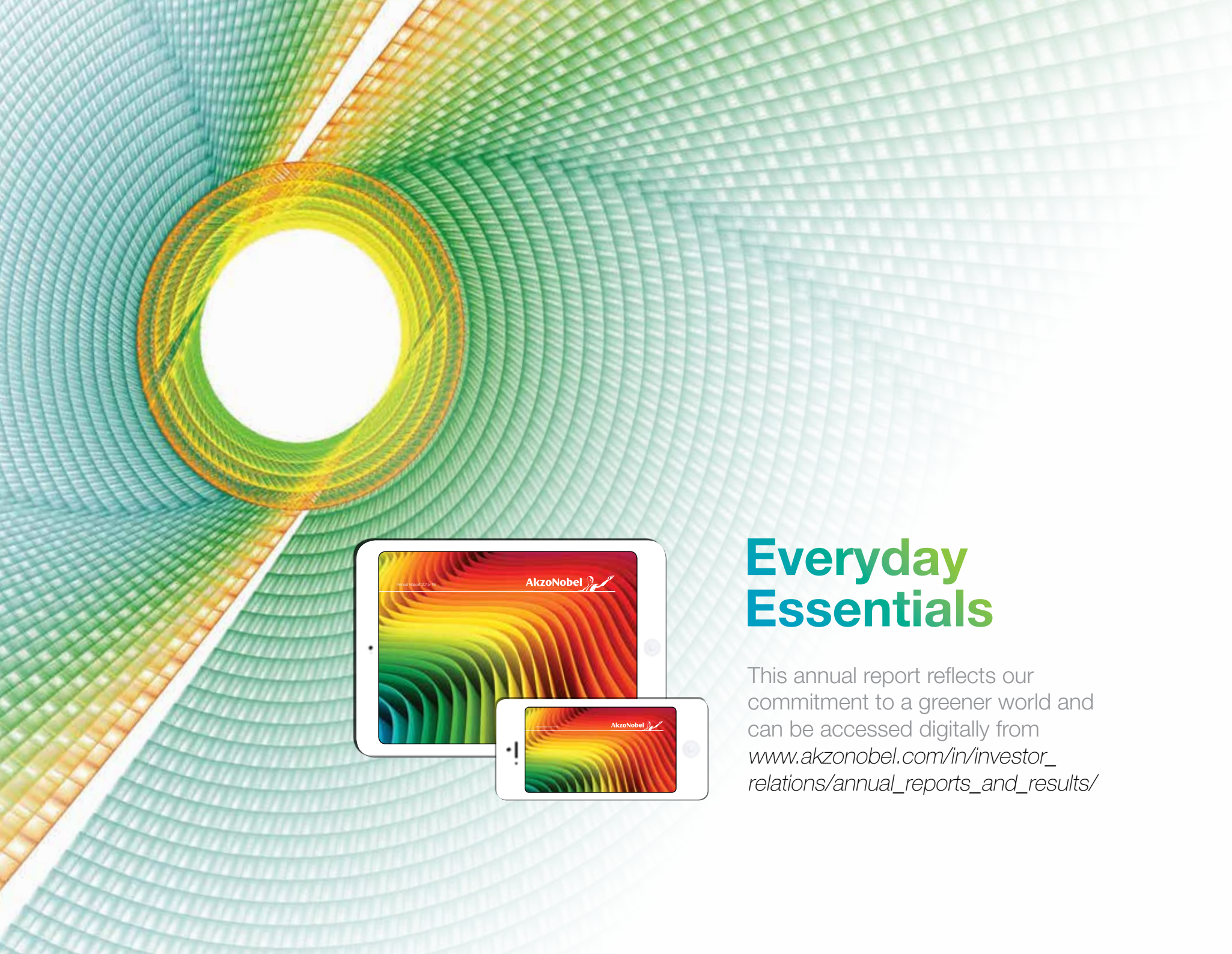


Annual Report 2015-16



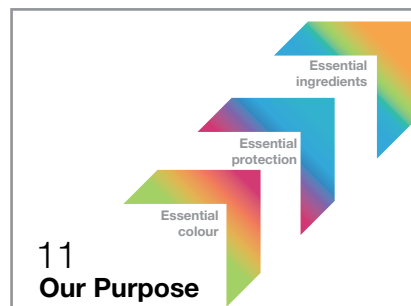


## Everyday Essentials

This annual report reflects our commitment to a greener world and can be accessed digitally from [www.akzonobel.com/in/investor\\_relations/annual\\_reports\\_and\\_results/](http://www.akzonobel.com/in/investor_relations/annual_reports_and_results/)

