

Annual Report 2013-14

AkzoNobel



Winning together

At AkzoNobel, we believe that what defines and differentiates successful organisations is their ability to bond and bind, to bring together diverse competencies and capabilities, to synergise efforts and excellence.

At the heart of our success is something that is deeply rooted in each of us:

Our values

Values define, determine and dictate our beliefs and behaviour. They form the shared pillar of our growth, progress and success. They connect and unify us, across locations and functions.

This year, we have chosen one of AkzoNobel's four values as the theme of our annual report:

Winning together

For it is when we develop, share and use our personal strengths to win as a team do we all take strides into the future. It is when we realise that if one of us wins, we all win – together, is when we have lived up to our highest aspirations. Only then is success truly ours!



Join us in **Winning together** as part of the Green Initiative

This Annual Report is now available in a digital format as we have created an ePub version compatible with your smart phones and devices.

Download this at:

https://www.akzonobel.com/in/investor_relations/annual_reports_and_results/

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Corporate snapshot

Present in India for over 60 years, the Company is a significant player in the coatings industry. Over the years, it has witnessed sustained expansion, growth and transformation. In 2008, the Company became a member of the AkzoNobel Group.

AkzoNobel India manufactures and markets a wide range of coatings covering Decorative paints, Performance coatings and Specialty Chemicals. Our portfolio includes well-known brands such as Dulux, Sikkens, International and Interpon. We provide solutions to many industries and sectors including automotive, consumer electronics, power, aviation, shipping and leisure craft, construction, oil and gas, water and waste water treatment, food and beverages, etc. We supply industries and consumers with innovative products and are passionate about developing sustainable solutions for our customers. With employee strength of close to 1900, AkzoNobel India has manufacturing sites, offices and distribution network spread across the country. All manufacturing facilities have state-of-art environmental management systems. Our commitment to Health, Safety, Environment & Security (HSE&S) is amongst the best in class globally, with due care being taken to protect the people and the environment.



Milestones

- 1954** Company incorporated as Indian Explosives Limited, co-promoted by Govt of India and Imperial Chemical Industries PLC, UK
- 1964** Paints plant commissioned at Rishra, West Bengal (since divested)
- 1971** Paints plant commissioned at Hyderabad
- 1976** ICI India Research & Technology Centre established at Thane
- 1997** Paints plant commissioned at Thane
- 1998** Paints plant commissioned at Mohali
- 2010** Name of the company changed to Akzo Nobel India Ltd
- 2012** Three AkzoNobel companies merged with Akzo Nobel India Ltd to create a Coatings powerhouse in India
- 2013** Investing for growth: commissioned Gwalior Plant for manufacturing water based Decorative paints
- 2014** Platinum Jubilee – 60 years of Winning together in India

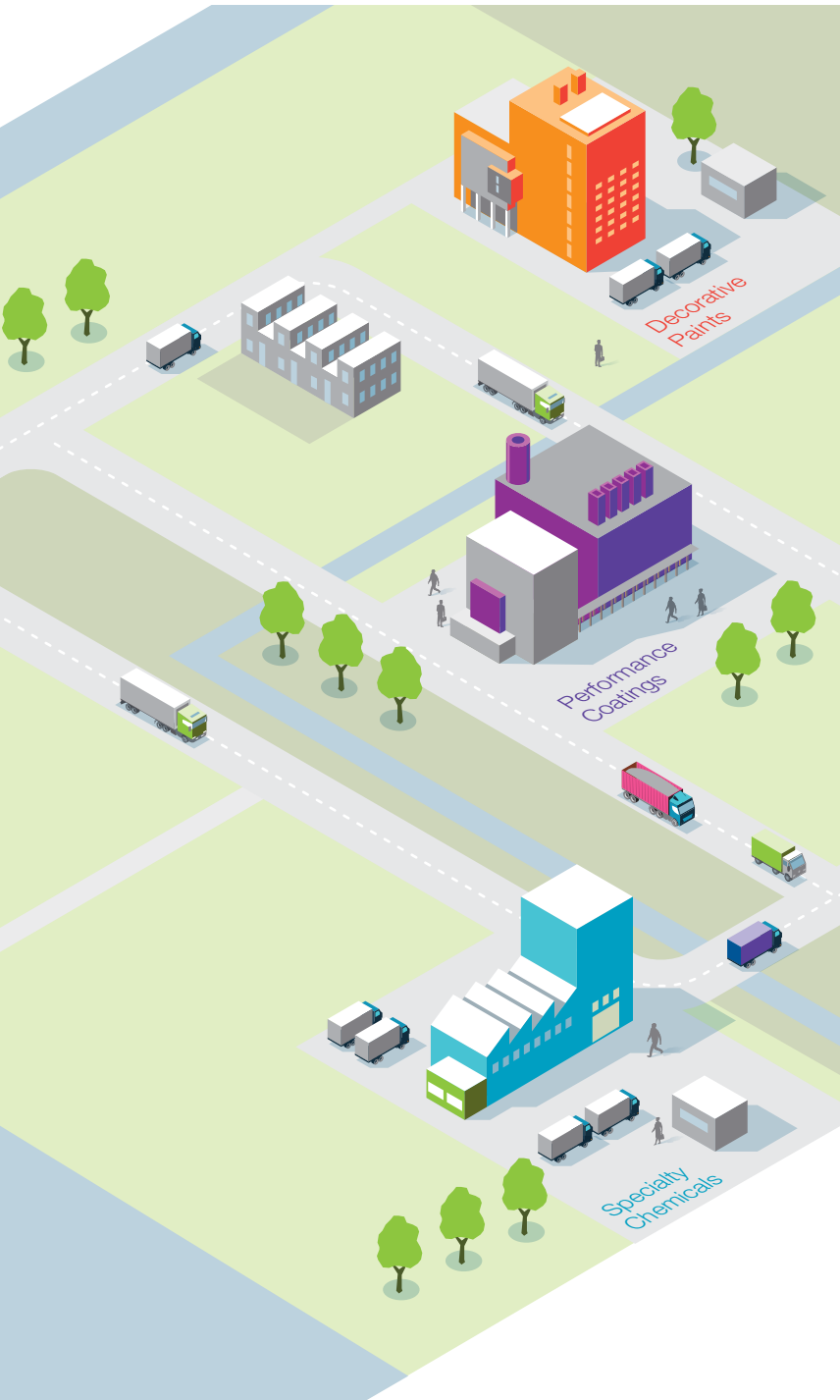
Reach and spread

- 6** Manufacturing Sites
- 4** Regional Offices
- 2** Research Centres
- 75** Warehouses
- 1854** Employees
- 9000** Dealers/ Distributors

Listing

- Bombay Stock Exchange**
Scrip ID 500710 – AKZOINDIA
Group B | Index – BSE 500
- National Stock Exchange**
Scrip ID – AKZOINDIA
Index : S & P CNX 500





Businesses

Decorative paints

Performance coatings

- Automobile and Aerospace Coatings
- Industrial Coil Coatings
- Marine and Protective Coatings
- Packaging Coatings
- Powder Coatings
- Wood finishes and Adhesives

Specialty chemicals

- Functional Chemicals
- Pulp and Performance Chemicals
- Surface Chemistry

Key numbers

(In ₹ Million)
(as on 31 March 2014)

Gross Block
5,331

Business ROI
24%

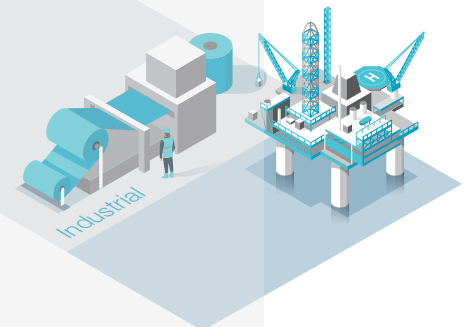
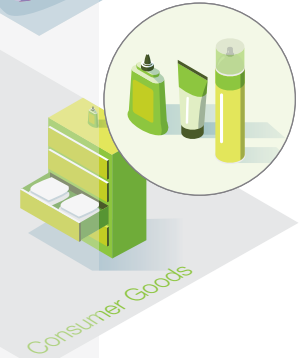
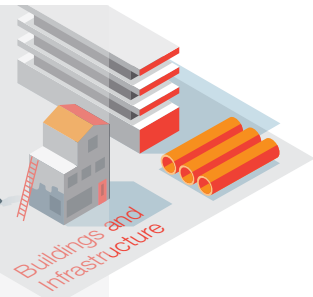
Net Worth
8,478

Asset Turnover (times)
3.5

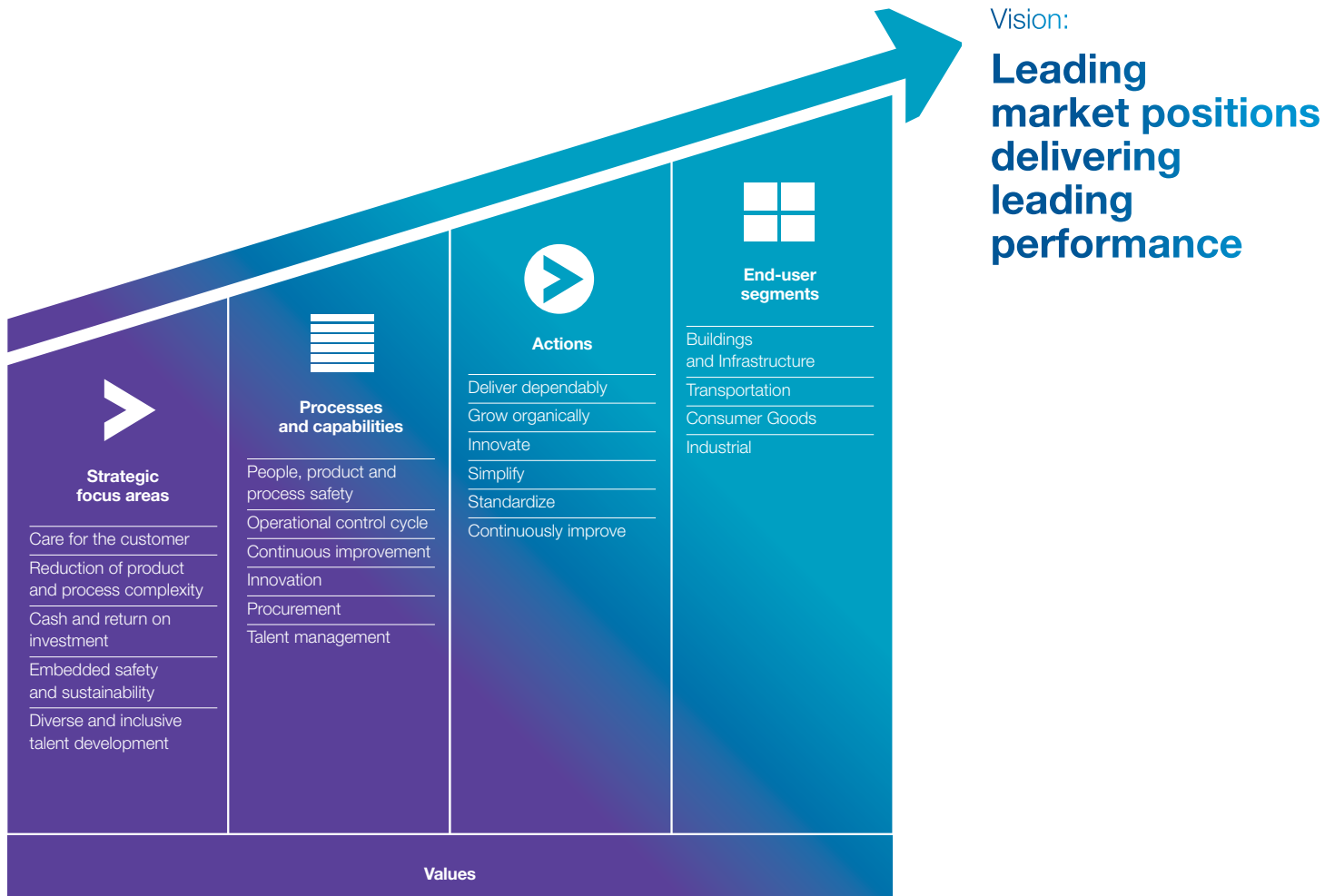
Reserves
8,011

Market Capitalisation
42,000

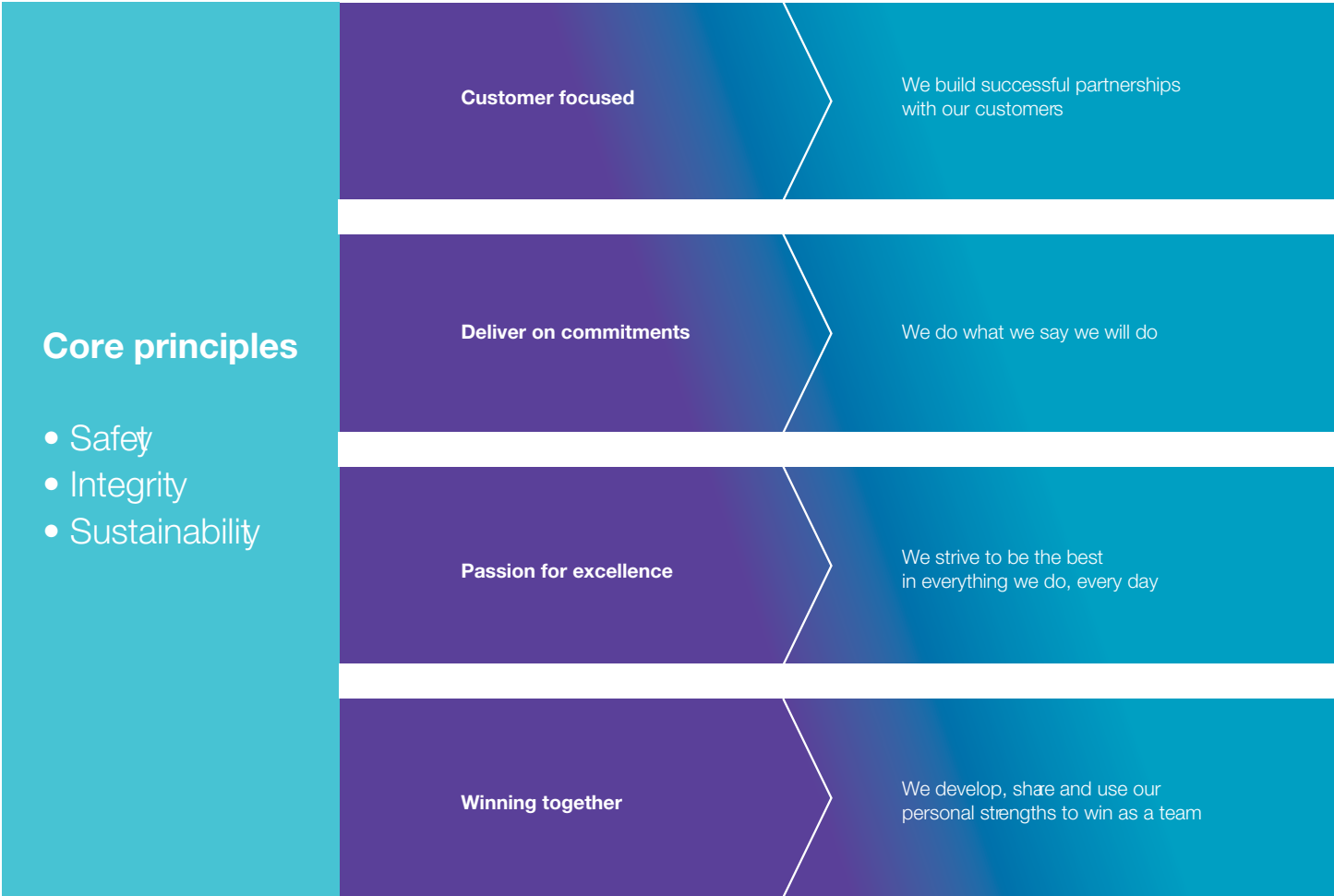
Dividend Payout for FY 2013-14
3,499



Our strategy



Our values

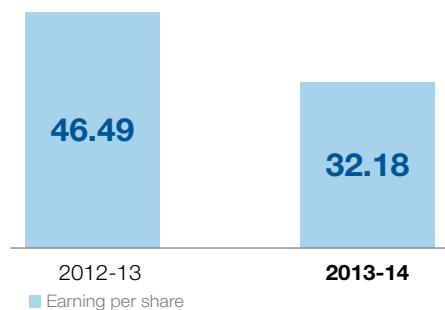


Performance at a glance

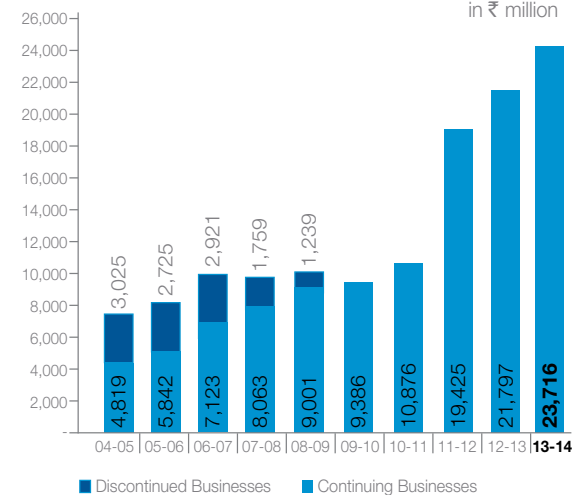
Statement of Income



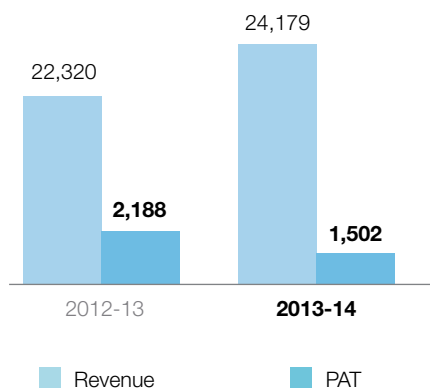
Earnings per share in ₹



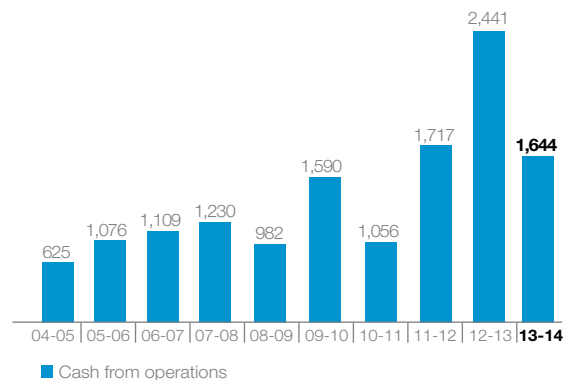
Sales performance trend in ₹ million



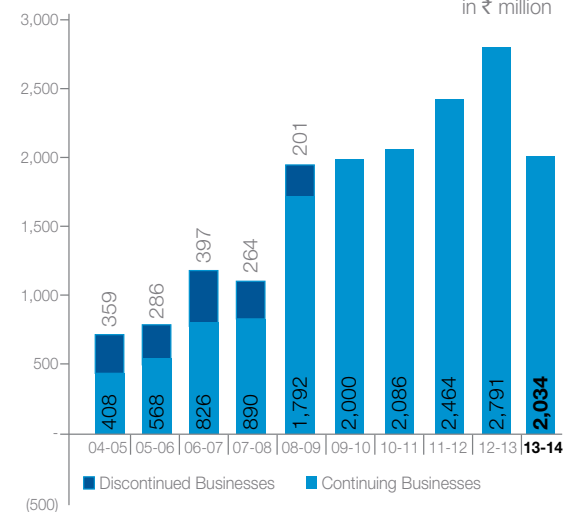
Revenue & PAT in ₹ million



Cash flow from operations in ₹ million



Profit before tax from operations in ₹ million



Ten years at a glance

	(₹ Million)									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
ASSETS EMPLOYED										
Gross Fixed Assets	3,737	3,115	2,857	3,116	3,255	3,495	3,749	6,974	7,310	9,049
Accumulated Depreciation	(2,251)	(1,662)	(1,559)	(1,783)	(1,924)	(2,114)	(2,330)	(3,411)	(3,762)	(4,024)
Capital Work in Progress	26	49	35	105	16	23	145	148	1,057	306
Net Fixed Assets	1,512	1,502	1,333	1,438	1,347	1,404	1,564	3,711	4,605	5,331
Trade Investments	1,530	1,528	97	97	-	-	-	-	-	-
Non-trade Investments, Cash & Bank, inter-corp deposits	2,827	2,987	8,331	7,060	9,579	9,935	10,263	10,774	10,329	6,286
Other Current /Non Current Assets*	2,940	2,804	3,365	2,675	2,109	2,101	3,013	7,012	7,376	8,580
Other Current/ Non-current Liabilities	(1,857)	(1,997)	(2,340)	(2,660)	(2,019)	(2,236)	(2,745)	(5,258)	(6,146)	(6,365)
Net Current/Non Current Assets	1,083	807	1,025	15	90	-135	268	1,754	1,230	2,215
Taxation (net)	(306)	(246)	(65)	(8)	12	59	307	230	197	(271)
VRS liability (net)	(252)	(186)	(128)	(76)	(39)	(13)	-	-	-	-
Other Provisions	(712)	(611)	(605)	(537)	(566)	(643)	(715)	(944)	(941)	(989)
Proposed Dividend, dividend tax	(256)	(280)	(1,291)	(359)	(712)	(686)	(771)	(1,115)	(4,367)	(4,094)
Misc. Expenditure not written off	26	12	-	-	-	-	-	-	-	-
Net Assets Employed	5,452	5,513	8,697	7,630	9,711	9,921	10,916	14,410	11,053	8,478
*excl Cash & Bank and inter-corp deposits										
FINANCED BY										
Share Capital	409	409	409	384	381	368	368	368	467	467
Share Capital pending allotment	-	-	-	-	-	-	-	111	-	-
Capital Reserves	276	275	266	279	282	294	294	541	554	486
Revenue Reserves	4,607	4,829	8,022	6,967	9,048	9,259	10,254	13,390	10,032	7,525
Shareholders Funds	5,292	5,513	8,697	7,630	9,711	9,921	10,916	14,410	11,053	8,478
Secured/Unsecured Loans	160	-	-	-	-	-	-	-	-	-
Total Funds Employed	5,452	5,513	8,697	7,630	9,711	9,921	10,916	14,410	11,053	8,478
	-	-	-	-	-	-	-	-	-	0
SALES AND PROFIT										
Net Sales	7,543	8,762	8,882	9,301	9,001	9,386	10,876	19,425	21,797	23,717
Profit before Depreciation & Interest	930	1,219	1,649	1,346	2,034	2,223	2,318	2,869	3,266	2,486
Depreciation	(201)	(218)	(225)	(225)	(213)	(212)	(217)	(366)	(386)	(437)
Interest	(35)	(36)	(23)	(30)	(29)	(11)	(15)	(39)	(89)	(15)
Profit before Exceptional items/Tax	694	965	1,401	1,091	1,792	2,000	2,086	2,464	2,791	2,034
Exceptional items	(137)	(110)	4,461	(187)	1,995	-	113	-	-	-
Tax	(85)	(354)	(1,378)	(302)	(841)	(407)	(433)	(446)	(603)	(532)
Profit After Tax	472	501	4,484	602	2,946	1,593	1,766	2,018	2,188	1,502
Earnings per share (Rupees)	11.54	12.27	109.72	15.16	77.02	42.59	47.94	42.08	46.49	32.18
Equity Dividend - Rupees per share	5.50	6.00	27.00	8.00	16.00	16.00	18.00	20.00	80.00	75.00
- Payout	225	245	1,103	307	609	589	663	959	3,733	3,499
NUMBER OF EQUITY SHAREHOLDERS	47,136	43,070	41,261	40,131	39,704	39,757	42,118	42,751	39,281	41,164

