



Akzo Nobel India Limited
Annual Report

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AkzoNobel

Inside the Report



Akzo Nobel India at a Glance



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Amit Jain
Chairman

Chairman's Statement

"We expect sectors such as real estate, sanitation, railways, smart cities and high value infrastructure projects to get a boost, which will also have a positive impact on the overall Indian economy and give the much-needed momentum to the paints & coatings industry."



Statutory Reports



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Rajiv Rajgopal
Managing Director

Managing Director's Statement

"A future that is being shaped by strategic success factors: passion for paints, precise processes, powerful performance and proud people nurtured over the years to secure enduring competitiveness of the Company."

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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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For Android

Chairman's Statement



Amit Jain
Chairman

Lord Tennyson once wrote “The old order changeth, yielding place to new.”

Back in the 1800s, Lord Tennyson once wrote: “The old order changeth, yielding place to new.” It's a phrase which still rings true more than 200 years later, because your company is in the midst of a transformation to a focused paints and coatings business.

Looking back, the year FY2019 started on an upbeat note with Q1 GDP growth driven by strong performance in the manufacturing, construction and agriculture sectors. Part of the spurt in growth could be linked to a low base effect as the economy went through the twin shocks of demonetisation and GST implementation.

However, in the subsequent quarters, India's economy slowed down due to declining growth in private consumption, a tepid increase in investment and muted exports. The paints and coatings industry witnessed a modest year, with volumes growing in the low teens. The GST rate cut in July 2018 helped the expansion of the “organised” part of the paints and coatings industry. Profitability/gross margins of paint companies declined for the second consecutive year in FY2019 by 100-200 bps, mainly due to hardening input prices resulting from higher crude prices and currency depreciation.

Demand from real estate remained subdued, which impacted the building material segment the most. Growth in affordable housing is likely to be the key driver of industry performance. Profitability in the economy remained under pressure for most

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of the year. Liquidity tightening and concerns over worsening credit risks – combined with fears of a sub-par monsoon and higher crude prices – are additional risks for the economy. Clearly, there are many domestic headwinds that the economy is battling.

Expectations of a stable government have created a wave of positive market sentiment, which is good for business. We expect sectors such as real estate, sanitation, railways, smart cities and high value infrastructure projects to get a boost, which will also have a positive impact on the overall Indian economy and give much-needed momentum to the paints and coatings industry.

Given the fact that the environment has substantial uncertainties, your company will need to stay agile and focused to keep up with this changing environment. We will focus on increasing customer centricity, drive further operational excellence and build greater momentum and speed across the business. This also means higher value engineering and an unrelenting focus on costs to maintain our profitability.

As we speed up the implementation of creating our fit-for-purpose organization, it gives me great pleasure to inform you that the Speciality Chemicals business has now been successfully separated from your Company. This gives us the bandwidth to channel our energy into the core competency of making and marketing paints and coatings.

Sustainability is at the heart of everything we do at AkzoNobel. Our sustainability agenda was brought into sharper focus with Dulux Weathershield solar reflective paint; our Rediset additives that allow asphalt to be mixed at lower temperatures and our Intersleek marine coatings that help ships to reduce fuel consumption. Your Company focuses on resource productivity as key drivers of sustainability, with explicit goals.

Your Company is also committed to making a difference in the communities where we operate. We have been focusing on the education of underprivileged children, skill development of young people, road safety awareness among school children and providing healthcare services to the needy in different parts of India, all as part of AkzoNobel Cares. Your Company’s commitment to going beyond the fulfilment of corporate social responsibility has been recognised globally, with some of the initiatives winning prestigious awards.

I would like to take this opportunity to formally welcome Mr Rajiv Rajgopal as the Managing Director of your Company since November 1, 2018. Rajiv has been with AkzoNobel in leadership roles for more than six years. I am confident that his leadership will bring dynamism and momentum to steer your Company to greater heights. I also want to welcome on board Mr Lakshay Kataria as Chief Financial Officer and Mr Hemant Sahai as the new Independent

member on the Board. Their expertise will help us to delivering our strategy, good governance and drive organic growth and innovation.

AkzoNobel India has always believed in generating sustainable total shareholder return (TSR). In line with this belief, a share buyback programme was launched in mid-2018, which received overwhelming participation from shareholders. This has been followed by a higher dividend recommendation of ₹ 24 per share, reflecting the Board’s clear intent to share the benefits with all its shareholders.

