Akzo Nobel India Limited
Annual Report 2011-12

AkzoNobel
Tomorrow's Answers Today

The **power** of 1

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The year was exciting, with plenty of developments, the most significant of them being, of course, the merger of three AkzoNobel group subsidiaries in India with Akzo Nobel India. This report embraces the 'Power of One'.

The **power** of 1

The 'Power of One' has different meanings for different people. Yet, it always signals a positive thought. For a company, the connotation is even stronger—here the power of many merges to form the power of one. And this is what has happened recently at Akzo Nobel India. Three Akzo Nobel subsidiaries, Akzo Nobel Coatings India Private Limited, Akzo Nobel Car Refinishes India Private Limited and Akzo Nobel Chemicals (India) Limited, merged with Akzo Nobel India to leverage the power of 'One AkzoNobel' and realise its vision for the future. The merger has made Akzo Nobel India a coatings and chemicals powerhouse. It has gained in size and portfolio. Therefore, the 'Power of One' is, suitably, the theme of our Annual Report this year. Herein, we focus on the significance of numbers, the facts and figures that highlight the growth of our Company.

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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, quoting your folio number.

Chairman's statement

We have completed yet another successful year and along with my colleagues on your Board, I am grateful for the galvanising support we have received from our shareholders every step of the way. Our journey as Akzo Nobel India began in 2008 with Akzo Nobel N.V.'s acquisition of ICI, globally. And now, four years later, we have merged all AkzoNobel group businesses in India, becoming a much larger company with a coating for virtually every need.

Although the last year and the current one continue to present many challenges, we know that the potential for the paints business in India is high, propelled by the growth in the automobile and construction industries. With the Tier-II and Tier-III cities reaping the benefit of economic growth, there is even further scope for market penetration. The GDP growth projection of 6 to 6.5% for the year translates to a growth of 9 to 10% in the paints business in India. With Akzo Nobel India's increasing distribution capability and widening portfolio of products, we are well-positioned to participate in India's progressive development.

Prompted by the growth ambition of all our shareholders, Akzo Nobel India's Board recently completed the merger of three other AkzoNobel Group companies in India with Akzo Nobel India. During the process of the merger, the highest standards of corporate governance were applied. Now, as a merged entity, Akzo Nobel India has a stronger balance sheet and an expanded canvas of businesses. The strategy of the Company is being re-defined and the Board is closely monitoring its working and providing real-time supervisory guidance on all facets. Further, as a signal of confidence in the prospects of the Company, the Board has recommended an increase in the dividend to Rs 20 and proposed a share buyback programme at a price of Rs 920 per share through a tender offer.

I would like to emphasise the key pillars of governance in the Company; namely, accountability and transparency. We have robust systems and processes in place, operating with strong internal controls and multi-level checkpoints. Together this will ensure that the promises we make to our esteemed shareholders are delivered within the governance framework.

What gives us immense joy is that we have also been able to contribute meaningfully to the weaker sections of society. Akzo Nobel India is recognised as a value-based Company and our commitments lie deeply in the area of corporate social responsibility. This, along with our efforts to find sustainable solutions in all our products and processes, has provided us with the right framework to achieve results. Your continued support has enabled this success story.

We look to the future with both determination and confidence.

Nihal Kaviratne CBE

Managing Director's message

Dear Shareholders,

The year 2011-12 marked a significant change in the overall trajectory of our Company. And, with the recent merger, we have entered a completely new era of investment and growth. This promises to be an eventful journey, with the Power of 'One AkzoNobel' unleashed to its full potential.

A key enabler of our growth strategy is the merger of three Indian subsidiaries of Akzo Nobel N.V. with Akzo Nobel India. The assets and operations of Akzo Nobel Coatings India, Akzo Nobel Car Refinishes India and Akzo Nobel Chemicals (India) are now part of our Company. Hence Akzo Nobel India has the platform and the portfolio to leverage the power of 'One AkzoNobel' and realise its vision for the future. Indeed, the merger has given birth to an integrated coatings and chemicals powerhouse, with significant positions in several segments, namely, premium decorative, industrial and automotive coatings. We have also entered wood finishes business, thus positioning Akzo Nobel India as an end-to-end coatings solutions provider.

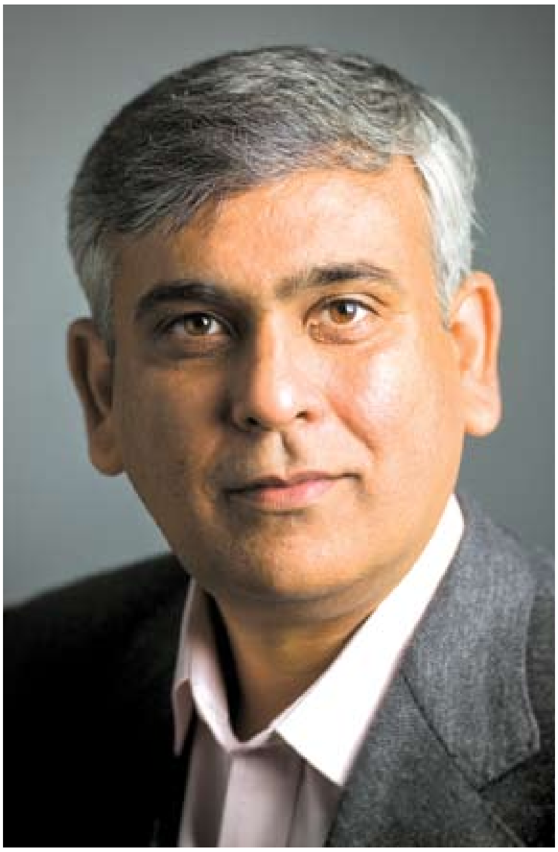
The merger has also given us the scale to compete on an equal footing in the market. We now operate with nine business lines and have access to several global brands and technologies. We have the portfolio and geographic presence to enter new markets. Further, we can also offer solutions to the diverse needs of varied institutional customers.

There have been some other major thrusts in our Company over the last year—one was building operating excellence in the businesses that we were already handling, that is, decorative paints, car refinishes and surface chemistry. All three businesses demonstrated robust growth. Our Decorative Paints business showed strong volume and value growth. In the premium category, we launched DSS Colour Bright, Dulux Guardian and Velvet Touch Trends. These launches reinforce the credentials of Dulux as the brand that introduces high quality, innovative products that always value-add to consumer lifestyle. Our focus on mid-tier proved immensely successful with the launch of the mass-market, acrylic distemper, ICI Magik.

We also introduced the new brand identity of Dulux and the Ecosure certification on all packaging. We invested in media and the 'Apne Rang Chhalakne Do' campaign triggered Dulux's recognition as a leading name for home decoration, both in the interior and exterior segments.

Our Automotive coatings business continued to maintain a strong position in the Refinishes market. Even as the Sikkens Rapid Repair (SRR) suite of services is in increasing demand due to the encouraging market response, we have also launched two new mid-tier products this year, namely, Dynacoat and Miluz. Our Performance coatings business continued to secure many new accounts and we are steadily progressing in our journey towards becoming a coatings solutions provider for the Construction and Transportation sectors.

This year, our Chemicals business, based out of Mahad and Pune, won the National Safety award from FICCI and has been winning the National Safety Council awards for the last three years consecutively. We take



All of us now belong to India's most comprehensive Coatings and Chemicals company with a turnover of over Rs 2,000 crore. This is an exciting time to be a part of Akzo Nobel India; we have the scale and portfolio to take a leap in pursuit of our mission

our responsibility towards safety and sustainability very seriously. We enhanced our manufacturing capacity significantly with the commissioning of a 30 million litre facility in Hyderabad. Our Bangalore site has been strengthened with a new capacity for Coil Coatings being added to the existing range of Performance coatings. The number of our operating factory sites in our Company has gone up from three to five and we are adding one more integrated Greenfield site at Gwalior, for which we plan to invest up to Rs 150 crore over the next year.

In a year when raw material costs spiralled and foreign exchange rates fluctuated, our globally aligned procurement function ensured sourcing security and regularity of supplies. Moreover, long-term agreements with strategic vendors have already been put into place, thereby guaranteeing raw material availability. In spite of these efforts, we still continue to face cost and margin pressures.

As regards product formulation and technology, we are also bringing in models of excellence from AkzoNobel globally. I want to emphasise that the focus on RD&I within our Company continues to be pivotal. Take the example of our International Research Centre in Bangalore; with 105 scientists, it is a valuable addition to our capabilities, enabling us to offer more innovative automotive product and colour solutions.

Our employees continue to remain at the core of our strategy because we know that we can only grow as fast as we grow our people. We continue to invest in people capability and in giving them opportunities to grow within different functions across business lines. At the World HRD Congress 2012, Akzo Nobel India has been acknowledged as one of the best overall talent management organisations of the year and that is a tribute to our committed efforts at growing our people.

I see the year ahead as being a challenging one; the road map has been defined. We now need to, as 'One AkzoNobel', work together to create history.

Amit Jain

Our Board of Directors

Left to right: Mr R Gopalakrishnan, Independent Director; Mr Amit Jain, Managing Director; Ms Sucheta Govil, Alternate Director to Mr Graeme Armstrong; Mr Nihal Kaviratne CBE, Non Executive Chairman; Ms Renu Sud Karnad, Independent Director; Mr Arvind Uppal, Independent Director and Mr Partha Sarathi Basu, Wholetime Director.
Inset: Left to right: Dr Sanjiv Misra, Independent Director and Mr Graeme Armstrong, Non Executive Director.

Caring for life

Taking care of the earth and being committed to sustainability are not just catch phrases for us at Akzo Nobel India. Backed by a strong sense of responsibility as corporate citizens, we have created and adapted innovative production methods as a way of being for a coatings and chemicals powerhouse

Akzo Nobel India and its top-of-the-line values make for a powerful narrative. It is the story of a Company that believes you must have a grand vision in order to do anything. Being part of a multinational that measures itself with the highest global standards, we have a winning formula and know that success comes only when we can go that extra mile to leave behind a legacy.

Sustainability milestones

We have created five pillars of sustainability—energy, transport, waste, product and community—an agenda that runs across all our businesses. These are the pillars on which we deliver our sustainability action plan. While our turnover has been excellent and we are spurred on to do even better in the future, we know that if we do not give back to the planet and improve our carbon footprint, then our success would be meaningless.

Amongst the key sustainability milestones achieved during the year is the dramatic reduction of energy consumption at our factory in Thane, Maharashtra. The roof sheets were replaced by changing opaque sheets to transparent ones. This has improved the power factor, optimised processes, reduced power consumption by using energy efficient compressors and minimised losses, which, in turn, reduced our lighting load by 15%. Unique formulations have helped us harmonise raw materials in all our factories. On full implementation of these initiatives we will have a reduction of 50 different raw materials used by us in a year. This means that the products that we make in our factories are now much more consistent. Second, the complexity of the supply chain and the procurement function has reduced dramatically and consequently the time it takes to launch a new product has become much less. We have also integrated the manufacturing process in our factories.

Krishna, our factory in Hyderabad, was declared the best paints factory in India. The technology used at this 30 MLPA factory is the most contemporary in the world. It has the lowest water consumption, the highest man productivity and the lowest consumption of energy per unit.

Our community, our concern

Our responsibility as corporate citizens took us into the interiors of Maharashtra where we worked with below-poverty-line farmers to help them develop barren land. We associated with the Department of Botany (RJ College) so that we could assist the farmers in planting fruit-bearing trees and also help them with inter-farming techniques. This project won an award for being the best community practices project, within AkzoNobel, globally. Planning to go a step further we are working on a water harvesting project on the same land.

We also work with street children at the Jan Vikas Society for Boys; it gives us great satisfaction that one of these boys has now been employed by the RD&I centre at our Thane factory. We are associated with Balikashram, a centre for girls at Vaduz, where

we have renovated the dormitory, thus ensuring that the girls are provided hygienic and healthy living conditions. And, at Snehalaya, an organisation for handicapped children, we have painted the building and also donated towards the construction of the school's skills centre. The smiles on the faces of these children are our reward; it is what motivates us and underscores our belief in caring for life.

Our CSR activities have helped employees take ownership and develop leadership qualities, thus promoting entrepreneurial thinking, confidence and curiosity to develop new initiatives. Working towards CSR with teams also increases employee integrity and responsibility—leading to a win-win situation for all. The Begur Health Care Centre that we run in Bangalore concentrates on general health. It is a community programme that reaches out to four villages consisting of around 1,000 people in each village. About 400 of our employees have worked there as volunteers since the inception of the project.

In order to promote a better learning atmosphere, we have helped with the construction of a government school classroom in Cholappanahalli, a small village about two kilometres from our factory. In 2008, we started a vocational training programme on industrial painting at our Bangalore site.

Realising the importance of reaching out to mothers and assisting in pre-natal, post-natal and infant care, our women employees at the Bangalore site have initiated a unique women's welfare programme. They began by conducting a survey in the nearby villages to estimate the target audience. The first medical camp was held in October 2011. So successful was this endeavour that we have decided to extend a helping hand to orphanages, old age homes and youth vocational training centres as well as save animals and birds from extinction.

In our pursuit of green action, we planted about 1000 Neem saplings in the Hoskote industrial area in Bangalore. For the education of the street children, we have built a dormitory and play area at Siragu Montessori School in Chennai. We have seen the difference our initiatives make in the lives of the underprivileged and always make it a priority to help them. Our CSR model was thus extended to different geographical areas in order to reach wider sections of society.

Colourful canvas

Our products are environment friendly and highlight our innovative strengths as well as our concern for a better tomorrow. Take the example of our interior paint, **Dulux Super Smooth Colour Bright**, which is available in 40 shades. It produces greater light in a room. According to independent evaluation tests conducted at the Building Research Establishment (BRE) in the UK, a room decorated with LumiTecTM–based interior emulsion paints can save up to 20% artificial lighting energy, thereby making it a sustainable product solution with energy cost savings. Dulux Super Smooth Colour Bright uses this technology to reduce the amount of light absorbed by the painted surface and to reflect up to twice as much light around the room, compared to conventional emulsion paints of a similar hue and chroma.

Then we have **Dulux Guardian**, an anti-bacterial paint, which has been launched with a view to create healthy living conditions at home. Guardian is the only paint in India to be certified by an independent laboratory for protection against six bacteria that cause health problems such as diarrhea, blood poisoning,

lung infections and intestinal infections. It also has low odour and low VOC, making it extremely safe for the user and the environment. And there is **ICI Magik**, a unique product which promises to revolutionise the mass market for paints in India. An acrylic paint, it offers consumers superior benefits in the economy category with its excellent smooth finish, exhaustive shade range (offering a palette of 1,500 distinctive shades) and enhanced brushability. Also, a first for its category, ICI Magik has low VOC and low odour.

With respect to the trends being witnessed in the wood coating market, consumers are now seen upgrading their preference from the traditional 'varnish' and 'French polish' towards melamine and poly-urethane finishes, which provide better durability and aesthetic finish to wooden surfaces. There is also increasing awareness of green technology; the customers are now asking for safe, eco friendly, faster drying wood coatings for their homes. Water-based wood coatings would help consumers re-occupy rooms faster and are safe for health and environment with practically no side effects or odour.

Our effort is always to ensure that our vision of a healthy planet underlines whatever we offer to the market. To further this, we have introduced the concept of a sustainability gate with a tool known as the Environment Impact Analyser this year.

When the vision and values of an organisation are directed towards a higher goal that benefits the environment, it makes for more committed employees and better business practices

Today's commitment, tomorrow's future

A lot has been achieved, yet there is so much more to do. We have set ourselves a sustainability agenda of 12=15, that is, 2012 will be equal to 2015 in terms of the waste we produce, the water we use and the energy we consume. As our turnover expands and our work for the community increases, we are determined to find even more innovative ways of using less water, generating less waste and using alternate energy models.

We are now considering the use of wind energy, wastewater and rainwater across our plants in India and are working with some of our suppliers to recycle the plastic that we use for storing our products. We are working on a project to make containers out of recycled plastic.

Safety is another core value for us. It is our moral obligation to see that our employees reach home the way they reached us. To take safety to the next level we deploy the behaviour base safety or BBS model. It is a formal system of people auditing each other by just observing their colleagues, identifying the right behaviour that they demonstrate and also identifying the unsafe behaviour. The model then positively reinforces the good behaviour and seeks commitment for change of behaviour if it does not meet the BBS standard.

In the raw materials space we are trying to reduce the liquid level. For instance, latex, which is a key raw material for us, has a certain quantity of water. We have reduced its liquid level and increased the solid content so that water does not have to be transported. We are currently working with international companies and design houses to re-engineer our packaging containers to reduce up to 10% of plastic weight. We are also exploring possibilities of moving away from rigid plastic to flexible plastic, which will further reduce the quantity of plastic used.

Taking care of the interests of our customers, employees and shareholders along with the larger interest of communities and the environment can only steer us forward. The future holds a rainbow of possibilities.

AkzoNobel
Tomorrow's Answers Today

Employees from 1,027 to 1,716

Company information

Board of Directors

Chairman
Mr N Kaviratne CBE

Managing Director
Mr A Jain

Directors
Mr P S Basu—Wholetime Director
Mr G Armstrong
Ms S Govil (Alternate Director to Mr G Armstrong)
Mr R Gopalakrishnan
Ms R S Karnad
Dr S Misra
Mr A Uppal

Company Secretary
Mr R Guha

Registered Office
Geetanjali Apartment, 1st Floor,
8-B, Middleton Street, Kolkata 700 071
Tel: 033-22267462 Fax: 033-22277925

Corporate Office
DLF Cyber Terraces
Building No 5, Tower A, 20th Floor
Cyber City, DLF Phase III
Gurgaon 122 002
Tel: 0124-2540400
Fax: 0124-2540849

Website
www.akzonobel.co.in

Key Committees of the Board

Audit Committee
Ms R S Karnad (Chairperson)
Mr G Armstrong
Mr R Gopalakrishnan
Dr S Misra
Mr A Uppal

Remuneration and Nominations Committee
Mr R Gopalakrishnan (Chairman)
Mr G Armstrong
Ms R S Karnad
Mr N Kaviratne CBE
Dr S Misra
Mr A Uppal

Shareholders/Investors Grievance Committee
Dr S Misra (Chairman)
Mr A Jain
Mr P S Basu

Auditors
B S R & Associates

Bankers
Citibank
Deutsche Bank
HDFC Bank
Hongkong & Shanghai Banking Corpn.
Royal Bank of Scotland
Standard Chartered Bank
State Bank of India

Registrar and Share Transfer Agent
C B Management Services (P) Ltd
P-22, Bondel Road
Kolkata 700 019
Tel: 033-40116700
Fax: 033-22870263
Email: rta@cbmsl.com

Directors' report

The Directors have pleasure in presenting their report for the year ended 31 March 2012.

Business environment

GDP growth in fiscal year 2011-12 is estimated at below 7% (previous year 8.4%). Signs of slowdown are visible in the economy as reflected in the low growth of just around 3% in Index of Industrial Production (IIP) for the year 2011-12 (previous year 8%). Coatings market growth in 2012-13 is expected to slow down, with several challenges posed by factors like increase in rates of Excise and Service Tax and hardening of US dollar, putting pressure on costs and business profitability.

Finance and accounts

Total revenue for the year at Rs 21,001 million crossed the psychologically significant level of Rs 20 billion for the first time in the Company's history, thanks to the robust growth achieved by the Decorative Paints business and the amalgamation of three AkzoNobel group companies with our Company. Profit before tax for the year at Rs 2,464 million is higher than previous year by 12%, though it is not comparable due to the amalgamation referred to above and changes in exceptional/non-recurring items. Keeping in view the current year's performance and other relevant factors, the Board has recommended a dividend of Rs 20.00 per share for the year 2011-12 (Rs 18.00 for the previous year), which will be paid after the approval of the members at the forthcoming Annual General Meeting.

The highlights of performance for the year are:

(Rs million)

	2011-12	2010-11
Total income	**21,001**	**11,955**
Operating profit	**2,737**	**2,065**
Depreciation	(366)	(217)
Interest income (net)	93	238
Profit before tax from operations	**2,464**	**2,086**
Exceptional items	-	**113**
Profit before tax	**2,464**	**2,199**
Tax	(446)	(433)
Profit after tax	**2,018**	**1,766**
The appropriations from the profit are as follows:		
Balance in Profit & Loss Account b/fd		
- from previous year	**6,276**	
- by amalgamating companies	**2,075**	
Profit after tax for the year	**2,018**	
Total available for appropriation	**10,369**	
Appropriations		
Transfer to general reserve	**(1,040)**	
Proposed dividend	**(959)**	
Tax on dividend	**(156)**	
Balance carried to Balance Sheet	**8,214**	

Interest income of the Company came down significantly during the year mainly due to reduction in the interest on Income Tax refunds received during the year to Rs 89 million against Rs 222 million in the previous year.

No public deposits were accepted by our Company during the year. Unclaimed dividends amounting to Rs 4 million were remitted into the Investor Education and Protection Fund of the Central Government as required under section 205C of the Companies Act, 1956.

Significant developments

Amalgamation
The amalgamation of M/s Akzo Nobel Car Refinishes India (Private) Limited, Akzo Nobel Chemicals (India) Limited and Akzo Nobel Coatings India (Private) Limited after all necessary approvals and sanction by the jurisdictional High Courts was completed on 18 May 2012. As per the scheme of amalgamation, the Accounts covered in this report include the results of the amalgamating companies with effect from 1 April 2011 being the 'Appointed Date' for the amalgamation.