End-user segments

Buildings and infrastructure

We supply a wide variety of products to build, decorate, protect, maintain and renovate building interiors and exteriors. Various products are also used for the construction and maintenance of infrastructure, such as airports, bridges and roads. We divide our global Buildings and Infrastructure activities into three sub-segments:

New build projects

- Residential
- Commercial
- Infrastructure

Maintenance, renovation and repair

- Residential
- Commercial
- Infrastructure

Building products and components

- Windows
- Doors
- Joinery
- Flooring
- Roofing and siding
- Structural components



Transportation

We supply products that are widely used in the maintenance of cars, trucks, ships, airplanes and trains, as well as for parts manufacture and assembly. They play important functional roles, such as protection and aesthetics. Our specialty chemicals are also key parts of the process that makes components. We are active in three sub-segments:

Automotive repair

- Aftermarket refurbishment and modification of cars and trucks
- Repair of damage to cars and trucks

Automotive OEM, parts and assembly

- Interior and exterior components and systems for cars and trucks, including:
 - Bumpers and wheels
 - Instrument panels
 - Assembly of cars, light vehicles and commercial vehicles

Marine and air transport

- Ship new build, maintenance, repair and refurbishment
- Airplane new build, maintenance, repair and refurbishment



Consumer goods

We supply a large range of products used in consumer electronics, furniture, domestic appliances, food and beverage, personal care and cleaning. Our specialty chemicals are either vital to the process that makes components, or they are key functional ingredients. Our coatings also play an aesthetic or design role. We have two sub-segments:

Consumer durables

- Consumer electronics
- Domestic appliances
- Wood furniture and cabinetry
- Metal furniture
- Toys, recreational and sports equipment

Consumer packaged goods

- Packaged (particularly canned) food and beverage
- Personal care products such as hair and body care
- Industrial cleaning
- Household cleaning
- Micronutrients
- Pharmaceuticals



Industrial

We supply products for oil and gas, metals and mining, electricity/utilities, agriculture, chemical manufacturing and pulp and paper. They are used during production, or play a functional role in the end product. We also sell liquid protective and powder coatings, which provide functionality such as fire and corrosion protection. We have two sub-segments:

Natural resource and energy industries

- Oil and gas extraction
- Metals and mining
- Energy and electricity generation
- Water and wastewater treatment
- Agriculture

Process industries

- Bulk chemicals
- Specialty chemicals
- Pulp production
- Paper manufacturing



Where some of our products are used:



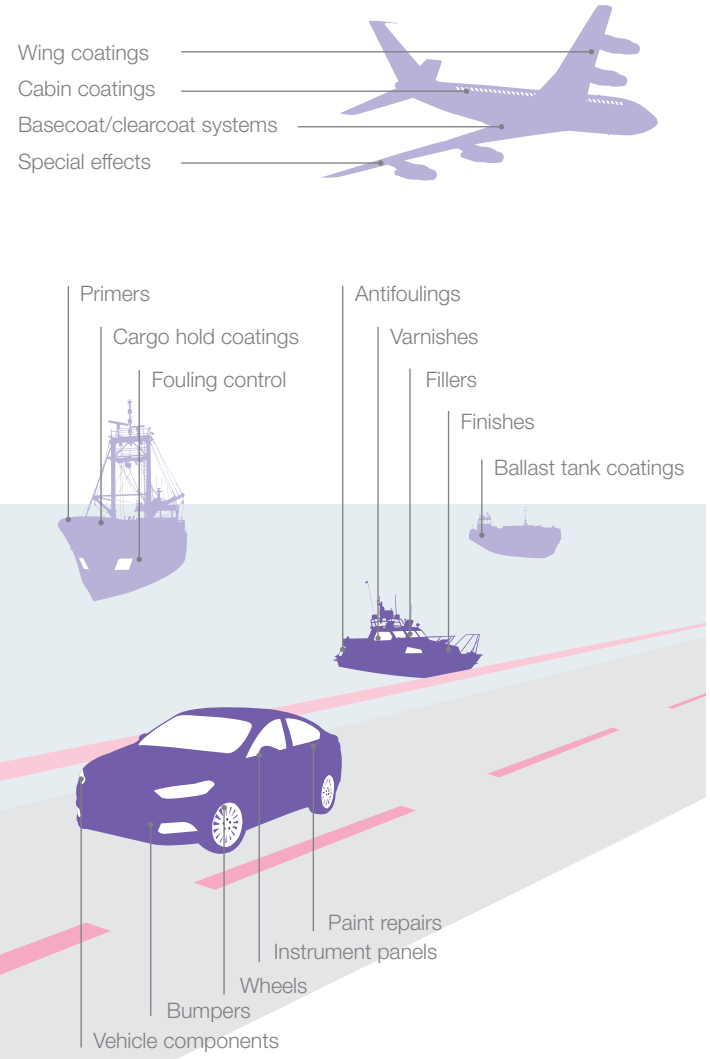
Buildings and infrastructure

From building to protecting, from decorating to maintaining and from renovating to repairing, our diverse product range spans all aspects of interior and exterior requirements of the Building and Infrastructure segments like new residential and commercial buildings, and infrastructure projects like airports, bridges and roads.

Transportation

From automobiles to aeroplanes, from trucks to trains and ships, our coatings and chemicals play an important functional role in the manufacturing, assembling, protection, aesthetics, maintenance, repairs and refurbishment and are used for a variety of applications that cover new ship and airplane build, bumper and wheels in cars, instrument panels and aftermarket modification of cars and trucks.

Where you can find some of our products



Chairman's statement



“As part of our organic growth and operational excellence strategies, four new values were launched recently by Mr Ton Büchner, the global CEO of AkzoNobel. Of these, winning together is a key value that enables sharing, developing and using personal strengths to win as a team.”

We believe that we have some of the best talent spread across our company. Little wonder then, that the theme of this year's annual report is winning together, for it is when we unite in camaraderie and work with passion, do we succeed. I thank all of you for your support in the years gone by and am happy to have you as part of our winning team.

In 2013, the global economy continued to face stiff challenges, with key economies struggling to match the growth rates of 2012. In India, GDP continued to grow, although at a much slower rate than the previous year, in the face of rising inflation and tight monetary policies. We saw hope on the horizon when our country overtook Japan to emerge as the third largest economy in terms of GDP on a PPP basis. However, the growth slowdown adversely affected the key sectors of our business, namely infrastructure and realty, pressure-testing both our top line and margins. While such challenging phases are inevitable in every business, what helped our company sustain growth and overcome difficulties were our operational and internal efficiencies.

AkzoNobel India has just completed 60 years of service to its customers. And, in this spirit of celebration, I am delighted that the Board has recommended a special dividend of ₹60 per share, over and above the normal dividend of ₹15 per share. Our cash generation remains strong and robust, allowing us to reward our shareholders. I continue to be grateful to them for their ongoing support and encouragement.

Our company is a fertile ground for breeding top-notch leadership talent. The recent movement of some of its senior leaders into larger global roles within AkzoNobel has not only deepened my belief that we are on the right track in our committed efforts to advance the capabilities of our

employees, but has also filled me with stronger hope that in times to come we will be seen as an employer of choice. I want to acknowledge Partha Basu, Sangeeta Pandey and Amit Jain for being our shining stars. Partha Basu, who has been appointed Finance Director Operations within the Corporate control team of AkzoNobel has been succeeded by Himanshu Agarwal as CFO of AkzoNobel India. And, Sangeeta Pandey who took over as BU HR Director for the Powder coatings business of AkzoNobel has been replaced by Gaurav Gupta as HR Head for AkzoNobel India.

In December 2013, Amit Jain stepped down as Managing Director of AkzoNobel India following his appointment as Managing Director for the Decorative paints business of AkzoNobel in North and Central Europe. I am confident that AkzoNobel India will continue to benefit from his vast experience and knowledge as he stays on as a Non-Executive Director on the Board of the Company. Jayakumar Krishnaswamy, who was appointed Managing Director in March 2014, has been with AkzoNobel India since 2011 as the Head of Supply Chain, and brings with him 26 years of understanding and insights across automotive, engineering, FMCG and cement industries. I wish Amit, Partha, Sangeeta and Jayakumar, success in their new roles.

Our commitment to improving lives remains firm through our association with various NGOs and independent initiatives, particularly with communities around our factories. Again, this underlines our belief in working and winning together.

We look forward to the coming year with confidence and optimism. The economy in general and the industry in particular are expected to revive and resurge. We are aligned to our vision of achieving leading market positions delivering leading performance. Our continued efforts at integration and

excellence will, I am sure, enable us to achieve our goals. I look forward to seeing our vision, strategy and plans come together in a harmonious whole.

Nihal Kaviratne CBE

Managing Director's statement



“I consider it a special privilege and indeed an honour to lead this iconic company, which is part of a global conglomerate that traces its legacy to Alfred B. Nobel, one of the greatest innovators and philanthropists of the modern era.”

Being a part of the world's leading coatings and chemicals group gives us an unmatched advantage in terms of best brands and cutting-edge technology. Our products are renowned for lasting performance. We have seamless access to R&D labs that continuously invest in developing materials that deliver superior performance.

The great American inventor, Thomas Alva Edison, always had one advice - *"if there is a better way to do it, find it"*. Finding a better way is driven by passion for excellence, a core value at AkzoNobel. Excellence in manufacturing is the key to our continuing success as well as future growth. Value creation, which complements manufacturing excellence, forms the bedrock of the continuous improvement culture in our company. And it is the coupled amalgam of these two approaches that enabled us to deliver yet another solid performance in 2013-14.

To address our strategic focus areas, we will pursue an identified set of high-level actions throughout the company by delivering dependably, innovating, simplifying, standardising and continuously improving. As a company, we have been focussing on improving operational excellence through process improvements and energy savings. This has been highlighted by the reduction in our conversion costs and better delivery of quality. The value creation programme has resulted in visible savings in COGS, which have been instrumental in offsetting the effects of increased cost of inputs.

On the business front, we performed well in spite of several challenges. The total revenues of the company at ₹2418 crores increased by 8%; with a PAT of ₹150 crore. Despite tough market conditions in 2013-14, it was gratifying to see the company record revenue growth. After absorbing cost pressures due to rupee devaluation, particularly in mid-2013, and continuing investment in brands and capability building,

the operating profit has been sustained at previous year's level. PAT for the full year however declined mainly due to drop in investment income and one-off items included in the previous year.

Decorative paints continued to drive growth with its superior value proposition and strong consumer connect, with the Performance Coatings business also chipping in with impressive growth in revenues. Speciality Chemicals grew its revenue by 5% reflecting the sluggish macro-environment in its customer segments.

On the assets front, the Gwalior factory, which became operational last year, increased our gross block by ₹140 crores. The benefits of this new investment will accrue in the form of higher revenues through differentiated 'Go to Market' models, which will help us penetrate markets in North and Central India. The factory will positively impact our margins as we leverage higher operational efficiencies with an additional capacity of about 30%.

All our factories follow the strictest compliances with regard to health, safety and environment. We strongly believe that, as responsible corporate citizens, we have to work towards improving the lives of people, particularly of those in and around our factories. It is only when we share the fruits of our success with the community will we all win together.

As we move to a more affirmative future, we are convinced of the growth story of India. The automobile industry has started to send strong signals of resurgence; the infrastructure sector is forecasted to pick up pace with numerous large projects expected to get clearances. Overall, the Indian economy is poised to rebound in 2014-15. All these augur well for us. We are ready to capitalise on the exciting opportunities in the

Coatings and Specialty chemicals markets with a winning combination of products, presence and people.

Jayakumar Krishnaswamy



Our brands and businesses



Automotive and Aerospace Coatings | Decorative Paints | Functional Chemicals |
Industrial Coil Coatings | Marine and Protection Coatings | Packaging Coatings | Powder Coatings |
Pulp and Performance Chemicals | Surface Chemistry | Wood Finishes & Adhesives

Manufacturing excellence



Hyderabad paint works

Year of commencement:

1971, expanded in 2011

Products Manufactured:

Waterborne and solvent-based paints for the decorative and automotive refinish business



Mahad functional chemicals

Year of commencement:

1991

Products Manufactured:

Organic peroxides. This facility also serves as a re-filling station for metal alkyls



Bangalore coatings

Year of commencement:

1996, expanded in 2011

Products Manufactured:

Marine and protective coatings, powder coatings, industrial coil coatings, speciality finishes and automotive plastic coatings



Thane paint works

Year of commencement:

1996

Products Manufactured:

Waterborne decorative paints including emulsions and primers



Mohali paint works

Year of commencement:

1998

Products Manufactured:

Decorative enamels and primers, colourants, woodcare products and automotive refinishes



Gwalior paint works

Year of commencement:

2013

Products Manufactured:

Waterborne decorative paints

Narmada

In 2013, the company opened a new coatings factory in Gwalior, expanding its manufacturing footprint to six factories in the country.

With an annual capacity of 55 million litres, the Gwalior factory – ‘Narmada’, was constructed in 1.5 years at a cost of ₹140 crores. It is built on an area of 9,000 square metres, with a greenbelt cover of another 9,000 square metres. It has sufficient infrastructure for further expansion in the future as well.

The eco-efficient Greenfield facility focuses heavily on the conservation of energy, water and resources, in line with AkzoNobel's stated intent of producing more with less.

Special sustainability features at the factory include rainwater harvesting, an energy-efficient pumping system and the use of daylight from roofing areas.

‘Narmada’ which manufactures water-borne decorative paints, will provide a cost-effective access to key markets in northern and central India.





Caring for life

The journey of life is not meant to be walked in solitude. Together, we can make our achievements grow manifold; we can stride ahead as a team, each helping the other and thus making our dreams soar.

Or, to put it in the words of Helen Keller, “Alone we can do so little; together we can do so much.” It is only by joining hands that we all win together.

As a responsible corporate citizen, AkzoNobel India carries this value to its interactions with society, with the people and the communities it comes into contact with while running its business. We see it as an honour as well as an opportunity to make a discernible difference in the lives of people. We believe we can contribute positively towards helping others, conserving the environment and protecting our planet when we leverage the power of winning together by engaging with the economically weaker and underprivileged people through a variety of activities and initiatives.

Winning ways

We are global leaders in sustainability and are fully aware of the increasing stress being put on earth's natural resources to sustain the needs of a growing global population. Through our Planet Possible initiative, we have integrated the economic, environmental and social aspects of sustainability at the core of everything that we do. At each of our factory sites, the sustainability agenda is deeply embedded in the employees with a firm commitment that spans raw materials, operations and packaging. The goal is well-defined: create more value from fewer resources. In our manufacturing operations, we are continuously improving our processes such that less water is used. In addition, we are consciously

working towards becoming more energy-efficient, with a clear mandate to reduce energy consumption per unit of production.

Packaging is another crucial area we have been focussing on. At our Mohali factory, we switched from the traditional plastic containers to flexi pouches, which reduced the weight of the container by over 75%, resulting in not only a lesser use of plastics but also enhanced supply chain efficiency.



Together we can

We regularly organise community programmes under our ‘Serving Society’ initiatives. The problems facing people in several communities include poverty and a lack of opportunities. This manifests as low rates of education, poor health and sanitation facilities, lack of basic medical facilities and infrastructure. In the case of children and women, the situation is even worse. At all our sites, we engage with the underprivileged sections of society with the aim of adding colour to their lives.

At our Hyderabad factory, our team celebrated the festival of Raksha Bandhan with the children of the **Care & Love Orphanage**. The children were given free books and stationery on the occasion. The team is continuing its association with the orphanage and is committed to support the re-painting of the premises. The Hyderabad factory also conducted a **Safety Awareness Campaign** as part of the 42nd National Safety Week celebrations at the near by Zilla Parishad High School at Chintal, about 5 km from the site. Three hundred and fifty students were engaged in an interesting and interactive session that included a poster competition, skits and quizzes focussing on domestic and road safety.





Winning formula

Health care remains one of the most critical concerns in the semi-urban and rural areas in the country, where business organisations, especially those with their manufacturing units located in such places, can contribute significantly. Our Bangalore team has been actively involved with the **Health Care Centre, Begur**, which is situated 5 km from the factory. The initiatives that the Centre has taken up includes increasing awareness of health and nutrition and providing health supplements to the aged. The Centre has 30-40 patients on an average, per week, from seven villages around Begur. This year, we added two more villages under this initiative, taking the total number to 2,000 served people across nine villages.

The **Grace Mission and Medical Centre** is an NGO based at Hoskote, near our Bangalore factory. This Centre focuses on health and education and has a hospital that can accommodate 150 patients. There are separate male, female, maternity and paediatric wards. The hospital has a special ward for the treatment of leprosy. All treatment is given free. The mission also has a Nursing Institute and a Child Care Centre.

Our employees at Bangalore have been associated with the Grace Mission and Medical Centre since 2012. The company wholeheartedly supports the child care centre, which has a residential school for over 250 children. Employees work with the staff to ensure not only good education, but also awareness about hygiene, conserving natural resources and taking care of the environment through trainings and workshops. We also support the centre in maintaining and updating its library and computer centre. Any requirements in the form of new equipment or infrastructure are also provided.

At village **Cholappanahalli**, near Hoskote, there is a school that is over 50 years old and has suffered a lot of damages caused by exposure to rains over the years. Employees at Bangalore have worked to re-vamp the infrastructure by helping create a proper two-floor building, complete with a play area, teachers' rooms and a prayer hall. The space around the building has been landscaped to make it safe for

the children. Employees of the factory regularly volunteer at the school to help in health checks as well as to encourage the children to take up extracurricular activities.

At **Ghirongi** village, 18 km from Gwalior, the employees of the Narmada factory engaged with the teachers and local people to improve the condition of the only primary school-cum-Anganwadi in the area by painting it.

The Thane R&D and Innovation Centre helped **Mahatma Gandhi Vidyalaya** at Uran by initiating a project to overhaul the crumbling and unsafe school building with a new two-storey building capable of housing 800 students. Surplus furniture from the R&D Centre as well as the Thane factory was modified and re-deployed in the school. The new construction also has hygienic washroom facilities.

As part of an endeavour to share safe operating processes, the teachers and students of **Delhi Public School** at Navi Mumbai were given training in basic safety. In addition, necessary safety equipment were provided. The team also supported the re-painting of **Jan Vikas**, a vocational training centre for tribal boys at Dahanu, near Mumbai.



Employees from the Thane factory undertook re-painting of **Balvikas Kendra**, an orphanage for destitute children



at Nerul in Navi Mumbai. Camps were organised to impart training to the women of an **Anganwadi at Badlapur** in handicraft making and tailoring; beautician courses were also organised for them.

Punarvas and Snehalaya are institutions that care for differently-abled children. Both these premises were repainted in vibrant colours with the help of the Thane R&D



Centre. **Snehalaya** was provided a hydrotherapy pool and the power generator at the centre was repaired.

The Rotary Club of Calcutta Midtown, along with its associates, has initiated a water and sanitation programme, **Project Dignity**, with the objective of constructing 500 low cost toilets at Nimpith over a period of three years. Project Dignity donates composting-type pit toilets to families in their homes (with a fractional contribution from the family to provide psychological 'ownership'). It also mentors women to train their family members on the routine use and maintenance of toilets; promotes literacy of children and adults and advances women's independence via vocational training.

Working or contributing to these projects is AkzoNobel India's way of highlighting its concern for the community. It is our way of expressing the value of winning together.



Tomorrow's winners

The employees at our R&D and Innovation Centre at Thane work ceaselessly to improve processes and create innovative products/formulations that are not only safe to use, but are also less harmful to the environment. We are increasingly using the new technology—water in oil, to reduce our overall Volatile Organic Compounds (VOC). We have already achieved a remarkable reduction of 20 per cent in the use of VOC at our factories.

Another key area where our R&D and Innovation teams are working is in packing and packaging, where we are moving towards using lightweight cans, ensuring that there is no effect on the lifecycle of the products. Renewable materials and materials with a higher recycled content are being used.

Even though we form a small part of the entire value chain of the chemicals industry in the country and have a small environmental impact, we continue our efforts to reduce this further. We are consciously reducing our footprint activities that generally result in cost savings and lesser resource utilisation.

Narmada - Our new factory at Gwalior is an eco-efficient Greenfield facility created with our global sustainability goal to create more value from lesser resources. The factory focuses on the conservation of energy and water through the usage of rainwater harvesting and energy-efficient pumping systems. The site reduces the usage of artificial light with a design that lets 20 per cent of the roofing area allow natural light into the factory.



Badlapur, near our Thane factory, is largely a barren stretch of land, dotted by many industries that are depleting the tree cover. The area desperately needed planting of more trees and the AkzoNobel India team undertook this responsibility with a Tree Plantation Drive in May and October 2013 with more than 200 fruit-bearing trees planted. Regular follow-ups are organised throughout the year to ensure these trees are nurtured, with an estimated 150 hours of dedicated work at site put in by volunteers from the factory.

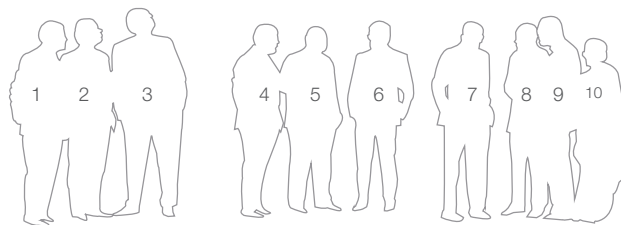
Every step makes a difference. Every endeavour, every initiative, big or small, brings us closer to the people and the planet. We at AkzoNobel India realise that it is only when companies and communities work together can an effective cooperation evolve. After all, caring for life is yet another way of winning together.

Even though we form a small part of the entire value chain of the chemicals industry in the country and have a small environmental impact, we continue our efforts to reduce this further.





Our Board of Directors



(1) Himanshu Agarwal, Wholtime Director

Himanshu is CFO & Wholtime Director at AkzoNobel India since 2 September 2013.

He is a chartered accountant, company secretary and cost management accountant with an excellent track record of over two decades across the paint and pharmaceutical sectors. His immediate prior appointment was as Chief Financial Officer, AstraZeneca Pharma, with the primary responsibility for Finance, ISIT and Procurement.

(2) Arvind Uppal, Non-Executive Director

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

Arvind is currently President, Whirlpool Asia Pacific and Chairman & Managing Director, Whirlpool India. He has worked with Nestle for over 18 years, having joined that company as a management trainee in 1987. He is also a Director on the Board of Tuscan Capital, a venture capital company.

(3) Robert Molenaar, Non-Executive Director

Robert Molenaar joined the Board of the Company on 14 May 2013. He completed his graduation in Polymer Chemistry from University Enschede in 1982 and post-graduation from the Harvard Business School. He joined AkzoNobel as a Technical Manager at Los Angeles and since assumed responsibilities at various levels and across various countries such as Canada, USA, Singapore, the Netherlands and the UK as Product Manager, Regional and National Sales Manager, General Manager, Vice-President and Managing Director.

He is currently the Managing Director of the Marine & Protective Coating business of the AkzoNobel Group and is based in London.

(4) Amit Jain, Non-Executive Director

Amit Jain was the Managing Director of AkzoNobel India till December 2013. Currently, he is the Director for AkzoNobel's Decorative Paints business in North and Central Europe and operates out of Amsterdam. In January 2014, he re-joined AkzoNobel India's Board as a Non-Executive Director.

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

(5) Nihal Kaviratne, CBE, Chairman

Nihal Kaviratne, CBE, is the Chairman of the Company since October 2010. He holds a Bachelor of Arts (Honours) degree with a major in Economics from Mumbai University. His global career has spanned more than 40 years with Unilever. He was awarded the CBE for services to business interests in the UK and for sustainable development in Indonesia.