Your Company has the unique opportunity to fundamentally transform itself to become the reference in the paints and coatings industry in the country. This is the time to prioritize and speed up delivery of the transformation initiatives. We all need to act with urgency, have a laser-sharp focus and always live and deliver our core values.

I would like to thank you all for your continued loyalty, trust and support.

Amit Jain
Chairman

Managing Director's Statement



Rajiv Rajgopal
Managing Director

“We continue our journey to being recognised as the reference in the paints and coatings industry by focusing on our global colour expertise, leading brands, customer-driven innovation, sustainability and growing our distribution footprint to win the hearts and minds of more customers.”

The Winning together: 15 by 20 transformation announced by our parent Company, AkzoNobel, is one of the largest transformations we have ever undertaken. We have been working with various teams to strategize the footprint for the next five years in order to drive profitable growth, work on customer-centric innovation and build India as a talent hub for AkzoNobel.

Last year (2018-19) was notable as your Company started operating as a focused paints and coatings organisation. This will enable us to seamlessly channel our energy into our core business – and it has already started to yield results. We have been making changes to the way we operate and work together to deliver improved profitability by selling more value-added products, reducing costs and standardizing while getting closer to our customers.

Safety, integrity and sustainability are fundamental to our business. Building on these pillars, a promising tomorrow is unfolding. A future that is being shaped by four strategic success factors: passion for paint, precise processes, powerful performance and proud people. It's an approach which will help us to secure enduring competitiveness.

Painting the future

We are committed to providing consumers with solutions that make their lives easy and living spaces more inspiring. There was a constant stream of new launches last year, reaffirming our customer focus and passion for paint. For example, we introduced Dulux Weathershield Max – next generation protection for home exteriors against recurring cracks, dampness and fungus formation caused by rain. The product – with its advanced, crack-proof active guard and smart release technologies – protects exterior walls. Meanwhile, its SunReflect technology keeps surfaces up to 5°C cooler due to its higher solar reflectance index value (SRI).

We also launched the Dulux Colour Play Tester, a handy, first-of-its kind paint sampler integrated with an easy-to-use mini roller. The specialized tool improves consumers' lives by making the color selection process fun and easy, allowing them to test out colours on their walls before finalising the shade.

Our centuries of colour expertise were reflected in the 16th edition of our annual global study, ColourFutures™. Developed by AkzoNobel's Global Aesthetic Center, it involves top design professionals from all over the world coming together to capture the mood of the moment. In fact, our research shows that people around the world are experiencing a renewed sense of energy, optimism and purpose. We therefore unveiled Spiced Honey as the 2019 Colour of the Year. It has a warm amber tone and it's a colour that can be calming or nourishing, stimulating and energizing, depending on the light and colours surrounding it. Spiced Honey bridges the gap between the unknown and the comfortable, to create spaces to think, to dream, to love and to act. It encourages and pushes us, which is just what the world needs right now!

During the year, Dulux India introduced two revolutionary products in its professional range – Dulux Professional Weathershield TR E2000 and Dulux Professional Weathershield Creation Stonetex. Both products are scientifically formulated to ensure durability and are designed to meet the needs and professional requirements of the residential, commercial, education, healthcare and hospitality sectors.

We also launched the #HomesOfTheBrave initiative. The campaign celebrated and acknowledged the brave hearts of the Indian Armed Forces, who leave their homes to protect ours.

Our sustainability agenda was brought into sharper focus when the Dulux and Dulux Professional range of products were accredited with the prestigious GreenPro Certification by the Confederation of Indian Industry. The system adopts a cradle-to-cradle approach in assessing products on parameters that include design, raw materials, the manufacturing process, performance during use, and recycling and reuse at the end of a product's life.

Coatings for every surface

We inaugurated a new Powder Coatings facility in Thane, Mumbai, in the first half of 2018. The state-of-the-art facility introduced new product lines in bonded metallic and functional powder coatings. We were the first coatings company to set up a

manufacturing facility for bonded metallic powder coatings in India.

Your Company was also first to introduce a camouflage finish, namely Flexikote SP600, in the Indian coil coatings market. Flexikote is suitable for use in the interior and exterior building products market. Based on super durable polyester (SDP) technology, the uniqueness of the camouflage finish lies in the way the "gravure" print and clear coat are applied as a wet on wet system. It is designed to offer good exterior durability, flexibility and hardness to ensure long-term functional protection.