In terms of the scheme of amalgamation, equity shares of the Company to be issued to the shareholders of the amalgamating companies will rank pari passu with the existing shares of the Company including for the purpose of determining entitlement to the Dividend for the year 2011-12. Post this issue, promoter holding in the Company will go up to 68.9%. As a result of the amalgamation and share issue as aforesaid, the capital structure of the Company has changed/will change as follows:

	Pre-amalgamation	Post-amalgamation
	Rs million	Rs million
Authorised capital	416.9	1,266.9
Paid-up capital	368.4	479.6

The Board is delighted to welcome the new shareholders to the Akzo Nobel India fold and look forward to their support to the Company in its endeavours to enhance shareholder value.

Arising from the amalgamation, the Company will be reporting its financials under two business segments, viz. Coatings and Others (mainly Chemicals).

Share buyback
A share buyback programme through Tender Offer process was initiated by the Board on 21 May 2012, subject to necessary regulatory and other approvals. Under this programme, a maximum of 1.3 million shares will be bought back by the Company at a price of Rs 920 per share from the non promoter shareholders. The total cost of this buyback assuming full acceptance will be Rs 1,196 million plus incidental costs. The buyback is expected to be completed by end July 2012.

Management discussion and analysis

Coatings
Coatings segment recorded a turnover of Rs 20,297 million, which is not comparable with the previous year's Rs 11,733 million, on account of amalgamation. Segment profit was Rs 1,403 million vs previous year's Rs 1,209 million, reflecting the continuing investment in penetrating new markets, strengthening the brands and capability building to support future growth and cost pressures.

Decorative Paints
The topline growth in the business was in line with industry growth. Some of the initiatives which supported the growth are:
- Launch of global innovations in the super-premium segment such as Dulux Guardian with anti-bacterial properties
- Launch of Dulux WeatherShield Max with SunReflect (promise of keeping homes cooler by up to 5 degrees)
- Launch of best-in-class offers such as Dulux Promise and ICI Magik in the lower price tier, which has helped establish due connect with the distribution channel

- Launch of the global 'Let's colour' campaign on Dulux mother-brand in the second half of 2011 with strong media spends and on-ground activation.

The year also saw innovative ad campaigns to improve the preference for the Company's brands. The media strategy focused on improving media efficiencies, innovative extensions of the campaign, with focus on regional media, advertising around festivals and airing smaller edits, but with greater frequency to maximise impact.

The above initiatives have helped in reinforcing the image of Dulux as an 'Innovator'.

Our Company has continued to judiciously invest in enhancing its capacity at different sites. Hyderabad Works expansion saw a 30% rise in overall waterborne paints capacity, with best-in-class energy efficiency and zero effluent technology. The plant is automated end-to-end with high productivity and consistent product quality.

A new Greenfield site at Gwalior, Madhya Pradesh, has been acquired and work has commenced to establish an integrated Coatings facility.

As a measure to ensure seamless access to the global R&D of AkzoNobel in development of new products, knowhow and technologies to the business, **a framework of royalty** has been approved by the Board during the year. The arrangement entails a royalty charge of approx 1% of sales for the first two years, going up to approx 2% thereafter. The Board believes that the benefits flowing from the arrangement will pay for themselves over a period.

Automotive and Aerospace Coatings (A&AC)
A&AC business continued the growth momentum and recorded impressive growth during the year. Strong focus on demand generation, value-added services and product upgradation resulted in the growth ahead of market, though the industry witnessed a slowdown in the demand in the later part of the year. Initiatives such as Great Finishers Club and end-user retention programmes were sustained during the year.

Performance Coatings (incorporating Marine, Protective, Powder, Coil and Packaging Coatings)
Our Marine Coatings business comprises coatings for deep sea and inland marine vessels at new construction, or for maintenance that protect against corrosion and abrasion and provide resistance to organic fouling. The business registered robust performance in the deep segment and the coastal and Navy but is faced with a shrinking demand in new-build construction due to the global economic situation resulting in postponement of deliveries of new build ships and vessels. Notable users of the business' products include the Indian Coast Guard vessels.

Our Protective Coatings business offers corrosion and fire protection solutions across a range of industries like oil and gas, infrastructure projects such as airports and stadia, power generation, mining and minerals and original equipment manufacturers, to name a few. The business showed consistent growth in revenue during the year. Notable projects which have used the business' products include the grandstand at the Buddh International Circuit at India's first Formula1 Grand Prix race.

Coil Coatings sales were depressed during the year mainly due to capacity constraints. The business continued pursuing its growth plans, through development of high gloss superior mar-resistant Top Coats for appliances and addition of new capacity of 8 million litres per annum of Coil Coating added at the Bangalore site during the year.

Powder Coating is an environment friendly "Green technology" catering to customers across industries like Automotive, Architectural, Domestic appliances, etc. During the year, top line growth in the business was in line with industry, driven by conversion of liquid coatings customers to powder coatings, leveraging its eco-friendly nature, simplicity of application and cost benefits. Some of the products achieved Platinum Lead certification from SMaRT for sustainable materials rating. The business also launched a new product Mixolite, a rapid service model to cater to the trade coater market.

Chemicals

Chemicals segment recorded a turnover of Rs 873 million, which is not comparable with the previous year's Rs 188 million, on account of amalgamation. Segment profit was Rs 122 million vs previous year's Rs 37 million.

Functional Chemicals Business reported strong growth, backed by a turnaround in the manufacturing sector in the early part of the year, with significant presence in Petrochemical, Pharmaceutical and rubber applications. As part of ongoing efforts, a few new products were introduced; the business is also working with its key customers for introducing new technology for 'Continuous Initiator Dosing' for PVC.

Surface Chemistry Business recorded robust growth during the year, on the back of strong demand in Personal Care segment. The business has also invested in a new lab to support the Asphalt business to co-develop technical solutions to meet customer requirements.

Going forward, our Company will continue to closely monitor the global trends in the availability and price movements of all key inputs and shall strive to safeguard the supply lines of critical materials like titanium dioxide, pigments, solvents, thinners, peroxides, chlorides, etc. Cost reduction and value enhancement projects are also being pursued to counter inflation/ensure supply security. However, sharp depreciation in rupee against US dollar could negate the effects of some of the above actions and put further pressure on margins. The Company follows a Risk Management policy under which all material foreign currency exposures are hedged through forward covers, to protect against unexpected swings in exchange rates.

Taking a holistic view of cost management, our Company has embarked on 'Project Dynamo' to review the cost structure across the organisation and identify action plans to reap the benefits of cost and revenue synergies arising from the amalgamation.

Notwithstanding the constraints, our Company will stay focused on growing ahead of the market, with particular emphasis on delighting its consumers, through superior technical inputs and solutions and continuous efforts to expand footprint in the relevant markets.

Responsible care

Our Company continued to drive its Health, Safety, Environment & Security objectives by taking on challenging targets for reduction in energy and water consumption, waste and VOC. Our Company continued to drive its safety initiatives like behaviour based safety and driving safety. Commissioning of the expansion of Hyderabad factory has helped in reducing primary freight CO2 emissions through reduction of the transportation distance to service the south India market.

In line with global norms and regulatory requirements, the Company continues to upgrade its standards of compliance of all applicable ('HSE&S') norms while maintaining operational integrity.

Conservation of energy, research, development and innovation

Our Company continues to use its research and development base to bring consumers new products with improved performance features and products for special applications. Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo, pursuant to Section 217(1)(e) of the Companies Act, 1956, are given in **Annexure I** to this report.

Corporate Social Responsibility

During the year, the Company encouraged several CSR initiatives directly and in partnership with NGOs with main focus on health, hygiene & education for underprivileged segments and creating livelihood opportunities for below poverty line (BPL) category and has been able to bring about a positive change in many challenging situations. An Aaghanwadi project was taken up with the objective to provide help and work with BPL farmers to develop their land to ensure steady and sustainable income. By implementing "Model Farm", which consisted of an inter-crop of fruit-bearing trees and vegetables which will provide immediate returns as well as long-term benefits, combined with water harvesting tank, their efforts resulted in conversion of arid lands to lush farms. This project won 1st prize in Akzo Nobel Global Community Program Best Practices competition – 2011. A team consisting of employee volunteers worked extensively in raising contributions to construct a new building for a rural school – Mahatma Gandhi Vidyalaya, in Navi Mumbai.

Information technology

Our Company maintains global IT and communication networks and applications to support its business activities. IT security processes protecting these systems are in place and subject to assessment as part of the review of internal control over financial reporting.

Video conferencing facilities have been installed at all factories and regional sales offices, thereby creating a video network across all major sites and HO. Decorative Paints business has also started a project to leverage the existing SAP platform to provide real time business analytics in a visual form for regular review and monitoring.

Human resources

Our Company ensured cordial relations with employees across all locations during the year.

In appreciation of its efforts in developing and managing talent, Akzo Nobel India has been awarded the 'Best Talent Management Organisation of the Year' at the World HRD Congress 2012, held in Mumbai. The total number of employees on the rolls of the Company including the amalgamating companies, as at 31 March 2012 was 1,716.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the report and accounts are being sent to the members excluding the aforesaid information. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

Internal control systems

Our Company has an effective risk management framework, which helps the Board to monitor the exposure and state of preparedness in key business processes. Our Company has well-established procedures for internal controls commensurate with its size and operations. The organisation is appropriately staffed with qualified and experienced personnel for implementing and monitoring the internal control environment. The internal audit function is adequately resourced and reports to the Audit Committee.

Corporate governance

Annexure II to this report summarises the details of compliance with the corporate governance norms outlined in Clause 49 of the Listing Agreements with Bombay Stock Exchange and National Stock Exchange.

Directors

Mr R Gopalakrishnan and Dr S Misra, Directors, will be retiring by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

Auditors

M/s B S R & Associates retire as the Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment.

Cost Auditors

As required under the Companies Act, the Company has appointed M/s Chandra Wadhwa & Associates as the Cost Auditors for its Coatings (Paints & Varnishes) and Chemicals segments for the year 2011-12.

Directors' responsibility statement

The Directors confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of
– the state of affairs of the Company as on 31 March 2012; and
– the profit for the year ended on that date;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

d) they have prepared the annual accounts on a going concern basis.

Cautionary statement

Some of the statements in this report, describing our Company's objectives and expectations expressed in good faith, may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ materially from those, in the event of changes in the assumptions/market conditions.

Acknowledgment

The Directors wish to convey their gratitude and appreciation to all the employees of our Company for their valuable contribution during the year. They also wish to place on record their appreciation of our Company's customers, shareholders, investors, bankers, agents, suppliers, distributors and other business associates for their cooperation and support.

On behalf of the Board

Gurgaon
21 May 2012

N Kaviratne CBE
Chairman

Declaration by the CEO

Code of Conduct: Declaration under Clause 49(I)(D)

This is to certify that:

1. In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct for the Company has been approved by the Board.

2. The said Code of Conduct has been posted on the website of the Company and has also been circulated to the Board members and all the employees of the Company.

3. All Board members and senior management personnel have affirmed compliance with the said Code of Conduct, for the year ended 31 March 2012.

Gurgaon
21 May 2012

A Jain
Managing Director

Annexure I

Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 217(1)(e) of the Companies Act, 1956

A) Conservation of energy

		2011-12	2010-11
1. Power & fuel consumption			
(a) Electricity			
(i) Purchased			
Unit	Mwh	**20,201**	11,315
Total cost	Rs m	**113**	60
Rate	Rs/Kwh	**5.57**	5.31
(ii) Own generation*			
Units	Mwh	**724**	215
Units/Kl of HSD	Kwh	**2,583**	2,489
Cost/unit	Rs/Kwh	**16.97**	15.90
(b) Fuel oil			
Quantity	Kl	**1,613**	1,239
Total cost	Rs m	**61**	43
Average rate	Rs/Kl	**37,955**	34,520
2. Consumption per unit of production			
Electricity			
Coatings	(Kwh/Kl)	**71**	89
Catalysts**	(Kwh/Te)	**1,666**	1,694
Chemicals	(Kwh/Kl)	**1,993**	NA
Fuel oil			
Catalysts**	(Kl/Te)	**0.40**	0.45
Coatings	(Kwh/Kl)	**14**	NA

*Due to low rates of generation through the DG set, efficiency was low.
**The Company had exited from the Catalysts business in 2002. However, this product continued to be manufactured on behalf of Johnson Matthey Group under a Toll conversion arrangement.
NA: Not applicable as the figures reported for 2011-12 relate to amalgamating companies.

3. Energy conservation measures

a) Conservation measures taken
During the year under report, various energy conservation measures were implemented in the Company's factories. Regular monitoring of energy generation, distribution and consumption helped the Company to take timely corrective actions.

b) Proposal under implementation
Installation of Variable Frequency Drive (VFD) on ventilation system and cooling tower pumps is under progress.

c) Impact of the measures consequent to (a) and (b) above
These measures have reduced the total energy requirement of the Company resulting in cost savings and less carbon footprint.

B) Absorption of technology

1. Research & Development (R&D)
(a) Specific areas in which R&D is carried out by the Company
Our Company continues to use its research and development capabilities to focus on applied research especially in the areas of:

- Product innovation for offering better value to customers
- Optimisation of products and processes
- Value engineering

(b) Benefits derived as a result of the above R&D
Major benefits derived from R&D initiatives are:

- Launch of new and innovative products
- Improvement in manufacturing processes to minimise environmental impact
- Margin improvement through substitution and rationalisation of raw materials and better material usage efficiency

(c) Future plan of action
R&D efforts of the Company will continue to focus on development of new products and applications, process development for energy saving and waste reduction, introduction of environment friendly products and driving down the carbon footprint of our products.

(d) Expenditure on R&D

(Rs million)

	2011-12	2010-11
(i) Capital	**52**	5
(ii) Recurring*	**92**	44
(iii) Total	**144**	49
(iv) Total R&D expenditure as a percentage of turnover	**0.7%**	0.5%

*Excludes Royalty charge.

2. Technology absorption, adaptation and innovation
(a) Efforts and benefits

- Increase in production yields with innovative production management.
- Focused R&D efforts in response to changing customer needs and feedback.
- Our Company now has the advantage of access to AkzoNobel's global expertise. Our Company's scientists work closely with global experts to leverage their expertise to adapt/develop products for the Indian market.

(b) Particulars of technology imported in the last 5 years from the beginning of the financial year
None.

C) Foreign exchange earnings and outgo

(a) Total foreign exchange used and earned*

(Rs million)

	2011-12	**2010-11**
Used	**3,517**	**1,182**
Earned	**722**	**35**

*excludes outgo on account of dividend.

Use of foreign exchange by the Company is much higher than its earnings in foreign exchange mainly on account of import of raw materials and services which are not available in the local market at competitive prices. Besides, the nature of the Company's product lines are such that it is not commercially viable to build an Export portfolio. Hence, it is expected that the Company will continue to be a net foreign exchange user in the near term.

(b) Future plans

Use of innovation and R&D strengths to reduce costs through process improvements, import substitution, and improving material usage efficiency. Also to actively participate in bringing 'greener product technology' and introducing coatings application technology to improve the ease of painting.

Annexure II
Report on Corporate Governance

1. Company's philosophy on code of Corporate Governance

Our Company is well aware of the fact that corporate governance is indispensable for achieving sustainable growth of any organisation. Over the years our Company has been consistently enhancing and improving its corporate governance standards. In addition to compliance with regulatory requirements, the Board endeavours to ensure that highest standards of ethical and responsible conduct are met throughout the organisation, making it an integral part of the way business is done in our Company.

2. Board of Directors

Composition

The Board composition is in conformity with the applicable provisions of the Companies Act, 1956 and the Listing Agreement. The composition of the Board and details of directorship in companies are as follows:

Name of Directors	Category of Directorship in Akzo Nobel India Limited	Directorship (excludes Alternate Directorships)		Membership in specified committees
		Public	Private/ Foreign/ Limited by Guarantee	Audit, Shareholder/ Investor Grievance
Mr N Kaviratne CBE	Non Executive Chairman	2	7	1
Mr A Jain	Managing Director	1	2	1
Mr P S Basu	Wholetime Director	1	2	1
Mr G Armstrong	Non Executive	1	2	1
Ms S Govil	Alternate Director to Mr G Armstrong	-	-	1
Mr R Gopalakrishnan	Independent	11	3	4
Ms R S Karnad	Independent	15	6	5
Dr S Misra	Independent	2	–	3
Mr A Uppal	Independent	2	3	2

Meetings and attendance

Given below is the consolidated list of meetings of the Board and key committees held during 2011-12 and attendance details of Directors:

Name of the meeting	Dates on which meetings were held
Annual General Meeting (AGM)	22 July 2011
Board	11 May 2011, 22 July 2011, 21 October 2011 and 14 February 2012
Audit Committee	11 May 2011, 22 July 2011, 21 October 2011 and 14 February 2012
Shareholder/Investor Grievance Committee (SHIGC)	08 December 2011
Remuneration & Nominations (R&N) Committee	11 May 2011

Attendance details at meetings during April 2011 to March 2012

	AGM	Board	Audit	SHIGC	R&N
No. of meetings held	**1**	**4**	**4**	**1**	**1**
Mr N Kaviratne CBE	1	4	NA	NA	1
Mr A Jain	1	4	NA	1	NA
Mr P S Basu	1	4	NA	1	NA
Mr G Armstrong**	-	*	*	NA	NA
Mr R Gopalakrishnan	1	3	3	NA	1
Ms R S Karnad	1	4	4	NA	1
Dr Sanjiv Misra	1	4	4	1	1
Mr A Uppal**	-	3	2	NA	NA
Ms S Govil	-	1	1	NA	NA

*Participated over conference call in two m etings.
**Nominated to the Audit Committee at the Board Meeting held on 11 May 2011.
'NA' signifies not a member of the relevant committee or meetings held when the Director was not a member of the Board/Committee.

All relevant information in terms of the Listing Agreement are shared with the Board through periodic reports, statements and discussions in Board/Committee meetings.

Directors to be appointed/re-appointed

In terms of the Articles of the Association of the Company and Section 256 of the Companies Act 1956, Mr R Gopalakrishnan and Dr S Misra will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment. A brief resume of the above directors, as required under clause 49(VI)(G) of the Listing Agreement, is given below:

i. Mr R Gopalakrishnan

Mr R Gopalakrishnan is a Director of the Company since May 1999. He is currently on the Board of several companies of the Tata Group, which he joined in 1998. Prior to this, he had worked with the Unilever Group for over 30 years in senior positions, including that of the Vice Chairman of Hindustan Lever Limited.

Mr Gopalakrishnan, born in December 1945, is an engineer. He possesses diverse and rich experience in the fields of marketing and corporate management. He frequently delivers lectures at various forums and associations and has won a number of awards. He is a prolific writer and has a few popular books on management to his credit.

Apart from Akzo Nobel India Limited, Mr Gopalakrishnan is a Director in the following companies:

Tata Sons Ltd	Tata Chemicals Ltd
Tata Power Company Ltd	Rallis India Ltd
Tata AutoComp Systems Ltd	Tata Technologies Ltd
Castrol India Limited	Advinus Therapeutics Ltd
Metahelix Life Sciences Ltd	Dhaanya Seeds Ltd
ABP Pvt Ltd	Trust Energy Resources Pte Ltd
IMACID S.A.	Indo Maroc Phosphore S.A.

ii. Dr S Misra

Dr S Misra is a Director of the Company since May 2010.

Dr S Misra, IAS (Retd.) is a former member of the 13th Finance Commission, Government of India. Prior to joining the Finance Commission, Dr Misra was Secretary to the Government of India in the Department of Expenditure and in the Department of Disinvestment in the Ministry of Finance.

Born in 1947, Dr Misra is an alumnus of St. Stephen's College, Delhi and the Delhi School of Economics. As an Edward S. Mason Fellow, Dr Misra did his MPA from the John F. Kennedy School of Government, Harvard University, USA, and subsequently obtained his Ph.D from Jawaharlal Nehru University, New Delhi. While at Harvard University, he was conferred the prestigious Lucius N Littauer Fellow Award of 1987.

He combines a solid academic background with wide policy experience at the highest levels in the government, especially in the Ministries of Finance and Petroleum and the Cabinet Secretariat. He has represented India in various international conferences, seminars and negotiations. Dr Misra is currently a member of the Advisory

Council of the Asian Development Bank Institute, Tokyo. He has several publications to his credit. Apart from Akzo Nobel India Limited, Dr Misra is a Director of BSE Limited.

3. Audit Committee

The Audit Committee comprises only Non-Executive Directors ('NEDs') with majority being 'independent' and is chaired by Ms R S Karnad. The Chairman, Managing Director, Wholetime Director and CFO, Internal Auditors and Statutory Auditors are permanent invitees to the meetings of the Committee, with the Company Secretary acting as its Secretary. The members of the Committee are eminent professionals with necessary knowledge in financial, accounting and business matters. Any other person/executive, when required, also attend the meetings of the Committee. Minutes of the Audit Committee meetings are circulated to all the Board members.

The terms of reference of the Committee are in line with the norms specified in Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. For details of meetings of the Committee held during the year and attendance therein, please refer para 2 above.

4. R&N Committee

The purpose of this Committee is to assist the Board in the nomination of members to the Board and in evaluating the performance of the Wholetime Directors and make appropriate recommendations as to their remuneration, within the limits approved by the shareholders. The R&N Committee comprises only NEDs and is chaired by Mr R Gopalakrishnan. For details of meetings of the Committee held during the year and attendance therein, please refer para 2 above.

Remuneration of Directors

While remuneration of Wholetime Directors is recommended by the R&N Committee, the remuneration of NEDs is approved by the Board. The NEDs, other than Mr G Armstrong, are paid sitting fees of Rs 20,000 per meeting for attending Board/Committee meetings where they have been nominated as members and Commission as approved by the Board/shareholders from time to time.