Nihal also serves as Director on the Boards of GlaxoSmithKline Pharmaceuticals Limited, DBS Group Holdings Limited, DBS Bank Limited, Singapore Airport Terminal Services Limited, StarHub Limited-Singapore, TVS Motor Co. (Europe) BV-Netherlands and Wildlife Reserves-Singapore; he is the President Commissioner of TVS Indonesia. He is also a founding member of APABIS (Asia Pacific Academy of Business in Society) and the founder of St. Jude India Child Care Centres.

(6) Jayakumar Krishnaswamy, Managing Director

Jayakumar Krishnaswamy is the Managing Director of the Company since 01 March 2014. He is responsible for steering and overseeing all AkzoNobel's businesses in India.

Jayakumar is a mechanical engineer from the Delhi College of Engineering and has over 26 years' experience across the automotive and engineering sectors as well as the FMCG and cement industries. He has previously worked with companies like Hindustan Unilever, Lafarge India, Brakes India and Eicher Motors.

(7) R Gopalakrishnan, Non-Executive Director

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

Gopalakrishnan is currently on the Board of several companies of the Tata Group. He has also worked with the Unilever Group for over 30 years in senior positions, including that of the Vice Chairman of Hindustan Lever Limited.

(8) Raj S Kapur, Non-Executive Director

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

Raj's career spans almost 40 years of which around 35 years were spent with Dow Corning. He is the founder-owner of Country Strategy Business Consultants, advising companies on their geographic expansion and market development strategies.

(9) Dr Sanjiv Misra, Non-Executive Director

Dr Sanjiv Misra, IAS (Retd.), has joined the Board of the Company on 14 May 2010. He is an alumnus of St. Stephen's College, Delhi and the Delhi School of Economics. As an Edward S Mason Fellow, he did his MPA from the John F Kennedy School of Government, Harvard University, USA, and subsequently obtained his PhD from Jawaharlal Nehru University, New Delhi.

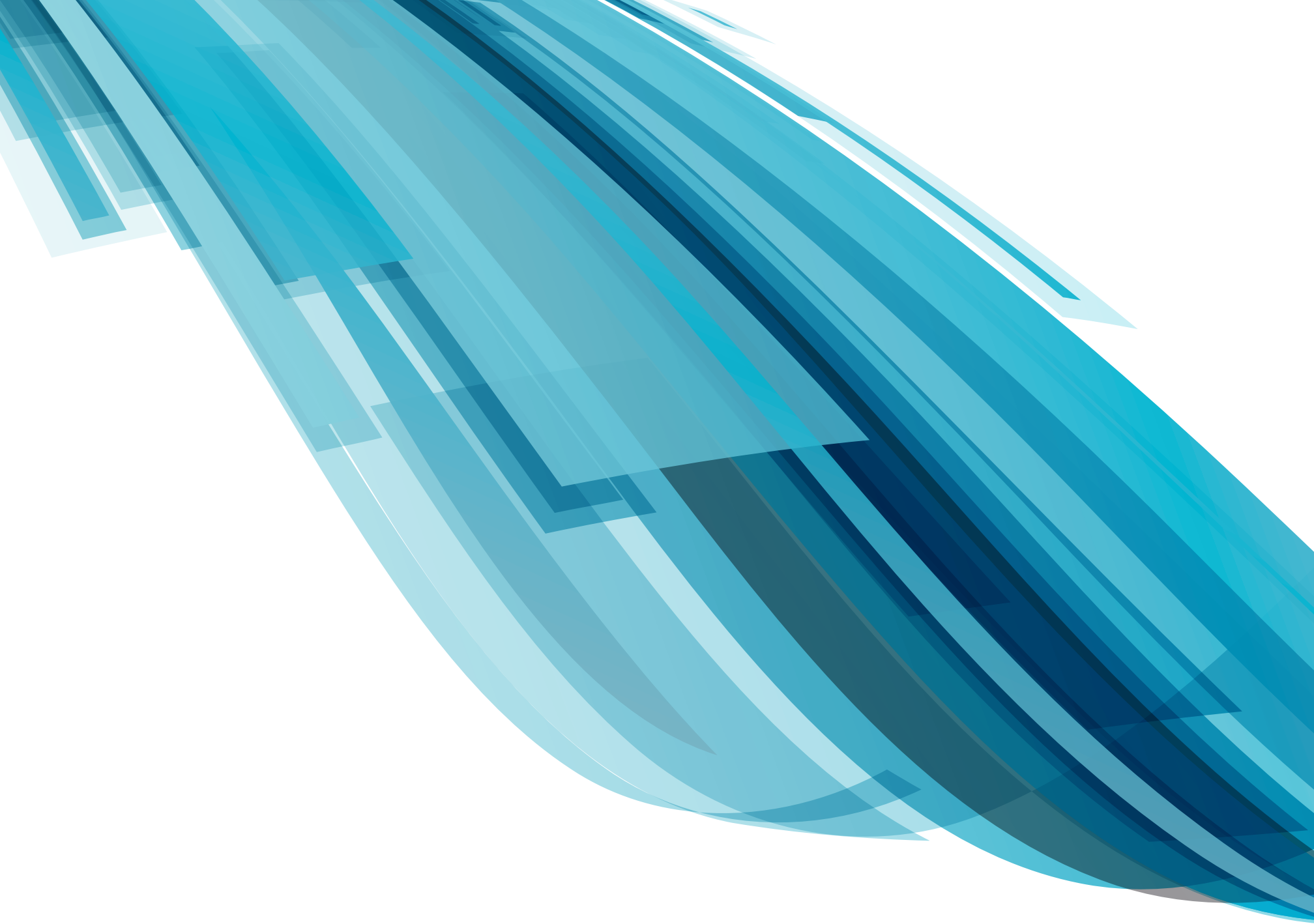
Sanjiv has held several key positions in the central and state governments. He superannuated as a Secretary in the Finance Ministry, Government of India, in 2008, following which he was a member of the 13th Finance Commission, a constitutional position in the Government of India. He has represented India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

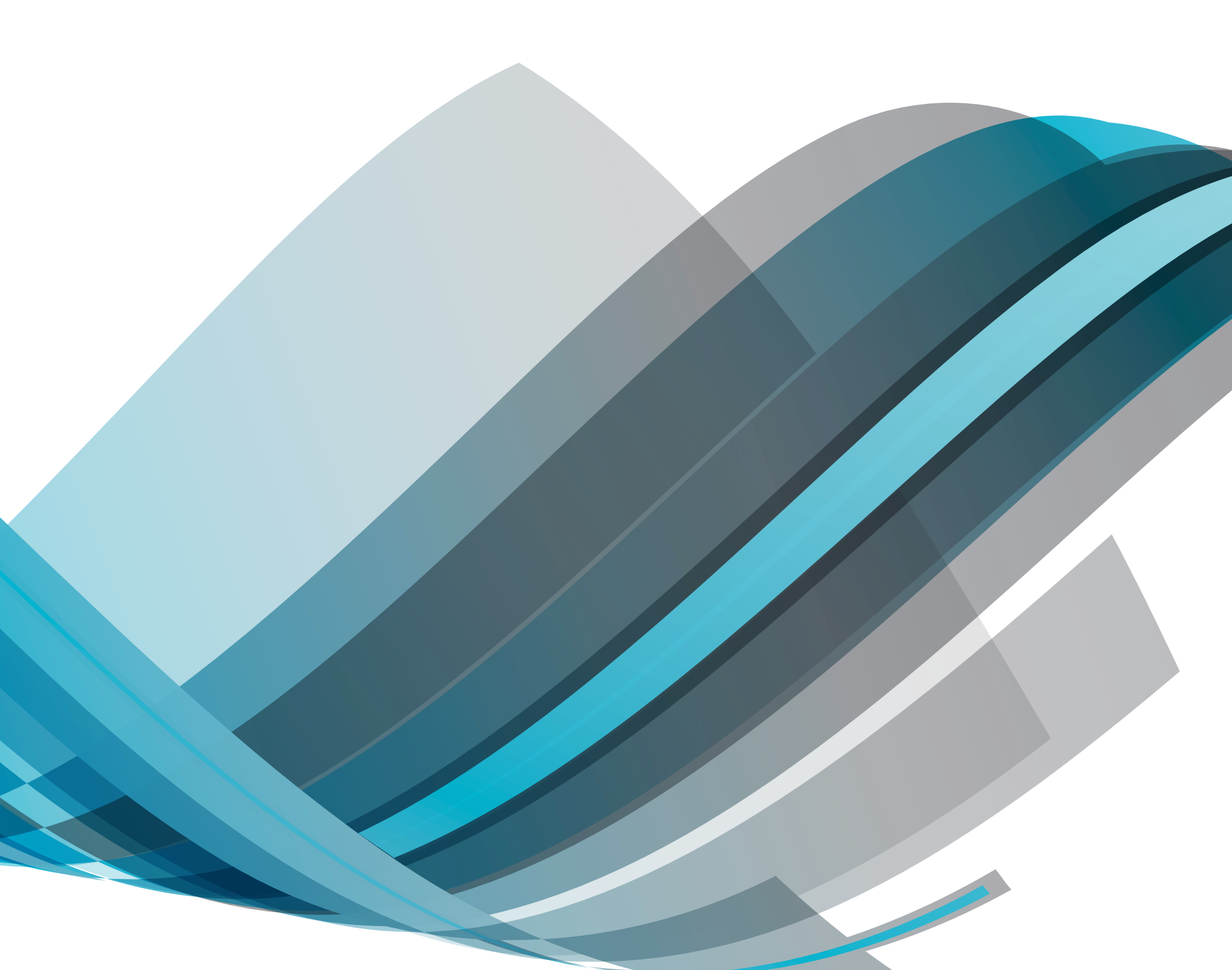
(10) Renu S Karnad, Non-Executive Director

Renu Karnad is a Non-Executive Director on the Board of the Company since August 2003. She is a law graduate from the University of Bombay and has a post-graduate degree in Economics from the Delhi School of Economics. She also holds the Pravin Fellowship from Woodrow Wilson School of International Affairs, Princeton, USA.

Renu is currently the Managing Director of Housing Development Finance Corporation (HDFC) Limited, which she joined in 1978. She is a Member of the BTS Investment Advisory Committee, advising the Swiss Tech Fund set up by the Swiss Government.







Company information

Board of Directors

Chairman

Mr N Kaviratne CBE

Managing Director

Mr A Jain (upto 31 December 2013)
Mr Jayakumar K (w.e.f 1 March 2014)

Directors

Mr H Agarwal — Wholetime Director (w.e.f. 2 Sep 2013)
Mr A Jain (w.e.f. 2 January 2014)
Mr R Molenaar
Ms S Govil (Alternate Director to Mr R Molenaar)
Mr R Gopalakrishnan
Mr R S Kapur (w.e.f. 1 March 2014)
Ms R S Karnad
Dr S Misra
Mr A Uppal

Key Managerial Personnel

Mr Jayakumar K, Managing Director
Mr H Agarwal, Chief Financial Officer
Mr R Guha, Company Secretary / Chief Internal Auditor

Registered Office

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

Corporate Office

DLF Epitome
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

Corporate Identity Number (CIN)

L24292WB1954PLC021516

Key Committees of the Board

Audit Committee

Ms R S Karnad (Chairperson)
Mr R Gopalakrishnan
Mr A Jain
Mr R S Kapur
Mr R Molenaar
Dr S Misra
Mr A Uppal

Nomination and Remuneration Committee

Mr R Gopalakrishnan (Chairman)
Mr A Jain
Ms R S Karnad
Mr R S Kapur
Mr N Kaviratne CBE
Dr S Misra
Mr A Uppal

Stakeholders Relationship Committee

Dr S Misra (Chairman)
Mr Jayakumar K
Mr H Agarwal

CSR Committee

Mr R S Kapur – Chairman
Mr Jayakumar K
Mr H Agarwal

Auditors

B S R & Associates LLP

Bankers

Citibank
Deutsche Bank
HDFC Bank
Hongkong & Shanghai Banking Corporation
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: 033-401 16700
Fax: 033-22870263
Email: rta@cbmsl.com

Directors' report

Dear Members,

Your Directors are pleased to present their report for the year ended 31 March 2014. This report has been prepared with reference to and in compliance of section 217 of the Companies Act, 1956 in terms of the General Circular no 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs.

Business Environment

Indian economy faced another year of strong headwinds both from global factors and domestic issues. GDP growth in fiscal year 2013-14 is estimated at around 5% (previous year 4.5%). Overall industrial activity slowed down with the Index of Industrial production (IIP) reflecting a marginal de-growth in 2013-14 compared to a growth of 1% in the previous year and 3% in the earlier year (2011-12).

The year also saw significant volatility in foreign exchange rates in mid-2013 which impacted business profitability; certain strong exchange control measures were taken by RBI during that period, some of which have since been rolled back.

On the positive side, the Companies Act, 2013 has replaced the Companies Act, 1956 with several provisions to protect investor interests, especially minority shareholders, improving governance standards and mandating corporate participation in CSR etc.

Finance and Accounts

Revenue for the year at ₹ 24,179 million is 8% ahead of previous year, with contribution from all segments. EBITDA from business operations at ₹ 1,919 million grew marginally ahead of previous year; however, profit after tax for the year at ₹ 1,502 million declined compared to previous year's

₹ 2,188 million mainly on account of lower income from investments and certain non-recurring income included in the previous year's results.

The highlights of the performance during the year are:

	(₹ million)	
	2013-14	2012-13
Revenue from operations	24,179	22,320
Operating profit	1,919	1,885
Depreciation	(437)	(386)
Other Income net of Finance costs	552	1,292
Profit before tax	2,034	2,791
Tax	(532)	(603)
Profit after tax	1,502	2,188

The appropriations from the profit are as follows:

Surplus brought forward from previous year	5,015	8,214
Profit after tax for the year	1,502	2,188
Total available for appropriation	6,517	10,402
Appropriations		
Transfer to general reserve	(660)	(1,050)
Proposed dividend	(699)	(933)
Proposed special dividend	(2,800)	(2,800)
Tax on proposed dividend	(595)	(634)
Write-back of previous year dividend (excess provision)		30
Balance carried to Balance Sheet	1,763	5,015

The Company has not accepted any public deposits during the year and no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

Dividend

Keeping in view the current year's performance, the Board is pleased to recommend a dividend of ₹ 15 per share for the financial year 2013-14 (previous year ₹ 20 per share). In addition, the Board has, after taking into account the fund requirements of the Company and other relevant factors, recommended a special dividend of ₹ 60 per share for approval of the members at the forthcoming Annual General Meeting. (previous year ₹ 60 per share). The special dividend also signifies the milestone of the Company completing sixty years since incorporation.

Investor Education and Protection Fund (IEPF)

A sum of ₹ 2.3 million was remitted to the IEPF of the Central Government towards Dividend remaining unclaimed in respect of the financial year ended 31 March 2006, in terms of section 205C of the Companies Act, 1956 (which corresponds to section 124 of the Companies Act, 2013).

Significant development

During the year, your Company inaugurated its eco-efficient Greenfield facility – its sixth factory in India – for manufacturing decorative paints at Gwalior, Madhya Pradesh. This facility will help in servicing the hitherto underserved markets of Central India in a cost efficient way.

Management Discussion and Analysis

Industry structure

The Indian Coatings industry has been growing over past several years at a rate well ahead of the country's GDP growth. The industry has two main sub-segments: Decorative Paints and Performance Coatings, comprising Protective, Powder, Marine, Auto and Coatings for specialized applications and is served by both organised and unorganised sectors.

Decorative Paints account for approx 70% of the industry. The main drivers for the growth of this business have been consumers' shift to premium products, shortening of re-painting cycle and better demand from Tier II and Tier III cities. Another important driver for demand for Decorative paints is the new homes underpinned by rising income levels, easy availability of finance for housing, shift from joint families to nuclear families and rapid urbanisation.

Performance Coatings business, which constitutes nearly 30 per cent of the Coatings market in India, is essentially a B2B market in contrast to the Decorative paints, which is largely B2C market. This business is technology intensive with a diverse set of growth drivers, which include key customer relationships, sustained focus on R&D and Innovation and strong emphasis on selling a solution rather than a product.

Business Performance

Coatings

Coatings segment recorded a total revenue of ₹ 23,242 million during the year 2013-14, compared to the previous year's ₹ 21,426 million, a growth of 8.5%. Segment profit however declined to ₹ 1,473 million, reflecting impact of rupee depreciation during the year and general slow-down in the economy. Despite tough market conditions, your Company continued to pursue its long term objectives through investment

in strengthening the brands, developing new markets, capability building and capacity expansion.

Decorative Paints

Some of the initiatives which supported the growth were:

- Introduction of Weathershield Next Generation for professional users;
- Reinforcing Sun reflect proposition through Weathershield Sunreflect campaign;
- Introduction of Fabrique Moment - new range of inspired finishes under Velvet touch Trends umbrella.
- Launch of VT - Fashion for Walls and communication restage for WS Max.
- Expansion of Distributor based servicing of hitherto underserved markets.
- The business has started its operations to service the Bangladesh market during the year by appointing a selling agent in that country.

Performance Coatings

Automotive and Aerospace Coatings

The highlights of the business for 2013-2014 were the launch of:

- 'Duco Auto-Star' for the mid-market segment,
- Bodyguard project, which is an integrated solution for strategic partnership with top insurance companies and
- Color Helpdesk.

Marine Coatings business focuses on coatings solutions for ships, trawlers, supply vessels and coastal fishing boats. The business provides comprehensive coatings solutions to new ship construction as well as maintenance and repair. The business is battling

a general slowdown in the shipping industry with pressures on both volumes and margins. Initiatives to expand into new avenues to propel growth as well as de-risking were continued.

Protective Coatings business provides coatings solutions to segments like oil and gas, public infrastructure projects such as airports and stadia, power generation, mining and minerals, etc. Though the overall market for protective coatings faced several challenges, there are indications of revival of demand in the industry. During the year the business introduced Enviroline series of products, Interthane 138HS - a low cost high solid PU finish and "Intertuf" a surface and sea water tolerant epoxy primer.

Industrial Coil Coatings business continued its growth momentum and has implemented several initiatives to improve its market position. The year saw new product launches and better price realization in select product lines. Polydure@1000 RAL9010 - a food safe coating, was launched during the year. Concerted efforts to secure product approvals from potential customers are on hand.

Powder Coating business, which caters mainly to white goods, automotive and general industry, registered a healthy topline growth. New initiatives to apply Powder coating technology to the Auto-Body sector are being pursued. A low bake powder coating in Genset Canopy market was successfully commercialized during the year. New opportunities with OEMs of Tractors and Light commercial vehicles and Architectural coatings are being explored.

Packaging Coating business, hitherto being run as an 'import and sell' operation, is in the process of setting

up a local manufacturing facility to cater to the growing Indian market in a cost effective manner.

Chemicals

This segment consisting of Functional Chemicals and Surface Chemistry businesses recorded a turnover of ₹936million compared to the previous year's ₹894million, a growth of 5%. Segment profit, however, declined to ₹ 103 million mainly due to fall in product prices and adverse product mix. A specialized Lab to cater to the Surface Chemistry requirements of the Agrochemical industry is being set up at the Thane site. Opportunities to source some products locally using AkzoNobel's technologies are under evaluation.

Going forward, your Company will continue to closely monitor the global trends in the availability and price movements of all key inputs and shall strive to safeguard its supply lines. Cost reduction and value enhancement projects are also being pursued to counter inflation/ensure supply security. However, volatility in currency exchange rates could negate the effects of some of the above actions and put 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 swings in exchange rates.

Your Company will continue to stay focused on growing ahead of the market, with emphasis on serving its consumers through superior technical inputs and solutions and continuous efforts to expand footprint in its areas of strength.

Responsible care

Health, Safety, Environment & Security (HSE&S) is always the top priority of your Company in the conduct of its business. Your Company continued to focus on people

and process safety at all its sites. Life Saving Rules and Road Safety, especially for the sales personnel, were the key focus areas during the year. The Company continues to upgrade its standards of compliance of all applicable 'HSE&S' norms.

Conservation of energy, research, development and innovation

Your 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

Your Company continues to sustain its priority to social welfare and community development and is fully geared to fulfil its commitments in discharging its social responsibilities as a corporate citizen, in due compliance with section 135 of the Companies Act, 2013. During the year, your Company implemented several CSR initiatives on its own with employee volunteers as well as in partnership with NGOs mainly in the areas of health, education and development of the underprivileged sections of the society and environment protection.

Information technology

Your company continues to leverage IT for managing the business operations in an efficient way. During the year, a large part of the distribution network was linked up through software to facilitate visibility to monitor service levels and customer preferences, which in turn can help in improving customer satisfaction and business growth.

Human resources

Your Company had cordial relations with employees across all locations during the year.

Your Company's Human Resource agenda for the year was focused on strengthening four key areas: building a robust and diverse talent pipeline, enhancing individual and organisational capabilities for future readiness, driving greater employee engagement and strengthening employee relations further through progressive people practices. Your Company has been investing in progressive employee relations practices to ensure that it invests in capability at the grass root level. It has also seen a significant improvement in its engagement score (which indicates the level of engagement and hence commitment to the Company's goals & values) of its employees through sustained communication and development programmes. The total number of employees on the rolls of the Company as at 31 March 2014 was 1854 (previous year 1795).

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, 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 excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. 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

Your Company has an effective risk management framework, which helps the Board to monitor the state of controls in key business processes. Your 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 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 BSE and National Stock Exchange.

Directors

Mr Partha Sarathi Basu, Wholetime Director resigned from the Board with effect from 30 August 2013, consequent to his taking up an assignment with Akzo Nobel NV, based in the Netherlands.

Mr Himanshu Agarwal joined the Board as a Wholetime Director with effect from 2 September 2013.

Mr Amit Jain, Managing Director, resigned from the Board with effect from 31 December 2013, consequent to his taking up an assignment with Akzo Nobel NV based in the Netherlands. He was appointed as an Additional Director with effect from 2 January 2014.

Mr Raj Kapur was appointed as an Additional Director of the Company with effect from 1 March 2014.

Mr Jayakumar Krishnaswamy was appointed as the Managing Director of the Company with effect from 1 March 2014.

Mr Nihal Kaviratne CBE, Mr Rob Molenaar and Dr Sanjiv Misra will be retiring by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

The Board wishes to place on record its deep appreciation of the contributions of Mr A Jain as Managing Director and

Mr P S Basu as Wholetime Director, during their respective tenures.

Auditors

M/s B S R & Associates LLP 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

The Board has appointed M/s Chandra Wadhwa & Associates as the Cost Auditors for conducting Cost Audit for the financial year 2013-14. Their report for the previous year ended 31 March 2013 was filed with MCA within the stipulated time.

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 2014 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 your 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 your 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.

New Delhi
16 May 2014

On behalf of the Board
N Kaviratne CBE
Chairman

Annexure I

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

		2013-14	2012-13
1. Power & fuel consumption			
(a) Electricity			
(i) Purchased			
Unit	Mwh	28,605	20,797
Total cost	Rs m	211	140
Rate	Rs/Kwh	7.38	6.75
(ii) Own generation			
Units	Mwh	475	856
Units/Kl of HSD	Kwh	4,474	2,340
Cost/unit	Rs/Kwh	24.92	21.69
(b) Fuel oil			
Quantity	Kl	2,719	2,744
Total cost	Rs m	160	117
Average rate	Rs/Kl	58,803	42,475

2. Consumption per unit of production

(a) Electricity			
Coatings	(Kwh/Kl)	68	68
Catalysts*	(Kwh/Te)	1,844	2,032
Chemicals	(Kwh/Kl)	1,871	1,929
(b) Fuel oil			
Catalysts*	(Kl/Te)	0.35	0.73
Coatings	(Kwh/Kl)	10	27

* The Company had exited from the Catalysts business in 2002. However, this product continued to be manufactured under a Toll conversion arrangement for a third party.