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**“In the five years**  
since the merger of  
our different verticals,  
**‘One AkzoNobel’ has**  
**proved its power and**  
**edge** in taking forward  
our mission to **create**  
**everyday essentials**  
**for our customers.”**



# Chairman's statement

## The power of 'One AkzoNobel'

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

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

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

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

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

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

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

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

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

**Nihal Kaviratne CBE**

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



# Managing Director's statement

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

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

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

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

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

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

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

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

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

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

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

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

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

**Jayakumar Krishnaswamy**



AkzoNobel





# Board of Directors

## 1. R Gopalakrishnan, Independent Director

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

Mr. Gopalakrishnan is an accomplished author (with five books already published), an international speaker, a corporate advisor and a teacher. He also serves on the board of several companies as a non-executive director. He has worked with the Unilever Group for over 30 years in senior positions and served on the boards of several Tata Group companies.

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

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

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

## 3. Arvind Uppal, Independent Director

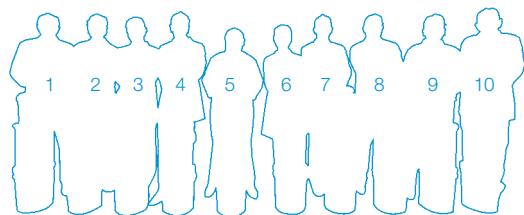
Mr. Arvind Uppal joined the Board of the Company as a Non-Executive Director in April 2011. He is a Chemical Engineer from IIT, Delhi and holds a Master in Business Administration from the Faculty of Management Studies, New Delhi. He has also attended a programme for Executive Development at IMD, Lausanne,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

Mr. Uppal is currently President, Whirlpool Asia Pacific and Chairman, Whirlpool of India Ltd. He has worked with Nestle for over 18 years, having joined that company as a management trainee in 1987. He is also a Director on the Boards of Tuscan Capital and Whirlpool (Australia).

## 4. Raj S Kapur, Independent Director

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

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



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

## 5. Nihal Kaviratne CBE, Chairman

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

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

## 6. Kimsuka Narsimhan, Independent Director

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

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

## 7. Jayakumar Krishnaswamy, Managing Director

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

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

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

## 8. Arabinda Ghosh, Non-Executive Director

Mr. Arabinda Ghosh was appointed as a Non-Executive Director of the Company in May 2015. He is also the Managing Director of AkzoNobel's Surface Chemistry business globally. He brings with him a wealth of experience from his roles in Finance and General Management in other global businesses of Powder Coatings, Automotive and Aerospace Coatings, Marine Coatings, Protective Coatings and Metal Coatings businesses of AkzoNobel.

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

## 9. Amit Jain, Non-Executive Director

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

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

## 10. Dr. Sanjiv Misra, Independent Director

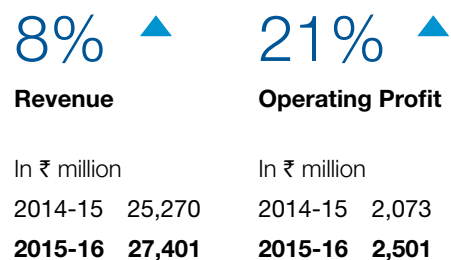
Dr. Sanjiv Misra, IAS (Retd.), joined the Board of the Company in May 2010. He is an alumnus of St. Stephen's College, Delhi and the Delhi School of Economics. As an Edward S Mason Fellow, he did his MPA from the John F Kennedy School of Government, Harvard University, USA and subsequently obtained his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

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

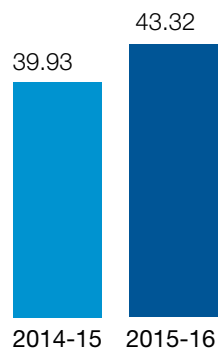
Dr. Misra is the Chairman of Axis Bank and a Director on the Board of Hindustan Unilever.