The details of remuneration paid to the Directors during the year 2011-12 are given below:

Figures in Rs million

	Total remuneration a (a = b + c)	Fixed component b Salary, allowances and perquisites	Performance linked payments c Performance Pay
Managing/Wholetime Director			
Mr A Jain	50.46	26.57	23.89
Mr P S Basu	13.96	9.53	4.43
Total	**64.42**	**36.10**	**28.32**
Non-Executive Directors		**Sitting fees**	**Commission**
Mr N Kaviratne CBE	0.80	0.10	0.70
Mr R Gopalakrishnan	0.84	0.14	0.70
Ms R S Karnad	0.88	0.18	0.70
Dr S Misra	0.90	0.20	0.70
Mr A Uppal	0.80	0.10	0.70
Total	**4.22**	**0.72**	**3.50**

Notes

a) The service contracts with the Managing Director and Wholetime Director are terminable by notice. Extracts of such contracts have been communicated to the shareholders as required under law.

b) Performance linked payments are made to the Managing Director and Wholetime Director based on pre-agreed parameters and taking into account the recommendations of the R&N Committee.

c) The criteria for payment of Commission to the NEDs are outlined in para 10(vi) below.

d) Presently, the Company does not have any stock option scheme.

e) Excludes sign on bonus of Rs 10.9m paid during the year.

5. Shareholder/Investor Grievance Committee

The SHIGC of the Company is headed by Dr S Misra, NED. The Company Secretary functions as the Secretary to this Committee and has been nominated as the Compliance Officer of the Company.

The Company received 6 complaints from its investors during 2011-12, all of which have been resolved and no complaint was pending as on 31 March 2012. Routine queries/service requests received from the shareholders are addressed within 7 days of receipt. All share transfer requests received during the year were serviced within the normal service time.

For details of meetings of the Committee held during the year and attendance therein, please refer to para 2 above.

6. General Body Meetings

i. Details of the last three Annual General Meetings of the Company are given below:

Date of AGM	Time	Place
22 July 2011	2.30 pm	Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017
22 July 2010	2.30 pm	Bharatiyam Complex, IB 201, Salt Lake, Kolkata 700 106
16 July 2009	2.00 pm	- do -

ii. One special resolution was passed during 2009-10 through postal ballot for changing the name of the Company. The said postal ballot was conducted in accordance with the procedure prescribed under the Companies Act 1956, with Mr A R Das, Chartered Accountant, Kolkata, acting as the scrutiniser. There is no proposal pending as on date for approval as a special resolution through postal ballot.

7. Disclosures

i. There were no materially significant related party transactions entered into by the Company with its Promoters, Directors or the Management, their subsidiaries or relatives, etc, that may have potential conflict with the interests of the Company at large. The Directors periodically disclose their interest in different companies, which are noted by the Board. The Register of Contracts containing the transactions with companies in which Directors are interested is placed before the Board periodically.

ii. None of the NEDs had any materially significant pecuniary relationship or transaction vis-à-vis the Company, which may have a potential conflict with the interests of the Company at large. M/s G Armstrong/S Govil are entitled to remuneration and other benefits for their role and responsibilities in the AkzoNobel Group.

iii. All Directors have confirmed that they do not hold any shares in the Company.

iv. Disclosures, as required under the relevant Accounting Standards, have been incorporated in the Accounts.

v. A declaration by the Managing Director on the adoption, dissemination and compliance of the Company's Code of Conduct is attached to this report (see page 22).

vi. There were no strictures or penalties imposed on the Company by Stock Exchanges or SEBI or any statutory authority for non-compliance of any matter related to capital markets, during the last three years.

vii. The Company has adopted a Whistle Blower policy by the name 'Speak Up'. It is affirmed that no personnel has been denied access to the Audit Committee.

8. Means of communication

Description	Status/remarks
i. Quarterly results	The quarterly results of the Company are published and advised to the Stock Exchanges where the Company's shares are listed.
ii. Newspapers wherein results are normally published	Business Standard *(English)*, Aajkal *(Bengali)*
iii. Any website, where displayed. Whether it also displays official news releases	Yes; the results, press releases and other relevant information are displayed on the Company's website **www.akzonobel.co.in**
iv. Presentations made to institutional investors or to the analysts	Normally no such presentations are made.

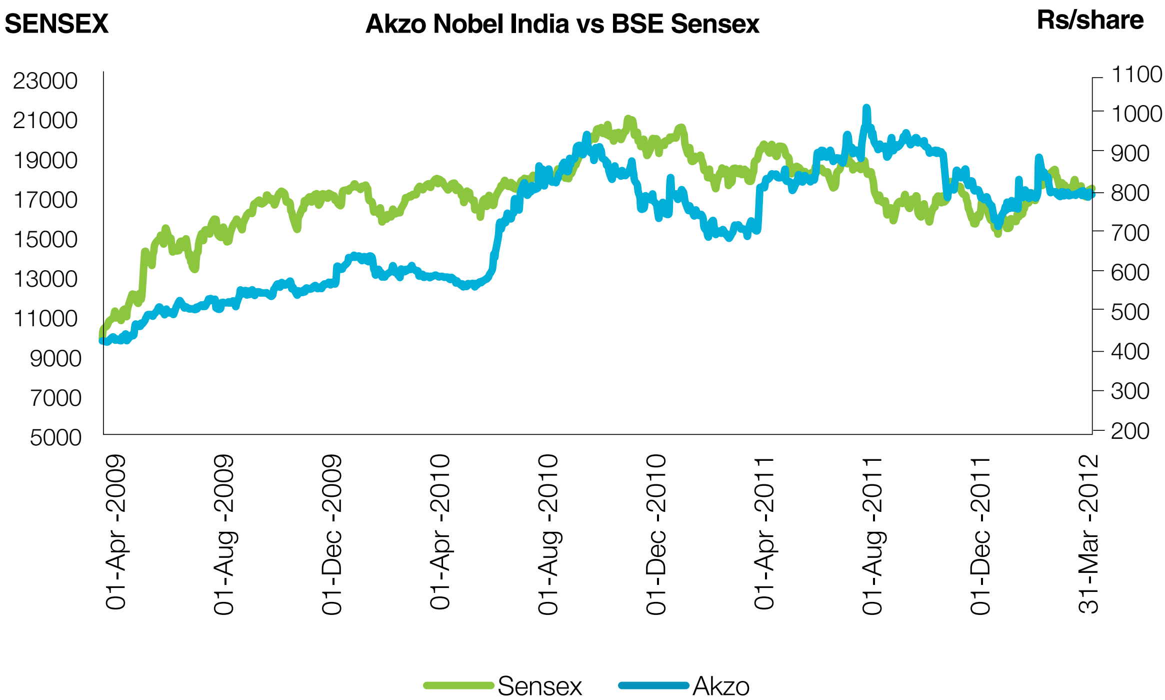
9. General shareholder information

Subject	Details
i. AGM: date, time and venue	09 August 2012 at 1430 hours at Mini Auditorium, Science City, JBS Halden Avenue, Kolkata 700 046
ii. Financial year	April to March
iii. Date of book closure	01 August 2012 to 09 August 2012 (both days inclusive)
iv. Dividend payment date(s)	On or around 14 August 2012 (after approval at the AGM)
v. Listing on Stock Exchange	The Company's shares are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and can be traded under the 'Permitted Category' in Calcutta Stock Exchange (CSE). Listing fees for the period 1 April 2012 to 31 March 2013 have been paid to BSE and NSE.
vi. Stock code	BSE : 500710 NSE : AKZOINDIA EQ CSE : 10000015 ISIN : INE133A01011

vii. **Market price data and stock performance during the year 2011-12**

Month	High (Rs/share)	Low (Rs/share)	Volume (000's) BSE + NSE
April 2011	885	802	85
May 2011	876	809	234
June 2011	944	849	419
July 2011	1045	870	925
August 2011	1016	875	486
September 2011	985	898	554
October 2011	940	790	460
November 2011	881	803	493
December 2011	825	693	231
January 2012	897	765	1,443
February 2012	948	790	1,419
March 2012	870	790	271
		Total	**7,020**

viii. **Performance in comparison to BSE Sensex from April 2009 to March 2012**



ix. **Unpaid/unclaimed dividend**

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for a period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to the Investor Education and Protection Fund. Details of unclaimed dividend and the due dates for transfer to IEPF are:

Financial year	**Amount** (Rs million)	**Due date for transfer to IEPF**
2004-05	1.9	**04 August 2012**
2005-06	2.4	**25 July 2013**
2006-07	10.0	**18 July 2014**
2007-08	3.3	**16 July 2015**
2008-09	7.0	**15 July 2016**
2009-10	8.3	**21 July 2017**
2010-11	10.4	**21 July 2018**

x. **Registrar and share transfer agent**

M/s C B Management Services (P) Ltd
P-22, Bondel Road, Kolkata 700 019

xi. **Share transfer system**

All requests for share transfers are processed and approved by the Seal and Share Transfer Committee, which normally meets every fortnight. Share transfers are registered and returned within 30 days from the date of lodgement of complete documents.

xii. **Distribution of shareholding as on 31 March 2012**

Range (No.of shares)	No. of shareholders	No. of shares (000's)	% to total issued capital
1-50	27,309	528	1.4
51-500	14,086	2,057	5.6
501-5,000	1,271	1,382	3.7
5,001-50,000	63	962	2.6
50,001-1,000,000	18	4,888	13.3
1,000,001 & above	4	27,017	73.4
Total	**42,751**	**36,834**	**100.0**

Shareholding pattern as on 31 March 2012

Category of shareholders		No. of shares ('000)	%
(A)	**Shareholding of Promoter and Promoter Group**	**21,967**	**59.6**
(B)	**Public shareholding**		
	(a) Mutual funds	4,202	11.4
	(b) Insurance companies	3,751	10.2
	(c) Foreign institutional investors	433	1.2
	(d) Bodies corporate	2,432	6.6
	(e) Individuals/others	4,049	11.0
	Total public shareholding	**14,867**	**40.4**
	Total (A) + (B)	**36,834**	**100.0**

Note

Shareholding Distribution and Pattern tabulated above do not include shares under issue to the shareholders of transferor companies in terms of scheme of amalgamation as per Calcutta High Court order dated 24 April 2012.

xiii. **Dematerialisation of shares and liquidity**

The Company's equity shares have been notified for trading only in demat form with effect from 17 January, 2000. As of 31 March 2012, 96.38% of the Company's equity shares involving 35.50 million shares have been dematerialised (No. of Demat accounts: 20,623). The Company has entered into agreements with NSDL & CDSL for smooth operation of demat mode of shareholding.

xiv. **Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity**

None issued/outstanding

xv. **Plant locations**

The Company's plants are located at Bangalore, Hyderabad, Mohali, Thane and Raigad

xvi. **Address for correspondence**	Shareholders correspondence may be addressed to: 1. C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata 700 019 Email: rta@cbmsl.com 2. The Company Secretary Akzo Nobel India Ltd, DLF Cyber Terraces Building No 5, Tower A, 20th Floor Cyber City, DLF Phase III Gurgaon 122 002 Haryana Email: investor.india@akzonobel.com

10. All the mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company.

The status vis-à-vis the non mandatory requirements is given below:

Description	**Status as on 31 March 2012**
i. a) Non Executive Chairman's office and expenses	The Non Executive Chairman is reimbursed the cost of maintaining his office at Mumbai. In addition, expenses incurred by him in the performance of his official duties are borne by the Company.
b) Tenure of Independent Directors	None of the Independent Directors on the Company's Board have served more than 9 years reckoned from 1 January 2006, when the non-mandatory provision regarding tenure of Independent Directors was introduced in Clause 49. However, taking into account the tenure as a Director of the Company prior to the above date, Mr R Gopalakrishnan has been an Independent Director of the Company for over 9 years and continues to serve on the Board in that capacity.
ii. Remuneration Committee	Refer para 4 above.
iii. Sending of half-yearly declaration of financial performance including summary of the significant events during the past six months to each household of shareholders	As the Company's quarterly results are published in leading newspapers and major developments are covered in the press releases (which are also posted on the Company's website), sending the half-yearly financial results to the shareholders is not considered necessary.
iv. Audit qualifications	There is no audit qualification in the current year.
v. Training of Board members in the business model of the Company etc.	The Wholetime Directors are covered by the Company's training programmes for its employees. The NEDs are briefed about business operations from time to time and during discussions at Board meetings.

vi. Mechanism for evaluating NEDs	The NEDs' contribution to the Company is mainly in the areas of general management and corporate governance. They also serve as a sounding board for the operating strategies of the Company, besides bringing in an external perspective to the Company's growth plans. The NEDs are therefore remunerated in the form of sitting fees for participating in the Board and Committee meetings and a Commission (subject to a maximum of Rs 1 million per Director per annum) as a token of recognition of their contribution, with the approval of the Board.
vii. Whistle Blower Policy	Refer para 7(vii) above.

11. Certification by the auditors

As required under Clause 49 of the Listing Agreement, the auditors of the Company have examined the compliance of the Corporate Governance norms by the Company. Their report is appended.

On behalf of the Board

Gurgaon
21 May 2012

N Kaviratne CBE
Chairman

Auditors' certificate

On compliance with the conditions of corporate governance
under Clause 49 of the Listing Agreement

To the members of Akzo Nobel India Limited

We have examined the compliance of conditions of corporate governance by Akzo Nobel India Limited ('the Company') for the year ended 31 March 2012, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **B S R & Associates**
Chartered Accountants
Firm Registration No: 116231W

Kaushal Kishore
Partner
Membership No: 90075

Gurgaon
21 May 2012

AkzoNobel
Tomorrow's Answers Today

Factories from 3 to 5

Auditors' report to the members of Akzo Nobel India Limited

1 We have audited the attached Balance Sheet of Akzo Nobel India Limited ('the Company') as at 31 March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4 Further to our comments in the Annexure referred to above, we report that:

(a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;

(c) the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement, dealt with by this report, are in agreement with the books of account;

(d) in our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable;

(e) on the basis of written representations received from the Directors of the Company as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2012 from being appointed as a Director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956; and

(f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

(iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Gurgaon
21 May 2012

For **B S R & Associates**
Chartered Accountants
Firm Registration No: 116231W

Kaushal Kishore
Partner
Membership No: 090075

Annexure referred to in paragraph 3 of the Auditors' Report to the members of Akzo Nobel India Limited on the accounts for the year ended 31 March 2012

(i) (a) According to the information and explanations given to us, the Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) As explained to us, the fixed assets are physically verified by the management in accordance with a phased programme designed to cover all items of fixed assets over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and nature of its fixed assets. In accordance with this programme, certain categories of fixed assets at certain locations have been physically verified by the management during the year and no material discrepancies were noticed on such verification, which have been properly dealt with in the books of account.

(c) The Company did not dispose of any substantial part of its fixed assets during the current year.

(ii) (a) According to the information and explanations given to us, physical verification has been conducted by the management at reasonable intervals during the year in respect of inventory of raw materials, stores and spare parts, work-in-process and finished goods in the Company's possession. The existence of stocks lying with third parties as at 31 March 2012 has been evidenced based on confirmations or statements of account received in most cases. In our opinion, the frequency of physical verification is reasonable.

(b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) According to the information and explanations given to us and on the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material and have been properly dealt with in the books of account.

(iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b) to (g) of the Order are not applicable. In the previous year, a loan was granted to a party covered in the register maintained under section 301 of the Companies Act, 1956, which has been merged with the Company pursuant to a Scheme of Amalgamation (Refer to Note 2 of the financial statements).

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and rendering of services. Further, on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have been informed of any major weaknesses in the aforesaid internal control system.

(v) (a) According to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and exceeding Rs 5 lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year within the meaning of sections 58A and 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.

(vii) In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of such records with a view to determine whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities, though there have been delays in a few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

(Amount in Rs million)

Name of the statute	Nature of the dues	Amount involved*#	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	1,528	1,423	1994-95 to 1997-98, 1999-00 to 2008-09 (Assessment years)	High Court/Income Tax Appellate Tribunal/ Commissioner of Income Tax (Appeal)/Dispute Resolution Panel
Finance Act, 1994	Service Tax	1	-	2004-05, 2005-06, 2007-08	Assistant Commissioner of Central Excise and Service Tax, Chief Commissioner of Central Excise (Appeals)
Central Excise Act, 1944	Excise Duty	87	-	1991-92, 1992-93 to 1996-97, 1998-99, 2000-01 to 2002-03, 2004-05 to 2009-10	Customs, Excise and Appellate Tribunal, Joint Commissioner Large Tax Payers Unit
		7	-	2004-05 and 2005-06	Commissioner (Appeals) Central Excise and Customs
Central Sales Tax Act, 1956	Sales Tax	209	15	1982-83 to 1999-00, 2002-03 to 2007-08	Sales Tax Officer/Sales Tax Revision Board/Deputy Commissioner/Deputy Commissioner (Appeal)/ Appellate Tribunal
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	41	3	1976-77,1979-80,1980-81,1986-87,1987-88,1988-89,1989-90,1992-93,2000-01,2003-04, 2004-05,2005-06, 2006-07, 2007-08, 2008-09, 2009-10	Sales Tax Officer/Sales Tax Revision Board/Deputy Commissioner/Deputy Commissioner (Appeal)/ Additional Commissioner/ Appellate Tribunal/ High Court
West Bengal Sales Tax Act, 1994	Sales Tax	17	-	1995-96, 2004-05	
Delhi Sales Tax Act, 1975	Sales Tax	8	-	1983-84, 1985-86 to 1987-88, 1989-90, 2002-03 to 2004-05	
The Kerala General Sales Tax Act, 1963	Sales Tax	3	-	2002-03, 2005-06, 2006-07, 2008-09	
Rajasthan Sales Tax Act, 1994	Sales Tax	2	-	1998-99	
Bihar Sales Tax Act, 1959	Sales Tax	28	5	1992-93 to 1999-00, 2004-05	
The Madhya Pradesh General Sales Tax Act, 1958	Sales Tax	32	7	2003-04 to 2005-06	
Orissa Sales Tax Act, 1947	Sales Tax	17	17	1995-96 to 1999-00	
Bombay Sales Tax Act, 1959	Sales Tax	35	-	2004-05	
Karnataka Value Added Tax Act, 2003	Sales Tax	1	-	2012-13	Commercial Tax Officer

*Including disputed dues aggregating Rs 36 million in respect of sales tax disputes, which have been stayed by the respective authorities.
#Excluding the demands the proceedings of which have been set aside or remanded for reassessment by the appropriate authorities.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.

(xi) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture-holders during the year.

(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions during the year.

(xvi) According to the information and explanations given to us, the Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investments.

(xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under section 301 of the Companies Act, 1956, during the year.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by way of public issue during the year.

(xxi) Based on the audit procedures performed and according to the information and explanations given to us, no significant fraud on or by the Company has been noticed or reported during the year.