3. Energy conservation measures

During the year, various energy conservation measures were implemented in the Company's factories and offices.

a) Conservation measures taken

Energy audits are conducted regularly in all the plants. Continuous productivity improvement also contributed towards reduction of utilities consumption like power and water.

b) Proposal under implementation

Various projects for energy reduction by improving power factor, planned asset upgradation/ renewal with more efficient components are under implementation.

c) Impact of the measures consequent to (a) and (b) above

These measures have helped to contain total energy consumption in the factories in the financial year 2013-14 at previous year level in spite of changes in product mix.

B) Absorption of technology

1. Research & Development (R&D)

(a) Specific areas in which R&D is carried out by the Company

Your 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 – e.g. development of Water-in-Oil Technology to reduce VOC in Trim Paints
- Up-gradation of DCC Toners and development Color formula for solid colours.
- Indigenization of epoxy resins.

(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 –key product launches highlighted elsewhere in the report
- Efficiency improvement through rationalization and indigenization of raw materials and better material operating efficiency
- Dulux Superclean was voted as the 'Product of the year 2014' in the paints category. The product is equipped with a beading technology that offers key performance benefits of 'stain repellence', thereby minimizing the damage to the surface.

(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

	2013-14	2012-13
(i) Capital	21	36
(ii) Recurring*	101	114
(iii) Total	122	150
(iv) Total R&D expenditure as a percentage of turnover	0.5%	0.7%

*Excludes Royalty charge.

2. Technology absorption, adaptation and innovation

(a) Efforts and benefits

Manufacturing process was optimized at all plants to reduce environmental impact and improvements in energy consumption and waste generation.

(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*

	(₹ million)	
	2013-14	2012-13
Used	3,515	3,519
Earned	1,068	907

*excludes outgo on account of dividend.

Use of foreign exchange by the Company is 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.

(b) Future plans

- Continue to use innovation and R&D strengths to reduce costs through process improvements, import substitution, and improving material usage efficiency for sustainability.
- Focused R&D efforts in response to changing customer needs and feedback.
- Continue to leverage access to AkzoNobel's global expertise to develop/adapt products for the Indian market.

Annexure II

Report on Corporate Governance

1. Company's philosophy on Corporate Governance

Effective corporate governance practices constitute the strong foundations on which successful commercial enterprises are built. Over the past several years corporate governance has become firmly anchored in all our business processes. All our actions are guided by principle and value based standards, which not only comply with the applicable legislations but also help us to achieve highest standards of performance and behaviour in everything we do.

The Company is in compliance with the requirements on corporate governance stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges, as explained below:

Name of the Director	Category of Directorship in Akzo Nobel India Limited	Directorships (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	8	1
Mr Jayakumar K ¹	Managing Director	1	-	1
Mr H Agarwal ²	Wholetime Director	1	1	1
Mr A Jain ³	Non Executive Director	1	2	1
Mr P S Basu ⁴	Wholetime Director	1	2	1
Mr R Molenaar	Non Executive Director	1	-	1
Ms S Govil ⁵	Alternate Director	-	-	-
Mr R Gopalakrishnan	Independent Director	10	4	4
Ms R S Karnad	Independent Director	14	7	5
Mr R S Kapur ⁶	Independent Director	1	-	-
Dr S Misra	Independent Director	4	-	4
Mr A Uppal	Independent Director	2	3	2

¹ Appointed w.e.f. 1 March 2014

² Appointed w.e.f. 2 September 2013

³ Resigned w.e.f. 31 December 2013 as Managing Director and rejoined the board as a Non-executive Director w.e.f. 2 January 2014

⁴ Resigned w.e.f. 31 August 2013

⁵ Alternate Director to Mr R Molenaar

⁶ Appointed w.e.f. 1 March 2014

2. Board of Directors

Composition

The Board composition is in conformity with the applicable provisions of the Companies Act and the Listing Agreement. The names and categories of the Directors on the Board and the number of Directorships and Committee Memberships held by them are given alongside:

Meetings and attendance

Given below is the consolidated list of meetings of the shareholders, Board and specified committees held during 2013-14 and attendance details of Directors:

Name of the meeting	Dates on which meetings were held
Annual General Meeting (AGM)	8 August 2013
Board	20 May 2013, 08 August 2013, 18 October 2013 and 30 January 2014
Audit Committee	20 May 2013, 08 August 2013, 18 October 2013 and 30 January 2014
Shareholder/Investor Grievance Committee (SHIGC)	21 November 2013
Remuneration & Nominations (R&N) Committee	18 October 2013 and 30 January 2014

Attendance details at meetings during April 2013 to March 2014

	AGM	Board	Audit	SHIGC	R&N
No. of Meetings held	1	4	4	1	2
Mr N Kaviratne CBE	1	4	NA	NA	2
Mr Jayakumar K	NA	NA	NA	NA	NA
Mr H Agarwal	-	2	NA	1	NA
Mr A Jain	1	4	-	1	-
Mr P S Basu	1	2	NA	-	NA
Mr R Molenaar	1	2	1	NA	NA
Ms S Govil	-	-	-	NA	NA
Mr R Gopalakrishnan	1	4	4	NA	2
Ms R S Karnad	1	4	4	NA	2
Dr S Misra	1	3	3	1	1
Mr A Uppal	1	3	3	NA	1
Mr R S Kapur	NA	NA	NA	NA	NA

'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 relevant provisions of the Companies Act, Mr Nihal Kaviratne CBE, Dr Sanjiv Misra and Mr Robert Molenaar will retire by rotation at the forthcoming Annual General Meeting and are eligible for re-appointment.

It may be noted that as a self-regulatory measure, the Board had decided in 1997 that Non-Executive Directors should retire from the Board on attaining the age of 70. On this basis, Mr. Nihal Kaviratne's tenure as a Director would have ended in 2014.

The Remuneration and Nominations Committee considered this matter at its meeting held on 30 January 2014 and felt that the continuation of Mr. Kaviratne on the Board would be of significant help in ensuring successful execution of the organizational transition arising from the merger of Akzo Nobel subsidiaries into the Company in 2012 and the recent leadership changes in the Company. Taking into account the above recommendation of the R&N Committee, the Board requested Mr. Kaviratne to accept an extension of term as a Non-Executive Director by making an exception to the above norm for one term.

Mr Himanshu Agarwal's appointment as a Whole-time Director of the Company with effect from 2 September 2013 and his remuneration are subject to the approval of the members at the forthcoming Annual General Meeting.

Mr Jayakumar Krishnaswamy's appointment as the Managing Director of the Company with effect from 1 March 2014 and his remuneration are subject to the approval of the members at the forthcoming Annual General Meeting.

Mr Amit Jain who was appointed as Additional Director of the Company with effect from 2 January 2014 will hold office up to the forthcoming Annual General Meeting.

Mr Raj S Kapur who was appointed as Additional Director of the Company with effect from 1 March 2014 will hold office up to the forthcoming Annual General Meeting.

Both Mr Amit Jain and Mr Raj S Kapur are eligible for re-appointment.

A brief resume of the above directors, as required under clause 49(VI)(a) of the Listing Agreement, is given in the Notice convening the Annual General Meeting.

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 members of the Committee are eminent professionals with necessary knowledge in financial, accounting and business matters. The Chairman, Managing Director, Wholetime Director, Internal Auditors and Statutory Auditors are permanent invitees to the meetings of the Committee, with the Company Secretary acting as its Secretary. Any other person / executive, when required, also attends 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 alignment with the norms specified in Clause 49 of the Listing Agreement and relevant provision of the Companies Act, 1956. For details of meetings of the Committee held during the year and attendance therein, please refer to para 2 above.

4. Remuneration and Nominations Committee

(₹ million)

The purpose of this Committee is to assist the Board in the nomination of members to the Board, 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 to para 2 above.

The Committee has since been re-named as 'Nomination and Remuneration Committee' with extended terms of reference, at the Board meeting held on 16 May 2014.

Remuneration of Directors

While remuneration of Wholetime Directors is recommended by the R&N Committee, the remuneration of NEDs is recommended by the Board. The NEDs, other than Mr A Jain and Mr R Molenaar are paid sitting fees of ₹ 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 for the year 2013-14 are given alongside:

	Total remuneration	Fixed component	Performance linked payments
	a	b	c
	(a = b + c)	Salary, allowances and perquisites	Performance Pay
Managing/Wholetime Directors			
Mr A Jain (upto 31 Dec 2013)	46.38	30.53	15.85
Mr Jayakumar Krishnaswamy (with effect from 1 March 2014)	6.39	2.74	3.65
Mr P S Basu (upto 31 August 2013)	11.14	7.29	3.85
Mr H Agarwal (with effect from 2 September 2013)	8.50	7.41	1.09
Total	72.41	47.97	24.44
Non-Executive Directors			
		Sitting fees	Commission*
Mr N Kaviratne CBE	0.82	0.12	0.70
Mr R Gopalakrishnan	0.90	0.20	0.70
Ms R S Karnad	0.90	0.20	0.70
Mr Raj S Kapur	0.06	-	0.06
Dr S Misra	0.86	0.16	0.70
Mr A Uppal	0.84	0.14	0.70
Total	4.38	0.82	3.56

*Subject to shareholder approval.

- 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.
- Performance linked payments are made to the Managing Director(s) and Wholetime Director(s) based on pre-agreed parameters and taking into account the recommendations of the R&N Committee.
- The criteria for payment of Commission to the NEDs are outlined in para 10(vi) below.
- Currently, the Company does not have any stock option scheme.

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 8 complaints from its investors during 2013-14, all of which have been resolved and no complaint was pending as on 31 March 2014. Routine queries/service requests received from the shareholders are normally addressed within 7 days of receipt. All share transfer requests received during the year were serviced within the normal service time.

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

The Committee has since been re-named as 'Stakeholders Relationship Committee' with extended terms of reference, at the Board meeting held on 16 May 2014.

6. General Body Meetings

- (i) Details of the last three Annual General Meetings of the Company are given below:

Date of AGM	Time	Time
8-Aug-13	2.30 pm	Kala Kunj, 48 Shakespeare Sarani, Kolkata 700 017
9-Aug-12	2.30 pm	Mini Auditorium, Science City, Kolkata 700 046
22-Jul-11	2.30 pm	Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017

(ii) No Extraordinary General Meeting of the Members was held during the year 2013-14.

(iii) No Postal Ballot was conducted during the year 2013-14, nor is there any proposal pending as on date for approval as a special resolution through postal ballot.

(iv) No special resolution was taken up during the past three years.

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. Mr A Jain, Mr R Molenaar and Ms 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.

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 results are displayed	
iv. Whether it also displays official news releases	The results, press releases, presentations and other relevant information are displayed on the Company's website www.akzonobel.co.in
v. Presentations made to institutional investors or to the analysts	

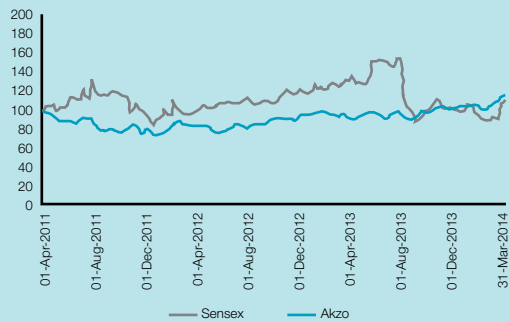
9. General Shareholder Information

Subject	Details
i. AGM: date, time and venue	11 August 2014 at 1430 hours at Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017
ii. Financial year	April to March
iii. Date of book closure	01 August 2014 to 11 August 2014 (both days inclusive)
iv. Dividend payment date(s)	On or around 21 August 2014 (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 2013 to 31 March 2014 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 2013-14

Month	High (₹/share)	Low (₹/share)	Volume (000's) BSE + NSE
April-13	1095	956	485
May-13	1200	978	512
June-13	1198	1068	145
July-13	1186	990	457
August-13	1017	720	244
September-13	860	750	641
October-13	930	812	343
November-13	913	822	116
December-13	891	807	528
January-14	890	770	272
February-14	810	756	70
March-14	906	764	333
		TOTAL	4,146

viii. Stock performance in comparison to BSE Sensex from April 2011 to March 2014



Note: Comparison is made by anchoring the share price and sensex at a base value of 100 as on 01 April 2011. The movements in the BSE Sensex and the Company's share price have been displayed in the graph with reference to that base.

ix. Unpaid/Unclaimed Dividend

In terms of Sections 124 and 125 of the Companies Act 2013 (which correspond to 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). Amounts of unclaimed dividend as on 31 March 2014 and the due dates for transfer to IEPF are:

Financial year	Amount (₹ million)	Due date for transfer to IEPF
2006-07	9.6	18-Jul-2014
2007-08	3.2	16-Jul-2015
2008-09	6.6	15-Jul-2016
2009-10	7.6	21-Jul-2017
2010-11	9.2	21-Jul-2018
2011-12	13.1	8-Aug-2019
2012-13	52.8	7-Aug-2020

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 once in every 10 to 15 days. Share transfers are registered and returned within 10 days from the date of lodgement of complete documents.

xii. Distribution of shareholding as on 31 March 2014

Range (No. of shares)	No. of shareholders	No. of shares ('000's)	% to total issued capital
1-50	26,170	492	1.1
51-500	13,757	1,930	4.1
501-5,000	1,159	1,284	2.8
5,001-50,000	49	817	1.7
50,001-1,000,000	24	7,254	15.5
1,000,001 & above	5	34,882	74.8
Total	41,164	46,660	100.0

Shareholding Pattern as on 31 March 2014

Category of shareholders	No. of shares ('000)	%
(A) Promoter and Promoter Group	34,044	73.0
(B) Public shareholding		
(a) Mutual funds	2,405	5.1
(b) Insurance companies	2,084	4.5
(c) Foreign institutional investors	1,061	2.3
(d) Bodies corporate	3,225	6.9
(e) Individuals/others	3,841	8.2
Total (A) + (B)	46,660	100.0
Total public shareholding	12,616	27.0

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 2014, 73.70% of the Company's equity shares involving 34.39 million shares have been dematerialised (No. of Demat accounts: 20,928). The Company entered into necessary agreements with NSDL & CDSL to enable 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:
Coatings	<ol style="list-style-type: none"> 1. Hyderabad Works, Balanagar, Hyderabad, Andhra Pradesh - 500 037 2. Plot No 62 P, Hoskote Industrial Area, Pilgumpa Village, Bangalore, Karnataka - 562 114 3. Plot No. GAE-1 (Part), GAF-1 & GAF-2, Industrial Area, Ghirongi (Malanpur), Bhind, Madhya Pradesh - 477 117 (Commissioned during the year) 4. Plot No. A-42, Phase-VIII B, Focal Point, SAS Nagar, Mohali, Punjab - 160 059 5. Plot No.1/1, TTC. Indl. Area, Thane Belapur Road, Koparkhairne, Navi Mumbai, Maharashtra - 400 709
Chemicals	Plot No. E-19/20, MIDC Area, Mahad, Raigad, Maharashtra - 402 301
xvi. Address for correspondence	<p>Shareholders' correspondence may be addressed to:</p> <ol style="list-style-type: none"> 1. C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata 700 019 Email: rta@cbmsl.com <p>OR</p> <ol style="list-style-type: none"> 2. The Company Secretary Akzo Nobel India Ltd DLF Epitome Building No 5, Tower A, 20th Floor Cyber City, DLF Phase III Gurgaon 122 002, Haryana Email: investor.india@akzonobel.com

10. The status vis-à-vis the non-mandatory requirements is given alongside:

Description	Status as on 31 March 2014
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 for 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 and Ms R S Karnad have been Independent Directors of the Company for over 9 years and continue 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 Wholtime 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 as a token of recognition of their contribution, with the approval of the shareholders, which will be taken in the forthcoming AGM.
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.

New Delhi
16 May 2014

On behalf of the Board
N Kaviratne CBE
Chairman

Declaration by the Managing Director

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

This is to certify that:

1. In pursuance to the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Business Conduct for the Company has been approved by the Board.
2. The said Code of Business Conduct has been uploaded 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 having complied with the said Code of Conduct, for the year ended 31 March 2014.

New Delhi
16 May 2014

Jayakumar Krishnaswamy
Managing Director

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 2014, as stipulated in Clause 49 of the Listing Agreement of the Company entered into with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's 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 and the representations made by the directors and the management, 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 the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For B S R & Associates LLP

Chartered Accountants
ICAI Firm registration number: 116231W

Rakesh Dewan

Gurgaon
16 May 2014

Partner
Membership No.092212





Independent Auditors' Report

To the Members of
Akzo Nobel India Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of Akzo Nobel India Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under Companies Act, 1956 ("the Act"), read with the General Circular 15/2003 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- i. 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- ii. As required by section 227(3) of the Act, 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 purpose 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 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 Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
- e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For B S R & Associates LLP

Chartered Accountants

ICAI Firm registration number: 116231W

Rakesh Dewan

Partner

Membership No.092212

Gurgaon
16 May 2014

Annexure referred to in para 5 of the Independent Auditors' Report to the Members of Akzo Nobel India Limited on the financial statement for the year ended 31 March 2014

- (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. As informed to us, discrepancies noticed on such verification, were not material and have been properly dealt with in the books of accounts.
- (c) The Company did not dispose off any substantial part of its fixed assets during the current year. Accordingly, paragraph 4(i)(c) of the order is not applicable.
- (ii) (a) According to the information and explanations given to us, physical verification has been conducted by management at reasonable intervals during the year in respect of inventories 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 2014 has been evidenced based on confirmations or statements of account. 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. As informed to us, 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.
- (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) 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 ₹ 5 lacs 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.

(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 and other material statutory dues to the extent applicable have generally been regularly deposited during the year by the Company with the appropriate authorities.

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 and other material statutory dues to the extent applicable, were in arrears as at 31 March 2014 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 and Excise duty which have not been deposited with the appropriate authorities on account of any dispute, except as mentioned below:

(Amounts in ₹ million)

Name of the Statute	Nature of the dues	Amounts involved *#	Amounts paid under protest	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	1,213	959	1994-95 to 1997-98, 1999-00 to 2010-11 (Assessment years)	Commissioner of Income Tax (Appeals) / Income Tax Appellate Tribunal / Calcutta High Court / Bombay High Court
Finance Act, 1994	Service tax	3	-	2004-05, 2005-06, 2007-08 and 2009-10	Commissioner of Central Excise (Appeals) Large Tax Payers Unit / Customs Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Excise duty	94	-	1991-92 to 1996-97, 1998-99, 2000-01 to 2002-03, 2004-05 to 2009-10	Customs Excise and Service Tax Appellate Tribunal / Joint Commissioner Large Tax Payers Unit / Commissioner of Central Excise (Appeals)
Central Sales Tax Act, 1956	Sales tax	227	14	1982-83 to 1994-95, 1996-97 to 1999-00, 2002-03 to 2010-11	Sales Tax Officer / Sales Tax Revision Board / Deputy Commissioner / Deputy Commissioner (Appeals) / Appellate Tribunal
Uttar Pradesh Trade Tax Act, 1948	Sales tax / VAT	38	4	1976-77, 1979-80, 1980-81, 1986-87 to 1989-90, 1992-93, 2000-01, 2003-04, 2005-06 to 2009-10	Sales Tax Officer / Commercial Tax Officer / Senior Joint Commissioner Sales Tax, Corporate Division / Sales Tax Revision Board / Deputy Commissioner / Deputy Commissioner (Appeals) / Additional Commissioner / Additional Commissioner (Appeals) / Appellate Tribunal / High Courts
Rajasthan Sales Tax Act, 1994	Sales tax / VAT	2	-	1998-99	
Delhi Sales Tax Act, 1975	Sales tax / VAT	10	-	1983-84, 1985-86 to 1987-88, 1989-1990, 2002-03 to 2004-05, 2012-13	
The Madhya Pradesh General Sales Tax Act, 1958	Sales tax / VAT	32	7	2003-04 to 2005-06	
Maharashtra Value Added Tax Act, 2005	Sales tax / VAT	84	6	2004-05, 2005-06, 2008-09 to 2010-11	
West Bengal Sales Tax Act, 1994	Sales tax / VAT	9	-	2004-05	
West Bengal Value Added Tax Act, 2003	Sales tax / VAT	13	3	2008-09, 2009-10 to 2010-11	
Bihar Sales Tax Act, 1959	Sales tax / VAT	31	5	1992-93 to 1999-00, 2004-05	
The Kerala General Sales Tax Act, 1963	Sales tax / VAT	3	-	2002-03, 2005-06, 2006-07, 2008-09	
Kerala Value Added Tax Rules, 2005	Sales tax / VAT	-	1	2006-07 to 2011-12	
Andhra Pradesh Value Added Tax Act, 2005	Sales tax / VAT	8	-	2008-09, 2010-11 to 2011-12	
Orissa Sales Tax Act, 1947	Sales tax / VAT	17	17	1995-96 to 1999-00	
Tamil Nadu Value Added Tax Act, 2006	Sales Tax / VAT	1	1	2012-13	
Karnataka Value Added Tax Act, 2003	Sales tax / VAT	1	-	2007-08, 2012-13	
Uttar Pradesh Value Added Tax Act, 2008	Sales tax / VAT	4	4	2008-09	
Gujarat Value Added Tax Act, 2003	Sales tax / VAT	3	1	2009-10	
Assam Value Added Tax Act, 2003	Sales tax / VAT	12	-	2010-11	

* Including disputed dues aggregating to ₹ 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 LLP
Chartered Accountants
 ICAI Firm Registration No: 116231W

Gurgaon
 16 May 2014

Rakesh Dewan
Partner
 Membership No: 092212

Balance Sheet

(Amounts in Rupees million, unless stated otherwise)

	Note No.	As at 31 March 2014		As at 31 March 2013	
EQUITY AND LIABILITIES					
Shareholders' funds					
(a) Share capital	3.1	467		467	
(b) Reserves and surplus	3.2	8,011	8,478	10,586	11,053
Non-current liabilities					
(a) Deferred tax liabilities (net)	3.3	121		47	
(b) Other long-term liabilities	3.4	143		190	
(c) Long term provisions	3.5	674	938	618	855
Current liabilities					
(a) Trade payables	3.6	4,926		4,785	
(b) Other current liabilities	3.7	1,175		1,171	
(c) Short-term provisions	3.5	4,872	10,973	5,188	11,144
			20,389		23,052
ASSETS					
Non-current assets					
(a) Fixed assets	3.8				
(i) Tangible assets		5,025		3,548	
(ii) Capital work-in-progress		306	5,331	1,057	4,605
(b) Non-current investments	3.9		500		2,700
(c) Long term loans and advances	3.10		1,032		901
(d) Other non-current assets	3.11		18		16
Current assets					
(a) Current investments	3.12	5,786		6,772	
(b) Inventories	3.13	3,242		3,149	
(c) Trade receivables	3.14	3,076		2,516	
(d) Cash and bank balances	3.15	722		857	
(e) Short-term loans and advances	3.16	514		1,291	
(f) Other current assets	3.17	168	13,507	245	14,830
			20,389		23,052

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

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

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

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

Nihal Kaviratne CBE

Chairman

DIN No. 00032473

16 May 2014

New Delhi

Jayakumar Krishnaswamy

Managing Director

DIN No. 02099219

Himanshu Agarwal

Wholetime Director

DIN No. 06672915

R Guha

Company Secretary

Statement of Profit & Loss

(Amounts in Rupees million, unless stated otherwise)

	Note No.	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue from operations	4.1		
Sale of products (gross)		26,378	24,209
Less: Excise duty		(2,661)	(2,412)
Net sales		23,717	21,797
Service Income		279	332
Other operating income		183	191
		24,179	22,320
Other income	4.2	567	1,381
Total revenue		24,746	23,701
Expenses			
Cost of materials consumed	4.3	11,726	10,845
Purchase of stock-in-trade	4.4	2,204	1,990
Changes in inventories of finished products, work-in-progress and stock-in-trade	4.5	(146)	120
Employee benefits expense	4.6	1,939	1,753
Finance costs	4.7	15	89
Depreciation and amortization expense (Net of transfer from revaluation reserve)	3.8	437	386
Other expenses	4.8	6,537	5,727
Total expenses		22,712	20,910
Profit before tax		2,034	2,791
Tax expense:			
Current tax		435	572
Deferred tax charge/(credit)		74	21
Provision for earlier years		23	10
		532	603
Profit for the year		1,502	2,188
Earnings per equity share - basic and diluted (in ₹) [Face value of ₹ 10 each]	5.3	32.18	46.49

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

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

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

Nihal Kaviratne CBE

Chairman

DIN No. 00032473

16 May 2014

New Delhi

Jayakumar Krishnaswamy

Managing Director

DIN No. 02099219

Himanshu Agarwal

Wholetime Director

DIN No. 06672915

R Guha

Company Secretary

Cash Flow Statement

(Amounts in Rupees million, unless stated otherwise)

	For the year ended 31 March 2014	For the year ended 31 March 2013
(A) Cash flow from operating activities		
Profit before exceptional items and tax	2,034	2,791
Adjusted for :		
Depreciation and amortisation	437	386
Provisions/liabilities no longer required written back	(11)	(12)
Provision for doubtful debts and advances	18	23
Accrued interest on long term investments (bonds)	(39)	(36)
Gains on redemption of long term investments	(353)	(881)
Gains on redemption of other investments	(151)	(151)
Dividend income from other investments	-	(3)
Interest income on Income tax refund	-	(279)
Interest expense	15	89
	(84)	(864)
Operating profit before working capital changes	1,950	1,927
Changes in :		
(Decrease) / increase in current and non current liabilities and provisions	195	733
Decrease / (increase) in inventories	(93)	185
Decrease / (increase) in trade receivables	(581)	(269)
(Increase) / decrease in loans and advances and other current and non current assets	173	(135)
	(306)	514
Cash generated from operations	1,644	2,441
Income tax paid (net)	64	(361)
Net cash flow from operating activities (A)	1,708	2,080
(B) Cash flow from investing activities		
Purchase of fixed assets (net of sale)	(1,203)	(1,261)
Sale of fixed assets	4	-
Payments relating to divested businesses	-	(1)
Investments in long term investments	(1,150)	(5,200)
Investment in other investments	(17,915)	(3,422)
Redemption of long term investments	3,566	9,331
Income from other investments	19,189	889
Fixed deposits held as margin money	14	(5)
Net cash flow from investing activities (B)	2,505	331

Cash Flow (contd.)