# Financial Highlights

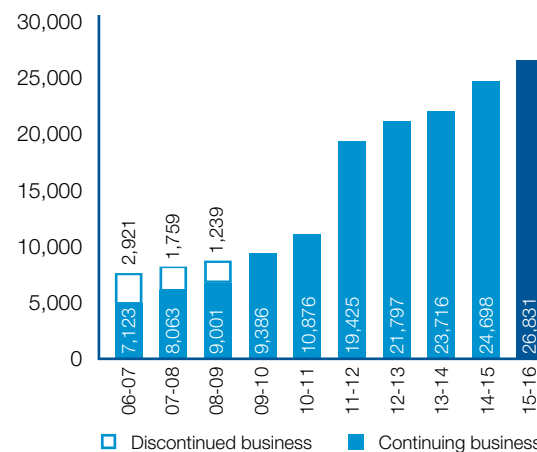
## Statement of income



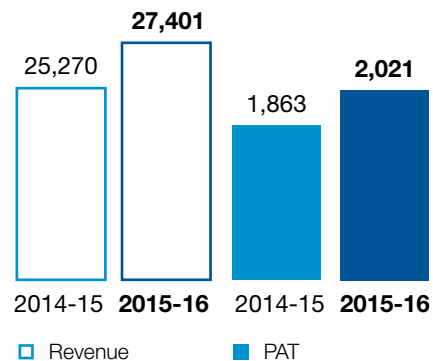
## Earnings per share in ₹



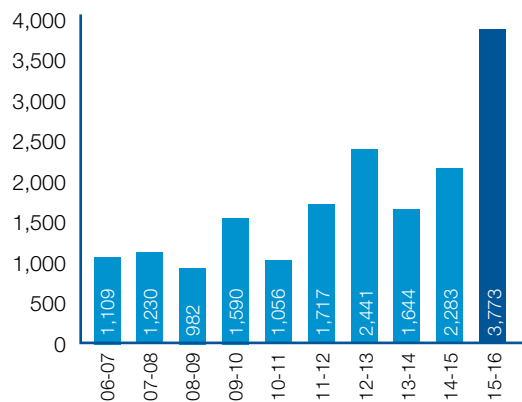
## Sales in ₹ million



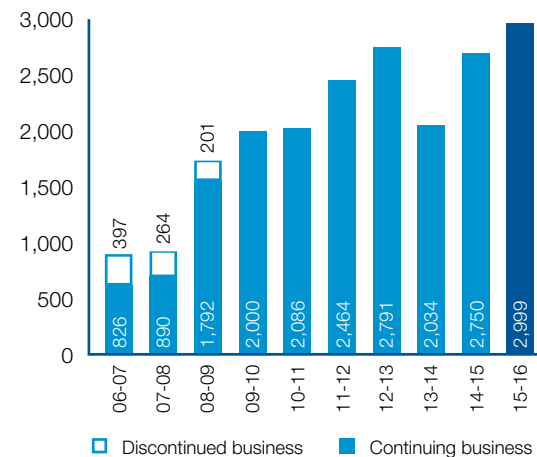
## Revenue & PAT in ₹ million



## Cash flow from operations in ₹ million



## Profit before tax in ₹ million



# Ten Years at a Glance

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	(₹ million)									
<b>ASSETS EMPLOYED</b>										
Gross Fixed Assets	2,857	3,116	3,255	3,495	3,749	6,974	7,310	9,049	9,594	9,973
Accumulated Depreciation	(1,559)	(1,783)	(1,924)	(2,114)	(2,330)	(3,411)	(3,762)	(4,024)	(4,430)	(4,765)
Capital Work in Progress	35	105	16	23	145	148	1,057	306	119	89
<b>Net Fixed Assets</b>	<b>1,333</b>	<b>1,438</b>	<b>1,347</b>	<b>1,404</b>	<b>1,564</b>	<b>3,711</b>	<b>4,605</b>	<b>5,331</b>	<b>5,283</b>	<b>5,297</b>
Trade Investments	97	97	-	-	-	-	-	-	-	-
Non-trade Investments	8,331	7,060	9,579	9,935	10,263	10,774	10,329	6,286	3,944	5,459
Other Current/ Non Current Assets	3,365	2,675	2,109	2,101	3,013	7,012	7,376	8,580	8,572	9,187
Other Current/ Non-current Liabilities	(2,340)	(2,660)	(2,019)	(2,236)	(2,745)	(5,258)	(6,146)	(6,365)	(6,009)	(7,651)
<b>Net Current/Non Current Assets</b>	<b>1,025</b>	<b>15</b>	<b>90</b>	<b>(135)</b>	<b>268</b>	<b>1,754</b>	<b>1,230</b>	<b>2,215</b>	<b>2,563</b>	<b>1,536</b>
Taxation (net)	(65)	(8)	12	59	307	230	197	(271)	(375)	(197)
Provision for VRS liability (net)	(128)	(76)	(39)	(13)	-	-	-	-	-	-
Other Provisions	(605)	(537)	(566)	(643)	(715)	(944)	(941)	(989)	(1,095)	(874)
Provision for Proposed Dividend, dividend tax	(1,291)	(359)	(712)	(686)	(771)	(1,115)	(4,367)	(4,094)	(1,120)	(3,931)
<b>Net Assets Employed</b>	<b>8,697</b>	<b>7,630</b>	<b>9,711</b>	<b>9,921</b>	<b>10,916</b>	<b>14,410</b>	<b>11,053</b>	<b>8,478</b>	<b>9,200</b>	<b>7,290</b>