We improved our offering by beefing up the Wanda portfolio in vehicle refinishes; completing our premium wood coatings portfolio; and introducing more efficient product offerings in protective coatings. In addition, our powder coatings are now well-used to being used to coat the localized products of a certain Finnish handset manufacturer. In Marine, Protective and Yacht Coatings, we introduced a series of new products – Intergard 251HS, Intertherm 228HS, Interbond 2340 and Interchar 1290.

AkzoNobel Cares

AkzoNobel cares about people and their communities. Over the years, we have supported and encouraged numerous social development initiatives, including improving and enhancing infrastructure facilities in healthcare, education, economic development, road safety and the environment sector. We have reached many significant milestones, such as training 5,000 young people at the AkzoNobel Paint Academy; conducting a comprehensive road safety awareness programme among 20,000 young people, educating more than 5,000 children through Project Parivartan, and setting up E-Health clinics in Bengaluru, which benefitted more than 1,500 residents.

In addition, we launched the India chapter of our global partnership with SOS Children's Villages. The association supports young people under the care of SOS India to enhance their employability by means of improving their communication skills through training. More than 300 young people are expected to benefit from this association.

As a testimony to our consistent good work, AkzoNobel India won three awards

at the prestigious Asia Best CSR Award 2018 organized by CMO Asia for Best CSR Practice, Education and Skill Development.

Sustainability

For AkzoNobel, sustainability means creating shared value for all our stakeholders. It underpins our core principles and is our driver for growth, innovation and productivity.

We have a clear sustainability agenda for our focused paints and coatings company, with two key focus areas:

- **Value selling** – we innovate to give our customers choice and competitive advantage through product portfolios designed to bring tangible benefits and deliver positive social and environmental impact with a priority of at least a fourth of our product portfolio consisting of eco-premium solutions
- **Resource productivity** – we are creating a culture of care for all materials used, eliminating waste and reducing variable cost. Increased resource productivity in our operations and supply chain makes us more competitive and sustainable

Our value selling agenda is strengthened continuously, and is one of the main drivers for further improving the sustainability of our portfolio. This helps to accelerate market penetration and margin growth and drive progress towards making a positive contribution to the Company's success.

I would like to take this opportunity to thank all employees and business partners for their relentless efforts in delivering on our strategy. We are poised to make progress on contributing to AkzoNobel's Winning together: 15 by 20 journey – and beyond – and claim our rightful place as the reference in our industry.

Rajiv Rajgopal
Managing Director

Board of Directors





01 Mr Lakshay Kataria
CFO and Wholetime Director

Lakshay Kataria (Lakshay) is the Chief Financial Officer and Wholetime Director of the Company since February 2019.

Lakshay is a rankholder Chartered Accountant from ICAI and Bachelors in Commerce from SRCC, Delhi University. He has 17 years of experience with reputable organisations like Unilever, GSK Consumer, Microsoft and 21st Century Fox (Star India).

Lakshay's experience ranges across Finance and Commercial roles including business partnering, finance controllership, investor relations, commercial management, treasury and M&A.

In his last assignment at ACG Associated Capsules, Lakshay was VP finance reporting to the CEO and was responsible for India and Global finance.

02 Mr Hemant Sahai
Independent Director

Hemant Sahai (Hemant) joined the Board of the Company as an Independent Director in August 2018. He is the Chairman of the Stakeholder Relationship Committee.

Hemant is the Founding Partner of the law firm HSA Advocates. Born in 1963, Hemant has done his B Com (H) and LLB from Delhi University. He has served as adviser to several working groups and committees formed by top government bodies/institutions including certain extra ministerial policy advisory bodies from time to time.

Hemant was recently recognised as one of the top 100 lawyers in India by a leading international publication, IBLJ and was also awarded the "Infrastructure Lawyer of the Year" by a reputed international legal publication, "American Lawyer's Emerging Markets Awards", in Singapore.

03 Mr Arvind Uppal
Independent Director

Arvind Uppal (Arvind) joined the Board of the Company as an Independent Director in April 2011. He is the Chairman of the Nomination and Remuneration Committee.

Arvind is a Chemical Engineer from IIT, Delhi and holds a Masters in Business Administration from the Faculty of Management Studies, Delhi. He has also attended a programme for Executive Development at IMD, Lausanne, Switzerland.

Arvind is currently the Chairman of 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).