(Amounts in Rupees million, unless stated otherwise)

	For the year ended 31 March 2014	For the year ended 31 March 2013
(C) Cash flow from financing activities		
Buyback of shares	-	(1,209)
Dividend paid	(3,733)	(933)
Tax on dividend	(634)	(152)
Interest paid	(15)	(15)
Net cash flow from financing activities (C)	(4,382)	(2,309)
Net changes in cash and cash equivalents (A+B+C)	(169)	102
Cash and cash equivalents - opening balance	787	685
Cash and cash equivalents - closing balance	618	787
Cash and cash equivalents comprise :		
Bank balances in current accounts	516	659
Cheques in hand	-	8
Fixed deposits	102	120
	618	787

Foot Note :

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.

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

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

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

Nihal Kaviratne CBE

Chairman

DIN No. 00032473

16 May 2014

New Delhi

Jayakumar Krishnaswamy

Managing Director

DIN No. 02099219

Himanshu Agarwal

Wholetime Director

DIN No. 06672915

R Guha

Company Secretary





Notes to the accounts

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, read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate affairs in respect of section 133 of the Companies Act, 2013 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 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 within a period of twelve months for the purposes 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 materialised. Examples of such estimates are estimated useful life of assets, provision for doubtful debts, classification of assets/liabilities as current or non-current, 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, upto 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 that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on Management's estimate of the useful life/ remaining useful life. Pursuant to this policy, depreciation on assets at certain locations/types of assets 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 (at stores)	3
Furniture and Fixture (others)	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 upto ₹ 5,000 are fully depreciated in the year of purchase.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as higher of its net selling price and value in use. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, had no impairment loss been recognised.

Revenue recognition

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to customers. Sales are stated inclusive of excise duty and net of rebates, returns, export benefits, trade discounts and sales tax/VAT.

Service income is recognised on an accrual basis as per the contractual terms with the customers, net of service tax.

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 (including their current maturities) 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 the 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.

Finished products are valued at the 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 Statement of profit and loss 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 Statement of profit and loss 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 Statement of profit and loss in the financial year to which they relate.

The Company makes specified monthly contributions towards employees 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 the date of the Balance Sheet. The minimum interest payable by the provident fund trusts 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 trusts 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 recognizes 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 Statement of profit and loss. In case of funded schemes, differential between fair value of plan assets of the trusts and the present value of obligations, as per the actuarial 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 term service awards are recognised when they accrue to employees. All leave entitlements can be encashed only 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 the 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 in accordance with Accounting Standard-20, Earnings per share, notified by the Companies (Accounting Standards) Rules, 2006. The basic and diluted earnings per share are 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. Dilutive 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 are recognised only to the extent there is reasonable certainty of realisation in future. In case there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if there is virtual certainty of realisation of such amounts. Deferred tax assets are reviewed at each balance sheet date to reassess their realisability.

The credits arising from minimum alternate tax (MAT) paid are recognized as receivable only if there is convincing evidence that the Company will have sufficient taxable income in future years in order to utilize 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 values 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 liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence 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") was approved by the shareholders of the respective companies and sanctioned by the Honourable High Court 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 became operative was 1 April 2011 (the "Appointed Date").
- (c) Upon the Scheme becoming effective, the Company has issued and allotted 11,125,983 equity shares of ₹ 10 each, credited as fully paid-up, to the members of the Transferor Companies in the previous year.

Note 3.1: Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
126,690,000 equity shares of ₹ 10 each (2012-13: 126,690,000 equity shares of ₹ 10 each) (Refer to note 2)	1,267	1,267
Issued, subscribed and fully paid up		
46,660,314 equity shares of ₹ 10 each fully paid up (2012-13: 46,660,314 equity shares)	467	467

Foot notes:

- (i) In 2011-12, 21,967,544 shares were held by Imperial Chemical Industries Limited, England, the holding Company. Imperial Chemical Industries Limited, England ceased to be the holding company with effect from 4 June 2012 on allotment of new shares as per a scheme of amalgamation (Refer to note 2). The ultimate holding company is Akzo Nobel N.V., Netherlands ("the Promoter Group"), which does not hold any shares directly in the Company.
- (ii) Reconciliation of equity shares outstanding at the beginning and at the end of the year:

	31 March 2014		31 March 2013	
	Numbers	Amount (Rupees)	Numbers	Amount (Rupees)
Opening balance	46,660,314	466,603,140	36,834,331	368,343,310
Add: Shares allotted on amalgamation	-	-	11,125,983	111,259,830
Less: Buy back of shares	-	-	(1,300,000)	(13,000,000)
	46,660,314	466,603,140	46,660,314	466,603,140

In 2011-12, 11,125,983 shares of ₹ 10 each were allotted in accordance with a scheme of amalgamation (Refer to note 2), and pending such allotment were disclosed as "Share capital pending allotment " in the balance sheet.

- (iii) During the previous year, 1,300,000 equity shares were bought back at a consideration of ₹ 1,209 million (including related expenses of ₹ 13 million), in terms of the shares buy back scheme open between 2 July to 13 July 2012.

This was accounted as below:

- The nominal value of shares bought back, i.e., ₹ 13 million, was adjusted against the share capital. An equal amount was reduced from General reserve and credited to Capital Redemption Reserve, as per the provision of the Companies Act, 1956. The difference aggregating to ₹ 1,196 million between the consideration paid and the nominal value of shares was adjusted against the General Reserve.

All shares bought back were extinguished during that year. The Promoter Group had further acquired 1.01 million shares in the Company on 31st July 2012. As a result of the above share buyback and their extinguishment and also of further acquisition of shares by the Promoter Group, its share holding in the company went up from 68.88% to 72.96%.

- (iv) The Company has only one class of equity shares, having a par value of ₹ 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 regulation. 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.

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

	31 March 2014		31 March 2013	
	No. of shares	% of shares held	No. of shares	% of shares held
Imperial Chemical Industries Limited, England	22,977,544	49.24%	22,977,544	49.24%
Akzo Nobel Coatings International B.V., Netherlands	8,626,648	18.49%	8,626,648	18.49%
Akzo Nobel Chemicals International B.V., Netherlands	2,439,847	5.23%	2,439,847	5.23%

(vi) Number of equity shares of ₹ 10 each bought back in the five years immediately preceding the Balance Sheet date, aggregates to 5,336,281 (2012-13: 53,36,281)

Note 3.2: Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Capital reserve		
Opening balance	486	486
Add: Waiver of Advance towards issue of shares (Refer note 2 of the financial statements)	17	-
Closing balance A	503	486
Capital redemption reserve		
Opening balance	53	40
Add: Due to buy back of shares (Refer to footnote (iii) to note 3.1)	-	13
Closing balance B	53	53
Revaluation reserve		
Opening balance	15	15
Closing balance C	15	15
General reserve		
Opening balance	5,017	5,176
Add: Amount transferred from surplus balance	660	1,050
Less: Buy back of shares (Refer to footnote (iii) to note 3.1 of the financial statement)	-	(1,209)
Closing balance D	5,677	5,017
Surplus		
Opening balance	5,015	8,214
Profit for the year	1,502	2,188
Less: Appropriations :		
Transferred to general reserve	(660)	(1,050)
Proposed dividend (Refer to foot note 2)	(3,499)	(3,733)
Tax on dividend	(595)	(634)
Provision for dividend no longer required written back	-	26
Provision for dividend tax no longer required written back	-	4
Closing balance E	1,763	5,015
Total Reserves and Surplus (A+B+C+D+E)	8,011	10,586

Foot notes:

1. Adjustment against revaluation reserve of ₹ 0.1 million (2012-13 : ₹ 0.1 million) in respect of depreciation on revalued assets
2. Dividend proposed ₹ 75 per share (2012-13 ₹ 80 per share)

Note 3.3: Deferred tax liabilities (net)

	As at 31 March 2014	As at 31 March 2013
Deferred tax liabilities on account of:		
Depreciation	393	305
Surplus payments to retirement trusts	37	36
A	430	341
Less: Deferred tax assets on account of:		
Provision for doubtful debts and advances	61	60
Leave encashment and retirement benefit provisions	172	159
Provisions relating to divested businesses	54	54
Lease equalisation charge	5	4
Other expenditure deferred under the Income Tax Act, 1961	17	17
B	309	294
Net deferred tax liabilities	(A-B) 121	47

Note 3.4: Other long-term liabilities

	As at 31 March 2014	As at 31 March 2013
Security deposits	127	179
Lease equalisation charge	16	11
	143	190

Note 3.5: Provisions

	Long term		Short term	
	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
Employee benefits	494	428	50	56
Income tax	-	-	463	498
Proposed dividend	-	-	3,499	3,733
Tax on proposed dividend	-	-	595	634
Indirect taxes *	-	-	165	155
Divested businesses *	169	179	82	67
Others *	11	11	18	45
	674	618	4,872	5,188

Foot notes:

(a) Details of provisions	Indirect taxes (Foot note b)	Divested businesses (Foot note c)	Others (Foot note d)
Balance as at 1 April 2013	155	246	56
Provision created during the year	17	-	-
Payments against provisions	-	-	(3)
Provision written back	-	(2)	(24)
Other Adjustment	(7)	7	-
Closing balance as on 31 March 2014	165	251	29

(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 classified 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, Advanced Refinish Paints and Adhesives) 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 ₹ 125 million (as on 31 March 2013: ₹ 125 million) carried forward from 2002-03 in respect of continuing obligation of the Company towards probable land related liability on sale of Catalyst business.

(d) Others relate to litigation matters in respect of sale of properties; demand for past arrears in respect of electricity; and provision for margin on expected sales returns.

(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 2014	As at 31 March 2013
Acceptances	110	142
Payable to:		
Micro, small and medium enterprises *	28	27
Others	4,788	4,616
	4,926	4,785
* Disclosures 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 due thereon remaining unpaid to any supplier as at the end of the accounting year	28	27
(ii) the interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) 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	-	-
(iv) 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)	-	-
(v) the amount of interest accrued and remaining unpaid at the end of the accounting year; and	-	-
(vi) 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 2014	As at 31 March 2013
Unpaid dividends #	102	54
Advance from Akzo Nobel Coatings International B.V., Netherlands *	-	17
Statutory liabilities, including withholding taxes, provident fund and sales taxes	463	458
Payable on account of employees	189	177
Advances from customers	20	17
Security deposits from customers	90	23
Payables for purchase of fixed assets	81	156
Payable on account of forward contracts	151	220
Miscellaneous payables	79	49
	1,175	1,171

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

* In a prior year, the erstwhile Akzo Nobel Car Refinishes India Private Limited (AN Car)(since amalgamated w.e.f. 1 April 2011) had received an interest free advance of ₹ 17 million in the nature of share application money from a fellow subsidiary, under an assignment of dues by Akzo Nobel Coatings 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 previous year, an application had been made to the Foreign Investment Promotion Board (FIPB) for regularising the above transaction. In the current year as directed by FIPB, the Company referred the matter to the Reserve Bank of India (RBI). RBI has approved the amount to be treated as a capital grant. Accordingly, the amount has been transferred to Capital Reserve.

Note 3.8: Fixed assets

As at 31 March 2014

Particulars	Gross block				Depreciation				Net block
	Book value at cost or revalued amounts as at 31 March 2013	additions during the year	Disposals / adjustments	Book value at cost or revalued amounts as at 31 March 2014	Up to 31 March 2013	Depreciation for the year	In respect of disposals / adjustments	Up to 31 March 2014	As at 31 March 2014
Tangible assets									
Land (Refer to foot note 1 below)									
- leasehold	113	29	-	142	6	1	-	7	135
- freehold	303	17	-	320	-	-	-	-	320
Buildings (Refer to foot notes 1 and 2 below)	1,696	673	-	2,369	434	61	-	495	1,874
Plant and machinery -owned	3,045	893	(128)	3,810	1,846	163	(124)	1,885	1,925
Plant and machinery - given under operating lease (Refer to note 5.10)	1,255	101	(21)	1,335	909	112	(21)	1,000	335
Motor vehicles, etc.	43	7	(4)	46	24	5	(4)	25	21
Furniture and fixtures	272	169	(5)	436	129	50	(5)	174	262
Office equipments	138	11	(21)	128	117	10	(19)	108	20
Leasehold improvements	96	-	-	96	24	11	-	35	61
Data processing equipment	349	18	-	367	273	24	(2)	295	72
	7,310	1,918	(179)	9,049	3,762	437	(175)	4,024	5,025
Capital work-in-progress	1,057	1,167	(1,918)	306					306

Foot notes :

(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 of Rs. 0.1 million (2012-13: Rs. 0.1 million) on revalued assets charged against revaluation reserve.

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

Note 3.8: Fixed assets (contd.)

As at 31 March 2013

Particulars	Gross block			Book value at cost or revalued amounts as at 31 March 2013	Depreciation			Up to 31 March 2013	Net block As at 31 March 2013
	Book value at cost or revalued amounts as at 31 March 2012	additions during the year	Disposals / adjustments		Up to 31 March 2012	Depreciation for the year	In respect of disposals / adjustments		
Tangible assets									
Land (Refer to foot note 1 below)									
- leasehold	126	-	(13)	113	5	1	-	6	107
- freehold	303	-	-	303	-	-	-	-	303
Buildings (Refer to foot notes 1 and 2 below)	1,683	13	-	1,696	384	50	-	434	1,262
Plant and machinery -owned	2,855	160	30	3,045	1,695	150	1	1,846	1,199
Plant and machinery - given under operating lease (Refer to note 5.11)	1,151	113	(9)	1,255	800	118	(9)	909	346
Motor vehicles, etc.	39	6	(2)	43	22	4	(2)	24	19
Furniture and fixtures	235	72	(35)	272	114	20	(5)	129	143
Office equipments	147	3	(12)	138	122	6	(11)	117	21
Leasehold improvements	95	1	-	96	14	10	-	24	72
Data processing equipment	340	17	(8)	349	255	27	(9)	273	76
	6,974	385	(49)	7,310	3,411	386	(35)	3,762	3,548
Capital work-in-progress	148	1,294	(385)	1,057					1,057

Foot notes :

- (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 of ₹ 0.1 million (2011-12: ₹ 0.1 million) on revalued assets charged against revaluation reserve.
- (3) Title in immovable properties, taken over pursuant to the Scheme of Amalgamation (Refer to note 2), is yet to be transferred in the name of the Company. Also refer to note 5.2 (b)
- (4) Certain items of furniture and fixtures and office equipments aggregating ₹ 35 million and ₹ 5 million respectively (accumulated depreciation ₹ 6 million and ₹ 3 million respectively) appearing in the book value of gross block (and accumulated depreciation) as at 31 March 2012 have been reclassified, as an adjustment during the year, as plant and machinery and data processing equipment respectively.

Note 3.9: Non-current investments

	Number as at 31 March 2014	Number as at 31 March 2013	Face Value ₹ per unit	As at 31 March 2014	As at 31 March 2013
Long-term investments (at cost)					
(i) Trade Investments					
Equity shares - unquoted					
Adyar Property Holding Company Limited	105	105	100		
[Book value ₹ 6,825 (2012-13: ₹ 6,825) ; paid-up ₹ 65 per share]					
Debentures - unquoted					
6.5% Bengal Chamber of Commerce and Industry	19	19	1,000		
[Book value ₹ 19,000 (2012-13: ₹ 19,000)]					
(ii) Other investments					
Equity shares - unquoted					
Kohinoor Mills Limited [Book value ₹ 1,300 (2012-13: ₹ 1,300)]	5	5	100		
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited	144	144	250		
[Book Value Re 1 (2012-13: Re 1)]					
Woodlands Multispeciality Hospital Limited	10,810	10,810	10		
[Book value: ₹ 28,002 (2012-13: ₹ 28,002)]					
Debentures - unquoted					
6% Sholapur Spinning & Weaving Co. Limited (in Liquidation)	523	523	100		
[Book Value Re 1 (2012-13: Re 1)]					
Non-convertible redeemable bonds (unsecured) -quoted					
Rural Electrification Corporation Limited (zero coupon) (Refer to foot note 2)	29,450	29,450	30,000	400	400

Note 3.9: Non-current investments (contd.)

	Number as at 31 March 2014	Number as at 31 March 2013	Face Value ₹ per unit	As at 31 March 2014	As at 31 March 2013
Investment in Fixed Maturity Plans of Mutual Funds - quoted (Foot note-3)					
Birla Sun Life Fixed Term Plan - Series GB 541 Days-Growth (matured during the year)	15,000,000	15,000,000	10	-	150
DWS Fixed Maturity Plan - Series 23 - Direct Plan - Growth (matured during the year)	20,000,000	20,000,000	10	-	200
HDFC FMP 526 D December 2012 (1) -Growth (matured during the year)	10,000,000	10,000,000	10	-	100
JP Morgan India Fixed Maturity Plan Series 12-Direct-Growth (matured during the year)	30,000,000	30,000,000	10	-	300
JP Morgan India Fixed Maturity Plan Series 13 - Direct - Growth (matured during the year)	25,000,000	25,000,000	10	-	250
Kotak FMP Series 98 - Growth (matured during the year)	25,000,000	25,000,000	10	-	250
LIC Nomura MF FMP Series 56 - 18 Months (matured during the year)	20,000,000	20,000,000	10	-	200
L&T FMP - VII (February 419D A) Direct Plan Growth (matured during the year)	10,000,000	10,000,000	10	-	100
TATA FMP Series 47 Scheme C - Direct - Growth - (invested during the year)	10,000,000	-	10	100	-
UTI Fixed Term Income Fund Series XIV - VIII (371 days) - Direct Growth Plan (matured during the year)	75,000,000	75,000,000	10	-	750
				500	2,700

Foot notes :

- Investment in shares are fully paid up, except where indicated otherwise.
- The non-convertible redeemable bonds carry a maturity face value of ₹ 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 . These have been considered as quoted based on their readily available resale prices.
- Book and market value of investments :

	As at 31 March 2014		As at 31 March 2013	
	Aggregate book value	Market Value/ Net Asset Value	Aggregate book value	Market Value/ Net Asset Value
Quoted investments				
-Fixed Maturity Plans of Mutual Funds (Foot note 4)	100	100	2,300	2,329
-Others (Foot note 2)	400	477	400	467
	500	577	2,700	2,796

Book value of unquoted investments : ₹ 55,129 (2012-13: ₹ 55,129)

- Fixed maturity plans of mutual funds wherever considered quoted are so considered based on readily available net asset values.

Note 3.10: Long-term loans and advances (Unsecured)

	As at 31 March 2014	As at 31 March 2013
Considered good		
Capital advances	173	212
Security deposits	122	126
Loans and advances to related parties (Refer note 5.14 of the financial statements)	3	-
MAT credit entitlement	54	61
Income Tax	192	114
Indirect taxes	67	27
Interest accrued on long-term investments (not due) (Non trade)	120	80
Retirement benefit trusts surplus	107	96
Advances to retirement benefit trusts	31	31
Advances to employees (Foot note 1 and 2)	34	34
Advances to customers	128	119
Miscellaneous advances	1	1
	1,032	901
Considered doubtful		
Other advances	7	-
Less: Provision for doubtful advances	(7)	-
	1,032	901

Foot notes :

1. Advances to employees include:

(a) Dues from a director	-	*
(b) Dues from an officer	1	1

* include 2012-13: ₹ 0.2 million

2. 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 (Unsecured, considered good)

	As at 31 March 2014	As at 31 March 2013
Fixed deposits with maturity period of more than 12 months	18	16
(Refer note 3.15 of the financial statements)		
	18	16

Note 3.12: Current Investments

	Number as at 31 March 2014	Number as at 31 March 2013	Face Value ₹ per unit	As at 31 March 2014	As at 31 March 2013
(i) Long-term investments (at cost) (Quoted) (Foot note 1) (with current maturities fixed maturity plans of mutual funds)					
Birla Sun Life Interval Income Fund - Annual Plan 2-Growth - (matured during the year)	-	30,000,000	10	-	300
DSP BlackRock FMP - Series 90 -12 M - Dir - Growth - (matured during the year)	-	20,000,000	10	-	200
DWS Fixed Maturity Plan - Series 27 Direct Plan - Growth - (matured during the year)	-	20,000,000	10	-	200
HDFC Annual Interval Fund Series 1 - Plan A- Direct - Growth - (matured and reinvested during the year)	10,000,000	10,000,000	10	100	100
HDFC FMP 371 D August 2012 (1) - Growth - (matured during the year)	-	10,000,000	10	-	100
ICICI Prudential FMP Series-67 - 366 Days Plan B Direct Plan Cumulative - (matured during the year)	-	15,000,000	10	-	150
ICICI Prudential FMP Series-66 - 366 Days Plan H Direct Plan Cumulative - (matured during the year)	-	30,000,000	10	-	300
ICICI Prudential FMP Series 63 - 1 year Plan E Cumulative - (matured during the year)	-	45,000,000	10	-	450
ICICI Prudential Interval Fund Annual Interval Plan I - Regular Plan - Growth - (matured during the year)	-	16,930,644	10	-	200
IDBI FMP - 367 Days Series - III (February 2013) - A - Growth - (matured during the year)	-	25,000,000	10	-	250
IDFC Fixed Term Plan Series 12 Direct Plan - Growth - (matured during the year)	-	15,000,000	10	-	150
Kotak FMP Series 103 Direct -Growth - (matured during the year)	-	10,000,000	10	-	100
L&T FMP - VII (December 369D A) -Growth - (matured during the year)	-	15,000,000	10	-	150
Religare Fixed Maturity Plan - Series XVII - Plan E (369 Days)-Direct Plan - (matured during the year)	-	20,000,000	10	-	200
Religare Fixed Maturity Plan - Series XVI - Plan C (367 Days) - Growth - (matured during the year)	-	15,000,000	10	-	150
SBI Debt Fund Series -366 Days-1-Growth - (matured during the year)	-	20,000,000	10	-	200
Sundaram Fixed Term Plan DG 366 Days Direct -Growth - (matured during the year)	-	15,000,000	10	-	150
ICICI Prudential FMP Sr 73 - 368 days Plan M - (invested during the year)	5,000,000	-	10	50	-
ICICI Prudential FMP Sr 73 - 368 days Plan M (Regular) - (invested during the year)	5,000,000	-	10	50	-
UTI Fixed Term Income Fund Series XVIII-IV 366 Days - (invested during the year)	10,000,000	-	10	100	-
DWS FMP Series 62 - Growth - (invested during the year)	10,000,000	-	10	100	-
Birla Sunlife Interval Income Fund - Quarterly Plan Sr. 1 - Growth - (invested during the year)	17,891,755	-	10	300	-
ICICI Prudential Interval Fund II Qty Plan B - Growth - (invested during the year)	18,142,893	-	10	200	-
ICICI Prudential Interval Fund II Qty Plan C - Growth - (invested during the year)	23,811,565	-	10	250	-
Birla Sun Life Fixed Term Plan - Series GB 541 Days-Growth - (invested during the year)	15,000,000	-	10	150	-
DWS Fixed Maturity Plan - Series 23 - Direct Plan - Growth - (invested during the year)	20,000,000	-	10	200	-
HDFC FMP 526 D December 2012 (1) -Growth - (invested during the year)	10,000,000	-	10	100	-
JP Morgan India Fixed Maturity Plan Series 12-Direct-Growth - (invested during the year)	30,000,000	-	10	300	-
JP Morgan India Fixed Maturity Plan Series 13 - Direct - Growth - (invested during the year)	25,000,000	-	10	250	-
Kotak FMP Series 98 - Growth - (invested during the year)	25,000,000	-	10	250	-
LIC Nomura MF FMP Series 56 - 18 Months - (invested during the year)	20,000,000	-	10	200	-
L&T FMP - VII (February 419D A) Direct Plan Growth - (invested during the year)	10,000,000	-	10	100	-
UTI Fixed Term Income Fund Series XIV - VIII (371 days) - Direct Growth Plan - (invested during the year)	75,000,000	-	10	750	-
				3,450	3,350

Note 3.12: Current Investments (contd.)