<b>FINANCED BY</b>										
Share Capital	409	384	381	368	368	479	467	467	467	467
Capital Reserve	266	279	282	294	294	541	554	503	503	503
Other Reserves	8,022	6,967	9,048	9,259	10,254	13,390	10,032	7,508	8,230	6,320
<b>Shareholders Funds</b>	<b>8,697</b>	<b>7,630</b>	<b>9,711</b>	<b>9,921</b>	<b>10,916</b>	<b>14,410</b>	<b>11,053</b>	<b>8,478</b>	<b>9,200</b>	<b>7,290</b>
<b>Total Funds Employed</b>	<b>8,697</b>	<b>7,630</b>	<b>9,711</b>	<b>9,921</b>	<b>10,916</b>	<b>14,410</b>	<b>11,053</b>	<b>8,478</b>	<b>9,200</b>	<b>7,290</b>
<b>SALES AND PROFIT</b>										
<b>Net Sales</b>	<b>8,882</b>	<b>9,301</b>	<b>9,001</b>	<b>9,386</b>	<b>10,876</b>	<b>19,425</b>	<b>21,797</b>	<b>23,717</b>	<b>24,698</b>	<b>26,831</b>
<b>Profit before Depreciation &amp; Interest</b>	<b>1,649</b>	<b>1,346</b>	<b>2,034</b>	<b>2,223</b>	<b>2,318</b>	<b>2,869</b>	<b>3,266</b>	<b>2,486</b>	<b>3,264</b>	<b>3,448</b>
Depreciation	(225)	(225)	(213)	(212)	(217)	(366)	(386)	(437)	(526)	(535)
Interest	(23)	(30)	(29)	(11)	(15)	(39)	(89)	(15)	(15)	(13)
<b>Profit before Exceptional items/Taxation</b>	<b>1,401</b>	<b>1,091</b>	<b>1,792</b>	<b>2,000</b>	<b>2,086</b>	<b>2,464</b>	<b>2,791</b>	<b>2,034</b>	<b>2,723</b>	<b>2,900</b>
Exceptional items	4,461	(187)	1,995	-	113	-	-	-	27	99
Taxation	(1,378)	(302)	(841)	(407)	(433)	(446)	(603)	(532)	(887)	(978)
<b>Profit After Taxation</b>	<b>4,484</b>	<b>602</b>	<b>2,946</b>	<b>1,593</b>	<b>1,766</b>	<b>2,018</b>	<b>2,188</b>	<b>1,502</b>	<b>1,863</b>	<b>2,021</b>
<b>Earnings per share</b>	<b>109.72</b>	<b>15.16</b>	<b>77.02</b>	<b>42.59</b>	<b>47.94</b>	<b>42.08</b>	<b>46.49</b>	<b>32.18</b>	<b>39.93</b>	<b>43.32</b>
<b>Equity Dividend per share</b>	<b>27.00</b>	<b>8.00</b>	<b>16.00</b>	<b>16.00</b>	<b>18.00</b>	<b>20.00</b>	<b>80.00</b>	<b>75.00</b>	<b>20.00</b>	<b>70.00</b>