For **B S R & Associates**
Chartered Accountants
Firm Registration No: 116231W

Kaushal Kishore
Partner
Membership No: 090075

Gurgaon
21 May 2012

Balance Sheet

(Amounts in Rs million, unless stated otherwise)

	Note No.	As at 31 March 2012		As at 31 March 2011	
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	3.1	**368**		368	
(b) Share capital pending allotment (Refer to note 2)		**111**		-	
(c) Reserves and surplus	3.2	**13,931**	**14,410**	10,548	10,916
Non-current liabilities					
(a) Deferred tax liabilities (net)	3.3	**26**		41	
(b) Other long-term liabilities	3.4	**191**		157	
(c) Long term provisions	3.5	**629**	**846**	525	723
Current liabilities					
(a) Trade payables	3.6	**4,161**		2,253	
(b) Other current liabilities	3.7	**906**		335	
(c) Short-term provisions	3.5	**1,757**	**6,824**	1,172	3,760
			22,080		15,399
ASSETS					
Non-current assets					
(a) Fixed assets	3.8				
(i) Tangible assets		**3,563**		1,419	
(ii) Capital work-in-progress		**148**	**3,711**	145	1,564
(b) Non-current investments	3.9		**850**		400
(c) Long term loans and advances	3.10		**540**		573
(d) Other non-current assets	3.11		**4**		-
Current assets					
(a) Current investments	3.12	**9,185**		9,450	
(b) Inventories	3.13	**3,334**		1,532	
(c) Trade receivables	3.14	**2,260**		701	
(d) Cash and bank balances	3.15	**739**		303	
(e) Short-term loans and advances	3.16	**1,191**		875	
(f) Other current assets	3.17	**266**	**16,975**	1	12,862
			22,080		15,399

The accompanying notes (1-5) form an integral part of the financial statements.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm Registration No. 116231W

Kaushal Kishore
Partner
Membership No. 090075

21 May 2012
Gurgaon

For and on behalf of the **Board of Directors** of **Akzo Nobel India Limited**

N Kaviratne CBE
Chairman

A Jain
Managing Director

P S Basu
Wholetime Director

R Guha
Company Secretary

Statement of Profit & Loss

(Amounts in Rs million, unless stated otherwise)

	Note No.	For the year ended 31 March 2012		For the year ended 31 March 2011	
Revenue from operations	4.1				
Sale of products (gross)		**21,170**		11,921	
Less: Excise Duty		**(1,745)**		(1,045)	
Net sales			**19,425**		10,876
Service income			**260**		-
Other operating income			**193**		92
			19,878		10,968
Other income	4.2		**1,123**		987
Total revenue			**21,001**		11,955
Expenses					
Cost of materials consumed	4.3		**10,126**		5,261
Purchase of stock-in-trade	4.4		**1,868**		782
Changes in inventories of finished goods, work-in-progress and stock-in-trade	4.5		**(604)**		(268)
Employee benefits expense	4.6		**1,473**		696
Finance costs	4.7		**39**		15
Depreciation and amortisation expense	3.8		**366**		217
Other expenses	4.8		**5,269**		3,166
Total expenses			**18,537**		9,869
Profit before exceptional items and tax			**2,464**		2,086
Exceptional items—income	4.9		**-**		113
Profit before tax			**2,464**		2,199
Tax expense:					
Current tax		**498**		471	
Less: MAT credit entitlement		**(65)**		-	
Net current tax			**433**		471
Deferred tax charge/(credit)			**13**		20
Excess provision written back			**-**		(58)
			446		433
Profit for the year			**2,018**		1,766
Earnings per equity share—basic and diluted (in Rs) [face value of Rs 10 each]	5.4		**42.08**		47.94

The accompanying Notes (1-5) form an integral part of the financial statements.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm Registration No. 116231W

Kaushal Kishore
Partner
Membership No. 090075

21 May 2012
Gurgaon

For and on behalf of the **Board of Directors** of **Akzo Nobel India Limited**

N Kaviratne CBE
Chairman

A Jain
Managing Director

P S Basu
Wholetime Director

R Guha
Company Secretary

Cash Flow Statement

(Amounts in Rs million, unless stated otherwise)

	For the year ended 31 March 2012		For the year ended 31 March 2011	
(A) Cash flow from operating activities		**2,464**		2,086
Profit before exceptional items and tax				
Adjusted for:				
Depreciation and amortisation	**366**		217	
Loss on write-off of fixed assets	**4**		-	
Provisions/liabilities no longer required written back	**(27)**		(5)	
Profit on disposal of fixed assets (net)	**(1)**		-	
Other provisions made during the year	**-**		98	
Bad debts and advances written off	**7**		16	
Provision for doubtful debts and advances (net)	**38**		(60)	
Income from non trade investments (current)	**(24)**		(22)	
Income from non trade investments (long term)	**(34)**		(10)	
Interest received on inter-corporate deposits	**-**		(15)	
Profit on sale of equity shares (long term, current)	**-**		(56)	
Profit on maturity/redemption of non-trade investment	**(909)**		(539)	
Other receipts	**-**		(6)	
Interest income on Income tax refunds	**(89)**		(222)	
Interest income from banks and others	**-**		(4)	
Interest expense	**39**	**(630)**	15	(593)
Operating profit before working capital changes		**1,834**		1,493
Changes in:				
(Decrease)/increase in current and non current liabilities	**709**		**502**	
Decrease/(increase) in inventories	**(856)**		**(571)**	
Decrease/(increase) in trade receivables	**(274)**		**107**	
Decrease/(increase) in loans and advances and other current and non current assets	**346**		**(475)**	
		(75)		(437)
Cash generated from operations		**1,759**		1,056
Income Tax paid (net)		**(346)**		(680)
Exceptional item				
Voluntary retirement scheme payments		**-**		(13)
Net cash flow from operating activities (A)		**1,413**		363
(B) Cash flow from investing activities				
Purchase of fixed assets		**(1,328)**		(379)
Inter corporate deposit		**-**		80
Sale of businesses (Refer footnote 2)		**(38)**		189
Payments relating to divested businesses		**(3)**		(5)
Investments in current long-term investments (mutual fund schemes)		**(7,950)**		(7,000)
Investment in non current long-term investments (mutual fund schemes)		**(450)**		-
Investment in non current long-term other investments (bonds)		-		(400)
Investment in current liquid mutual fund scheme		**(685)**		(8,545)

	For the year ended 31 March 2012	For the year ended 31 March 2012
Redemption of current investment in liquid mutual fund scheme	**-**	8,567
Redemption of current long-term investments (mutual fund schemes)	**9,809**	7,689
Sale of equity shares (long-term, non-trade)	**-**	58
Sale of investment in fixed interest fund	**14**	-
Interest received	**-**	18
Income from investments	**24**	1
Net cash flow from investing activities (B)	**(607)**	273
(C) Cash flow from financing activities		
Short-term borrowings taken	**250**	-
Short-term borrowings repaid	**(250)**	-
Receivable on account of forward contracts	**(259)**	-
Payable on account of forward contracts	**255**	-
Interest on Income tax refund	**89**	222
Dividend paid	**(658)**	(585)
Tax on dividend	**(108)**	(98)
Interest paid	**(40)**	(15)
Net cash flow from financing activities (C)	**(721)**	(476)
Net changes in cash and cash equivalents (A+B+C)	**85**	160
Cash and cash equivalents—opening balance (Refer to footnote 3)	**303**	143
Cash and cash equivalents taken over on amalgamation (Refer to footnote 4)	**351**	-
Cash and cash equivalents—closing balance	**739**	303
Cash and cash equivalents comprise:		
Bank balance in current accounts	**505**	261
Fixed deposits held as margin money (Refer to footnote 5)	**11**	4
Fixed deposits	**180**	-
Bank balance in unclaimed dividend accounts (Refer to footnote 5)	**43**	38
	739	303

Footnotes

1 The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard 3 "Cash Flow Statement" specified in the Companies (Accounting Standards) Rules, 2006.

2 Sale of business in 2010-11 includes Rs 133 million (including excess consideration received Rs 38 million) towards sale of National Starch (Specialty Starches) business and Rs 56 million towards sale of Adhesives business sold in 2008-09. The excess consideration received was repaid during 2011-12.

3 Opening balance of previous year is net of adjustments due to realignment of policy as to certain mutual fund balances.

4 Cash and cash equivalents as on 1 April 2011 include the following amounts taken over on amalgamation (Refer to note 2);

	Rs million
Bank balance in current accounts	197
Fixed deposits held as margin money	24
Fixed deposits	130
	351

5 Fixed deposits held as margin money and bank balance in unclaimed dividend accounts are not available for use by the Company.

As per our report attached.

For **B S R & Associates**
Chartered Accountants
Firm Registration No. 116231W

Kaushal Kishore
Partner
Membership No. 090075

21 May 2012
Gurgaon

For and on behalf of the **Board of Directors** of **Akzo Nobel India Limited**

N Kaviratne CBE
Chairman

A Jain
Managing Director

P S Basu
Wholetime Director

R Guha
Company Secretary

Notes to the accounts

(Amounts in Rs million, unless stated otherwise)

Note 1: Significant accounting policies

Basis of preparation of financial statements

The financial statements are prepared on accrual basis under the historical cost convention, modified to include revaluation of certain assets, in accordance with applicable Accounting Standards ("AS") specified in the Companies (Accounting Standards) Rules, 2006 and presentational requirements of the Companies Act, 1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of activities and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/non-current classification of its assets and liabilities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the results of operations during the year. Differences between actual results and estimates are recognised in the year in which the results are known or materialise. Examples of such estimates are estimated useful life of assets, provision for doubtful debts, etc. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

Fixed assets/depreciation

Fixed assets are stated at cost or at revalued amounts less accumulated depreciation. Cost of fixed assets includes all incidental expenses and interest costs on borrowings, attributable to the acquisition of qualifying assets, up to the date of commissioning of such assets.

Depreciation is provided on the straight-line method over the useful life of fixed assets as estimated by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956, are considered as the minimum rates. If the management's estimate of the useful life of the asset at the time of acquisition of the asset, or of the remaining useful life on a subsequent review, is shorter than the envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation on assets at certain locations has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset Category	Estimated useful life (in years)
Buildings	25 to 33*
Plant and machinery	7 to 13*
Plant and machinery under operating lease	6
Laboratory equipment	10 to 13*
Office equipment	10
Furniture and fixture	10
Computers	3 to 6*
Vehicles	4
Trucks	7

*For different locations/type of assets.

Leasehold land is amortised over the period of the lease. Leasehold improvements are amortised over the remaining period of lease, or the derived useful lives of assets as prescribed in Schedule XIV to the Companies Act, 1956, whichever is shorter.

Additional charge of depreciation on amount added on revaluation is adjusted against revaluation reserve.

Fixed assets individually costing up to Rs 5,000 are fully depreciated in the year of purchase.

Fixed assets are reviewed for impairment on each Balance Sheet date, in accordance with AS 28 "Impairment of Assets".

Revenue recognition

Revenue from sale of goods is recognised when significant risk and rewards of ownership is transferred to customers.
Service income is recognised on an accrual basis as per the contractual terms with the customers, net of Service Tax.
Sales are stated inclusive of Excise Duty and net of rebates, export benefits, trade discounts and Sales Tax/VAT.
Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
Dividend or other income from mutual fund investments is recognised on declaration of dividend or on redemption, as the case may be.

Investments

Long-term investments are stated at cost less amount written off, where there is a diminution in value, other than temporary.
Current investments are stated at lower of cost and fair value.

Current assets

(a) Inventories

Stores and spare parts are valued at lower of cost and net realisable value, computed on a weighted average basis.

Raw materials, packing materials and work-in-process are carried at cost, computed on a weighted average basis, after providing for obsolescence. In case there is a decline in replacement cost of such materials and the net realisable value of finished products in which they will be used is expected to be below cost, the value of such materials and work in process is appropriately written down.

Each item of finished products is valued at lower of cost (computed on weighted average basis) and net realisable value. Cost includes an appropriate portion of manufacturing and other overheads, where applicable. Excise Duty on finished products is included in the value of finished products inventory.

(b) All other items of current assets are stated at cost after adequate provisions for any diminution in the carrying value.

Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rate prevailing on the date of the transaction. All monetary foreign currency assets and liabilities are converted at the exchange rates prevailing at the date of the Balance Sheet. All exchange differences are dealt with in the Profit and Loss Account.

The Company enters into forward contracts to hedge the foreign currency risk associated with monetary foreign currency liabilities. The premium on the forward contracts is amortised over the period of the contract. Any profit or loss arising on the cancellation or renewal of such forward exchange contract is recognised as income or expense for the period. Exchange differences on such forward contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.

Operating lease

The assets given under operating lease are shown in the Balance Sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The net lease income is recognised in the Profit and Loss Account on a straight line basis over the period during which the benefit is derived from the leased assets.

Employee benefits

a) Short-term employee benefits

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus, etc, are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

b) Post-employment benefits

Defined contribution plans

Defined contribution plans are provident fund scheme, superannuation scheme and part of the pension fund scheme for eligible employees.The Company's contribution to defined contribution plans are recognised in the Profit and Loss Account in the financial year to which they relate.

The Company makes specified monthly contribution towards employee provident fund to trusts administered by the Company/Regional Provident Fund Commissioner; towards superannuation fund to trusts managed by Life Insurance Corporation of India; and towards pension fund to respective trusts administered by the Company, where established. Where such pension trusts have not been established, the Company makes provision for the liability as on date of Balance Sheet. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on investments of the trust and the notified interest rate.

Defined benefit plans

Liability for funded post-retirement gratuity, pension and unfunded post-retirement medical benefit is accrued on the basis of actuarial valuation as at the date of the Balance Sheet using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured as the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans is based on the market yields of Government securities as at the Balance Sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account. In case of funded schemes, differential between fair value of plan assets of trusts and the present value of obligation as per acturial valuation is recognised as an asset or liability based on the assessment of related cash flows.

c) Other long-term employee benefits

Entitlements to annual leave and sick leave and long service awards are recognised when they accrue to employees. All leave entitlements can only be encashed at the time of retirement/termination of employment or may be availed during the term of employment, subject to a restriction on the maximum number of accumulation of leave entitlement days. The Company determines the liability for long term employee benefits on the basis of actuarial valuation as at the year end.

Research and development

Revenue expenditure on research and development including contribution to research associations is charged to statement of profit and loss. Capital expenditure on tangible assets for research and development is shown as additions to fixed assets.

Earnings per share

The Company reports basic and diluted earnings per equity share ('EPS') in accordance with Accounting Standard 20, Earnings Per Share, notified by the Companies (Accounting Standards) Rules, 2006. The basic and diluted Earnings Per Share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the period/year. Diluted Earnings Per Share is computed and disclosed after adjusting the effects of all dilutive potential equity shares, if any, except when the results will be anti-dilutive.

Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

Taxation

Income Tax expense comprises current tax and deferred tax charge or credit. Current tax provision is made based on the tax liability computed after considering tax allowances and exemptions under the Income Tax Act, 1961.

The deferred tax charge or credit and the corresponding deferred tax liability and assets are recognised using the tax rates that have been enacted or substantively enacted on the balance sheet date.

Deferred tax assets arising from unabsorbed depreciation or carry forward losses are recognised only if there is virtual certainty of realisation of such amounts. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Deferred tax assets are reviewed at each Balance Sheet date to reassess their realisability.

The credits arising from minimum alternate tax (MAT) paid are recognised as receivable only if there is convincing evidence that the Company will have sufficient taxable income in future years in order to utilise such credits.

Provisions and contingent liabilities

The Company recognises a provision when there is a present obligation as a result of a past event and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligations and the amount of such obligation can be reliably estimated. Provisions are not discounted to their present value and are determined based on the management's estimation of the outflow required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimates.

Contingent liabilites are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurence or non-occurrence of future events not wholly within the control of the Company.

When there is an obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Note 2: Scheme of Amalgamation

(a) A Scheme of Amalgamation of Akzo Nobel Car Refinishes India Private Limited (AN Car), Akzo Nobel Chemicals (India) Limited (AN Chemicals), Akzo Nobel Coatings India Private Limited (AN Coatings) (collectively referred to as "Transferor Companies") and Akzo Nobel India Limited (the Company) and their respective shareholders, under Sections 391 to 394 of the Companies Act, 1956 ("the Scheme") has been approved by the shareholders of the respective companies and sanctioned by the Honourable High Courts of Karnataka (vide its Orders dated 18 April 2012), Calcutta (vide its Order dated 24 April 2012) and Bombay (vide its Order dated 11 May 2012).

(b) The Scheme became effective on 18 May 2012 ("Effective Date") on filing of the last of the certified copies of the Orders with the Registrar of Companies. The Appointed Date from which the Scheme is operative is 1 April 2011 (the "Appointed Date").

(c) AN Car was engaged in the business of marketing automotive paints and related research and development. AN Chemicals was engaged in the business of manufacturing of chemicals. AN Coatings was engaged in the business of manufacturing and marketing industrial paints.

(d) Consequent to the Scheme becoming effective from the Appointed Date, the entire business and undertakings of the Transferor Companies, including all assets, debts, liabilities, duties and obligations have, without further act, instrument or deed, but subject to the charges affecting the same as on the Effective Date, been transferred and vested in the Company. On the Scheme becoming effective, all staff, workmen and employees of the Transferor Companies in service on the Effective Date, are deemed to have become staff, workmen and employees of the Company.

(e) During the period from the Appointed Date to the Effective Date, the Transferor Companies have been deemed to have carried on their respective business and activities for and on account of and in trust for the Company. Accordingly, the revenue from operations and profit before tax of the Transferor Companies for the year ended 31 March 2012, included in the financial statements, amounts to Rs 6,250 million and Rs 241 million respectively.

(f) Upon the Scheme becoming effective and in consideration for the amalgamation of the Transferor Companies, the Company shall issue and allot equity shares, credited as fully paid-up, to the extent indicated below, to the members of the Transferor Companies in the following proportion:

- 403 fully paid-up equity shares of Rs 10 each of the Company for every 100 fully paid-up equity shares of Rs 1,000 each held in AN Car;
- 51 fully paid-up equity shares of Rs 10 each of the Company for every 100 fully paid-up equity shares of Rs 10 each held in AN Chemicals; and
- 970 fully paid-up equity shares of Rs 10 each of the Company for every 100 fully paid-up equity shares of Rs 10 each held in AN Coatings.

The new equity shares to be issued to the members of the Transferor Companies shall be in multiples of 1 and any fractional shares shall be rounded-off to the next higher multiple of 1. The new equity shares to be issued shall rank *pari passu* with the existing equity shares of the Company. In accordance with the above, 11,125,983 equity shares of Rs 10 each will be issued, which presently have been shown as "Share capital pending allotment" in the Balance Sheet. The record date for issue of shares as above to the shareholders of the Transferor Companies has been determined as 18 May 2012.

(g) In terms of the Scheme, the authorised share capital of the Company stands enhanced to an amount of Rs 1,266.90 million divided into 126,690,000 equity shares of Rs 10 each, without any further act, instrument or deed on the part of the Company, including payment of stamp duty and fees payable to Registrar of Companies.

(h) In terms of the Scheme, the Company has accounted for the amalgamation based on the 'Pooling of Interest' method as under:

- All the assets and liabilities recorded in the books of the Transferor Companies have been recorded by the Company at their respective book values; the amount of inter-company balances have been cancelled.
- The identity of the reserves of the Transferor Companies as on the Appointed Date, if any, has been preserved and they appear in the financial statements of the Company in the same form and manner, in which they appeared in the Financial Statements of the Transferor Companies; and
- The surplus arising between the aggregate values of assets of the Transferor Companies acquired, net of the aggregate of the liabilities of the Transferor Companies, together with the share capital issued, and reserves of the Transferor Companies recorded by the Company (i.e, the difference between the amount recorded as share capital issued and the amount of share capital of the Transferor Companies), has been adjusted to the Capital Reserve Account of the Company as under:

(Rs million)

Particulars	AN Car	AN Chemicals	AN Coatings	Total
Fixed assets (net, including work-in-progress)	159	74	954	1,187
Deferred tax assets	-	5	23	28
Investments	-	-	14	14
Inter corporate advance*	-	1010	-	1010
Other assets	667	464	2,035	3166
Less:				
Inter corporate loan*	460	-	660	1120
Other liabilities	283	153	1,258	1,694
Net assets taken over (A)	**83**	**1,400**	**1,108**	**2,591**
Reserves and surplus recorded				
- General reserve	-	158	-	158
- Capital reserve	-	3	-	3
- Balance in the Statement of Profit and Loss	(215)	1,190	1,100	2,075
Total reserves and surplus **(B)**	**(215)**	**1,351**	**1,100**	**2,236**
Equity shares issued/to be issued				
- Number of shares (numbers)	1,200,091	2,499,038	7,426,854	11,125,983
- Share capital (Rs million) **(C)**	**12**	**25**	**74**	**111**
Transferred/adjusted in capital reserve (A-B-C)	**286**	**24**	**(66)**	**244**

*Set off against each other on amalgamation.

Note 3.1: Share capital

	As at 31 March 2012	As at 31 March 2011
Authorised		
1,266,900,000 equity shares of Rs 10 each (2010-11: 41,690,000 equity shares of Rs 10 each) (Refer to note 2)	**1,267**	417
Issued, subscribed and fully paid-up		
36,834,331 equity shares of Rs 10 each fully paid-up (2010-11: 36,834,331 equity shares)	**368**	368

Footnotes

(i) Of the above equity shares, 21,967,644 shares (2010-11: 20,776,213 shares) are held by Imperial Chemical Industries Limited, England, the holding Company. The ultimate holding Company is Akzo Nobel N.V., Netherlands and does not hold any shares in the Company directly.

(ii) During the current year and in the previous year, there has been no movement in the number of equity shares outstanding. This does not consider the shares pending allotment in accordance with the Scheme of Amalgamation (Refer to note 2). In accordance with the terms of the Scheme of Amalgamation, 11,125,983 shares of Rs 10 each, fully paid-up, will be issued and, therefore, presently have been shown as "Share capital pending allotment" in the Balance Sheet.

(iii) The Company has only one class of equity shares, having a par value of Rs 10 per share. Each shareholder is eligible to one vote per share held. The Company declares and pays dividend in Indian Rupees. The dividend proposed, if any, by the Board of Directors is subject to approval of shareholders in the ensuing Annual General Meeting. The repayment of equity share capital in the event of liquidation and buy back of shares are possible subject to prevalent regulations. In the event of liquidation, normally, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts in proportion to their shareholding.

(iv) Shares in the Company held by each shareholder holding more than 5% of equity share capital:

Shareholders	As at 31 March 2012		As at 31 March 2011	
	No. of shares	**% of shares held**	No. of shares	% of shares held
Imperial Chemical Industries Limited, England	**21,967,644**	**59.64%**	20,776,213	56.40%
Asian Paints Limited	**2,010,626**	**5.46%**	2,010,626	5.46%

(v) Number of equity shares of Rs 10 each bought back in the five years immediately preceeding the Balance Sheet date, aggregates to 4,036,281 (2010-11: 4,036,281).

Note 3.2: Reserves and surplus

	As at 31 March 2012	As at 31 March 2011
Capital reserves		
Opening balance	**239**	239
Add: Acquired on amalgamation (Refer to note 2)	**247**	-
Closing balance	**486**	239
Capital redemption reserve	**40**	40
Revaluation reserve		
Opening balance	**15**	15
Less: Adjustment on account of depreciation on revalued assets (Refer to footnote 1)	**-**	-
Closing balance	**15**	15
General reserve		
Opening balance	**3,978**	3,188
Add: Acquired on amalgamation (Refer to note 2)	**158**	-
Add: Amount transferred from surplus balance	**1,040**	790
Closing balance	**5,176**	3,978
Surplus		
Opening balance	**6,276**	6,071
Add: Acquired on amalgamation (Refer to note 2)	**2,075**	-
Profit for the year	**2,018**	1,766
Less: Appropriations:		
Transferred to general reserve	**(1,040)**	(790)
Proposed dividend (Refer to footnote 2)	**(959)**	(663)
Tax on dividend	**(156)**	(108)
Closing balance	**8,214**	6,276
Total reserves and surplus	**13,931**	10,548

Footnotes

1 Adjustment against revaluation reserve of Rs 0.1 million (2010-11: Rs 0.1 million) in respect of depreciation on revalued assets.

2 Dividend proposed Rs 20 per share (2010-11 Rs 18 per share), including on shares pending allotment under the Scheme of Amalgamation (Refer to note 2).