	Number as at 31 March 2014	Number as at 31 March 2013	Face Value ₹ per unit	As at 31 March 2014	As at 31 March 2013
(i) Other investments (at the lower of cost and fair value)					
Investment in Liquid/Floater Schemes of Mutual Funds - quoted (Foot note 1)					
Axis Liquid Fund - Direct Plan - Growth (CFDG) - (redeemed during the year)	-	38,555	1,000	-	50
DWS Ultra Short Term Fund - Regular Plan Bonus	3,632,053	3,632,053	10	35	35
DWS Money Plus Fund - Regular Plan (Principal Units) - Bonus - (redeemed during the year)	-	8,314,073	10	-	81
DWS Insta Cash Plus Fund - Super Institutional Plan - Bonus - (redeemed during the year)	-	349,392	100	-	36
Kotak Floater Short Term - Direct Plan - Growth - (redeemed during the year)	-	157,482	1,000	-	301
SBI Premier Liquid Fund - Direct Plan - Growth - (redeemed during the year)	-	141,060	1000	-	260
TATA Income Fund Plan A - Appreciation Option - Bonus - (redeemed during the year)	-	18,964,856	10	-	200
Templeton India Ultra Short Bond Fund Super Institutional Growth Plan - (redeemed during the year)	-	29,883,904	10	-	440
UTI-Liquid Cash Plan-Institutional - Direct Plan - Growth - (redeemed during the year)	-	338,231	1,000	-	650
HDFC Liquid Fund - Direct Plan - Growth - (invested during the year)	12,867,023	-	10	320	-
Birla Sun Life Cash Plus - Regular - Growth - (invested during the year)	2,298,127	-	100	470	-
DSP Blackrock Liquidity Fund - direct -Growth - (invested during the year)	109,152	-	1,000	200	-
ICICI Prudential Liquid - Regular - Growth - (invested during the year)	581,579	-	100	110	-
DWS Insta Cash Plus Fund - Direct - Growth - (invested during the year)	601,276	-	100	100	-
DWS Money Plus Fund - Direct - Growth - (invested during the year)	7,469,208	-	10	100	-
IDFC Cash Fund - Direct - Growth - (invested during the year)	96,742	-	1,000	150	-
Reliance Liquid Fund - Treasury Plan - Direct - Growth - (invested during the year)	32,031	-	1,000	100	-
Sundaram Money Fund - Direct - Growth - (invested during the year)	5,554,959	-	10	150	-
Sundaram Select Debt ST Asset -Direct - Bonus - (invested during the year)	4,793,726	-	10	50	-
Sundaram Flexi Fund ST Plan - Bonus - (invested during the year)	10,081,961	-	10	99	-
				1,884	2,053
Investment in Short Term Income Schemes of Mutual Fund - quoted (Foot note 1)					
Birla SunLife Short Term Fund - Growth - (redeemed during the year)	-	4,715,747	10	-	200
IDFC Money Manager Fund - Investment Plan Growth - (Regular plan) - (redeemed during the year)	-	15,033,434	10	-	250
IDFC Super Saver Income Fund - Short Term Plan Growth - (redeemed during the year)	-	15,776,108	10	-	367
JP Morgan India Active Bond Fund Inst. Growth	24,768,170	24,768,170	10	250	250
Religare Bank Debt Fund - Direct Plan Growth	199,945	199,945	1000	202	202
TATA Income Fund Plan A - Appreciation Option - Growth - (redeemed during the year)	-	2,945,534	10	-	100
				452	1,369
				5,786	6,772

Foot notes :

1. Book and market value of investments:

	As at 31 March 2014		As at 31 March 2013	
	Aggregate book value	Market Value/ Net Asset Value	Aggregate book value	Market Value/ Net Asset Value
Quoted investments (Foot note 2)				
-Fixed Maturity Plans of Mutual Funds	3,450	3,704	3,350	3,449
-Liquid Schemes of Mutual Funds	1,884	1,907	2,053	2,090
-Short Term Income Schemes of Mutual Funds	452	497	1,369	1,428
	5,786	6,108	6,772	6,967

2. Various plans of mutual funds wherever considered quoted are so considered based on readily available net asset values.

Note 3.13: Inventories

(at the lower of cost and net realisable value)	As at 31 March 2014	As at 31 March 2013
Raw materials (Refer to foot note 1)	942	1,019
Work-in-progress	67	97
Stores and spares parts	2	3
Finished products	1,834	1,647
Stock in trade (traded goods) (Refer to foot note 1)	397	383
	3,242	3,149

Foot notes :

1. Includes in-transit inventory:

Raw materials	32	91
Stock in trade	91	94

2. Finished products are written down on account of net realisable value by ₹ 6 million (previous year ₹ 6 million).

Additional disclosure regarding inventories

Work-in-progress		
Titanium Dioxide	5	5
Pigments / Extenders / Tinters	9	21
Resins	10	33
Latex, Monomers	6	3
Others *	37	35
	67	97
Finished products		
Coatings	1,813	1,593
Others*	21	54
	1,834	1,647
Stock in trade (traded goods)		
Coatings	360	354
Others *	37	29
	397	383

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

Note 3.14: Trade receivables

	As at 31 March 2014		As at 31 March 2013
Secured- considered good			
Outstanding over 6 months	1		-
Others	10		9
	11		9
Unsecured			
Debts outstanding over 6 months			
- considered good	76		37
- considered doubtful	122	118	
Less: Provision for doubtful debts	(122)	(118)	-
	76		37
Other debts:			
- considered good	2,989		2,470
- considered doubtful	39	37	
Less: Provision for doubtful debts	(39)	(37)	-
	2,989		2,470
	3,076		2,516

Note 3.15: Cash and bank balances

	Short term		Long term	
	As at 31 March 2014	As at 31 March 2013	As at 31 March 2014	As at 31 March 2013
Cash and cash equivalents				
Balances with banks:				
Current accounts	516	659	-	-
Fixed deposits with original maturity period upto 3 months	94	118	-	-
Cheques in hand	-	8	-	-
Other bank balances				
Fixed deposits with maturity period of more than 3 months	8	2	18	16
Fixed deposits held as margin money (Refer to foot note 1)	2	16	-	-
Unpaid dividend accounts	102	54	-	-
	722	857	18	16
Less: Amount disclosed under other non-current assets (Refer note 3.11 of the financial statements)	-	-	(18)	(16)
	722	857	-	-

Foot notes :

- Fixed deposits held as margin money is against various guarantees issued by banks on behalf of the Company in favour of Government authorities.
- The company has credit facilities with certain banks against guarantee issued by the ultimate holding company.

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

	As at 31 March 2014	As at 31 March 2013
Considered good		
Security deposits	12	2
Loans and advances to related parties (Refer note 5.14 of the financial statements)	4	-
Advances to suppliers	34	112
Income taxes	-	628
Indirect taxes	215	325
Loans to employees (Foot note 1)	37	31
Advances to customers	85	90
Prepaid expenses	21	41
Other advances	106	62
	514	1,291
Considered doubtful		
Other advances	12	22
Less: Provision for doubtful advances	(12)	(22)
	514	1,291

Foot notes :

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

(a) Dues from a director	*	*
(b) Dues from an officer	**	**

* include ₹ 0.3 million (2012-13: ₹ 0.1 million)

** include ₹ 0.1 million (2012-13: ₹ 0.1 million)

- Refer to Foot note 1 of Note 3.10

Note 3.17: Other current assets (unsecured, considered good)

	As at 31 March 2014	As at 31 March 2013
Unamortised premium on forward contracts	1	2
Receivable on account of forward contracts	144	218
Unbilled revenue	12	21
Others	11	4
	168	245

Note 4.1: Revenue from operations

	For the year ended 31 March 2014	For the year ended 31 March 2013
Sale of products		
Finished products	23,260	21,082
Traded goods	3,118	3,127
Sales (after rebates and discounts)	26,378	24,209
Less: Excise duty	(2,661)	(2,412)
Net sales	23,717	21,797
Service income	279	332
Other operating income		
Duty drawback on exports, subsidy, etc.	8	8
Lease rentals	86	90
Scrap sales	27	28
Miscellaneous	62	65
	183	191
	24,179	22,320
Additional disclosures in respect of sale of products and services		
Sale of finished products		
Coatings	22,453	20,301
Others*	807	781
	23,260	21,082
Sale of traded goods		
Coatings	2,940	2,968
Others*	178	159
	3,118	3,127
Sale of services		
Research and development	258	260
Others	21	72
	279	332

* Others 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 2014	For the year ended 31 March 2013
Accrued interest on long term investments (bonds)	39	36
Gains on redemption of long term investments (fixed maturity plan mutual fund schemes)	353	881
Gains on redemption of other investments (short term liquid mutual fund schemes)	151	151
Dividend income from other investments	-	3
Interest income on income tax refund	-	279
Surplus in pension fund written back	5	6
Provision/liabilities no longer required written back	6	6
Miscellaneous	13	19
	567	1,381

Note 4.3: Cost of materials consumed (Raw materials)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Opening stock		
Raw materials	1,019	1,091
Add: Purchases	11,649	10,773
Less: Closing stock	(942)	(1,019)
Materials consumed, etc	11,726	10,845
Details of raw materials consumed		
Titanium Dioxide	1,620	1,651
Pigments / Extenders / Tinters	1,539	1,306
Resins	2,610	2,625
Latex, Monomers	1,473	1,043
Solvents	1,460	1,348
Packing material	1,283	1,108
Others*	1,741	1,764
	11,726	10,845

* 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 (traded goods)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Coatings	2,087	1,886
Others**	117	104
	2,204	1,990

** 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 products, work-in-progress and stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
Inventories at the beginning of the year		
Finished products	1,647	1,800
Stock in trade	383	375
Work-in-progress	97	65
	2,127	2,240
Less: Inventories at the end of the year		
Finished products	1,834	1,647
Stock in trade	397	383
Work-in-progress	67	97
	2,298	2,127
Movement in excise duty on finished products	25	7
	(146)	120

Note 4.6: Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries and wages	1,659	1,470
Contributions to provident and other funds	124	165
Other retirement benefits	38	7
Staff welfare expenses	118	111
	1,939	1,753

Note 4.7: Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expense	6	80
Bank charges	9	9
	15	89

Note 4.8: Other Expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Stores and spare parts	20	43
Repairs and maintenance		
- Plant and machinery	180	155
- Buildings	13	5
Power and fuel	155	146
Travelling	337	295
Rates and taxes	204	147
Rent	257	245
Insurance	41	30
Freight and transport	1,061	946
Advertisement and publicity	1,178	1,121
Royalty	467	352
Cash discount on sales	854	799
Loss on write off of fixed assets*	-	-
Consultancy charges	389	335
Loss on foreign exchange (net)	76	17
Miscellaneous expenses	1,305	1,091
	6,537	5,727

* Includes ₹ 0.4 million for the current year (2012-13 : nil)

Previous year figures for Communication, Technical fees, Research and development, Directors' sitting fees, Bad debts/advances written off, Provision for doubtful debts and advances have been reclassified to Miscellaneous expenses. There are no individual items in the Miscellaneous expenses which exceed 1% of Revenue or ₹ 100,000 (whichever is higher) of the current and previous year.

Note 5.1: Contingent liabilities

	As at 31 March 2014	As at 31 March 2013
(a) Claims against the Company not acknowledged as debts	50	50
(b) Sales tax matters under appeal	188	215
(c) Excise matters in dispute / under appeal	88	88
(d) Industrial relations and other matters under dispute	2	2
(e) Bank guarantees (third parties, etc.)	-	-
(f) Income tax matters in dispute / under appeal *		

* The Income tax assessments for the Company have been completed upto the financial year ended 31 March 2010. Arising from such assessments and appellate orders, the demands aggregate ₹ 1,309 million (2012-13 : ₹ 1,166 million), and the refunds aggregate ₹ NIL (2012-13 : ₹ 1,186 million). The Company as well as the Income tax department have filed appeals on these matters. Pending decisions in the appeals, neither the refunds nor the liabilities 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 adverse impact on the financial statements.

Note 5.2: Capital and other commitments

	As at 31 March 2014	As at 31 March 2013
(a) Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided.	78	470
(b) Post amalgamation in 2011-12 (refer to note 2), the Company has transferred the land, building and assets of the transferor companies in Bangalore to its name (refer note 2). The stamp duty thereon has been assessed and amount has been remitted to the relevant authority. The amount so remitted has been capitalised under respective asset classes. The assets of the transferor company in Mahad are pending transfer.		

Note 5.3: Earnings per share

	As at 31 March 2014	As at 31 March 2013
(a) Calculation of weighted average number of equity shares of ₹ 10 each		
Number of equity shares at the beginning of the year	46,660,314	47,960,314
Less : Equity shares bought back during the year	-	(1,300,000)
Total number of equity shares outstanding at the end of the year	46,660,314	46,660,314
Weighted average number of shares	46,660,314	47,073,486
(b) Net profit after tax available for equity shareholders (₹ million)	1,502	2,188
(c) Earnings per equity share - basic and diluted (in ₹) [Face value of ₹ 10 each]	32.18	46.49

Note 5.4: Value of imported raw materials, stores and spare parts consumed

	Raw materials				Stores and Spare parts			
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
			%	%			%	%
Imported	2,976	3,018	25%	28%	-	10	0%	23%
Indigenous	8,750	7,827	75%	72%	20	33	100%	77%
	11,726	10,845	100%	100%	20	43	100%	100%

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

Note 5.5: Value of imports (CIF basis)

	2013-14	2012-13
Raw materials	3,114	2,722
Components and spare parts	9	12
Capital goods	29	78

Note 5.6: Expenditure in foreign currencies (on accrual basis)

	2013-14	2012-13
Royalty	-	352
Professional and consultation fees	6	67
Travel and conveyance	29	17
Others (includes IT networking cost, communication expenses, container hire cost, training cost, project cost, etc.)	328	271

Note 5.7: Earnings in foreign exchange (on accrual basis)

	2013-14	2012-13
Export of goods (FOB basis)	734	593
Reimbursement of expenses	34	43
Service income	274	260
Others	26	11

Note 5.8: 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 transactions.

The forward exchange contracts outstanding (all 'buy' contracts) are as under:

	No. of Contracts	USD	EURO
As at 31 March 2014	51	1,617,800	571,401
As at 31 March 2013	19	3,092,951	695,549

(b) The Company's Foreign currency exposures that are not hedged by derivative instruments as on 31st March, 2014 amount to ₹ 753 million (PY ₹ 908 million).

Particulars	Currency	As at 31 March 2014		As at 31 March 2013	
		Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Trade receivables	EUR	1,381,506	110,893,151	1,122,573	78,066,692
	LKR	16,946,999	7,993,868	15,008,278	6,413,794
	SGD	99,000	4,647,130	139,260	6,099,982
	USD	4,177,794	251,481,642	2,820,617	153,129,322
Trade payables	AED	5,617	91,255	43,179	638,165
	AUD	-	-	74,050	4,185,805
	CHF	-	-	18,877	1,079,411
	EUR	3,147,337	256,333,379	5,904,768	411,120,167
	GBP	412,500	41,156,984	324,228	26,732,112
	HKD	122,437	945,642	122,437	856,225
	LKR	1,996,881	941,925	1,291,282	551,830
	SGD	867,455	40,462,428	794,737	34,811,206
	THB	150,000	277,127	150,000	278,099
	USD	6,304,130	381,704,004	3,386,048	184,022,226
	TKR	206,110	5,766,414	-	-
	ZAR	-	-	41,255	242,294

Note 5.9: Remittance in foreign currencies on account of dividends on equity shares

Dividend relating to the year	Number of Non-Resident Shareholders	Number of Shares	2013-14	2012-13
2012-13	3	34,044,039	2,724	-
2011-12	3	34,044,039	-	681

Note 5.10: Operating lease

(a) The Company has given colour solution machines under operating leases 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 2014	Total future minimum lease rentals receivable as on 31 March 2013
Within one year	74	76
Later than one year and not later than five years	60	63
Later than five years	1	1
Total	135	140

(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:

	2013-14	2012-13
- Lease rentals charged during the year (on a straight line basis)	35	34
- Lease obligations		
	Total future minimum lease rentals receivable as on 31 March 2014	Total future minimum lease rentals receivable as on 31 March 2013
Within one year	16	31
Later than one year and not later than five years	5	10
Later than five years	-	-
Total	21	41

Note 5.11

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 ₹ 8 million and ₹ 3 million for the years ended 31 March 1999 and 31 March 2000 respectively. AN Coatings had, therefore, made applications with the Central Government for approval of the excess remuneration paid, for which response is awaited

Note 5.12: Employee benefits

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

	Pension (funded)				Gratuity (funded)		Post Retirement Medical Benefit (unfunded)		Provident Fund (funded)	
	Management Staff		Non-Management Staff		2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
	2013-14	2012-13	2013-14	2012-13						
(A) Employee benefit expense recognised in the Statement of profit and loss										
(a) Current service cost	1	1	2	2	40	36	3	2	-	-
(b) Interest cost	2	2	6	7	21	18	13	15	-	-
(c) Expected return on plan assets	(5)	(5)	(11)	(11)	(14)	(12)	-	-	-	-
(d) Actuarial (gains) / losses	(2)	(3)	(13)	-	(23)	22	21	(10)	-	-
(e) Liability extinguishment charge	-	-	-	-	-	-	-	-	-	-
(f) Writeback on account of assets recognition	-	-	15	-	-	-	-	-	-	-
Total expense / (gain) \$	(4)	(5)	(1)	(2)	24	64	37	7	-	-
(B) Net Asset / (Liability) as at year end										
(a) Present value of obligations as at year end	22	23	74	83	267	265	193	173	3	2
(b) Fair value of plan assets as at year end	69	69	162	155	174	183	-	-	7	3
(c) Fair value of plan assets, limited to present value of future contributions	69	69	103	112	174	183	-	-	7	3
- Net Asset / (Liability) (b)-(a)	47	46	88	72	(93)	(82)	(193)	(173)	4	1
- Net Asset / (Liability) recognised in Balance Sheet (c)-(a)	47	46	29	29	(93)	(82)	(193)	(173)	-	-
(C) Change in defined benefit obligations during the year										
Present value of obligations at beginning of the year	23	27	82	78	264	209	173	185	2	-
(a) Liabilities assumed in an amalgamation in the nature of purchase	-	-	-	-	-	-	-	-	-	-
(b) Current service cost	1	1	2	2	41	37	3	2	1	-
(c) Interest cost	1	2	7	7	20	18	14	15	-	-
(d) Benefits paid	(2)	(10)	(6)	(5)	(33)	(30)	(18)	(19)	-	-
(e) Actuarial (gains) / losses	(1)	3	(11)	1	(25)	31	21	(10)	-	2
(f) Liabilities extinguished on settlements	-	-	-	-	-	-	-	-	-	-
Present value of obligations at end of the year	22	23	74	83	267	265	193	173	3	2
(D) Change in fair value of plan assets during the year										
Fair value of plan assets as at beginning of the year	69	71	156	148	183	153	-	-	3	-
Less restriction for net assets in excess of future contributions	-	-	(43)	(43)	-	-	-	-	-	-
Fair value of plan assets as at beginning of the year (net)	69	71	113	105	183	153	-	-	3	-
(a) Assets acquired in an amalgamation in the nature of purchase	-	-	-	-	-	-	-	-	-	-
(b) Expected return on plan assets	5	5	11	11	14	12	-	-	-	-
(c) Actual company contributions	-	-	-	-	12	39	18	19	-	-
(d) Benefit payments	(2)	(3)	(6)	(5)	(32)	(30)	(18)	(19)	-	-
(e) Adjustment of defined contribution	(4)	(4)	-	-	-	-	-	-	-	-
(f) Actuarial gains / (losses)	1	6	1	1	(3)	9	-	-	4	3
(g) Unrecognised asset taken into account	-	-	(16)	-	-	-	-	-	-	-
(h) Benefit payments-settlements	-	(6)	-	-	-	-	-	-	-	-
Fair value of plan assets (after applying restrictions in excess of future contributions)	69	69	103	112	174	183	-	-	7	3
Restriction for net assets in excess of future contributions	-	-	59	43	-	-	-	-	-	-
Fair value of plan assets at end of the year	69	69	162	155	174	183	-	-	7	3
(E) Category of assets										
Debt securities	95%	95%	99%	99%	56%	56%	-	-	85%	82%
Gilt	0%	0%	0%	0%	0%	0%	-	-	7%	6%
Insurer Managed Funds	5%	5%	0%	0%	44%	44%	-	-	0%	0%
Special deposit	0%	0%	1%	1%	0%	0%	-	-	8%	12%
Total	100%	100%	100%	100%	100%	100%	-	-	100%	100%
(F) Actuarial assumptions										
(a) Discount rate (annual) *	9.25%	8.00%	9.25%	8.00%	9.25%	8.00%	9.25%	8.00%	9.25%	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: Nil for 2014-15 and 8% thereafter 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										
			One percentage point Increase				One percentage point decrease			
Effect on the aggregate of the service cost and interest cost			18				(15)			
Effect on defined benefit obligation as on 31 March 2014			208				(180)			

\$ Shown as an expense/gain netted 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 2014 with a term that matches that of the liabilities

Note 5.12: Employee benefits (contd.)