# Our businesses

At AkzoNobel, we do not just care for life, we also work towards changing lives and improving lifestyles. Consistently ranked as a leader in sustainability, we are dedicated to energising cities and communities and creating everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, AkzoNobel supplies essential ingredients, essential protection and essential colour to industries and consumers worldwide. Headquartered in

Amsterdam, the Netherlands, the company has approximately 45,000 people in around 80 countries. AkzoNobel India is part of the AkzoNobel Group. Our operations are spread throughout the country, with nearly 1,900 employees, four regional offices, six state-of-the-art manufacturing sites and two research centres, plus a network of more than 8,800 dealers and distributors.

## Coatings

### Decorative Paints

AkzoNobel supplies quality products for every situation and surface, including paints, lacquers and varnishes. Our aim is to provide essential colour in people's lives. Ours is one of the top paint brands in India and we are present across various segments of this business. The Dulux Visualizer app, which enables users to see what a room will look like before its walls are painted, is an award-winning technological initiative that highlights our focus on innovation. We also conduct training programmes to improve painting skills available in the country.

### Performance Coatings

Our product range includes high quality products that are used by customers to protect and enhance everything from ships, cars and aircraft to buildings and consumer goods. We offer essential protection that comes in all shapes and sizes, from the colourful coatings on consumer goods to fire protection coatings on a skyscraper. Our technology enables us to create coatings that offer a layer of protection from extreme climates and repetitive use. With an emphasis on caring for life, we also offer sustainable options for coatings for the food packaging industry.

## Specialty Chemicals

### Polymer Chemistry

AkzoNobel is a major producer of specialty chemicals used in diverse industries, ranging from infrastructure to consumer goods. We supply high quality ingredients and process aids for the manufacture of life's essentials.

### Surface Chemistry

Our chemical intermediates, such as salt, chlorine, caustic soda, organic peroxides, metal alkyls and ethylene-based products, are in great demand in the polymer industry. Surfactants and ethylene-derived products cater to the oil and gas, metals and mining and agrochemical industries.

### Our brands include:



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



# Essential ingredients

WE'RE ALL  
AROUND  
YOU AND  
YOU'RE  
PROBABLY  
NOT AWARE  
OF IT

We are the essential ingredient in everything from mobile devices and varnishes to paper and plastics. You'll often find we have a positive impact on various aspects of your daily life.

We're all around you, even when you least expect it. We're in the food you eat, the roads you drive on and your favourite personal care products. Essential ingredients can't always be seen, but ice cream, shampoo, sun lotion and building products would be very different without us.