Note 3.3: Deferred tax liability (net)

	As at 31 March 2012	As at 31 March 2011
Deferred tax liability on account of		
Accelerated depreciation, etc.	**272**	170
Surplus payments to retiral trusts	**32**	32
	304	202
Less: Deferred tax assets on account of		
Provision for doubtful debts and advances	**46**	19
Leave encashment and retirement benefit provisions	**151**	83
Other provisions relating to divested businesses	**55**	57
Lease equalisation charge	**2**	-
Other expenditure deferred under the Income Tax Act, 1961	**24**	2
	278	161
Net deferred tax liability	**26**	41

Net deferred tax assets acquired on amalgamation Rs 28 million (Refer to note 2).

Note 3.4: Other long-term liabilities

	As at 31 March 2012	As at 31 March 2011
Security deposits from customers	**184**	149
Lease equalisation charge	**6**	-
Miscellaneous payables	**1**	8
	191	157

Note 3.5: Provisions

	Long term		Short term	
	As at 31 March 2012	As at 31 March 2011	**As at 31 March 2012**	As at 31 March 2011
Employee benefits	**361**	219	**122**	30
Income tax	**-**	-	**327**	211
Proposed dividend	**-**	-	**959**	663
Tax on proposed dividend	**-**	-	**156**	108
Indirect taxes*	**-**	-	**155**	150
Divested businesses*	**235**	253	**18**	9
Miscellaneous claims*	**33**	53	**20**	1
	629	525	**1,757**	1,172

***Footnotes**

(a) Details of provisions	**Indirect taxes (Footnote b)**	**Divested businesses (Footnote c)**	**Miscellaneous claims (Footnote d)**
Balance as at 31 March 2011	150	262	54
Provision created during the year	6	-	-
Payments against provisions	-	(3)	-
Provision written back	(1)	(6)	(1)
Closing balance as on 31 March 2012	**155**	**253**	**53**

(b) Provisions relating to indirect taxes are in respect of proceedings of various sales tax, excise duty, customs duty and other indirect tax cases, including those relating to divested businesses. Outflows in all these cases, including their timing and certainty, would depend on the developments/outcome in these cases, though, presently categorised as short term due to uncertainty involved.

(c) Provisions relating to divested businesses (other than any indirect tax cases relating to such businesses) are in respect of existing/ anticipated costs arising from divestment of businesses (Catalyst, Explosives, Rubber, Chemicals, Uniqema, Paints Advanced Refinish and Adhesives business) and subsidiaries (Quest International India Limited and Polyinks Limited). Outflows in these cases will depend upon settlement of demands/claims. These include a provision of Rs 125 million (as on 31 March 2011: Rs 125 million) carried forward from 2002-03 in respect of continuing obligation of the Company towards probable land cost liability on sale of Catalyst business.

(d) Miscellaneous claims are relating to litigation matters in respect of sale of properties and demand for past arrears in respect of electricity.

(e) The utilisation of the above provisions would depend on the resolution of the related issues, though classified as long term or short term, based on the management's best estimates and information presently available.

Note 3.6: Trade payables

	As at 31 March 2012	As at 31 March 2011
Acceptances	**139**	1
Payables to:		
Micro, small and medium enterprises*	**48**	3
Others	**3,974**	2,249
	4,161	2,253
*Disclosure as required under the Micro, Small and Medium Enterprises Development Act, 2006, in respect of micro and small suppliers based on the information available with the Company:		
(i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of accounting year	**48**	3
(ii) the amount of interest paid by the buyer under MSMED Act 2006, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
(iii) the amount of interest due and payable for the period (where the principal has been paid but interest under the MSMED Act 2006 not paid)	-	-
(iv) the amount of interest accrued and remaining unpaid at the end of the accounting year; and	-	-
(v) the amount of further interest due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	-	-

Note 3.7: Other current liabilities

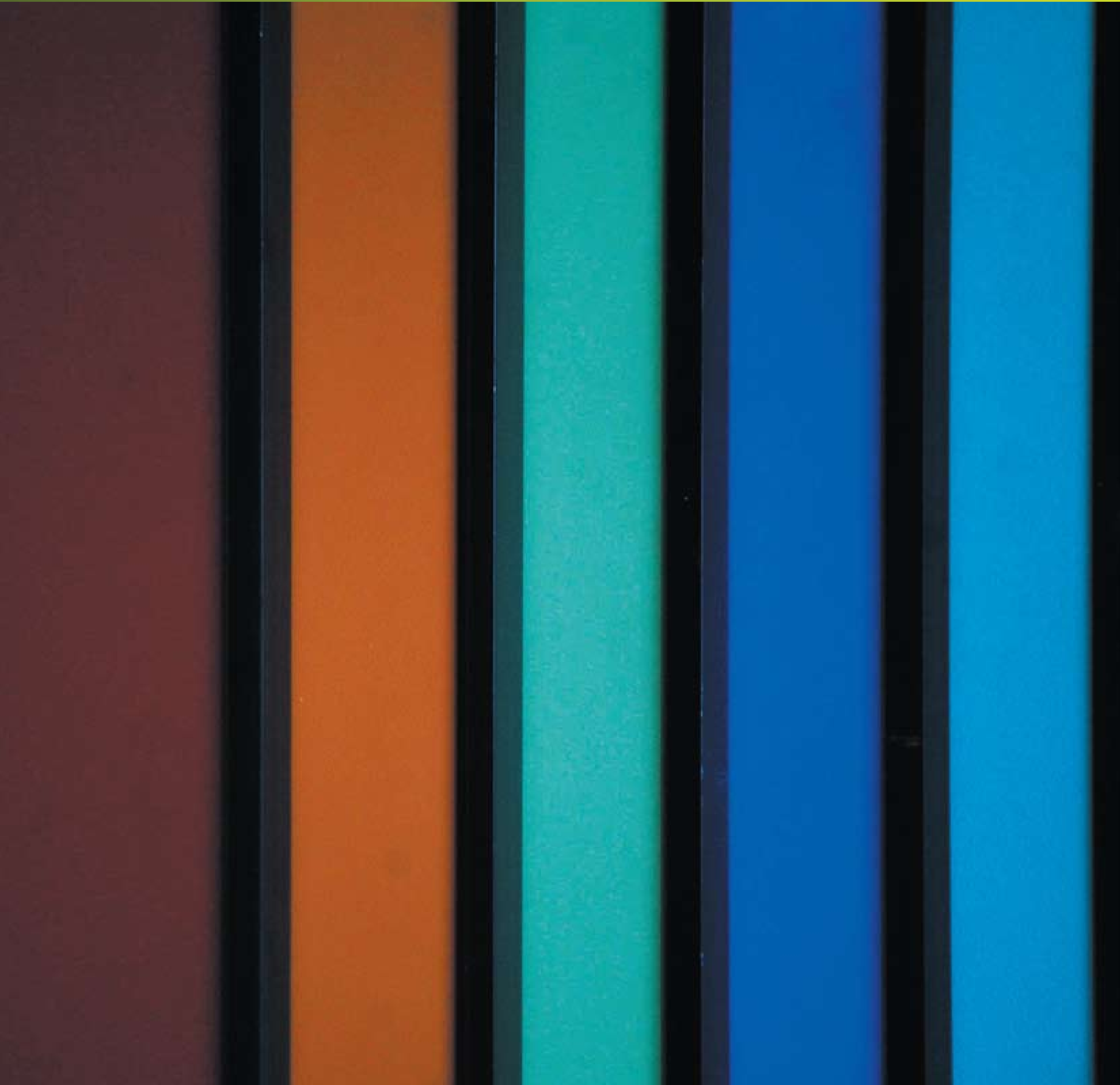
	As at 31 March 2012	As at 31 March 2011
Unpaid dividend#	**43**	38
Advance from Akzo Nobel Coating International B.V., Netherlands*	**17**	-
Statutory liabilities, including withholding taxes, provident fund and sales taxes	**373**	148
Payable on account of employees	**125**	32
Advances from customers	**11**	-
Security deposits from customers	**28**	10
Payable for purchase of fixed assets	**7**	34
Payable on account of forward contracts	**255**	-
Miscellaneous payables	**47**	73
	906	335

#There are no amounts due to be credited to Investor Education and Protection Fund.

*In a prior year, the erstwhile Akzo Nobel Car Refinishes India Private Limited (AN Car), had received an interest free advance of Rs 17 million in the nature of share application money from a fellow subsidiary, under an assignment of dues by Akzo Nobel Coating International B.V. (the non-resident holding company of AN Car). AN Car had not allotted the shares or refunded the amount till 31 March 2011. In the current year, an application has been made to the Reserve Bank of India (RBI) seeking permission to retain the amount as an interest free advance and for condonation of non-compliances, if any, by AN Car under the Foreign Exchange Management Act, 1999. The response of RBI is awaited, though the Company is hopeful of a favourable conclusion.

AkzoNobel
Tomorrow's Answers Today

Business lines from 3 to 9



Note 3.8: Fixed assets

For the year ended 31 March 2012

Particulars	Gross block					Depreciation					Net block
	Book value at cost or revalued amounts as at 31 March 2011	Additions on amalgamation (Refer to note 2)	Other additions at cost	Disposals/ adjustments	Book value at cost or revalued amounts as at 31 March 2012	Up to 31 March 2011	Additions on amalgamation (Refer to note 2)	Depreciation for the year	In respect of disposals/ adjustments	Up to 31 March 2012	As at 31 March 2012
Tangible assets											
Land (Refer to footnote 1 below)											
- leasehold	9	10	107	-	**126**	4	1	-	-	**5**	**121**
- freehold	62	19	222	-	**303**	-	-	-	-	**-**	**303**
Buildings (Refer to footnotes 1 and 2 below)	691	392	600	-	**1,683**	207	133	44	-	**384**	**1,299**
Plant and machinery	1,496	778	586	(5)	**2,855**	1,076	483	141	(5)	**1,695**	**1,160**
Plant and machinery—given under operating lease (Refer to note 5.11)	1,043	-	122	(14)	**1,151**	697	-	117	(14)	**800**	**351**
Motor vehicles, etc	9	21	10	(1)	**39**	4	16	3	(1)	**22**	**17**
Furniture and fixtures	105	61	102	(33)	**235**	63	51	21	(21)	**114**	**121**
Office equipment	-	43	10	94	**147**	-	35	5	82	**122**	**25**
Leasehold improvement	-	7	88	-	**95**	-	3	11	-	**14**	**81**
Data processing equipment	334	50	47	(91)	**340**	279	38	24	(86)	**255**	**85**
	3,749	**1,381**	**1,894**	**(50)**	**6,974**	**2,330**	**760**	**366**	**(45)**	**3,411**	**3,563**
Capital work-in-progress (Refer to footnote 3)											**148**
											3,711

Footnotes

(1) Land and buildings at certain locations were revalued on 1 October 1982 based on a valuation carried out by an independent valuer.

(2) Gross depreciation for the year includes depreciation on revalued assets of Rs 0.1 million (2010-11: Rs 0.1 million) charged against revaluation reserve.

(3) The Company acquired capital work-in-progress amounting to Rs 568 million as at 1 April 2011 under the Scheme of Amalgamation (Refer to note 2).

(4) Title in immovable properties, taken over pursuant to the Scheme of Amalgamation (Refer to note 2) is to be transferred in the name of the Company.

Note 3.8: Fixed assets (contd.)

For the year ended 31 March 2011

Particulars	Gross block					Depreciation					Net block
	Book value at cost or revalued amounts as at 31 March 2010	Additions on amalgamation (Refer to note 2)	Other additions at cost	Disposals/ adjustments (Refer to footnote 3)	Book value at cost or revalued amounts as at 31 March 2011	Up to 31 March 2011	Additions on amalgamation (Refer to note 2)	Depreciation for the year	In respect of disposals/ adjustments (Refer to footnote 3)	Up to 31 March 2011	As at 31 March 2011
Tangible assets											
Tangible assets											
Land (Refer to footnote 1 below)											
- leasehold	9	-	-	-	**9**	4	-	-	-	**4**	**5**
- freehold	62	-	-	-	**62**	-	-	-	-	**-**	**62**
Buildings (Refer to Footnotes 1 and 2 below)	669	-	23	(1)	**691**	191	-	16	-	**207**	**484**
Plant and machinery	1,439	-	57	-	**1,496**	1,004	-	72	-	**1,076**	**420**
Plant and machinery—given under operating lease (Refer to note 5.11)	921	-	122	-	**1,043**	588	-	109	-	**697**	**346**
Motor vehicles, etc.	8	-	1	-	**9**	3	-	1	-	**4**	**5**
Furniture and fixtures	87	-	19	(1)	**105**	58	-	5	-	**63**	**42**
Data processing equipments	300	-	35	(1)	**334**	266	-	14	(1)	**279**	**55**
	3,495	**-**	**257**	**(3)**	**3,749**	**2,114**	**-**	**217**	**(1)**	**2,330**	**1,419**
Capital work-in-progress											**145**
											1,564

Footnotes

(1) Land and buildings at certain locations were revalued on 1 October 1982 based on a valuation carried out by an independent valuer.

(2) Gross depreciation for the year includes depreciation on revalued assets of Rs. 0.1 million (2009-10 :Rs. 0.1 million) charged against revaluation reserve.

(3) Disposals/adjustments in gross block and depreciation include assets and accumulated depreciation respectively on the said assets transferred on sale of National Starch business.

Note 3.9: Non-current investments

	Number as at 31 March 2012	Number as at 31 March 2011	Face value Rs per unit	As at 31 March 2012	As at 31 March 2011
Long-term investments (at cost)					
(i) Trade investments					
Equity shares—unquoted					
Adyar Property Holding Company Limited (Book value Rs 6,825 (2010-11: Rs 6,825); paid-up Rs 65 per share)	**105**	105	100		
Debentures—unquoted					
5% Woodlands Research Foundation - non-redeemable: (Book value : Rs Nil) (2010-11: Rs 28,001) (Refer to foot note 4)	**-**	1	86,000	**-**	
0.5% Woodlands Research Foundation (Book value : Rs Nil) (2010-11 Re 1) (Refer to foot note 4)	**-**	110	100	**-**	
6.5% Bengal Chamber of Commerce and Industry (Book value Rs 19,000) (2010-11: Rs. 19,000)	**19**	19	1,000		
(ii) Other investments					
Equity shares—unquoted					
Kohinoor Mills Limited (Book value Rs 1,300) (2010-11: Rs.1,300)	**5**	5	100		
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited (Book Value Re 1) (2010-11: Re 1)	**144**	144	250		
Woodlands Multispeciality Hospital Limited (Book value Rs. 28,002) (2010-11: Rs Nil) (Refer to foot note 4)	**10,810**	-	10		-
6% Sholapur Spinning & Weaving Co. Limited (in Liquidation) (Book Value Re 1) (2010-11: Re 1)	**523**	523	100		
Non-convertible redeemable bonds (unsecured)—quoted					
Rural Electrification Corporation Limited (zero coupon) (Refer to footnote 2)	**29,450**	29,450	30,000	**400**	400
Investment in Fixed Maturity Plans of Mutual Funds—quoted					
ICICI Prudential Mutual Fund (FMP Series-63-One year Plan E-Cumulative) (invested during the year)	**45,000,000**	-	10	**450**	-
				850	400

Footnotes

1. Investment in shares are fully paid-up, except where indicated otherwise.
2. The non-convertible redeemable bonds carry a maturity face value of Rs 30,000 per bond with a zero coupon. The related income based on implicit yield to maturity has been accrued and included in long-term loans and advances.
3. Fixed maturity plans of mutual funds, wherever considered quoted, are so considered based of readily available net asset values.
4. During the year Debentures of Woodlands Research Foundation were converted into equity shares of Woodlands Multispeciality Hospital Limited.

	As at 31 March 2012		As at 31 March 2011	
	Aggregate Book Value	**Market Value/ Net Asset Value**	Aggregate Book Value	Market Value/ Net Asset Value
Quoted investments	**450**	**450**	-	-
-Fixed Maturity Plans of Mutual Funds	**400**	**418**	400	378
-Others	**850**	**868**	400	378
Unquoted investments				

*Rs 53,828 (2010-11 Rs 53,828)

Note 3.10: Long-term loans and advances

	As at 31 March 2012	As at 31 March 2011
(Unsecured, considered good)		
Capital advances	**83**	213
Security deposits	**106**	71
Loans and advances to related parties (Refer to footnote 1 and note 5.15)	**-**	50
Interest accrued on long-term investments (not due)	**44**	10
Advances to retirement benefit trusts	**130**	119
Advances to employees (Refer to footnotes 2 and 3)	**39**	33
Loans and advances to customers	**134**	-
Miscellaneous advances	**4**	77
	540	573

Footnotes

1. 2010-11 includes Rs 50 million to Akzo Nobel Car Refinishes India Pvt Ltd., a fellow subsidiary company, which has since been amalgamated with the Company during the year (Refer to note 2).

2. Advances to employees include:

(a) Dues from a Director	**1**	**-**
(b) Dues from an Officer	**1**	**1**

3. Advances to employees include housing loans given, against which the employees have submitted property title papers or other assets/documents as envisaged under the housing loan scheme.

Note 3.11: Other non-current assets

	As at 31 March 2012	As at 31 March 2011
Fixed deposits with maturity period of more than 12 months (Refer to note 3.15)	**4**	-
	4	-

Note 3.12: Current investments

	Number as at 31 March 2012	Number as at 31 March 2011	Face value Rs per unit	As at 31 March 2012	As at 31 March 2011
(i) Long-term investments (at cost) (Quoted) (with current maturities)					
Axis Mutual Fund (Fixed Term Plan Series 13 (370 days) -Growth) (matured during the year)	**-**	10,000,000	10	**-**	100
Axis Mutual Fund (Fixed Term Plan Series 14 (368 days) -Growth) (matured during the year)	**5,000,000**	-	10	**50**	-
Axis Mutual Fund (Fixed Term Plan Series 16 (370 days) -Growth) (invested during the year)	**20,000,000**	-	10	**200**	-
Birla Sun Life Mutual Fund (Fixed Term Plan Series CF -Growth) (matured during the year)	**-**	40,000,000	10	**-**	400
Birla Sun Life Mutual Fund (Fixed Term Plan Series CO -Growth) (matured during the year)	**-**	30,000,000	10	**-**	300
Birla Sun Life Mutual Fund (Fixed Term Plan Series EI -Growth) (invested during the year)	**30,000,000**	-	10	**300**	-
Birla Sun Life Mutual Fund (Fixed Term Plan Series DY -Growth) (invested during the year)	**10,000,000**	-	10	**100**	-
Birla Sun Life Mutual Fund (Fixed Term Plan-Series DD -Growth) (invested during the year)	**25,000,000**	-	10	**250**	-
DWS Mutual Fund (Fixed Term Fund Series 72 Growth) -(matured during the year)	**-**	15,000,000	10	**-**	150
DWS Mutual Fund (Fixed Term Fund Series 75 Growth) -(matured during the year)	**-**	20,000,000	10	**-**	200
DWS Mutual Fund (Fixed Term Fund Series 80 Growth) -(invested during the year)	**25,000,000**	-	10	**250**	-
DWS Mutual Fund (Fixed Term Fund Series 90 Growth) -(invested during the year)	**25,000,000**	-	10	**250**	-
DWS Mutual Fund (Fixed Term Fund Series 92 Growth) -(invested during the year)	**30,000,000**	-	10	**300**	-
Fidelity Mutual Fund (Fixed Maturity Fund Series 2 Plan D -Growth) (matured during the year)	**-**	10,000,000	10	**-**	100
Fidelity Mutual Fund (Fixed Maturity Fund Series 3 Plan F -Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
Fidelity Mutual Fund (Fixed Maturity Fund Series 6 Plan C -Growth) (invested during the year)	**15,000,000**	-	10	**150**	-
HDFC Mutual Fund (FMP 370 days June 2010(1) -Series XV) Growth) (matured during the year)	**-**	20,000,000	10	**-**	200
HDFC Mutual Fund (FMP 370 days Sep 2010(2) -Series XV Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
HDFC Mutual Fund (FMP 370 days May 2011(1) -Series XVIII Growth) (invested during the year)	**50,000,000**	-	10	**500**	-
ICICI Prudential Mutual Fund (Interval Annual Plan III -Growth) (matured during the year)	**-**	24,995,501	10	**-**	250
ICICI Prudential Mutual Fund (FMP Series 55 One year -Plan A Cumulative) (matured during the year)	**-**	55,000,000	10	**-**	550

	Number as at 31 March 2012	Number as at 31 March 2011	Face value Rs per unit	As at 31 March 2012	As at 31 March 2011
ICICI Prudential Mutual Fund -(FMP Series-56 One year Plan D -Cumulative) (matured during the year)	**-**	20,000,000	10	**-**	200
ICICI Prudential Mutual Fund -(FMP Series 61 One year Plan A -Cumulative) (invested during the year)	**30,000,000**	-	10	**300**	-
ICICI Prudential Mutual Fund (Interval Annual Plan III Inst. -Growth) (invested during the year)	**23,056,350**	-	10	**250**	-
ICICI Prudential Mutual Fund (Interval Annual Plan I Inst. -Growth) (re-invested during the year)	**49,965,024**	49,965,024	10	**500**	500
IDBI Mutual Fund (FMP 369 Days Series II (Feb 2012)-C -Growth) (invested during the year)	**20,000,000**	-	10	**200**	-
IDFC Mutual Fund (FMP Yearly Series 52 Growth) -(invested during the year)	**30,000,000**	-	10	**300**	-
IDFC Mutual Fund (FMP Yearly Series 54 Growth) -(invested during the year)	**25,000,000**	-	10	**250**	-
JP Morgan Mutual Fund -(Fixed Maturity Plan 400 days Series 1 -Growth) (matured during the year)	**-**	20,000,000	10	**-**	200
Kotak Mahindra Mutual Fund (FMP 370 days Series 7 -Growth) (matured during the year)	**-**	35,000,000	10	**-**	350
Kotak Mahindra Mutual Fund (FMP Series 57 -Growth) (invested during the year)	**25,000,000**	-	10	**250**	-
Kotak Mahindra Mutual Fund (FMP Series 52 -Growth) (invested during the year)	**30,000,000**	-	10	**300**	-
Reliance Mutual Fund (Fixed Horizon Fund XVI Series 1 -Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
Reliance Mutual Fund (Fixed Horizon Fund XIX Series 11 -Growth) (matured during the year)	**-**	20,000,000	10	**-**	200
Reliance Mutual Fund (Fixed Horizon Fund XIX Series 4 -Growth) (invested during the year)	**25,000,000**	-	10	**250**	-
Religare Mutual Fund (FMP Series III Plan A (12 months) -Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
Religare Mutual Fund (FMP Series VI Plan D (370 days) -Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
Religare Mutual Fund (FMP Series X - Plan B (370 days) -Growth) (invested during the year)	**15,000,000**	-	10	**150**	-
Religare Mutual Fund (FMP Series X Plan F (371 days) -Growth) (invested during the year)	**20,000,000**	-	10	**200**	-
Religare Mutual Fund (FMP Series VIII Plan A (368 days) -Growth) (invested during the year)	**25,000,000**	-	10	**250**	-
SBI Mutual Fund (FMP Debt Fund Series (367 days) 19 -Growth) (invested during the year)	**20,000,000**	-	10	**200**	-
Sundaram Mutual Fund (Fixed Term Plan BN (366 days) -Growth) (invested during the year)	**10,000,000**	-	10	**100**	-

Note 3.12: Current Investments (contd.)