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 2014. The net actuarial gain on account of post retirement benefits scheme amounting to ₹ 21 million (2012-13: actuarial gain of ₹ 10 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 management staff pensioners for an amount of ₹ 1 million. (2012-13: ₹ 6 million for 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. On the basis of actuarial valuations carried out by the actuary no shortfall has been identified in the trusts managed by the Company. The amount of contribution during the year of ₹ 35 million (2012-13: ₹ 32 million) has been included in 'Contributions to provident and other funds' in Note 4.6.

(v) Experience Adjustments

Management Staff Pension Fund					
	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14
1 Defined Benefit Obligation at end of the period	(417)	(29)	(27)	(23)	(22)
2 Plan Assets at end of the period	494	78	71	69	69
3 Funded Status	77	49	44	46	47
4 Experience Gain/(Loss) adjustments on plan liabilities	7	(2)	-	1	(3)
5 Experience Gain/(Loss) adjustments on plan assets	30	(14)	-	1	-
6 Actuarial Gain/(Loss) due to change on assumptions	5	1	(1)	(2)	4
Non-Management Staff Pension Fund					
	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14
1 Defined Benefit Obligation at end of the period	(239)	(87)	(78)	(83)	(74)
2 Plan Assets at end of the period	287	140	148	155	162
3 Funded Status	48	53	70	72	89
4 Experience Gain/(Loss) adjustments on plan liabilities	(6)	-	6	2	6
5 Experience Gain/(Loss) adjustments on plan assets	16	-	9	1	1
6 Actuarial Gain/(Loss) due to change on assumptions	3	5	-	(3)	5
Gratuity Fund					
	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14
1 Defined Benefit Obligation at end of the period	(60)	(70)	(186)	(265)	(237)
2 Plan Assets at end of the period	91	91	152	183	174
3 Funded Status	31	21	(34)	(82)	(63)
4 Experience Gain/(Loss) adjustments on plan liabilities	(6)	(5)	13	(12)	9
5 Experience Gain/(Loss) adjustments on plan assets	2	-	(2)	7	(3)
6 Actuarial Gain/(Loss) due to change on assumptions	(1)	(1)	2	(4)	12
Provident Fund					
	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14
1 Defined Benefit Obligation at end of the period	-	-	2	2	(3)
2 Plan Assets at end of the period	-	-	1	3	7
3 Funded Status	-	-	-	1	5
4 Experience Gain/(Loss) adjustments on plan liabilities	-	-	(2)	-	(2)
5 Experience Gain/(Loss) adjustments on plan assets	-	-	1	1	4
6 Actuarial Gain/(Loss) due to change on assumptions	-	-	-	-	(1)

Note 5.13 Segment Information**(A) Information about primary business segments****(1) The Company's business segments comprise of:**

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

Others : consisting of chemicals and polymers.

(2) Segment revenues, results and other information

	Coatings		Others		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenue						
1. External sales (gross)	25,392	23,269	985	940	26,377	24,209
Excise Duty	(2,560)	(2,322)	(101)	(90)	(2,661)	(2,412)
External sales (net)	22,832	20,947	884	850	23,716	21,797
Services and other operating income	410	479	52	44	462	523
Total Revenue	23,242	21,426	936	894	24,178	22,320
2. Results						
Segment results	1,473	1,644	103	144	1,576	1,788
Unallocated income (net of unallocated expense)					473	1,092
Profit from operations before interest, taxation and exceptional items					2,049	2,880
Interest and bank charges					(15)	(89)
Profit before exceptional items					2,034	2,791
Exceptional items					-	-
Profit before taxation					2,034	2,791
Income taxes						
- Current tax (net)					(435)	(572)
- Provision for earlier years					(23)	(10)
- Deferred tax					(74)	(21)
Profit after taxation					1,502	2,188
3. Other Information						
a. Assets						
Segment assets	12,684	11,195	811	776	13,495	11,971
Investments					6,286	9,472
Unallocated assets					608	1,609
Total assets					20,389	23,052
b. Liabilities/ Shareholders' funds						
Segment Liabilities	6,019	5,886	166	169	6,185	6,055
Unallocated liabilities					5,726	5,944
Share Capital including Share capital pending allotment					467	467
Reserves and surplus					8,011	10,586
Total liabilities/ shareholders' funds					20,389	23,052
c. Others						
Capital expenditure	2,025	1,237	53	56		
Depreciation	397	351	20	16		
(B) Information about secondary segment (by geographical segment)						
	India		Outside India		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenue	23,586	21,408	593	911	24,179	22,320
Carrying amount of segment assets*	13,495	11,971	-	-	13,495	11,971
Capital expenditure	2,077	1,293	-	-	2,077	1,293

* Excludes 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 returns, 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 un-allocable items in segment results include income from investment of surplus funds of the Company and corporate expenses. Unallocable assets include un-allocable fixed assets and other assets. Unallocable liabilities include un-allocable current liabilities and net deferred tax liability.

Note 5.14: Related Party Disclosures**1. (a) List of related parties where control exists**

- Imperial Chemical Industries Limited, England (holding company upto 3 June 2012 and related party having significant influence thereafter)

- 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 Amides Co., Limited	Akzo Nobel Paints Lanka (Pvt) Ltd
Akzo Nobel Car Refinishes Indonesia	Akzo Nobel Paints Taiwan Limited
Akzo Nobel Chang Cheng Ltd	Akzo Nobel Paints Vietnam Ltd
Akzo Nobel China Investment Co. Ltd	Akzo Nobel Polymer Chemicals (Ningbo) Co., Ltd
Akzo Nobel Decorative Coatings B.V.	Akzo Nobel Polymer Chemicals B.V.
Akzo Nobel Functional Chemicals bv	Akzo Nobel Polymer Chemicals LLC
Akzo Nobel Ltda-Divisao Titas EM PO	Akzo Nobel Powder Coatings (Ningbo) Co., Ltd
Akzo Nobel Powder Coatings SAS	Akzo Nobel Powder Coatings B.V.
Akzo Nobel Pulp and Performance Chemicals AB	Akzo Nobel Powder Coatings Korea Co., Limited
Akzo Nobel REP Off BV	Akzo Nobel Powder Coatings S.A.E.
Akzo Nobel (Shanghai) Co. Ltd	Akzo Nobel Powder Coatings South Africa Pty Limited
Akzo Nobel Argentina S.A.	Akzo Nobel Pty. Limited
Akzo Nobel Asia Pte. Ltd	Akzo Nobel Surface Chemistry AB
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Akzo Nobel Surface Chemistry L.L.C.
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	Akzo Nobel UAE Paints L.L.C.
Akzo Nobel Car Refinishes (Suzhou) Company Limited	AkzoNobel Paints Singapore Pte ltd
Akzo Nobel Car Refinishes Australia Pty Ltd	EKA Chemicals AB
Akzo Nobel Car Refinishes B.V.	ICI (Malaysia) Holdings Sdn Bhd
Akzo Nobel Car Refinishes SL	ICI Dulux (Pty) Limited
Akzo Nobel Chang Cheng Coatings (Guangdong) Co., Ltd	ICI India Research & Technology Centre
Akzo Nobel Chemicals AG	International Paint - Finland
Akzo Nobel Chemicals International B.V.	International Paint - Vietnam
Akzo Nobel Coatings (Dongguan) Co. Ltd	International Paint Japan K.K.
Akzo Nobel Coatings (Jiaxing) Co. Ltd	International Paint Limited
Akzo Nobel Coatings (Tianjin) Co., Ltd	International Paint Ltda
Akzo Nobel Coatings CZ, a.s.	International Paint - Ukraine
Akzo Nobel Coatings GmbH	International Farbenwerke GmbH
Akzo Nobel Coatings Inc.	International Färg AB

Note 5.14: Related Party Disclosures (contd.)

Akzo Nobel Coatings International B.V.	International Maling A/S
Akzo Nobel Coatings Ltd	International Paint (Akzo Nobel Chile) Ltda
Akzo Nobel Coatings S.P.A.	International Paint (Hong Kong) Limited
Akzo Nobel Coatings Sdn Bhd	International Paint (Korea) Ltd
Akzo Nobel Cross-Linking Peroxides (Ningbo) Co. Ltd	International Paint (Nederland) B.V.
Akzo Nobel Decorative Coatings B.V.	International Paint (Panama) Inc.
Akzo Nobel Decorative Paints France S.A.	International Paint (Taiwan) Ltd
Akzo Nobel Functional Chemicals AB	International Paint Limited
Akzo Nobel Industrial Finishes (Hong Kong) Limited	International Paint LLC
Akzo Nobel Industrial Paints, S.L.	International Paint of Shanghai Co Ltd
Akzo Nobel International Paint (Suzhou) Co. Ltd.	International Paint Pazarlama Limited Sirketi
Akzo Nobel Ltda	International Paint Sdn Bhd
Akzo Nobel N.V.	International Paint Singapore Pte Ltd
Akzo Nobel Packaging Coatings GmbH	International Peinture S.A.
Akzo Nobel Packaging Coatings Limited	IP Singapore Pte -Vietnam
Akzo Nobel Packaging Coatings S.A.	Keum Jung Akzo Nobel Peroxides Ltd.
Akzo Nobel Packaging Coatings S.A.S	Pinturas Inca S.A.
Akzo Nobel Paints (Asia Pacific) Pte Ltd	PT International Paint Indonesia
Akzo Nobel Paints (Malaysia) Sdn. Bhd.	Shanghai ICI Research & Development & Management Co. Ltd
Akzo Nobel Paints (Thailand) Ltd.	Tianjin Akzo Nobel Peroxides Co. Ltd

Key managerial persons

Mr. Nihal Kaviratne CBE	Chairman
Mr. Amit Jain	Managing Director (upto 31 Dec 2013)
Mr. Jayakumar Krishnaswamy	Managing Director (from 1 March 2014)
Mr. Partha Sarathi Basu	Wholetime Director (upto 31 Aug 2013)
Mr. Himanshu Agarwal	Wholetime Director (from 2 Sep 2013)

Note 5.14: Related Party Disclosures (contd.)

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

	Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Managerial Persons
a) Transactions during the year	2013-14	2013-14	2013-14	2013-14
	2012-13	2012-13	2012-13	2012-13
Purchase of materials / finished goods	-	-	1,330	-
	-	-	1,236	-
Sale of finished goods	-	-	166	-
	-	-	113	-
Purchase of fixed assets	-	-	3	-
	-	-	17	-
Expenses incurred and recoverable from other Companies (Income)	68	8	158	-
	9	5	52	-
Expenses payable to other companies	54	3	105	-
	-	13	74	-
Royalty	-	-	467	-
	-	-	352	-
Dividend paid	-	1,838	885	-
	-	460	221	-
Services provided (Income)	-	-	311	-
	-	-	318	-
Services received (expenses)	-	-	408	-
	-	-	285	-
Managerial remuneration *	-	-	-	73
	-	-	-	67
Allotment of equity shares	-	-	-	-
	-	-	111	-
Guarantees	-	-	-	-
Guarantee issued on behalf of the Company for credit facilities from banks	508	-	-	-
	500	-	-	-
Balances as at the end of the year				
Dues to related parties	29	34	1,127	-
	8	25	385	-
Dues from related parties	51	2	259	-
	9	-	181	-

Outstanding Loans receivable at the end of the year from key managerial persons: Refer to Note 3.10.

*Excludes expenditure towards retirement benefits and compensated absences since the same is based on actuarial valuation for the Company as a whole.

Note 5.14: Related Party Disclosures (contd.)

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the respective year.

	2013-14	2012-13		
Purchase of raw materials			Expenses payable to other companies	
PT Akzo Nobel Car Refinishes Indonesia	396	366	Akzo Nobel N.V. Netherlands	54
Others	934	870	International Paint Limited	24
	1,330	1,236	Imperial Chemical Industries Limited	3
Sales of finished products			International Paint Singapore Pte Ltd	23
Akzo Nobel Functional Chemicals bv	34	-	Others	23
Akzo Nobel UAE Paints L.L.C.	88	30		126
Akzo Nobel Polymer Chemicals B.V.	-	50	Royalty	
Others	43	33	Akzo Nobel Coatings International B.V.	444
	166	113	Others	23
Purchase of Fixed Assets				467
Akzo Nobel Polymer Chemicals B.V.	-	15	Dividend paid	
Akzo Nobel Pte Ltd.	2	-	Imperial Chemical Industries Limited, England	1,838
Akzo Nobel Projects & Engineering B.V.	1	-	Akzo Nobel Coatings International B.V.	690
Others	-	2	Others	195
	3	17		2,724
Expenses incurred and recoverable from other companies			Rendering of service (income)	
Akzo Nobel Lanka (Pvt.) Limited	28	8	Akzo Nobel Lanka Pvt Ltd	258
Akzo Nobel Surface Chemistry AB	34	22	Others	53
Akzo Nobel N.V. Netherlands	68	12		311
Others	80	23		307
	209	66		

Receiving of service (expenses)		
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	55	36
Akzo Nobel Car Refinishes B.V.	85	37
Akzo Nobel N.V. Netherlands	179	164
ICI India Research & Technology Centre	72	51
Others	18	13
	408	301
Managerial remuneration		
Mr Nihal Kaviratne CBE	1	1
Mr Amit Jain	46	50
Mr Partha Sarathi Basu	11	16
Mr Jayakumar Krishnaswamy	6	-
Mr Himanshu Agarwal	9	-
	73	67
Dues to related parties		
Akzo Nobel Coatings International B.V.	499	-
Akzo Nobel Decorative Coatings B.V.	234	280
Others	457	368
	1,190	649
Dues from related parties		
Akzo Nobel Car Refinishes B.V.	143	66
Akzo Nobel Decorative Coatings B.V.	32	29
Akzo Nobel N.V. Netherlands	51	12
Others	86	83
	312	190

Note 5.15: Previous year figures have been regrouped/reclassified to make them comparable to the current year figures.

As per our report attached.

For B S R & Associates LLP

Chartered Accountants

ICAI Registration No. 116231W

Rakesh Dewan

Partner

Membership No. 092212

16 May 2014

Gurgaon

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

Nihal Kaviratne CBE

Chairman

DIN No. 00032473

16 May 2014

New Delhi

Jayakumar Krishnaswamy

Managing Director

DIN No. 02099219

Himanshu Agarwal

Wholetime Director

DIN No. 06672915

R Guha

Company Secretary

Notice of Annual General Meeting

Notice is hereby given that the 60th Annual General Meeting of the Members of Akzo Nobel India Limited will be held on Monday, 11 August 2014 at 1430 hours at Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017 to transact the following business:

Ordinary business

1. To consider and adopt the audited financial statements for the year ended 31 March 2014 and the Reports of the Directors and Auditors thereon.

2. To declare a Dividend on equity shares for the year ended 31 March 2014.

3. To appoint a Director in place of Mr Nihal Kaviratne CBE who retires by rotation. Being eligible, he has offered himself for re-appointment as a Director of the Company. Accordingly, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that Mr Nihal Kaviratne CBE (DIN 00032473) be and is hereby re-appointed a Director of the Company.”

4. To appoint a Director in place of Mr Robert Molenaar who retires by rotation. Being eligible, he has offered himself for appointment as a Director of the Company. Accordingly, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that Mr Robert Molenaar (DIN 06578712) be and is hereby appointed a Director of the Company.”

5. To appoint a Director in place of Dr Sanjiv Misra who retires by rotation. Being eligible, he has offered himself for re-appointment as a Director of the Company.

In the opinion of the Board, Dr Misra meets the criteria prescribed in section 149 of the Companies Act, 2013 to be appointed as an Independent Director of the Company. Accordingly, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that Dr Sanjiv Misra (DIN 03075797) be and is hereby appointed as an Independent Director of the Company within the meaning of section 149 of the Companies Act, 2013 for a term of five years commencing from 12 August 2014.”

6. To appoint Auditors for the year 2014-15 and to fix their remuneration and for this purpose to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that the Auditors, M/s B S R & Associates LLP, Chartered Accountants (ICAI Registration No. 116231W), 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	₹ 5.0 million
Tax audit	₹ 1.5 million
Statutory certification	₹ 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 permissible services may be billed by the Auditors at such rates as may be agreed between the Auditors and the Company.”

Special Business

7. To approve appointment of Mr Amit Jain as a Director of the Company:

Mr Amit Jain was appointed as an Additional Director of the Company with effect from 2 January 2014 and will hold office upto the date of the forthcoming Annual General meeting. Being eligible, Mr Jain has offered himself for being appointed a Director of the Company.

A notice under Section 160 of the Companies Act, 2013 has been received from a Member along with the requisite fees, proposing Mr Amit Jain's name for being appointed as a Director of the Company.

Accordingly, the members may consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that Mr Amit Jain (DIN 01770475) be and is hereby appointed a Director of the Company.”

8. To approve appointment of Mr Raj S Kapur as a Director of the Company:

Mr Raj S Kapur was appointed as an Additional Director of the Company with effect from 1 March 2014 and will hold office upto the date of the forthcoming Annual General meeting. Being eligible, Mr Kapur has offered himself for being appointed a Director of the Company.

A notice under Section 160 of the Companies Act, 2013 has been received from a Member along with the requisite fees, proposing Mr Raj S Kapur's name for being appointed as a Director of the Company.

In the opinion of the Board, Mr Kapur meets the criteria prescribed in section 149 of the Companies Act, 2013 to be appointed as an Independent Director of the Company.

Accordingly, the members may consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that Mr Raj Kapur (DIN 00060056) be and is hereby appointed as an Independent Director of the Company, within the meaning of section 149 of the Companies Act, 2013 for a term of five years commencing from 12 August 2014.”

9. To approve the appointment of Mr Jayakumar Krishnaswamy as the Managing Director of the Company and fix his remuneration:

The Board, by its resolutions dated 30 January 2014 and 21 February 2014, has appointed Mr Jayakumar Krishnaswamy as the Managing Director of the Company for a period of five years with effect from 1 March 2014, subject to the approval of the members at the next general meeting of the Company.

A notice under Section 160 of the Companies Act, 2013 has been received from a Member along with the requisite fees, proposing Mr Jayakumar Krishnaswamy's name for being appointed as the Managing Director of the Company.

Accordingly, the members may consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that this Meeting hereby approves the appointment of Mr Jayakumar Krishnaswamy (DIN 02099219) as the Managing Director of the Company, in terms of Sections 198, 269, 309 and other applicable provisions, read with Schedule XIII of the Companies Act, 1956 and in terms of Sections 196, 197, 203 and other applicable provisions, read with Schedule V of the Companies Act, 2013, for a period of five years with effect from 1 March 2014 and payment of such remuneration to Mr Jayakumar Krishnaswamy during the tenure of his appointment as set out in the

agreement dated 3 March 2014 entered into between him and the Company, a copy of which was placed before the Meeting.”

10. To approve appointment of Mr Himanshu Agarwal as a Wholetime Director of the Company and fix his remuneration:

The Board, by its resolution dated 30 August 2013, has appointed Mr Himanshu Agarwal as a Wholetime Director of the Company for a period of five years with effect from 2 September 2013, subject to the approval of the members at the next general meeting of the Company.

A notice under Section 160 of the Companies Act, 2013 has been received from a Member along with the requisite fees, proposing Mr Himanshu Agarwal's name for being appointed as a Director of the Company.

Accordingly, the members may consider and, if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that this Meeting hereby approves the appointment of Mr Himanshu Agarwal (DIN 06672915) as a Wholetime Director of the Company, in terms of Sections 198, 269, 309 and other applicable provisions, read with Schedule XIII of the Companies Act, 1956 and in terms of Sections 196, 197, 203 and other applicable provisions, read with Schedule V of the Companies Act, 2013, for a period of five years with effect from 2 September 2013 and payment of such remuneration to Mr Himanshu Agarwal during the tenure of his appointment as set out in the agreement dated 2 September 2013 entered into between him and the Company, a copy of which was placed before the Meeting.”

11. To approve payment of Remuneration to Non Executive Directors:

To consider and if thought fit, pass the following resolution as a Special Resolution:

“Resolved that:

- i) The Company, pursuant to Section 197 and other applicable provisions of the Companies Act, 2013 (the 'Act'), and Rules made thereunder, hereby authorizes payment of remuneration by way of Commission to one or more or all the Directors who are neither in the wholetime employment nor Managing Director of the Company, for each financial year of the Company, in addition to the sitting fee for attending the meetings of the Board of Directors or Committees thereof;
- ii) The amount to be paid as Commission for all such Directors shall not exceed in the aggregate one per cent of the net profit of the Company in any financial year, computed in accordance with Section 198 of the Act; and
- iii) The remuneration by way of Commission to such Directors for the year ended 31 March 2014, upto the limits specified above, be and is hereby approved.”

12. To ratify payment of Remuneration to Cost Auditors:

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“Resolved that the remuneration of ₹ 0.75 million, in addition to reimbursement of travel and out-of-pocket expenses, to M/s Chandra Wadhwa & Co., practicing cost accountants, holding registration number 00239 allotted by The Institute of Cost Accountants of India, appointed as the Cost Auditors of the Company for the year 2014-15 by the Board of Directors, be and is hereby ratified.”

New Delhi
16 May 2014

By order of the Board
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 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 2014 to 11 August 2014 both days inclusive.
- iii) Dividend, if approved at the Meeting, will be paid on or around 21 August 2014 by means of direct bank credit (ECS) or dividend warrants;
 - a. In respect of shares held in electronic form, to the beneficial owners of shares as on 31 July 2014 as per the downloads furnished to the Company by the depositories for this purpose;
 - b. In respect 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 2014.
- 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 who are yet to provide their bank details are requested to send the details of their bank account details (account number, bank name, bank address, MICR Code and IFSC Code) to their Depository Participants (in case of shares held in dematerialized 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 72 of the Companies Act, 2013, 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 Epitome, Tower A, 20th Floor, Cyber City, DLF Phase III, Gurgaon 122 002.
- ix) Pursuant to the provisions of Section 124 of the Companies Act, 2013, 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 en-cashed the dividend warrants so far, for the financial year ended 31st March 2007 or any subsequent financial years, are requested to send unencashed

dividend warrants, to the RTA for necessary action. Separate intimations have been sent to those Members whose dividend cheques remain outstanding as on 31 March 2014. All unclaimed dividends in respect of Financial Year 2006-07 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 125 of the Companies Act, 2013, any claim in respect of unclaimed Dividend after the said transfer, shall be made to the relevant authority nominated by the Central Government for administration of the Fund.

x) Pursuant to section 108 of the Companies Act 2013, read with the Companies (Management and Administration) Rules 2014, the Company is pleased to offer e voting facility to the members to cast their votes electronically on all resolutions set forth in this Notice. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the e voting facility.

Complete details of e-voting are annexed to this notice.

Explanatory Statement, pursuant to Section 102 of the Companies Act, 2013 and brief profile of Directors to be appointed/re-appointed:

a. Mr Nihal Kaviratne

Mr Nihal Kaviratne CBE has joined the Board of Akzo Nobel India Limited on 30 March 2009 and became the Chairman of the Board on 1 October 2010.

Holding a Bachelor of Arts (Honours) degree with a major in Economics from Mumbai University, his global career has spanned more than 40 years with Unilever. He was awarded the CBE for services to UK business

interests and for sustainable development in Indonesia. He is one of the founding members of Asia Pacific Academy of Business in Society (APABIS) and founder of St. Jude's India ChildCare Centres.