...on wood furniture

...in paper

...on electronics devices

# Essential protection

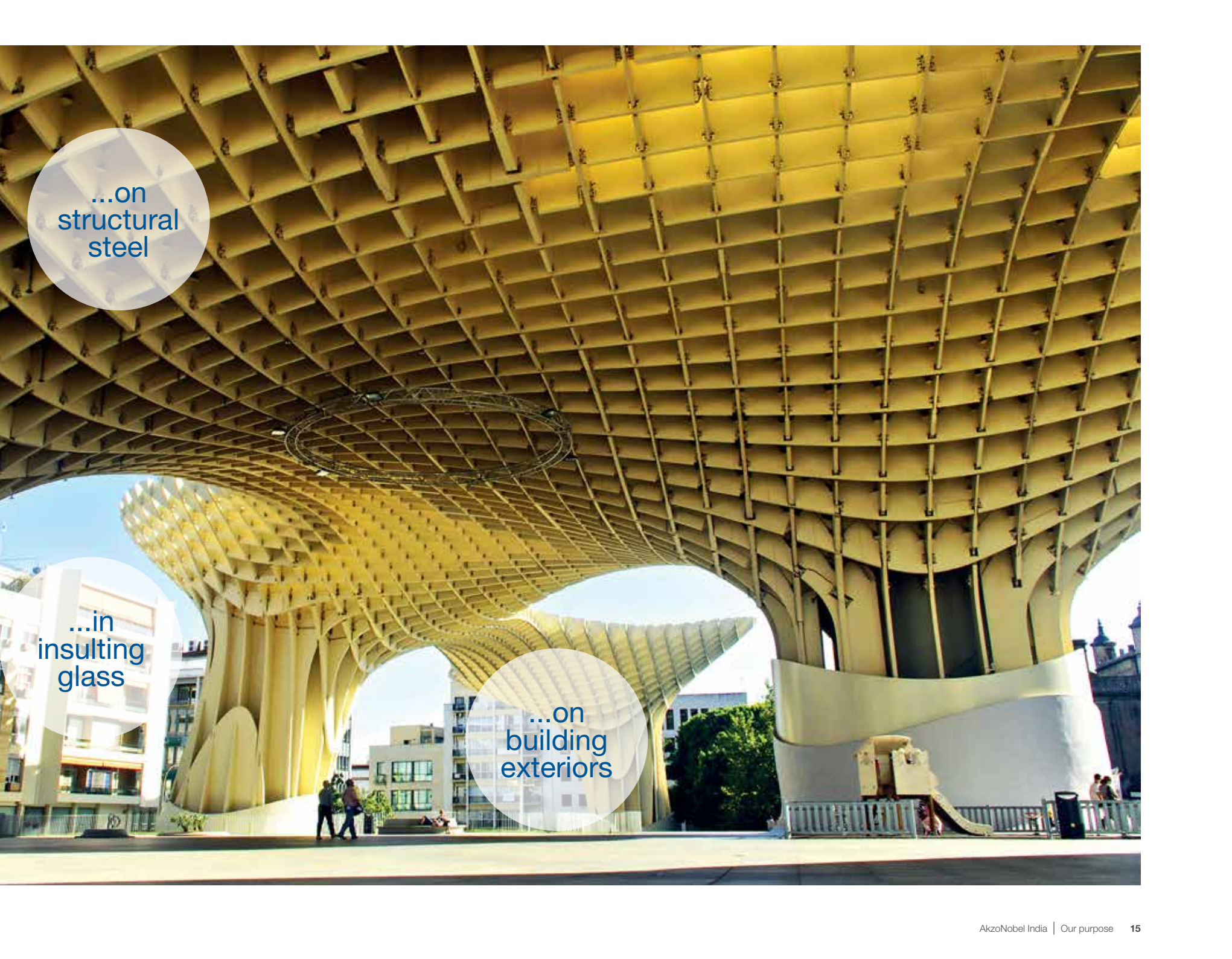
WE PROTECT  
THE THINGS  
YOU SEE,  
TOUCH AND  
RELY ON  
EACH AND  
EVERY DAY

We care about you and what's important to you. Whether you're conserving and treasuring the past or building the world of tomorrow, we're always there to offer safety and protection.

We protect the things you see, touch and rely on each and every day. From buildings to boats, and from fridges to bridges, our products provide strength and durability. Essential protection comes in all shapes and sizes, from the colourful coating on consumer goods to fire protection coatings on a skyscraper.







...on  
structural  
steel

...in  
insulating  
glass

...on  
building  
exteriors

# Essential colour

WE BELIEVE  
IN A MORE  
COLOURFUL  
WORLD  
FULL OF  
ENERGY AND  
INSPIRATION

We believe in a more colourful world full of energy and inspiration. We have centuries of colour expertise. It helps to brighten up homes and communities and stops the world from becoming dull and dreary.