	Number as at 31 March 2012	Number as at 31 March 2011	Face value Rs per unit	**As at 31 March 2012**	As at 31 March 2011
Tata Mutual Fund (Fixed Maturity Plan Series 26 -Scheme C Growth)-(matured during the year)	**-**	25,000,000	10	**-**	250
Tata Mutual Fund (Fixed Maturity Plan Series 27 -Scheme A Growth)-(matured during the year)	**-**	50,000,000	10	**-**	500
Tata Mutual Fund (Fixed Maturity Plan Series 34 -Scheme C Growth)-(invested during the year)	**50,000,000**	-	10	**500**	-
Tata Mutual Fund (Fixed Maturity Plan Series 36 -Scheme C Growth)-(invested during the year)	**25,000,000**	-	10	**250**	-
Tata Mutual Fund (Fixed Maturity Plan Series 37 -Scheme A Growth)-(invested during the year)	**25,000,000**	-	10	**250**	-
Taurus Mutual Fund (Fixed Maturity Plan (370 -days) Series G Growth)-(invested during the year)	**10,000,000**	-	10	**100**	-
UTI Mutual Fund (Fixed Term Income Fund -Series IX-1(367 days) Growth)-(matured during the year)	**-**	130,000,000	10	**-**	1,300
UTI Mutual Fund (Fixed Term Income Fund -Series XI-VII (366 days) Growth)-(invested during the year)	**150,000,000**	-	10	**1,500**	-
				8,450	7,000
Investment in fixed maturity plans of mutual funds—quoted					
HDFC Mutual Fund (FMP 20M (Sept 2009) -Growth Series XI) (matured during the year)	**-**	50,000,000	10	**-**	500
Kotak Mahindra Mutual Fund (FMP 19M Series 2 -Growth) (matured during the year)	**-**	50,000,000	10	**-**	500
Kotak Mahindra Mutual Fund (FMP 18M Series 4 -Growth) (matured during the year)	**-**	25,000,000	10	**-**	250
Reliance Mutual Fund (Fixed Horizon Fund -XIII Series 4 Growth)-(matured during the year)	**-**	50,000,000	10	**-**	500
Reliance Mutual Fund (Fixed Horizon Fund -XIV Series 1 Growth)-(matured during the year)	**-**	20,000,000	10	**-**	200
Tata Mutual Fund (Fixed Maturity Plan -Series 25 Scheme A Super High Invest Plan Growth)-(matured during the year)	**-**	45,000,000	10	**-**	450
				-	2,400

	Number as at 31 March 2012	Number as at 31 March 2011	Face value Rs per unit	As at 31 March 2012	As at 31 March 2011
(ii) Other investments (at the lower of cost and fair value)					
Investment in liquid/floater schemes of mutual funds—quoted					
SBI Mutual Fund Premier Liquid Fund -Super Institutional Growth) -(invested during the year)	**118,655**	-	1,000	**200**	-
Kotak Mahindra Mutual Fund (Liquid Fund -Institutional Premium Growth) -(invested during the year)	**4,597,997**	-	10	**100**	-
DWS Mutual Fund (Ultra Short Term Fund -Regular Plan Bonus—Bonus) -(invested during the year)	**3,632,053**	-	10	**35**	-
Axis Mutual Fund (Liquid Fund -Growth) (invested during the year)	**84,154**	-	1,000	**100**	-
				435	-
Investment in short term income schemes of mutual funds—quoted					
Franklin Templeton Mutual Fund (India Income Opportunities Fund Growth) (reinvested during the year)	**4,862,678**	4,862,678	10	**50**	50
IDFC Mutual Fund (Money Manager Fund -Investment Plan Inst Plan B Growth) -(invested during the year)	**15,033,434**	-	10	**250**	-
				9,185	9,450

Footnote
1. Fixed maturity plans of mutual funds, wherever considered quoted are so considered based of readily available net asset values.

	As at 31 March 2012		As at 31 March 2011.	
	Aggregate Book Value	**Market Value/ Net Asset Value**	Aggregate Book Value	Market Value/ Net Asset Value
Quoted investments				
-Fixed maturity plans of mutual funds	**8,450**	**9,282**	9,400	9,831
-Liquid schemes of mutual funds	**435**	**438**	-	-
-Short-term income schemes of mutual funds	**300**	**308**	50	53
	9,185	**10,028**	9,450	9,884

Note 3.13: Inventories

(at the lower of cost and net realisable value)

	As at 31 March 2012	As at 31 March 2011
Raw materials (Refer to footnote 1)	**1,091**	399
Work-in-process	**65**	14
Stores and spares parts	**3**	2
Finished products	**1,800**	1,016
Stock in trade (Refer to footnote 1)	**375**	101
	3,334	1,532
Footnote 1		
Includes in transit inventory		
Raw materials	**36**	-
Stock in trade	**92**	5
Additional disclosures regarding inventories		
Work-in-process		
Titanium dioxide	**8**	-
Pigments/extenders/tinters	**11**	5
Resins	**18**	1
Latex, monomers	**8**	-
Others*	**20**	8
	65	14
Finished products		
Coatings	**1,593**	994
Thinners	**52**	22
Others*	**155**	-
	1,800	1,016
Stock-in-trade		
Coatings	**332**	84
Others*	**43**	17
	375	101

*Others do not include any individual items accounting for 10% or more in total value.

Note 3.14: Trade receivables

	As at 31 March 2012	As at 31 March 2012	As at 31 March 2011	As at 31 March 2011
Secured—considered good				
Outstanding over 6 months		-		1
Others		9		7
		9		8
Unsecured				
Debts outstanding over 6 months				
– considered doubtful	112		50	
Less: Provision for doubtful debts	(112)	-	(50)	-
		-		-
Other debts				
– considered good		2,251		693
– considered doubtful	30		8	
Less: Provision for doubtful debts	(30)	-	(8)	-
		2,251		693
		2,260		701

Note 3.15: Cash and bank balances

	Short term		Long term	
	As at 31 March 2012	As at 31 March 2011	As at 31 March 2012	As at 31 March 2011
Cash and cash equivalents				
Balance with banks				
Current accounts	505	261	-	-
Fixed deposits with original maturity period of up to 3 months	161	-	-	-
Other bank balances				
Fixed deposits with maturity period of more than 3 months	19	-	4	-
Fixed deposits held as margin money (Refer to footnote 1)	11	4	-	-
Unpaid dividend accounts	43	38	-	-
	739	303	4	-
Less: Amount disclosed under other non-current assets (Refer to note 3.11)			(4)	-
	739	303	-	-

Footnote

1 Fixed deposits held as margin money against various guarantees issued by bank on behalf of the Company in favour of Government authorities.

Note 3.16: Short-term loans and advances
(Unsecured)

		As at 31 March 2012	As at 31 March 2011
Considered good			
Security deposits		**14**	18
Loans and advances to related parties (Refer to note 5.15)		**-**	60
Advances to suppliers		**106**	87
MAT credit entitlement		**65**	-
Income taxes		**583**	559
Indirect taxes		**250**	28
Advances to retirement benefit trusts		**2**	67
Loans to employees (Refer to footnote 1)		**26**	27
Advances to customers		**90**	-
Prepaid expenses		**45**	24
Other advances		**10**	5
		1,191	875
Considered doubtful			
Other advances	16		
Less: Provision for doubtful advances	(16)	**-**	-
		1,191	875

Footnote
1. Advances to employees include housing loans given, against which the employees have submitted property title papers or other assets/ documents as envisaged under the housing loan scheme.

Note 3.17: Other current assets

	As at 31 March 2012	As at 31 March 2011
Unamortised premium on forward contracts	**3**	-
Receivable on account of forward contracts	**259**	-
Others	**4**	1
	266	1

Note 4.1: Revenue from operations

	For the year ended 31 March 2012		For the year ended 31 March 2011	
Sale of products				
Finished products	**18,507**		10,733	
Traded products	**2,663**		1,188	
Sales (after rebates and discounts)		**21,170**		11,921
Less: Excise duty		**(1,745)**		(1,045)
Net sales		**19,425**		10,876
Service income		**260**		-
Other operating income				
Duty drawback on export, subsidy, etc	**21**		-	
Lease rentals	**87**		77	
Scrap sales	**21**		10	
Miscellaneous	**64**		5	
		193		92
		19,878		10,968
Additional disclosures in respect of sale of products and services				
Sale of finished products				
Coatings		**16,490**		10,321
Others*		**2,017**		412
		18,507		10,733
Sale of traded products				
Coatings		**2,469**		996
Others*		**194**		192
		2,663		1,188
Sale of services				
Research and development		**214**		-
Others		**46**		-
		260		-

*Include products incidental to coatings and chemicals businesses. These items do not include any individual items accounting for 10% or more in total value.

Note 4.2: Other income

	For the year ended 31 March 2012	For the year ended 31 March 2011
Dividend income from investments		
- Current	**24**	22
- Long term	**-**	1
Accrued interest on bonds (long term)	**34**	9
Gains on redemption of long-term fixed maturity plan mutual fund schemes	**874**	-
Gains on redemption of short-term liquid mutual fund schemes	**35**	539
Profit on sale of investments	**-**	56
Interest income on income tax refund	**89**	222
Surplus in pension fund written back	**2**	53
Provision for doubtful debts written back	**-**	50
Provision/liabilities no longer required written back	**17**	5
Profit on disposal of fixed assets (net)	**1**	-
Interest received on inter-corporate deposits with related parties	**-**	15
Miscellaneous	**47**	15
	1,123	987

Note 4.3: Cost of materials consumed

	For the year ended 31 March 2012	For the year ended 31 March 2011
Opening stock		
Raw materials	**399**	157
Add: Purchases		
Raw materials	**10,358**	5,503
Add: Acquired pursuant to Scheme of amalgamation (Refer to note 2)		
Raw materials	**460**	-
Less: Closing stock		
Raw materials	**(1,091)**	(399)
Materials consumed	**10,126**	5,261
Details of raw materials consumed		
Titanium dioxide	**1,276**	829
Pigments/extenders/tinters	**1,559**	714
Resins	**2,119**	635
Latex, monomers	**1,195**	986
Solvents	**1,368**	659
Packing material	**1,066**	782
Others*	**1,543**	656
	10,126	5,261

*Others comprise several items and do not include any individual items accounting for 10% or more in total value.

Note 4.4: Purchase of stock-in-trade

	For the year ended 31 March 2012	For the year ended 31 March 2011
Coatings	**1,743**	673
Others*	**125**	109
	1,868	782

*Others comprise several items and do not include any individual items accounting for 10% or more in total value.

Note 4.5: Changes in inventories of finished goods, work-in-process and stock-in-trade

	For the year ended 31 March 2012	For the year ended 31 March 2011
Inventories at the beginning of the year		
Finished products	**1,016**	700
Stock-in-trade	**101**	91
Work-in-process	**14**	24
	1,131	815
Less: Transfer on divestment of business (Refer to note 4.9)		
Finished products	**-**	(11)
	-	(11)
Add: Acquired pursuant to Scheme of amalgamation (Refer to note 2)		
Finished products	**212**	-
Stock-in-trade	**181**	-
Work-in-process	**15**	-
	408	-
Less: Inventories at the end of the year		
Finished products	**1,800**	1,016
Stock-in-trade	**375**	101
Work-in-process	**65**	14
	2,240	1,131
Movement in excise duty on finished products	**97**	59
	(604)	(268)

Note 4.6: Employee benefit expenses

	For the year ended 31 March 2012	For the year ended 31 March 2011
Salaries and wages	**1,267**	609
Contribution to provident and other funds	**125**	30
Other retirement benefits	**3**	44
Staff welfare expenses	**78**	13
	1,473	696

Note 4.7: Finance costs

		For the year ended 31 March 2012		For the year ended 31 March 2011
Interest expense		**30**		8
Bank charges		**9**		7
		39		15

Note 4.8: Other expenses

Stores and spare parts		**54**		14
Repairs and maintenance				
- Plant and machinery		**66**		29
- Buildings		**7**		-
- Others		**34**		5
Power and fuel		**134**		58
Travelling		**287**		144
Rates and taxes		**129**		72
Rent		**229**		145
Communication		**76**		47
Insurance		**24**		14
Freight and transport		**815**		497
Advertisement and publicity		**1,092**		913
Sales promotion		**123**		101
Royalty and technical fees		**360**		101
Cash discount on sales		**710**		571
Loss on write-off of fixed assets		**4**		-
Research and development		**92**		44
Directors' sitting fees		**1**		1
Consultancy charges		**265**		118
Loss on foreign exchange (net)		**56**		11
Audit fees				
- as auditors	**5**		3	
- for taxation matters	**1**		1	
- for other services	**1**		-	
- for reimbursement of expenses	**1**	**8**	1	5
Bad debts/advances written off	**7**		16	
Less: provision held	**(7)**	**-**	(16)	-
Provision for doubtful debts		**45**		6
Miscellaneous expenses		**658**		270
		5,269		3,166

Note 4.9: Exceptional items

Profit on sale of National Starch business*	**-**	113
	-	113

*During the previous financial year, the Company sold its National Starch (Specialty Starches) business on 30 December 2010 to C P Ingredients India Private Limited for a consideration of Rs 133 million. Profit on sale of above was Rs 113 million.

Note 5.1: Contingent liabilities

		As at 31 March 2012	As at 31 March 2011
(a)	Claims against the Company not acknowledged as debt	**50**	50
(b)	Sales tax matters under appeal	**123**	129
(c)	Excise matters in dispute/under appeal	**88**	85
(d)	Industrial relations and other matters under dispute	**2**	2
(e)	Bank guarantees (third parties, etc)	**91**	-
(f)	Income Tax matters in dispute/under appeal*		

*The Income Tax assessments for the Company have been completed up to the financial year ended 31 March 2007. Arising from such assessments and appellate orders, the demands aggregate to Rs 1,675 million (2010-11: Rs 1,545 million) and the refunds aggregate to Rs 1,296 million (2010-11: Rs 1,356 million). The Company as well as the Income Tax department have filed appeals on these matters. Pending decision in the appeals, neither the refunds nor the liability for the demands have been recognised in the accounts. The Company, based on its assessment of such cases, is of the view that the final outcome is not likely to have significant liabilities.

Note 5.2: Commitments

	As at 31 March 2012	As at 31 March 2011
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	**150**	293

Note 5.3: Change in accounting estimates for depreciation of fixed assets

Post-amalgamation of the Transferee companies (Refer to note 2), the management reviewed the expected period of utilisation of assets across the entities and has revised the estimated useful life of certain categories of assets, viz., furniture and fixtures and office equipment. Accordingly, as per Accounting Standard (AS) 6 'Depreciation Accounting', depreciation charge has been computed by amortising the balance depreciable amount of such fixed assets as at 1 April 2011 over their revised remaining useful life. However, the impact of the above is not significant.

Note 5.4: Earnings per share

	For the year ended 31 March 2012	For the year ended 31 March 2011
(a) Calculation of weighted average number of equity shares of Rs 10 each		
Number of equity shares at the beginning of the year	**36,834,331**	36,834,331
Add: Share capital pending allotment (Refer to note 2)	**11,125,983**	-
Total number of equity shares outstanding at the end of the year	**47,960,314**	36,834,331
Weighted average number of shares	**47,960,314**	36,834,331
(b) Net profit after tax available for equity shareholders (Rs million)	**2,018**	1,766
(c) Earnings per equity share—basic and diluted (in Rs) [Face value of Rs 10 each]	**42.08**	47.94

Note 5.5: Value of imported raw materials, spare parts and components consumed

	Raw materials				Spare parts and components			
	2011-12	2010-11	**2010-12 %**	2010-11 %	**2011-12**	2010-11	**2011-12 %**	2010-11 %
Imported	**2,991**	1,164	**30%**	22%	**17**	-	**31%**	0%
Indigenous	**7,135**	4,097	**70%**	78%	**37**	14	**69%**	100%
	10,126	5,261	**100%**	100%	**54**	14	**100%**	100%

Raw materials, stores and spare parts consumed are after adjustments including shortage/excess, provision for losses, if any.

Note 5.6: Value of imports (CIF basis)

	2011-12	2010-11
Raw materials	**2,933**	1,042
Components and spare parts	**58**	-
Capital goods	**50**	21

Note 5.7: Expenditure in foreign currencies (on accrual basis)

	2011-12	2010-11
Royalty and technical fees	**360**	101
Professional and consultation fees	**79**	5
Travel and conveyance	**11**	13
Others (includes IT networking cost, communication expenses, container hire cost, training cost, project cost, etc)	**26**	-

Note 5.8: Earnings in foreign exchange (on accrual basis)

	2011-12	2010-11
Export of goods (FOB basis)	**444**	20
Reimbursement of expenses	**50**	-
Service income	**215**	-
Others	**13**	15

Note 5.9: Forward exchange contracts

(a) The Company uses forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions. The Company has not entered into any derivative instruments for trading or speculative purposes or for highly probable forecast transaction.
The forward exchange contracts outstanding (all 'buy' contracts) are as under:

	No. of contracts	**USD**	**Euro**	**SGD**
As at 31 March 2012	**43**	**4,346,832**	**350,467**	**235,227**
As at 31 March 2011	36	2,380,737	247,223	-

(b) The Company's foreign currency exposure that are not hedged by a derivative instrument or otherwise as on 31 March 2012: nil (2010-11: nil).

Note 5.10: Remittance in foreign currencies on account of dividend on equity shares

Dividend relating to the year	Number of non-resident shareholders	Number of shares	2011-12	2010-11
2010-11	1	20,776,213	**374**	
2009-10	1	20,776,213		332

Note 5.11: Operating leases

(a) The Company has given colour solution machines under operating lease to various dealers and customers. These have been disclosed under 'Plant and machinery—given under operating lease' in note 3.8 (Fixed assets). The future lease rentals receivable in respect of these assets, based on the agreements in place, are as under:

Amount receivable	Total future minimum lease rentals receivable as on 31 March 2012	Total future minimum lease rentals receivable as on 31 March 2011
Within one year	**53**	77
Later than one year and not later than five years	**38**	69
Later than five years	**1**	1
Total	**92**	147

(b) **Obligation on long-term non-cancellable operating leases**

The Company has taken office space on operating leases. The lease rentals charged during the year and maximum obligations on long-term non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

	2011-12	2010-11
- **Lease rentals charged during the year**	**38**	15
- **Lease obligations**	**Total future minimum lease rentals payable as on 31 March 2012**	Total future minimum lease rentals payable as on 31 March 2011
Within one year	**37**	26
Later than one year and not later than five years	**157**	113
Later than five years	**114**	128
Total	**308**	267

Note 5.12

Managerial remuneration paid by the erstwhile Akzo Nobel Coatings India Private Limited ("AN Coatings"), since amalgamated with the Company (Refer to note 2), was in excess of limits prescribed under the Companies Act,1956 by an amount of Rs 8 million and Rs 3 million for the years ended 31 March 1999 and 31 March 2000, respectively. AN Coatings had, therefore, made an application with the Central Government for approval of the excess remuneration paid, for which no response has been received so far.

