

Akzo Nobel India Limited

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Annual Report

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

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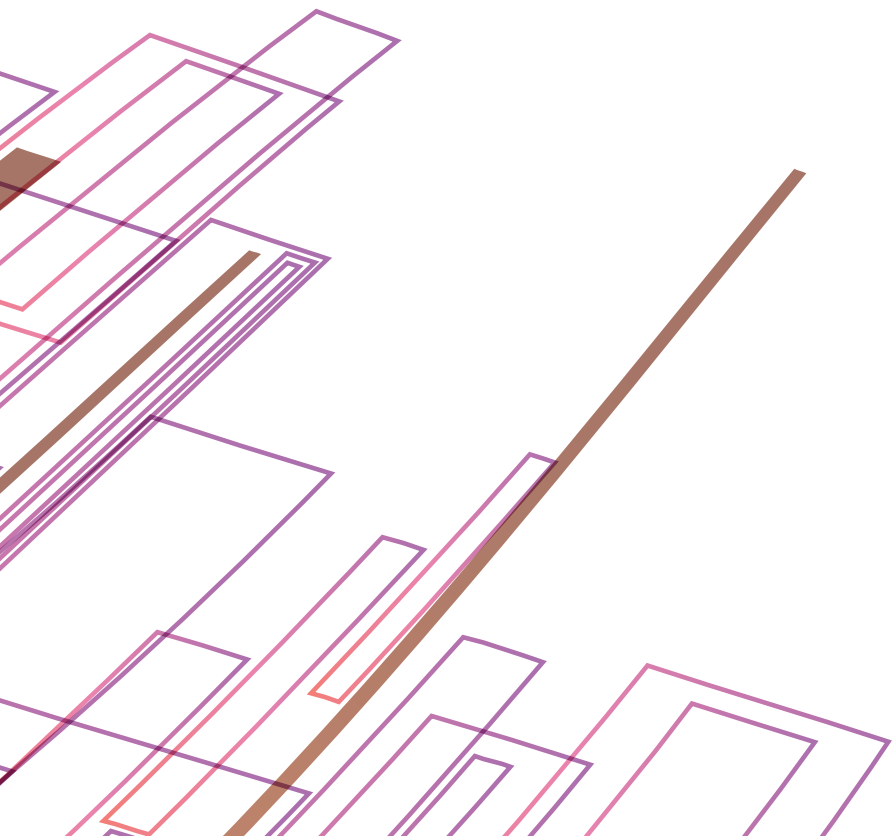
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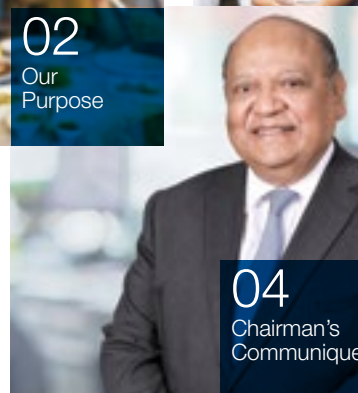
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Purpose



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Giving people
the winning
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Managing
Director's
Statement



WE CREATE
EVERYDAY
ESSENTIALS TO
MAKE PEOPLE'S
LIVES MORE
LIVEABLE AND
INSPIRING



“Winning together
has always been
a key value that
has enabled your
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strengths.”



Chairman's Communique

As your company is stepping into the tenth year since it became part of AkzoNobel Group, I think it is appropriate to take stock of our progress over the years.

The major development happened in 2012, where in a unique way of demonstrating its commitment to India, AkzoNobel had, with your approval, merged its wholly owned entities with your company to make it an integrated coating solutions provider. 'One AkzoNobel' has since proved its power and edge in taking forward our mission to create everyday essentials for our customers. With a simplified and customer-centric organisation, prudent cost management and emphasis on operational excellence, your company has enhanced its profitability and earned the right to grow.

