairman

Mr. Nihal Kaviratne CBE is the Chairman of the Company since October 2010. He holds a Bachelor of Arts (Honours) degree with a major in Economics from Mumbai University. He has attended an Advanced Management Programme at Harvard Business School and an Advanced Executive Programme at the Kellogg School of Management, North Western University, USA. His global career has spanned more than 40 years with Unilever. He was awarded the CBE for services to business interests in the UK and for sustainable development in Indonesia.

Mr. Kaviratne serves as an Independent, Non-Executive Director in GlaxoSmithKline Pharmaceuticals, India. He is an Independent, Non-Executive Director of several Temasek-linked companies. He is a Member of the Private Sector Portfolio Advisory Committee in India for the UK Government's Department for International Development (DFID), and serves on the Advisory Board of Bain & Company for SEA/Indonesia. He is also the Chairman of Caraway Pte Ltd, Singapore.

6. Kimsuka Narsimhan, Independent Director

Ms. Kimsuka Narsimhan joined the Board of the Company as a Non-Executive Director in January 2015. Ms. Narsimhan is a Chartered and Cost and Management Accountant. She is currently Senior Vice-President, Finance and CFO, PepsiCo, India.

Prior to PepsiCo, Ms. Narsimhan worked with the Unilever Group for 18 years. She has held various roles overseas and in India in the course of her career. She actively participates in women's professional and leadership initiatives, including co-leading the Diversity and Inclusion Council in PepsiCo.

7. Jayakumar Krishnaswamy, Managing Director

Mr. Jayakumar Krishnaswamy is the Managing Director of the Company since March 2014.

Mr. Krishnaswamy is a mechanical engineer from the Delhi College of Engineering and has over 29 years of experience

across the automotive and engineering sectors, as well as the FMCG and cement industries. He has previously worked with companies such as Hindustan Unilever, Lafarge India, Brakes India and Eicher Tractors.

8. Arabinda Ghosh, Non-Executive Director

Mr. Arabinda Ghosh was appointed as a Non-Executive Director of the Company in May 2015. He is also the Managing Director of AkzoNobel's Surface Chemistry business globally. He brings with him a wealth of experience 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 businesses of AkzoNobel.

Mr. Ghosh has qualified as a chartered accountant while working at Deloitte in Bristol, UK.

9. Amit Jain, Non-Executive Director

Mr. Amit Jain is a Non-Executive Director since January 2014; he had earlier served as the Managing Director of the Company from 2009 to 2013. Currently, he is the Managing Director of AkzoNobel's Decorative Paints business in North and West Europe and operates out of Amsterdam.

Mr. Jain holds a management degree from the Faculty of Management Studies, Delhi and has attended the Advanced Management Programme of the Wharton Business School. He started his career with ICI and has served in leadership roles at Coca-Cola and MTV.

10. Dr. Sanjiv Misra, Independent Director

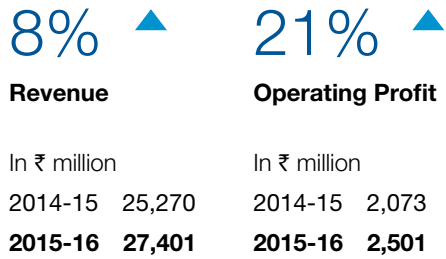
Dr. Sanjiv Misra, IAS (Retd.), joined the Board of the Company in May 2010. He is an alumnus of St. Stephen's College, Delhi and the Delhi School of Economics. As an Edward S Mason Fellow, he did his MPA from the John F Kennedy School of Government, Harvard University, USA and subsequently obtained his PhD from Jawaharlal Nehru University, New Delhi.

Dr. Misra has held several key positions in the central and state governments. He superannuated as a Secretary in the Finance Ministry, Government of India, in 2008, following which he was a Member of the 13th Finance Commission, a constitutional position in the Indian Government. He has represented India in various international conferences, seminars and negotiations. He also has several publications to his credit.

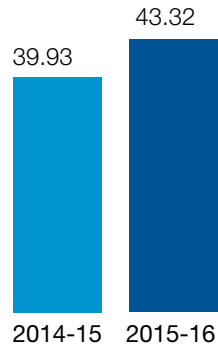
Dr. Misra is the Chairman of Axis Bank and a Director on the Board of Hindustan Unilever.

Financial Highlights

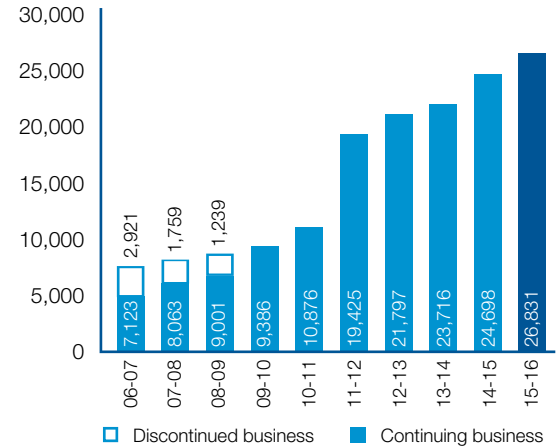
Statement of income



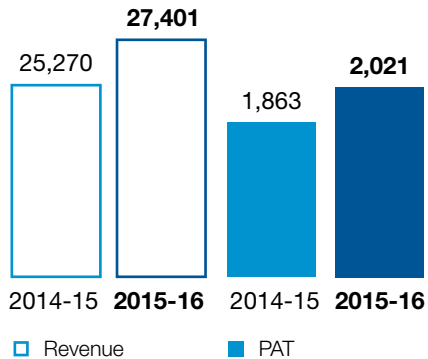
Earnings per share in ₹



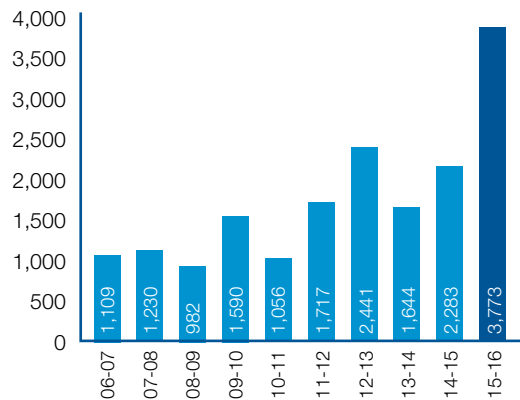
Sales in ₹ million



Revenue & PAT in ₹ million



Cash flow from operations in ₹ million



Profit before tax in ₹ million