Note 5.13: Employee benefits

Disclosure made in accordance with Accounting Standard (AS 15) pertaining to 'defined benefit' plans:

	Pension (funded)				Gratuity (funded)		Post-retirement medical benefits (unfunded)		Provident Fund (funded)	
	Management staff		Non-management staff							
	2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
(A) Employee benefit expense recognised in the Statement of Profit and Loss										
(a) Current service cost	**1**	2	**2**	2	**32**	7	**1**	2	**-**	-
(b) Interest cost	**2**	31	**7**	17	**14**	4	**15**	12	**-**	-
(c) Expected return on plan assets	**(6)**	(38)	**(11)**	(22)	**(12)**	(7)	**-**	-	**-**	-
(d) Actuarial (gains)/losses	**1**	15	**(15)**	(6)	**7**	6	**(14)**	30	**-**	-
(e) Liability extinguishment charge	**1**	8	**-**	5	**-**	-	**-**	-	**-**	-
(f) Writeback on account of assets recognition	**-**	(71)	**14**	-	**-**	(7)	**-**	-		
Total expense/(gain)$	**(1)**	(53)	**(3)**	(4)	**41**	3	**2**	44	**-**	-
(B) Net Asset/(Liability) as at year end										
(a) Present value of obligations as at year end	**27**	29	**78**	87	**209**	69	**184**	198	**2**	-
(b) Fair value of plan assets as at year end	**71**	78	**148**	140	**153**	91	**-**	-	**2**	-
(c) Fair value of plan assets, limited to present value of future contributions	**71**	78	**105**	111	**153**	91	**-**	-	**2**	-
Net asset/(liability) (b)-(a)	**44**	49	**70**	53	**(56)**	22	**(184)**	(198)	**(0)**	-
Net asset/(liability) recognised in Balance Sheet (c)-(a)	**44**	49	**27**	24	**(56)**	22	**(184)**	(198)	**-**	-
(C) Change in defined benefit obligations during the year										
Present value of obligations at beginning of the year	**29**	417	**87**	239	**69**	60	**198**	164	**-**	-
Liabilities assumed in an amalgamation (Refer to note 2)	**-**	-	**-**	-	**103**	-	**-**	-	**-**	-
(a) Current service cost	**1**	2	**2**	2	**32**	7	**1**	2	**-**	-
(b) Interest cost	**2**	30	**7**	17	**14**	4	**15**	12	**-**	-

	Pension (funded)				Gratuity (funded)		Post-retirement medical benefit (unfunded)		Provident Fund (funded)	
	Management staff		Non-management staff							
	2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
(c) Benefits paid	**(7)**	(41)	**(12)**	(25)	**(14)**	(7)	**(16)**	(10)	**-**	-
(d) Actuarial (gains)/losses	**1**	2	**(6)**	(6)	**5**	5	**(14)**	30	**2**	-
(e) Liabilities extinguished on settlements	**1**	(381)	**-**	(140)	**-**	-	**-**	-	**-**	-
Present value of obligations at end of the year	**27**	29	**78**	87	**209**	69	**184**	198	**2**	-
(D) Change in fair value of plan assets during the year										
Fair value of plan assets as at beginning of the year	**78**	494	**140**	287	**91**	91	**-**	-	**-**	-
Less restriction for net assets in excess of future contributions	**(0)**	(71)	**(29)**	(29)	**(0)**	(7)	**-**	-	**-**	-
Fair value of plan assets as at beginning of the year (net)	**78**	423	**111**	258	**91**	84	**-**	-	**-**	-
Assets acquired in an amalgamation (Refer to note 2)	**-**	-	**-**	-	**47**	-	**-**	-	**-**	-
(a) Expected return on plan assets#	**6**	38	**11**	22	**11**	7	**-**	-	**-**	-
(b) Actual company contributions	**-**	-	**0**	-	**20**	-	**16**	10	**-**	-
(c) Benefit payments	**(2)**	(41)	**(12)**	(25)	**(14)**	(7)	**(16)**	(10)	**-**	-
(d) Adjustment of DC contribution	**(5)**	(10)	**-**	-	**-**	-	**-**	-	**-**	-
(e) Actuarial gains/(losses)#	**-**	(14)	**9**	-	**(2)**	-	**-**	-	**2**	-
(f) Unrecognised asset taken into account	**-**	71	**(14)**	-	**-**	7	**-**	-	**-**	-
(g) Benefit payments—settlements	**(6)**	(389)	**-**	(144)	**-**	-	**-**	-	**-**	-
Fair value of plan assets (after applying restrictions in excess of future contributions)	**71**	78	**105**	111	**153**	91	**-**	-	**2**	-
Restriction for net assets in excess of future contributions	**-**	-	**43**	29	**-**	-	**-**	-	**-**	-
Fair value of plan assets at end of the year	**71**	78	**148**	140	**153**	91	**-**	-	**2**	-

	Pension (funded)				Gratuity (funded)		Post-retirement medical benefit (unfunded)		Provident Fund (funded)	
	Management staff		Non-management staff							
	2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
(E) Category of assets										
Debt securities	**99%**	81%	**100%**	53%	**61%**	92%	-	-		77%
Gilts	**0%**	0%	**0%**	0%	**4%**	4%	-	-		9%
Insurer managed funds	**1%**	1%	**0%**	37%	**33%**	0%				0%
Special deposit	**0%**	18%	**0%**	10%	**2%**	4%				14%
Total	**100%**	100%	**100%**	100%	**100%**	100%				100%
(F) Actuarial assumptions										
(a) Discount rate (annual)*	**8.60%**	8.00%	**8.60%**	8.00%	**8.60%**	8.00%	8.60%	8.00%		
(b) Expected rate of return on assets (per annum)	**8.00%**	8.00%	**8.00%**	8.00%	**8.00%**	8.00%	-	-		

(c) Estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(d) In case of actuarial valuation of post retirement medical benefit, the following medical inflation rates have been considered: actual rate for 2012-13, 8% for 2013-14 and 6% for 2014-15 onwards. A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of service cost and interest cost and defined benefit obligation:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	**18**	**16**
Effect on defined benefit obligation as on 31 March 2012	**197**	**174**

$Shown as an expense/gain under 'Contribution to provident and other funds' in note 4.6.
*Discount rate is based on market yields available on Government bonds as at 31 March 2012 with a term that matches that of the liabilities.
#Together constitute actual return on plan assets.

Disclosures made in accordance with Accounting Standard (AS 15) pertaining to 'defined benefit' plans

(i) The actuarial valuation of defined benefit plans was carried out as on 31 March 2012. The net actuarial gain on account of post-retirement benefits scheme amounting to Rs 14 million (2010-11: actuarial loss of Rs 30 million) relating to medical insurance costs have been provided for and included in 'Other retirement benefit charges' (Note 4.6: Employee benefits expense). Actuarial gains/losses (net) relating to other schemes have been included in 'Contribution to provident and other funds'.

(ii) During the year, the Company has purchased annuities for remaining management staff pensioners for an amount of Rs 9 million.(2010-11: Rs 389 million for management staff pensioners and Rs 143 million for some of the non-management staff pensioners).

(iii) The Company has separate pension schemes for management staff and non-management staff. The former scheme is in the nature of 'final salary' plan and the latter scheme is in the nature of 'flat salary' plan. The Company also has separate gratuity schemes for management and non-management staff. The benefits paid are as per the scheme rules or as per Payment of Gratuity Act, 1972, whichever are more beneficial.

(iv) The guidance on implementing AS-15 (Revised) issued by Accounting Standards Board of the Institute of Chartered Accountants of India states that benefits involving employer established provident funds, which requires interest shortfall to be recompensated, are to be considered as defined benefit plans. During the year, the Institute of Actuaries has issued a Guidance Note on Valuation of Interest Guarantees on Exempt Provident Funds under AS 15 (Revised). On the basis of actuarial valuations/assessments carried out by the actuary under this Guidance Note, a shortfall of Rs 0.3 million has been identified in one of the Trusts managed by the Company and the amount has been provided for during the year. In the previous year, in the absence of such guidance, the Company had estimated that there was no shortfall and actuarial valuation was not necessary. The amount of contribution during the year of Rs 23 million (2010-11: Rs 18 million) has been included in 'Contributions to provident and other funds' in Note 4.6.

(v) **Experience adjustments**

Management staff pension fund

		31 Mar 08	31 Mar 09	31 Mar 10	31 Mar 11	**31 Mar 12**
1	Defined period benefit obligation at end of the period	(431)	(446)	(417)	(29)	**(27)**
2	Plan assets at end of the period	468	478	494	78	**71**
3	Funded status	37	32	77	49	**44**
4	Experience plan liabilities gain/(loss) adjustments on plan liabilities	(24)	1	7	(2)	**0**
5	Experience plan assets gain/(loss) adjustments on plan assets	17	(12)	30	(14)	**0**
6	Actuarial assumptions gain/loss) due to change on assumptions	7	(21)	5	1	**(1)**

Non-management staff pension fund

		31 Mar 08	31 Mar 09	31 Mar 10	31 Mar 11	**31 Mar 12**
1	Defined period benefit obligation at end of the period	(246)	(247)	(239)	(87)	**(78)**
2	Plan assets at end of the period	252	276	287	140	**148**
3	Funded status	6	29	48	53	**70**
4	Experience plan liabilities gain/(loss) adjustments on plan liabilities	6	9	(6)	-	**6**
5	Experience plan assets gain/loss) adjustments on plan assets	9	(4)	16	-	**9**
6	Actuarial assumptions gain/(loss) due to change on assumptions	2	(12)	3	5	**0**

Note 5.13: Employee benefits (contd.)

Gratuity Fund

		31 Mar 08	31 Mar 09	31 Mar 10	31 Mar 11	**31 Mar 12**
1	Defined period benefit obligation at end of the period	(53)	(55)	(60)	(70)	**(186)**
2	Plan assets at end of the period	87	94	91	91	**152**
3	Funded status	33	39	31	21	**(34)**
4	Experience plan liabilities gain/(loss) adjustments on plan liabilities	(4)	3	(6)	(5)	**13**
5	Experience plan assets gain/(loss) adjustments on plan assets	(1)	1	2	-	**(2)**
6	Actuarial assumptions gain/(loss) due to change on assumptions	-	(2)	(1)	(1)	**2**

Provident Fund

		31 Mar 08	31 Mar 09	31 Mar 10	31 Mar 11	**31 Mar 12**
1	Defined period benefit obligation at end of the period	-	-	-	-	**2**
2	Plan assets at end of the period	-	-	-	-	**1**
3	Funded status	-	-	-	-	**-**
4	Experience plan liabilities gain/(loss) adjustments on plan liabilities	-	-	-	-	**(2)**
5	Experience plan assets gain/(loss) adjustments on plan assets	-	-	-	-	**1**
6	Actuarial assumptions gain/(loss) due to change on assumptions	-	-	-	-	**-**

Note 5.14: Segment Information

(A) Information about primary business segments

(1) The Company's business segments comprise:

Coatings: consisting of decorative, automotive, industrial paints and related activities

Others: consisting of chemicals, polymers and related activities

(2) Segment revenues, results and other information

	Revenue	**Coatings**		**Others**		**Total**	
		2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
1.	**External sales (gross)**	**20,297**	11,733	**873**	188	**21,170**	11,921
	Excise Duty	**(1,678)**	(1,032)	**(67)**	(13)	**(1,745)**	(1,045)
	External sales (net)	**18,619**	10,701	**806**	175	**19,425**	**10,876**
	Services and other operating income	**428**	92	**25**	-	**453**	92
	Total revenue	**19,047**	10,793	**831**	175	**19,878**	10,968
2.	**Results**						
	Segment results	**1,403**	1,209	**122**	37	**1,525**	1,246
	Unallocated income (net of unallocated expense)					**978**	855
	Profit from operations before interest, taxation and exceptional items					**2,503**	**2,101**
	Interest and bank charges					**(39)**	(15)
	Profit before exceptional items					**2,464**	2,086
	Exceptional items					**-**	113
	Profit before taxation					**2,464**	2,199
	Income taxes						
	- Current tax					**433**	471
	- Excess provision written back					**-**	(58)
	- Deferred tax					**13**	20
	Profit after taxation					**2,018**	1,766

Note 5.14: Segment Information (Contd.)

Revenue	Coatings		Others		Total	
	2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
3. **Other information**						
a. **Assets**						
Segment assets	**10,085**	4,163	**726**	53	**10,811**	4,216
Investments					**10,035**	9,850
Unallocated assets					**1,234**	1,333
Total assets					**22,080**	15,399
b. **Liabilities/shareholders' funds**						
Segment liabilities	**5,196**	2,651	**227**	18	**5,423**	2,669
Unallocated liabilities					**2,247**	1,814
Share capital including share capital pending allottment					**479**	368
Reserves and surplus					**13,931**	10,548
Total liabilities/shareholders' funds					**22,080**	15,399
c. **Others**						
Capital expenditure	**1,175**	355	**50**	9		
Depreciation	**334**	207	**12**	-		

(B) Information about secondary segment (by geographical segment) (Rs million)

	India		Outside India		Total	
	2011-12	2010-11	**2011-12**	2010-11	**2011-12**	2010-11
Revenue	**19,188**	10,954	**690**	14	**19,878**	10,968
Carrrying amount of segment assets*	**10,811**	4,216	**-**	-	**10,811**	4,216
Capital expenditure	**1,328**	387	**-**	-	**1,328**	387

*Excluding inter segment assets

Notes

i) The business segments have been identified in line with the Accounting Standard 17, taking into account the nature of products, risks and return, organisation structure and internal reporting system.

ii) Inter segment prices are normally negotiated amongst the segments with reference to the costs, market prices and business risks, within an overall optimisation objective for the Company.

iii) Segment revenue, results and assets and liabilities include the respective amounts identifiable to each of the segments. Other unallocable items in segment results include income from investment of surplus funds of the Company and corporate expenses. Unallocable assets include unallocable fixed assets and other assets. Unallocable liabilities include unallocable current liabilities and net deferred tax liability.

Note 5.15: Related party disclosures

1. (a) **List of related parties where control exists**
   - Holding Company: Imperial Chemical Industries Limited, England
   - Ultimate Holding Company: Akzo Nobel N.V., Netherlands

   (b) **Other related parties with whom transactions have taken place during the year**

   - **Fellow subsidiaries**

Akzo Nobel Chemicals (India) Limited (up to 31 March 2011)
Akzo Nobel (Australia) Pty Ltd
Akzo Nobel International Paint South Africa (PTY) Ltd
Akzo Nobel (Shanghai) Co. Ltd. (SC)
Akzo Nobel Amides Co. Ltd.
Akzo Nobel Boya Sanayi Ve
Akzo Nobel Boya Sanayi ve Ticaret A.S.
Akzo Nobel BV, Netherlands
Akzo Nobel Car Refinishes (Singapore) Pte Ltd
Akzo Nobel Car Refinishes (Suzhou) Co. Ltd
Akzo Nobel Car Refinishes B.V.
Akzo Nobel Car Refinishes SL
Akzo Nobel Chemicals International BV
Akzo Nobel Chemicals Pte. Ltd.
Akzo Nobel Chemicals S.A.
Akzo Nobel Coatings (Dongguan) Co. Ltd.
Akzo Nobel Coatings (Jiaxing) Co. Ltd.
Akzo Nobel Coatings (Tianjin) Co., Ltd.
Akzo Nobel Coatings Inc
Akzo Nobel Coatings International B.V.
Akzo Nobel Coatings K.K.
Akzo Nobel Coatings Ltd. Thailand
Akzo Nobel Coatings S.A
Akzo Nobel Coatings S.P.A.
Akzo Nobel Coatings Vietnam Limited
Akzo Nobel Cross Linking Peroxides (Ningbo) Co. Ltd
Akzo Nobel Decorative Coatings B.V.
Akzo Nobel Car Refinishes India Private Limited (up to 31 March 2011)
Akzo Nobel Functional Chemicals B.V.
Akzo Nobel Industrial Coatings Sdn Bhd
Akzo Nobel Industrial Finishes (Hong Kong) Limited
Akzo Nobel Lanka (Pvt.) Limited
Akzo Nobel Ltda
Akzo Nobel Packaging Coatings GmbH
Akzo Nobel Paints (Asia Pacific) Pte Limited
Akzo Nobel Paints (Singapore) Pte Limited
Akzo Nobel Paints (Thailand) Ltd.
Akzo Nobel Paints Taiwan Limited
Akzo Nobel Polymer Chemicals B.V.
Akzo Nobel Polymer Chemicals LLC
Akzo Nobel Powder Coatings (Chengdu) Co., Ltd.
Akzo Nobel Powder Coatings (Dubai)
Akzo Nobel Powder Coatings GmbH
Akzo Nobel Powder Coatings Limited
Akzo Nobel Powder Coatings SAE
Akzo Nobel Surface Chemistry AB
Akzo Nobel Surface Chemistry LLC
Akzonobel Czech Republic
AkzoNobel Interpon Powder Coatings USA
Compania Mexicana de Pinturas International SA De CV
Eka Chemicals AB
Elotex AG
ICI India Research & Technology Centre
Akzo Nobel Coatings India Private Limited (up to 31 March 2011)
ICI Paints (Malaysia) Sdn. Bhd.
International Coatings Limited
International Coatings Singapore Pte Ltd, Singapore
International Paint (Hellas) S.A.
International Paint (Korea) Ltd
International Paint (Nederland) B.V.
International Paint (Taiwan) Ltd
International Paint Gulf LLC
International Paint Italia SPA
International Paint Japan K.K.
International Paint Limited
International Paint LLC
International Paint of Shanghai Co Ltd
International Paint Sdn Bhd
International Paint Singapore Pte Ltd
International Paint-Germany
International Paint-Norway
International Paint Sp. Z O.O.
Keum Jung Akzo Nobel Peroxides Ltd.
Pinturas INCA
PT Akzo Nobel Car Refinishes Indonesia
PT International Paint Indonesia
Shanghai ICI Research & Development & Management Co. Ltd
Techni-Coat Germany GmbH
The Glidden Supply Company LLC
Tianjin Akzo Nobel Peroxide Co. Ltd

   - **Key managerial persons**

Mr N Kaviratne CBE	Chairman
Mr A Jain	Managing Director
Mr P S Basu	Wholetime Director

Note 5.15: Related party disclosures (contd.)

2. The following transactions were carried out with related parties in the ordinary course of business:

a) Transactions during the year	Ultimate Holding Company	Holding Company	Fellow subsidiaries of the Company	Key managerial persons
	2011-12	**2011-12**	**2011-12**	**2011-12**
	2010-11	2010-11	2010-11	2010-11
Purchase of raw materials/finished products	**-**	**-**	**1,840**	**-**
	-	-	170	-
Sale of finished products	**-**	**-**	**221**	**-**
	-	-	5	-
Expenses incurred and recoverable from other companies (income)	**4**	**7**	**75**	**-**
	9	4	23	-
Expenses payable to other companies	**-**	**1**	**217**	**-**
	203	-	58	-
Royalty and technical services	**-**	**-**	**239**	**-**
	-	-	4	-
Dividend paid	**-**	**374**	**-**	**-**
	-	332	-	-
Indent commission received	**-**	**-**	**9**	**-**
	-	-	-	-
Services provided (income)	**-**	**-**	**246**	**-**
	-	-	-	-
Services provided (expenses)	**-**	**-**	**57**	**-**
	-	-	36	-
Managerial remuneration	**-**	**-**	**-**	**76**
	-	-	-	46
Inter corporate deposit given	**-**	**-**	**-**	**-**
	-	-	30	-
Inter corporate deposit refund	**-**	**-**	**-**	**-**
	-	-	110	-
Interest income on Inter corporate deposit	**-**	**-**	**-**	**-**
	-	-	15	-
Guarantees				
Guarantee received for Inter corporate deposit	**400**	**-**	**-**	**-**
	400	-	-	-
Guarantee issued on behalf of the Company for credit facilities from banks	**500**	**-**	**-**	**-**
	500	-	-	-
Balances as at the end of the year				
Dues to related parties	**14**	**19**	**385**	**-**
	228	16	104	-
Dues from related parties	**10**	**10**	**202**	**-**
	23	4	132	-

b) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the respective years:

	2011-12	2010-11
Purchase of raw materials		-
Akzo Nobel Surface Chemistry LIC-USA	**50**	23
Akzo Nobel Ltda (Brazil)	**17**	26
Akzonobel Paints Singapore Pte Ltd	**2**	19
National Starch & Chemical Co, USA- (Bridgewater)	**-**	22
International Paint of Shanghai Co Ltd	**218**	-
International Paint Singapore Pte Ltd	**188**	-
PT Akzo Nobel Car Refinishes Indonesia	**321**	-
The Glidden Supply Company LLC	**-**	33
Others	**1,044**	47
	1,840	170
Sales of finished products		
Akzo Nobel Lanka (Pvt.) Limited	**-**	2
Akzo Nobel Coatings India Pvt Ltd.	**-**	2
Akzo Nobel Car Refinishes India Pvt Ltd	**-**	1
International Paint Gulf LLC	**117**	-
Akzo Nobel Polymer Chemicals B.V.	**80**	-
Others	**24**	-
	221	5
Expenses incurred and recoverable from other companies		
Akzo Nobel Decorative Coatings B.V	**9**	-
Akzo Nobel Lanka (Pvt) Limited	**13**	6
Akzo Nobel Surface Chemistry AB	**16**	10
Akzo Nobel N.V., Netherlands	**4**	9
Imperial Chemical Industries Limited, England	**7**	4
Akzo Nobel Functional Chemicals B.V.	**15**	-
Others	**22**	7
	86	36
Expenses payable to other companies		
Akzo Nobel Decorative Coatings B.V.	**40**	30
Akzo Nobel N.V., Netherlands	**142**	203
International Paint Singapore Pte Ltd.	**20**	-
Others	**16**	28
	218	261
Royalty and technical services		
Akzo Nobel BV, Netherlands	**203**	-
Akzo Nobel Car Refinishes, Singapore	**-**	4
Others	**36**	-
	239	4

	2011-12	2010-11
Indent commission received		
Akzo Nobel Cross Linking Peroxides (Ningbo) Co Ltd	**1**	-
Akzo Nobel Polymer Chemicals B.V.	**7**	-
Others	**1**	-
	9	-
Dividend paid		
Imperial Chemical Industries Limited, England	**374**	332
Rendering of service (income)		
Akzo Nobel Car Refinishes B.V.	**215**	-
Akzo Nobel Lanka (Pvt) Limited	**31**	-
	246	-
Receiving of service (expenses)		
Akzo Nobel Car Refinishes B.V.	**5**	-
ICI India Research & Technology Centre	**48**	36
Others	**4**	
	57	36
Managerial remuneration		
Mr N Kaviratne CBE	**1**	1
Mr A Jain	**61**	38
Mr P S Basu	**14**	7
	76	46
Inter corporate deposits given		
Akzo Nobel Car Refinishes India Pvt Ltd	**-**	30
Inter corporate deposits received back		
Akzo Nobel Car Refinishes India Pvt Ltd.	**-**	110
Interest income on inter corporate deposits		
Akzo Nobel Car Refinishes India Pvt Ltd.	**-**	15

Note 5.16: Disclosures pursuant to Clause 32 of the listing agreements with the stock exchanges

	2011-12	2010-11
Inter corporate deposits given to AkzoNobel Car Refinishes India Pvt Ltd, an associate company and a Company in which a Director is interested. (Refer to note 2)		
- Amount at the end of the year	**-**	110
- Maximum amount during the year	**-**	190

Note 5.17: Revision in Schedule VI format

The financial statements for the year ended 31 March 2011 had been prepared as per the then applicable pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of revised Schedule VI under the Companies Act, 1956, the financial statements for the year have been prepared as per the revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of revised Schedule VI for the previous year figures does not impact recognition and measurement principles followed for preparation of financial statements. The following is a broad summary of significant effects that revised Schedule VI has, primarily on the presentation of the Balance Sheet of the Company as at 31 March 2011:

Particulars	As per pre-revised Schedule VI	As per revised Schedule VI	
	Amounts as at 31 March 2011		
Investments	9,850	400	Shown as non current investments
		9,450	Shown as current investments
Loans and advances	1,449	573	Shown as long-term loans and advances
		875	Shown as short-term loans and advances
		1	Shown as other current assets
Sundry debtors	701	701	Shown as trade receivables under current assets
Current liabilities	2,745	157	Shown as other long-term liabilities
		2,253	Shown as trade payables under current liabilities
		335	Shown as other current liabilities
Provisions	1,697	525	Shown as long-term provisions under non current liabilities
		1,172	Shown as short-term provisions under current liabilities

As per our report attached.