'Winning together' has always been a key value that has enabled your company to win as a team by effectively sharing, developing and using personal strengths. Your company has been a fertile ground for breeding top-notch leadership talent, with several senior leaders moving into larger global roles within AkzoNobel. This has indeed deepened my belief that in times to come, your company will be seen even more as an employer of choice.

I would request you to recall a thought I had shared with you a few years back:

"In the life of an organization, 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 organization.
- And the other equally important element is the faith of those who have invested in the organization and in the vision set out by its management."

Looking back at the performance of the company in the past 10 years, one can derive great satisfaction that both the above attributes have been well-served in the case of Akzo Nobel India, as reflected from following achievements:

- For the first time in its history, your company has grown to cross the total revenue mark of ₹ 3000 crore in a year, with profit before tax exceeding ₹ 330 crore.
- Components of the PBT have changed over the years, with the Business performance contributing 90% of the PBT – which is a significant change from where we were 5 years back, when the contribution was just 55%.
- The Total Shareholder Return (Dividend + Capital appreciation) for the past 5 years since the merger (May 2012 to May 2017) is 140% compared to the NSE Nifty Index which delivered a growth of 70% during the same period.

The above achievements recapitulate your company's ability to deploy its resources in a judicious manner to support growth, while at the same time sharing the wealth with its shareholders.

Further, during these 10 years, your company's environmental and community initiatives have been taken to a higher level to help create a sustainable future.

Looking ahead, India's long-term potential continues to be robust. We expect the positive reforms from the government like the Goods and Services Tax, predictability in tax laws, 'Make in India' campaign, social sector investment on skill development, etc will further propel the country's economic growth.

Having earned the 'right to grow' and comfortably placed in terms of resources duly supported by a conducive macro-economic environment, the time is now ripe for your company to consolidate the gains and move forward.

At this juncture, with a great sense of satisfaction and a tinge of sadness, I want to share with you my desire to retire from the Board at the forthcoming Annual General Meeting and not to seek re-election, due to other commitments. The Board has chosen Mr Amit Jain, who has been a member of the Board since 2009 (including as Managing Director during 2009-2013) as the Chairman of the Company post my retirement. I am confident that the company is in safe hands with a competent and thoroughly professional Board and management team which can take it to even greater heights on the platform built over the years with your unflinching encouragement and support.

I would like to thank all 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.

Nihal Kaviratne CBE

Managing Director's Statement

“Everything we do is driven by an unwavering focus towards our customers, a deeply embedded commitment to sustainability leadership, an insatiable appetite for innovation and a passionate approach towards community well-being. **The core values** of Customer Focus, Passion for Excellence, Deliver Dependably and Winning Together **form the bedrock of the organisation.**”



The year gone by has been a significant one, with several challenges coming in quick succession. Weak market conditions in the early part of the year and the demonetisation of high value notes posed challenges to our growth aspirations; our continued focus on operational excellence has worked well as is evident from our results - with the company growing its revenue by 7% and PBT by 14% over 2015-16. The profitability from operations has been improving consistently in the last 3 years.

We continue to sweat our assets and invest judiciously to leverage growth opportunities. This included a Specialty Coatings production facility and colour laboratory with an investment of ₹ 3 crore and a Powder Coatings plant with a planned investment of ₹ 65 crore, besides the ongoing sustenance investments in technology and improving customer service.

During the year, we received the Globe Platinum Awards for 'Pioneering Coatings Technology', while our Chairman Mr Nihal Kaviratne CBE was awarded for 'Business Excellence' at the World Business Conclave in Hong Kong. I am delighted to dedicate the above awards to all the employees of the company and the Board members.

A key element of AkzoNobel's strategy is to achieve growth through innovation. The year saw us launch a series of new products that offered differentiated benefits to our customers:

- Velvet Touch Platinum Glo - a subtle sheen emulsion paint.
- Dulux Professional - an exclusive range for professional customers
- Dulux Stay Bright Gloss & Dulux Quick drying Primer for metal and wood substrate
- ICLA - Industrial Wood Coatings and EPI adhesives for the Furniture industry
- Wanda - in Vehicle refinishes category
- Rebar Coatings for powder coating applications
- Specialty Coatings for consumer electronics and crash Helmets

- Mono-coat product for ATM safes
- Adsee 1629 and Agrilan 788 - designed to help herbicide producers improve quality and efficiency

Digital innovation is another thrust area and is playing a vital role in all our businesses.