Apart from Akzo Nobel India Limited, Mr Kaviratne serves on the boards of the following companies:

1. GlaxoSmithKline Pharmaceuticals India Ltd
2. DBS Group Holdings Limited
3. DBS Bank Limited
4. PT TVS Motor Company, Indonesia
5. Singapore Airport Terminal Services Ltd
6. StarHub Limited, Singapore
7. TVS Motor (Singapore) Pte Ltd
8. Wildlife Reserves, Singapore
9. DBS Foundation Limited, Singapore

Mr Kaviratne is a member of the Nominations & Remuneration Committee of the Board. He does not hold any shares in the Company.

The Board recommends the resolution proposing re-appointment of Mr Nihal Kaviratne CBE as a Director of the Company. Except Mr Kaviratne, no other Director has any interest or concern in the resolution.

b. Dr Sanjiv Misra

Dr Sanjiv Misra, IAS (Retd.), has joined the Board of Akzo Nobel India Limited on 14 May 2010.

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, he did his MPA from the John F Kennedy School of Government, Harvard University, USA, and

subsequently obtained his PhD from Jawaharlal Nehru University, New Delhi.

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

Apart from Akzo Nobel India Limited, Dr Misra serves on the boards of the following companies:

1. Bombay Stock Exchange Limited
2. Axis Bank Limited
3. Hindustan Unilever Limited

Dr Misra is the Chairman of the Stakeholders Relationship Committee and a member of the Audit and Nomination & Remuneration Committees of the Board. He does not hold any shares in the Company.

The Board recommends the resolution proposing appointment of Dr Sanjiv Misra as an Independent Director of the Company. Except Dr Misra, no other Director has any interest or concern in the resolution.

c. Mr Robert Molenaar

Mr Robert Molenaar joined the Board on 14 May 2014 in the casual vacancy caused by the resignation of Mr Graeme Armstrong, who would have retired by rotation at this meeting had he not resigned.

Born in 1960, Mr Molenaar completed his graduation in Polymer Chemistry from University Enschede in the year 1982 and post-graduation from Harvard Business School, Boston in 2003. He joined Akzo Nobel NV as a Technical Manager at Los Angeles in the year 1984. Growing with Akzo, Robert assumed responsibilities at various levels and across geographies like Canada, USA, Singapore, Netherlands and UK as Product Manager, Regional and National Sales Manager, General Manager, Vice-President and Managing Director. He is currently the Managing Director (non-board position) of the Marine & Protective Coating Business of the AkzoNobel Group based in London.

Mr Molenaar is a member of the Audit Committee of the Company. Apart from Akzo Nobel India Limited, Mr Molenaar does not hold any other directorships. He does not hold any shares in the Company.

The Board recommends the resolution proposing appointment of Mr Rob Molenaar as a Director of the Company. Except Mr Molenaar, no other Director has any interest or concern in the resolution.

d. Item 7: Appointment of Mr Amit Jain

Born in 1964, Mr Amit Jain holds a management degree from the Faculty of Management Studies, Delhi, and has completed an Advanced Management Program from the Wharton Business School. Mr Jain started his career in the Company, where he managed a diverse set of responsibilities within sales & marketing (1987 – 1994). He has since served in leadership roles in Coca-Cola and MTV. In 2009, he joined the Company as Managing Director and continued in that position till 31 December 2013. Currently he heads the AkzoNobel Decorative Paints business in North & Central Europe, and based in Amsterdam.

Mr Amit Jain re-joined the Board of Akzo Nobel India Limited on 2 January 2014 as an Additional Director. Mr Jain is a member of the Audit and Nomination & Remuneration Committees of the Board.

Apart from Akzo Nobel India Limited, Mr Jain serves on the boards of the following companies:

1. ICI India Research & Technology Centre
2. Navya Advisors Pvt Ltd

Mr Jain does not hold any shares in the Company.

The Board recommends the resolution proposing appointment of Mr Amit Jain as a Director of the Company. Except Mr Amit Jain, no other Director has any interest or concern in the resolution.

e. Item 8: Appointment of Mr Raj S Kapur

Mr Raj S Kapur joined the Board on 1 March 2014 as an Additional Director. Based in Gurgaon, Raj Kapur is a Consultant at Country Strategy Business Consultants and in his professional capacity, he advises companies on their geographic expansion and market development strategies. He has an in-depth technical and business knowledge of the chemicals industry and more specifically, performance coatings and specialty chemicals.

Born in September 1950, Mr. Kapur is a Chemical Engineer from the Indian Institute of Technology (IIT), Kanpur and a Masters in Business Administration (MBA) in Finance & Marketing from the Central Michigan University, USA. He also holds a Masters in Polymer Engineering from Case Western University, USA. He started his career as a chemical process engineer and then, over time, moved to finance, marketing and business roles. His career

spans almost 40 years of which around 35 years were spent at Dow Corning in various parts of the world before he returned to India 14 years ago to start and build that organization in the country.

Mr Kapur is passionate about helping international companies build their business in India and then leveraging the Indian capabilities to strengthen their Global position. Mr Kapur does not hold any shares in the Company.

The Board recommends the resolution proposing appointment of Mr Raj Kapur as an Independent Director of the Company. Except Mr Raj Kapur, no other Director has any interest or concern in the resolution.

f. Item 9: Appointment of Mr Jayakumar Krishnaswamy as the Managing Director

Born in 1965, Mr Jayakumar is a Mechanical Engineer from the Delhi College of Engineering and has over 26 years' of experience across a wide spectrum of industries, viz., automotive and engineering, FMCG and cement industries. He joined Akzo Nobel India in 2011 as the Head of Supply Chain.

Prior to joining Akzo Nobel he was associated with Hindustan Unilever for over 15 years and played an important role in shaping the supply chain of that company. During the course of his career, Mr Jayakumar has developed expertise in integrated supply chain management, kick-starting start-ups and transforming organisations.

The remuneration and other terms relating to Mr Jayakumar's appointment as the Managing Director of the Company are contained in the agreement dated 3 March 2014 between him and the Company. The key terms of Mr Jayakumar's appointment are set out below:

1. Term

5 years with effect from 1 March 2014, subject to the rules of the Company. In terms of Article 97A of the Articles of Association of the Company, the Managing Director is not liable to retire by rotation during the tenure of appointment.

2. Emoluments

Subject to the overall limits specified herein and as laid down in the Companies Act 2013 (the 'Act'), Mr Jayakumar will be paid the following:

a) Base Salary

Basic Salary and allowances including Leave Travel Allowance:

₹ 7,85,659 (initially ₹ 7,14,235 per month, and revised by Board resolution dated 14 March 2014 to ₹ 7,85,659 with effect from 1 March 2014)

Mr Jayakumar shall be entitled to such other allowances as may be approved by the Board from time to time as per the rules of the Company.

The Board may review and determine from time to time any revision and/or modification in the above remuneration during the tenure of his appointment.

The aforesaid remuneration shall be subject to a limit of ₹ 2.5 million per month.

b) Commission/ Annual Bonus and Deferred Performance Pay (Long Term Incentive Plan)

As may be approved by the Board for each financial year based on the performance against agreed criteria subject to the overall ceiling as laid down in the Act and after taking into account all relevant circumstances.

c) *Perquisites*

The following perquisites would be provided by the Company, subject to tax as applicable:

- i) Accommodation: Residential accommodation subject to the Rules of the Company.
- ii) Car and Telephone: Provision of car for use on Company's business and telephone at residence. These will not be considered as perquisites. However, personal long distance calls on telephone shall be billed by the Company.
- iii) Contribution to Retiral Benefit Funds
- a) Mr Jayakumar will become a member of the Company's Provident Fund Scheme with the Company's contribution not exceeding the limit permissible under law (currently 12% of the basic salary).
- b) Mr Jayakumar will be entitled to pension benefits in accordance with the Company's Pension Scheme. The Company's contribution will be 15% of his basic salary.

Provided however that the contribution to the Pension Scheme shall not, together with the Company's contribution to the Provident Fund, exceed the maximum limit permissible under law.
- c) Mr Jayakumar will be entitled to Gratuity in accordance with the Company's Gratuity Scheme not exceeding half a month's salary for each completed year of service.
- iv) Club Fees: Fees of two clubs.
- v) Leave: Leave on full pay and allowances, as per rules of the Company, but not exceeding 30 days leave for every 12 months of service.

vi) Encashment of Leave: At the end of tenure of office and/or retirement/ resignation from the services of the Company, in accordance with the Company's rules.

vii) Medical Benefits: Reimbursement of expenses actually incurred for self and family.

viii) Personal Accident/Medical Insurance: As per Company policy.

For calculating the monetary value of the perquisites, they shall be valued as per Income Tax Rules wherever applicable and in the absence thereof, at cost.

Mr Jayakumar shall have the option to forego any of the perquisites as above and opt for an allowance in lieu thereof, as per rules of the Company and as approved by the Board.

Provided that the aggregate of such Commission/ Variable Pay including Deferred Performance Award (Long Term Incentive Plan) and the Perquisites shall not exceed 250% of the Base Salary, and can be used interchangeably without any sub-limits under any of the aforesaid heads.

The Board while approving any change in the remuneration of Mr Jayakumar in his Base Salary, Commission/ Annual Bonus and Deferred Performance Pay (Long Term Incentive Plan) and Perquisites, may take into account the recommendations of the Nominations & Remuneration Committee.

3. Minimum Remuneration

In the event of absence or inadequacy of profit of the Company in any financial year, Mr Jayakumar will be entitled to receive such minimum remuneration as is permissible under the Act.

4. Termination

The Agreement provides that either party may terminate the appointment by giving to the other three months' previous notice in writing or such other shorter period as may be mutually agreed between the Board and Mr Jayakumar.

If and when this Agreement expires or is terminated for any reason whatsoever, Mr Jayakumar will cease to be the Managing Director and also cease to be Director. If at any time, Mr Jayakumar ceases to be a Director of the Company for any reason whatsoever, he will cease to be the Managing Director and this agreement will forthwith terminate. If at any time, Mr Jayakumar ceases to be in the employment of the Company for any reason whatsoever, he will cease to be Director and Managing Director of the Company.

The appointment of Mr Jayakumar Krishnaswamy as Managing Director and the remuneration payable to him as aforesaid are to be approved by the shareholders at this Annual General Meeting in terms of sections 196 and 197 of the Act, which correspond to section 269 of the Companies Act, 1956. This resolution is intended for the purpose.

The terms of Mr Jayakumar Krishnaswamy's appointment are more fully set out in the said Agreement dated 3 March 2014, which will be available for inspection by any member at the registered office of the Company between 10 am to 12 noon on any working day (excluding Saturdays) prior to the date of the Annual General Meeting as well as at the Meeting.

The Board recommends the resolution. Except Mr Jayakumar Krishnaswamy, no other Director has any interest or concern in the resolution.

g. Item 10: Appointment of Mr Himanshu Agarwal as a Wholetime Director

Born in 1970, Mr Agarwal is a Chartered Accountant, Company Secretary and Cost & Management Accountant by qualification with over 20 years of experience across Paints and Pharma sectors. He has successfully handled various assignments in Finance across geographies within and outside India. He was most recently Chief Financial Officer for Astra Zeneca Pharma India with the primary responsibility for Finance, ISIT & Procurement. During his earlier stint in ICI and Akzo Nobel India, Mr Agarwal was the Decorative India and South Asia Controller, during which he helped build sustainable systems and processes that enabled business growth.

The remuneration and other terms relating to Mr Agarwal's appointment as a Wholetime Director of the Company are contained in the agreement dated 2 September 2013 between Mr Agarwal and the Company (the 'Agreement'). The key terms of Mr Agarwal's appointment are set out below:

1. Term

5 years with effect from 2 September 2013, subject to the rules of the Company.

2. Emoluments

Subject to the overall limits specified herein and as laid down in Sections 196 and 197 of the Act:

a) Base Salary

Basic Salary and allowances including Leave Travel Allowance:

₹ 6,58,689 (initially ₹ 6,39,504 per month, and revised to ₹ 6,58,689 wef 1 April 2014 vide Board resolution dated 14 March 2014)

Mr Agarwal shall be entitled to such other allowances as may be approved by the Board from time to time as per the rules of the Company.

The Board may review and determine from time to time any revision and/or modification in the above remuneration during the tenure of his appointment.

The aforesaid remuneration shall be subject to the limit of ₹ 1.2 million per month.

b) Commission/ Annual Bonus and Deferred Performance Pay (Long Term Incentive Plan)

As may be approved by the Board for each financial year based on the performance against agreed criteria subject to the overall ceiling as laid down under the Act and after taking into account all relevant circumstances.

Mr Agarwal will be eligible for a once off Bonus and reimbursement of expenses to facilitate his joining the Company within the desired timeframe, subject to his fulfilling certain conditions, upto a maximum of ₹ 2m.

c) Perquisites

The following perquisites would be provided by the Company, subject to tax as applicable:

i) Accommodation: Residential accommodation subject to the Rules of the Company.

ii) Car and Telephone: Provision of car for use on Company's business and telephone at residence. These will not be considered as perquisites. However, personal long distance calls on telephone shall be billed by the Company.

iii) Contribution to Retiral Benefit Funds

a) Mr Agarwal will become a member of the Company's Provident Fund Scheme with the Company's contribution not exceeding the limit permissible under law (currently 12% of the basic salary).

b) Mr Agarwal will be entitled to pension benefits in accordance with the Company's Pension Scheme. The Company's contribution will be 15% of his Basic Salary.

Provided however that the contribution to the Pension Scheme shall not, together with the Company's contribution to the Provident Fund, exceed the maximum limit permissible under law.

c) Mr Agarwal will be entitled to Gratuity in accordance with the Company's Gratuity Scheme not exceeding half a month's salary for each completed year of service.

iv) Club Fees: Fees of one club.

v) Leave: Leave on full pay and allowances, as per rules of the Company, but not exceeding 30 days leave for every 12 months of service.

vi) Encashment of Leave: At the end of tenure of office, in accordance with the Company's rules

vii) Medical Benefits: Reimbursement of expenses actually incurred for self and family.

viii) Personal Accident/Medical Insurance: As per Company policy.

For calculating the monetary value of the perquisites, they shall be valued as per Income Tax Rules wherever applicable and in the absence thereof, at cost.

Mr Agarwal shall have the option to forego any of the perquisites as above and opt for an allowance in lieu thereof, as per rules of the Company and as approved by the Board.

The Board may review and determine from time to time any revision and/or modification in the above perquisites during the tenure of his appointment.

Provided that the aggregate of such Commission/ Variable Pay including Deferred Performance Award (Long Term Incentive Plan) and the Perquisites shall not exceed 250% of the Base Salary, and can be used interchangeably without any sub-limits under any of the aforesaid heads.

The Board while approving any change in the remuneration of Mr Agarwal in his Base Salary, Commission/ Annual Bonus and Deferred Performance Pay (Long Term Incentive Plan) and Perquisites, may take into account the recommendations of the Nomination & Remuneration Committee.

3. Minimum Remuneration

In the event of absence or inadequacy of profit of the Company in any financial year, Mr Agarwal will be entitled to receive such minimum remuneration as is permissible under the Act.

4. Termination

The Agreement provides that either party may terminate the appointment by giving to the other three months' previous notice in writing or such other shorter period as may be mutually agreed between the Board and Mr Agarwal.

If and when this Agreement expires or is terminated for any reason whatsoever, Mr Agarwal will cease to be the Wholetime Director and also cease to be Director. If at any time, Mr Agarwal ceases to be Director of the Company for any reason whatsoever, he will cease to be the Wholetime Director and this agreement will forthwith terminate. If at any time, Mr Agarwal ceases to be in the employment of the Company for any reason whatsoever, he will cease to be Director and Wholetime Director of the Company.

The appointment of Mr Himanshu Agarwal as a Wholetime Director and the remuneration payable to him as aforesaid are to be approved by the shareholders at this Annual General Meeting in terms of sections 196 and 197 of the Act, which correspond to section 269 of the 1956. This resolution is intended for the purpose.

The terms of Mr Himanshu Agarwal's appointment are more fully set out in the said Agreement dated 2 September 2013, which will be available for inspection by any member at the registered office of the Company between 10 am to 12 noon on any working day (excluding Saturdays) prior to the date of the Annual General Meeting as well as at the Meeting.

The Board recommends the resolution. Except Mr Himanshu Agarwal, no other Director has any interest or concern in the resolution.

Item 11: Remuneration to Non-Executive Directors

Under the Act, Non-Executive Directors (NEDs) have been entrusted with new responsibilities to make their role more objective and purposeful. Keeping in view such enhanced role and responsibilities, and considering the time devoted and valuable inputs and guidance available to the Company

from the NEDs, the Board of Directors have, in their meeting held on 16 May 2014, recommended to the members continuation of payment of Commission to the NEDs to compensate for the services rendered by them.

The Board recommends the resolution. All the NEDs may be deemed to be concerned or interested in the resolution.

Item 12: Remuneration to Cost Auditors

The Board, at its meeting held on 16 May 2014, appointed M/s Chandra Wadhwa & Co., practicing cost accountants, holding registration number 00239 allotted by The Institute of Cost Accountants of India, as cost auditors of the Company, in terms of 148 of the Companies Act 2013 and fixed a sum of ₹ 0.75 million as remuneration payable, for the financial year 2014-15.

The remuneration, as recommended by the audit committee and approved by the Board, is required to be ratified by the shareholders of the Company, as per the requirements of the Companies (Audit and Auditors) Rules 2014, read with Section 148 (3) of the Companies Act 2013.

The Board recommends the resolution. None of the Directors is concerned or interested, in the resolution.

Notes

Notes



CIN: L24292WB1954PLC021516

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

PROXY FORM

Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s)

Registered Address

E-mail ID

Folio No/Client ID*/DPID*

I/We, being the member(s) of shares of Akzo Nobel India Limited, hereby appoint:

1. Name E-mail ID
Addressfailing him/her

2. Name E-mail ID
Addressfailing him/her

3. Name E-mail ID
Address

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 60th Annual General Meeting of the Company, to be held on Monday, 11 August 2014 at 1430 hours at Kala Mandir, 48, Shakespere Sarani, Kolkata 700 017 and at any adjournment thereof in respect of such resolutions as are indicated below:

** I wish my above Proxy to vote in the manner as indicated in the box below:

Item No.	Resolution	For	Against
1.	Consider and adopt the audited financial statements and the Reports of the Directors and Auditors thereon		
2.	Declaration of Dividend on equity shares		
3.	Re-appointment of Mr Nihal Kaviratne CBE as a Director		
4.	Appointment Mr Robert Molenaar as a Director		

*Applicable for members holding shares in electronic form

(P.T.O.)



CIN: L24292WB1954PLC021516

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

ATTENDANCE SLIP

I/We hereby record my/our presence at the 60th Annual General Meeting of the Company at Kala Mandir, 48, Shakespere Sarani, Kolkata 700 017 on Monday, 11 August 2014 at 1430 hours

Folio No : No. of Shares :

DPID : Client ID :

Name of the Member :

Name of Proxy :

Signature of the Member or the Proxy attending the Meeting

If Member, please sign below	If Proxy, please sign below

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



5.	Appointment of Dr Sanjiv Misra as an Independent Director		
6.	Appointment of Auditors and fixing their remuneration		
7.	Appointment of Mr Amit Jain as a Non-Executive Director		
8.	Appointment of Mr Raj Kapur as an Independent Director		
9.	Appointment of Mr Jayakumar Krishnaswamy as Managing Director and fixing his remuneration		
10.	Appointment of Mr Himanshu Agarwal as a Wholetime Director and fixing his remuneration		
11.	Payment of Remuneration to Non-Executive Directors		
12.	Payment of Remuneration to Cost Auditors		

Signed this..... day of.....2014

Revenue
Stamp

Signature of

.....
Signature of shareholder

.....
First proxy holder

.....
Second proxy holder

.....
Third proxy holder

Notes:

- (1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
- (2) A Proxy need not be a member of the Company.**
- (3) A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- (4) Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
- (5) In the case of jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be stated.
- ** (6) This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.



Design

Prism Strategic Communications
(www.prism.net.in)

Printing

United Advertising & Marketing Services
(www.unitedadvertising.in)

Corporate Office

DLF Epitome
Building No. 5, Tower A, 20th Floor
Cyber City, DLF Phase III
Gurgaon 122002, India

www.akzonobel.co.in

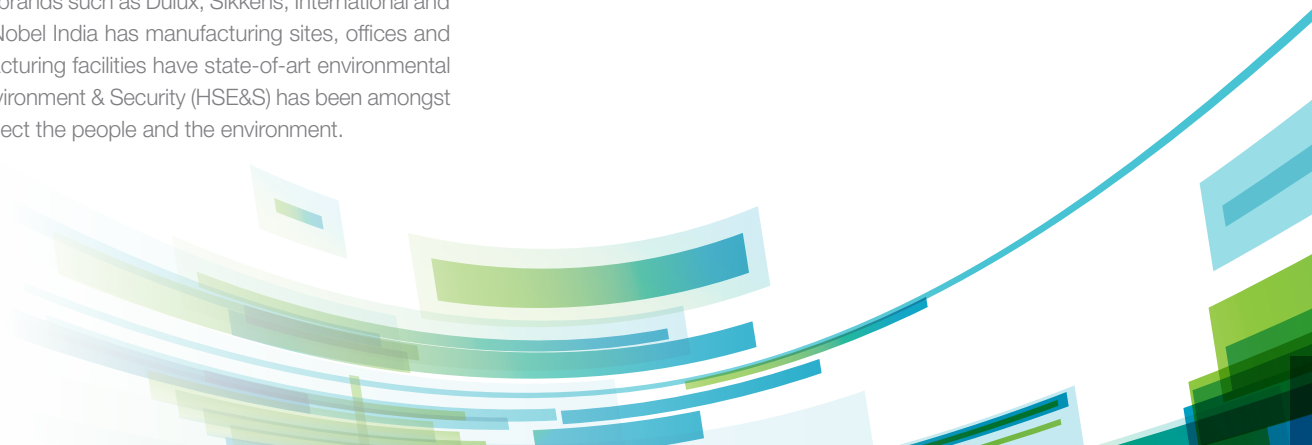
Present in India for over 60 years, the Company is a significant player in the paints industry. Over the years, it has witnessed sustained expansion, growth and transformation. In 2008, Akzo Nobel N.V. became owner of the entire equity share capital of Imperial Chemical Industries Ltd., by virtue of which the company became a member of the AkzoNobel Group.

AkzoNobel India manufactures and markets a wide range of coatings covering Decorative paints, Protective coatings and Specialty chemicals. It provides solutions to many industries and sectors including automotive, consumer electronics, power, aviation, shipping and leisure craft, construction, oil and gas, water and waste water, food and beverages, etc.

It supplies industries and consumers with innovative products and is passionate about developing sustainable answers for its customers. Its portfolio includes well-known brands such as Dulux, Sikkens, International and Interpon. With employee strength of close to 1900, AkzoNobel India has manufacturing sites, offices and distribution network spread across the country. All manufacturing facilities have state-of-art environmental management system. Its commitment to Health, Safety, Environment & Security (HSE&S) has been amongst the best in class globally, with due care being taken to protect the people and the environment.



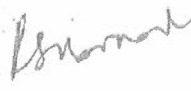

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Form A

Information on 'Unqualified Opinion' in the Independent Auditor's Report
for the year ended 31 March 2014, pursuant to Clause 31 (a) of the Listing Agreement

1	Name of the Company	Akzo Nobel India Limited
2	Annual financial statements for the year ended	31 March 2014
3	Type of Audit observation	Un-qualified An unqualified audit opinion has been issued by the statutory auditors on the financial statements for the year ended 31 March 2014
4	Frequency of observation	Not applicable
5	For and on behalf of the Board of Directors of Akzo Nobel India Limited	
	Jayakumar Krishnaswamy (Managing Director)	
	Himanshu Agarwal (Wholetime Director & CFO)	
	R S Karnad (Audit Committee Chairperson)	
	For BSR & Associates LLP Chartered Accounts Firm registration no: 116231W	
		
	Rakesh Dewan Partner Membership No: 092212 (Auditor)	