For **B S R & Associates**

Chartered Accountants
Firm Registration No. 116231W

Kaushal Kishore
Partner
Membership No. 090075

21 May 2012
Gurgaon

For and on behalf of the **Board of Directors** of **Akzo Nobel India Limited**

N Kaviratne CBE
Chairman

A Jain
Managing Director

P S Basu
Wholetime Director

R Guha
Company Secretary

Akzo Nobel India Limited

Registered Office: Geetanjali Apartment,
1st Floor, 8-B, Middleton Street, Kolkata 700 071

Notice of Annual General Meeting

Notice is hereby given that the 58th Annual General Meeting of the Members of Akzo Nobel India Limited will be held on Thursday, 9 August 2012 at 1430 hours at Mini Auditorium, Science City, JBS Halden Avenue, Kolkata 700 046 to transact the following business:

Ordinary business

1. To consider and adopt the audited Profit and Loss Account for the financial year ended 31 March 2012, the audited Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.

2. To declare a Dividend on equity shares for the year ended 31 March 2012.

3. To appoint a Director in place of Mr R Gopalakrishnan who retires by rotation. Being eligible, he has offered himself for reappointment as a Director of the Company. A brief resume of Mr Gopalakrishnan has been given in the Corporate Governance section of the Directors' Report.

   Accordingly, to consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

   "Resolved that Mr R Gopalakrishnan be and is hereby re-appointed a Director of the Company."

4. To appoint a Director in place of Dr S Misra who retires by rotation. Being eligible, he has offered himself for reappointment as a Director of the Company. A brief resume of Dr Misra has been given in the Corporate Governance section of the Directors' Report.

   Accordingly, to consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

   "Resolved that Dr Sanjiv Misra be and is hereby re-appointed a Director of the Company."

5. To appoint Auditors for the year 2012-13 and to fix their remuneration and for this purpose to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution:

"Resolved that the Auditors, M/s B S R & Associates, Chartered Accountants, who retire at the conclusion of this Meeting, be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at the remuneration as given below:

Statutory audit	Rs 4.5 million
Tax audit	Rs 1.2 million
Statutory certification	Rs 1.5 million

In addition, reasonable out-of-pocket expenses and service taxes as applicable may also be reimbursed to the Auditors. Any other fees for certification and other services may be billed by the Auditors at such rates as may be agreed between the Auditors and the Company."

Special business

6. To revise the remuneration of Statutory Auditors for the year 2011-12 and for this purpose to consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution:

"Resolved that in partial modification of the resolution approved at the Annual General Meeting held on 22 July 2011, the remuneration of the Auditors, M/s B S R & Associates, Chartered Accountants, be revised as given below:

Statutory audit	Rs 4.5 million
Tax audit	Rs 1.0 million
Statutory certification	Rs 1.2 million

In addition, reasonable out-of-pocket expenses and service taxes as applicable may also be reimbursed to the Auditors. Any other fees for certification and other services may be billed by the Auditors at such rates as may be agreed between the Auditors and the Company."

By order of the Board

Gurgaon
21 May 2012

R Guha
Company Secretary

Notes

i) **A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on a poll instead of him but the Proxy shall not have any right to speak at the meeting. A Proxy need not be a member of the Company.**

The Proxy form, in order to be effective, should be received at the registered office of the Company or at the office of its Registrar and Share Transfer Agent M/s C B Management Services (P) Ltd, (the 'RTA'), P-22, Bondel Road, Kolkata 700 019 not later than 48 hours before the commencement of the Meeting.

ii) The Register of Members and Share Transfer books of the Company will remain closed from 1 August 2012 to 9 August 2012 both days inclusive.

iii) Dividend, if approved at the Meeting, will be paid on or around 14 August 2012 by means of direct bank credit (ECS) or dividend warrants or cheques to those members whose names appear on the Company's Register of Members as on 9 August 2012 by means of direct bank credit (ECS) or dividend warrants or cheques

a. In case of shares held in electronic form, to the beneficial owners of shares as on 31 July 2012 as per the downloads furnished to the Company by the depositories for this purpose;

b. In case of shares held in physical form, to those members whose names appear on the Company's Register of Members after giving effect to all valid stock transfers lodged with the Company before closing hours on 31 July 2012.

iv) As per current SEBI Regulations, dividend is required to be credited to shareholders through Electronic Clearing Service (ECS) wherever the facility is available and the requisite details/mandates have been provided by the Members. Members desirous of availing of this facility may send the details of their bank account with the address and the MICR Code of their bank to their Depository Participants (in case of shares held in dematerialised form) or to the RTA (in case of shares held in physical form) at the earliest.

v) Members having shares registered in the same name or in the same order of names but in several folios, may please write to the RTA for consolidation of the folios.

vi) Members holding shares in physical form and are desirous of making nomination in terms of Section 109A of the Companies Act, 1956, may write to the RTA for the prescribed form.

vii) Members/Proxy holders must bring the Attendance Slip to the Meeting and hand it over at the entrance, duly signed. A blank format is appended to the Annual Report.

viii) Members who wish to obtain any information on the Company or the Accounts may visit the Company's website: **www.akzonobel.co.in** or may send their queries at least 10 days before the date of the Meeting to the Company Secretary at the Company's Corporate Office at DLF Cyber Terraces, Block A, 20th Floor, Cyber City, DLF Phase III, Gurgaon 122 002.

ix) Pursuant to the provisions of Section 205A of the Companies Act, 1956, as amended, dividends which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund (the 'Fund') of the Central Government. Shareholders who have not encashed the dividend warrants so far, for the financial year ended 31st March 2005 or any subsequent financial years, are requested to send unencashed dividend warrants, to the RTA for necessary action. Separate intimation to those Members whose dividend cheques remain unencashed as on 31 March 2012, as per the Company's records, has been sent in this regard. All unclaimed dividends in respect of Financial Year 2004-05 onwards are due for transfer to the Fund on expiry of seven years from the date they fell due. Pursuant to the provisions of Section 205C of the Companies Act, 1956, no claim shall lie against the Company or the Fund after the said transfer.

Explanatory Statement, pursuant to Section 173 for the Companies Act, 1956

Items 6

As the Members are aware, M/s B S R & Associates, Chartered Accountants, were appointed as the Auditors of the Company at the AGM held on 22 July 2011, at the following remuneration:

Statutory Audit	Rs 2.2 million
Tax Audit	Rs 0.6 million
Statutory certification	Rs 1.2 million

Subsequently, with the merger of three Akzo Nobel Group Companies with the Company, which was approved by the Board in October 2011 and since been sanctioned by the jurisdictional High Courts, their work and responsibility has gone up to a considerable extent. With the Appointed Date for the merger fixed as 1 April 2011, the Audited Accounts for the year 2011-12 reflect the consolidated operations of the Company on post-merger basis. The Auditors have accordingly requested for a review of their remuneration for the year 2011-12 which was fixed at the 22 July 2011 AGM for the pre-merger Akzo Nobel India Limited.

The Board considered the above request and has recommended the resolution as proposed.

None of the Directors have any concern or interest in this resolution.

Ten years at a glance

Rs Million

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
ASSETS EMPLOYED										
Gross fixed assets	3,634	3,516	3,737	3,115	2,857	3,116	3,255	3,495	3,749	6,974
Accumulated depreciation	(1,761)	(1,863)	(2,251)	(1,662)	(1,559)	(1,783)	(1,924)	(2,114)	(2,330)	(3,411)
Capital work-in-progress	117	38	26	49	35	105	16	23	145	148
Net fixed assets	**1,990**	**1,691**	**1,512**	**1,502**	**1,333**	**1,438**	**1,347**	**1,404**	**1,564**	**3,711**
Trade investments	1,597	1,530	1,530	1,528	97	97	-	-	-	-
Non-trade investments, cash and bank, inter-corp deposits	2,103	3,393	2,827	2,987	8,331	7,060	9,579	9,935	10,263	10,774
Other current/non current assets*	2,275	2,637	2,940	2,804	3,365	2,675	2,109	2,101	3,013	6,947
Other current/non current liabilities	(1,353)	(1,549)	(1,857)	(1,997)	(2,340)	(2,660)	(2,019)	(2,236)	(2,745)	(5,258)
Net current assets	**922**	**1,088**	**1,083**	**807**	**1,025**	**15**	**90**	**(135)**	**268**	**1,689**
Taxation (net)	(400)	(456)	(306)	(246)	(65)	(8)	12	59	307	295
Provision for VRS liability (net)	(393)	(334)	(252)	(186)	(128)	(76)	(39)	(13)	-	-
Other provisions	(715)	(985)	(712)	(611)	(605)	(537)	(566)	(643)	(715)	(944)
Provision for proposed dividend, dividend tax	(461)	(576)	(256)	(280)	(1,291)	(359)	(712)	(686)	(771)	(1115)
Misc. expenditure not written off	52	51	26	12	-	-	-	-	-	-
Net assets employed	**4,695**	**5,402**	**5,452**	**5,513**	**8,697**	**7,630**	**9,711**	**9,921**	**10,916**	**14,410**
*excl cash and bank and inter-corp deposits										
FINANCED BY										
Share capital	409	409	409	409	409	384	381	368	368	368
Share capital pending allotment	-	-	-	-	-	-	-	-	-	111
Capital reserves	307	302	276	275	266	279	282	294	294	541
Revenue reserves	3,979	4,491	4,607	4,829	8,022	6,967	9,048	9,259	10,254	13,390
Shareholders funds	**4,695**	**5,202**	**5,292**	**5,513**	**8,697**	**7,630**	**9,711**	**9,921**	**10,916**	**14,410**
Secured/unsecured loans	-	200	160	-	-	-	-	-	-	-
Total funds employed	**4,695**	**5,402**	**5,452**	**5,513**	**8,697**	**7,630**	**9,711**	**9,921**	**10,916**	**14,410**
SALES AND PROFIT										
Net sales	**6,209**	**6,851**	**7,543**	**8,762**	**8,882**	**9,301**	**9,001**	**9,386**	**10,876**	**19,425**
Profit before depreciation & interest	**870**	**831**	**930**	**1,219**	**1,649**	**1,346**	**2,034**	**2,223**	**2,318**	**2,869**
Depreciation	(234)	(242)	(201)	(218)	(225)	(225)	(213)	(212)	(217)	(366)
Interest	(33)	(46)	(35)	(36)	(23)	(30)	(29)	(11)	(15)	(39)
Profit before exceptional items & taxation	**603**	**543**	**694**	**965**	**1,401**	**1,091**	**1,792**	**2,000**	**2,086**	**2,464**
Exceptional items	729	772	(137)	(110)	4,461	(187)	1,995	-	113	-
Taxation	(255)	(224)	(85)	(354)	(1,378)	(302)	(841)	(407)	(433)	(446)
Profit after taxation	**1,077**	**1,091**	**472**	**501**	**4,484**	**602**	**2,946**	**1,593**	**1,766**	**2,018**
Earnings per share (Rs)	**26.35**	**26.69**	**11.54**	**12.27**	**109.72**	**15.16**	**77.02**	**42.59**	**47.94**	**42.08**
Equity dividend—Rs per share	**10.00**	**12.50**	**5.50**	**6.00**	**27.00**	**8.00**	**16.00**	**16.00**	**18.00**	**20.00**
- Payout	409	511	225	245	1,103	307	609	589	663	959
NUMBER OF EQUITY SHAREHOLDERS	**55,080**	**49,104**	**47,136**	**43,070**	**41,261**	**40,131**	**39,704**	**39,757**	**42,118**	**42,751**

AkzoNobel
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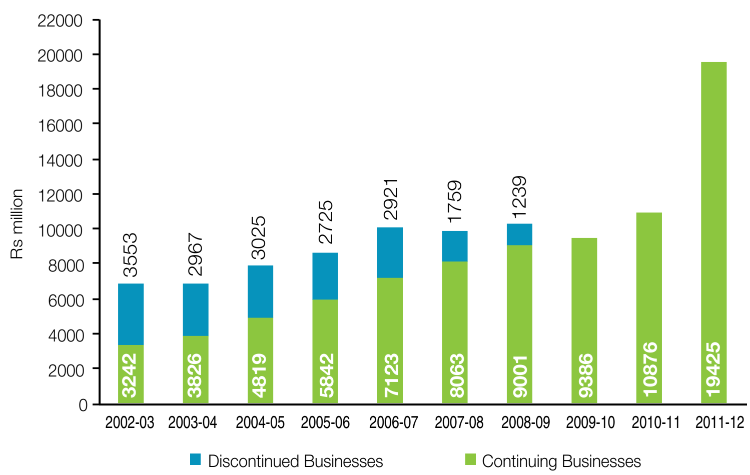
Scientists from 30 to 130

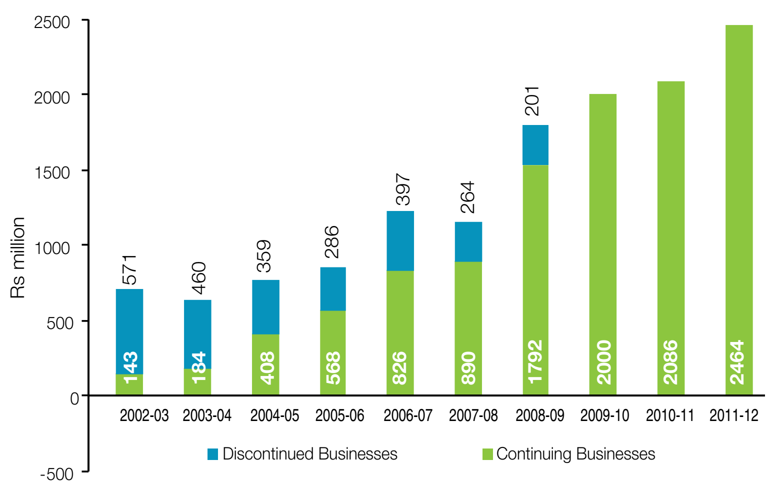
Akzo Nobel India Limited

Performance trends: 2002-2012

Sales



Profit before Tax from operations



Notes

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Notes

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Akzo Nobel India Limited

Registered Office: Geetanjali Apartment,
1st Floor, 8-B, Middleton Street, Kolkata 700 071

ATTENDANCE SLIP

I/We hereby record my/our presence at the 58th ANNUAL GENERAL MEETING of the Company at Mini Auditorium, Science City, JBS Halden Avenue, Kolkata 700 046 on Thursday 09 August 2012 at 2.30 P.M.

REGD. FOLIO NO: ....
DPID : ....
CLIENT ID : ....

NO. OF SHARES ....

Name of the Member: ....

Name of the Proxy: ....

SIGNATURE(S) OF THE MEMBER(S)

SIGNATURE OF THE PROXY

Note: Please remember to bring this attendance slip with you duly filled in and hand it over at the entrance of the Meeting Hall. Please also bring your copy of the Annual Report.

Akzo Nobel India Limited

Registered Office: Geetanjali Apartment,
1st Floor, 8-B, Middleton Street, Kolkata 700 071

PROXY FORM

REGD. FOLIO NO: ....
DPID : ....
CLIENT ID : ....

NO. OF SHARES ....

I/We..

of..

....being a member of Akzo Nobel India Limited hereby

appoint ....of ....or

failing him/her ....of.. or

failing him/her ....of...

as my/our proxy to attend and vote for me/us on my/our behalf at the 58TH ANNUAL GENERAL MEETING of the company to be held on Thursday 09 August 2012 at 2.30 P.M. and at any adjournment thereof.

As WITNESS whereof my/our hand is/are affixed this ....day of...2012

Signed by the said... Revenue Stamp ....

Note: Proxy Form duly completed must reach the Company's Registered Office/Company's Registrar M/s C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata 700 019, not less than 48 hours before the time for holding the meeting.

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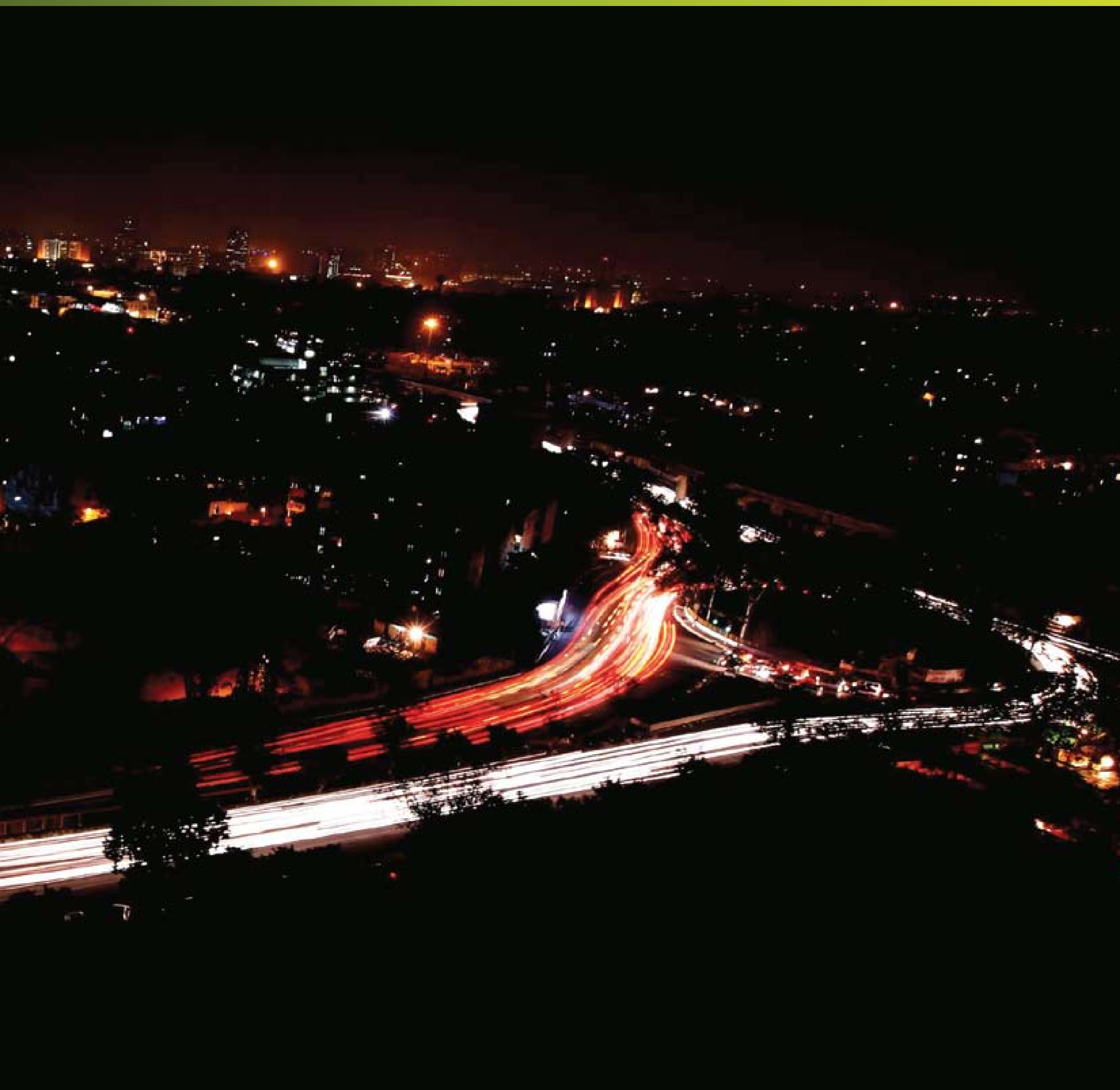
Distribution points from 63 to 88



Corporate office

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Cyber City, DLF Phase III
Gurgaon 122 002
Tel: 0124-2540400
Fax: 0124-2540849

Website

www.akzonobel.co.in