- Our Marine Coatings business has launched Intertrac Vision, the first ever digital tool for the shipping industry that accurately predicts the potential fuel and CO₂ emission savings.
- Our Powder Coatings business has launched 'Connect' application to support faster and more effective sales. Coupled with our Insta Match device, it further provides instant colour matching solutions to address the needs of the customers.
- The 'Design App' is the latest addition to support architects, designers and specifiers to research and create a full coatings specification using iPad.

It is a matter of great satisfaction that a significant part of the growth during the year has come from the above mentioned innovations. Growing the share of Revenue from new products and innovations will be a focus area for the company going forward.

Sustainability is at the heart of everything we do. All our sites continue to be Zero Discharge sites. In line with the country's priorities, we have made a switch to solar energy at Thane, Mohali and Bangalore sites, which is expected to reduce CO₂ emission by ~8700 tons over 15 years.

Waste generation in the company has been continuously coming down and in 2016, waste generation was reduced by 15% over 2015 level.

One of the key innovations during the year has been development of an eco-friendly solution to a leading two wheeler company, to enable switch from Liquid coatings to Powder Coatings. This will have a significant positive impact on the environment.

As part of our Human Cities initiative, we have been focussing on education of underprivileged children and

skill development of youth. I am pleased to share with you that Akzo Nobel India's Parivartan program, which was instrumental in providing education to nearly 7000 children, has been showcased as part of AkzoNobel's Global Human Cities program.

Besides promoting formal education to the under-privileged children, we are also running a flagship project through AkzoNobel Paint Academy, which is aligned to the Skill India initiative of the Government of India. During the year, the AkzoNobel Paint Academy has reached a milestone of training over 500 youth, many of whom have been placed in gainful employment.

The company has also been honoured with the prestigious 'Golden Peacock Award' for Corporate Social Responsibility at the 11th International Conference on CSR in Bengaluru.

After a stint of eight years on the Board of the company, the Chairman, Mr Nihal Kaviratne CBE will be retiring later this year. He has led the company during a period of intense change, guiding us through the merger of different AkzoNobel entities and harnessing the power of 'One AkzoNobel' in India. I would like to thank Mr Kaviratne for his highly valued contribution and mentorship.

On Mr. Kaviratne's retirement, Mr. Amit Jain, Non-Executive Director (who had earlier served as Managing Director of the Company from 2009 to 2013) will be taking over as the Chairman. I am delighted to welcome Mr. Jain as the new Chairman and look forward to his valuable insights to steer the company to greater heights.

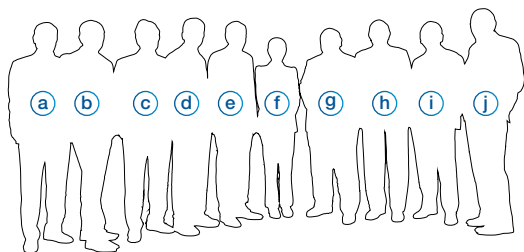
I take this opportunity to thank you all for your consistent support to enable us drive growth and innovation and delivering on our strategy.

In conclusion, let me reiterate our mission to create everyday essentials that make lives more liveable and inspiring is what leads us each day to serve our customers better.

Jayakumar Krishnaswamy



Board of Directors



a. Arabinda Ghosh, Non-Executive Director

Mr. Arabinda Ghosh was appointed as a Non-Executive Director of the Company in May 2015. He serves as 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 several global businesses under the Performance Coating umbrella of AkzoNobel.

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

b. 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 30 years of experience across automotive and engineering sectors, as well as FMCG and cement industries. He has previously worked with companies such as Hindustan Unilever, Lafarge India, Brakes India and Eicher Tractors.