Bringing colour to people's lives also helps to build a stronger sense of community and makes cities more vibrant. Essential colour means we don't have to live in a joyless, black and white world lacking inspiration.





...on wood  
and metal

...in paint

...on  
concrete  
floors

# Caring for life



We are all familiar with the story of a Roman Catholic sister and missionary who decided that a life not lived for others is not a life. Slowly, almost unobtrusively, she embarked on the path of service. Her goals were not large or lofty. She simply stated, 'If you can't feed a hundred people, then feed just one.' She was none other than Mother Teresa, founder of the Missionaries of Charity, who won the 1979 Nobel Peace Prize and is to be canonised later this year.

Let us take inspiration from this life. Her pledge of extending wholehearted service to the poorest of the poor is, in a sense, what AkzoNobel endorses. For us, there is no cause too small, no endeavour too tiny, if it helps even a single person. People, their well-being and safety, are of great importance; in fact, they form a significant part of our growth story. It is keeping this sentiment in mind that we have, over the past six decades, initiated activities related to key issues such as health, education, livelihood and environment. It is part of AkzoNobel's winning strategy to create everyday essentials to make people's lives more liveable and inspiring. We continue working on wider community-centric projects, harnessing our key strengths – essential ingredients, essential protection and essential colours – to ensure the effectiveness of these initiatives.

**For us at AkzoNobel, there is no cause too small, no endeavour too tiny, if it helps even a single person.**

## Right beginnings

India is a fast emerging leader in world economy but, in order to achieve and then sustain that position, change has to be brought about in the lives of the country's large young population. Healthcare and education for children and skill-building programmes for the youth have been our focus areas in recent times. We believe that universal access to quality education is the first requirement of an advancing nation. Addressing the gaps in this area, we initiated the aptly-named **Parivartan** project in Badshahpur village of Gurgaon, Haryana. Currently in its first phase, it is designed to benefit 600 underprivileged children from the age of two to 12 years. Parivartan is also active in Gwalior, Madhya Pradesh and Mahad, Maharashtra.

The participants in the programme are given early childhood, remedial and non-formal education. The remedial lessons are especially helpful for students who often fall behind the rest of the class owing to various reasons. Non-formal education plays a key role in bringing out-of-school children or school dropouts back to the education system. Parivartan also creates awareness among parents about the importance of education, health and hygiene for the all-round development of children. The results are encouraging – we have helped 100 children re-enter school this year.

It is part of AkzoNobel's winning strategy to **create everyday essentials to make people's lives more liveable and inspiring.**

**Early childhood education** was the focus of our initiatives in Hyderabad and Bengaluru. We drew upon our expertise and experience to make government-run pre-schools, known as *anganwadis*, more child-friendly. The physical transformation (be it the provision of new toilets or a fresh coat of paint) was complemented by our investment in improving the skills of the teachers who were trained by our partners – NGOs who specialise in this field.



Facilitating girls' education and well-being is another priority area for us. With this in mind, we launched **Disha Pari Udaan** (girl's flight to empowerment) in 12 government schools in Bengaluru. Introduced on 24 January, National Girl Child Day, this project is being executed in association with Plan India, one of the pioneering NGOs in this field. The prime objectives of this programme include ensuring that adolescent girls complete 10 years of schooling and that urban slum communities realise the importance of girls' education.

Sessions on life skills and reproductive health education were held in government schools during the first phase of Disha Pari Udaan, reaching out to over 520 students. Children's Rights Club (CRC) meetings were organised to help the girls understand their rights better and gain confidence. As part of the project, sanitation and



educational facilities, such as separate girls' toilets, a science laboratory and a library, would be provided in these schools. Sports and other co-curricular activities will give the girls a greater sense of empowerment.

Children from underprivileged background need help to simply remain in school. Our **child development programme**, in partnership with Child Rights and You (CRY), supported approximately 5,000 children in Delhi and Mumbai by ensuring that *anganwadis* are monitored, school enrolments ensured, dropouts are brought back to school, and non-formal education centres are run in the project area. Families are made aware of the need for physical protection when both the parents are at work. Important issues such as nutrition and vaccination are also discussed. The programme engages children in innovative ways, such as using theatre to speak to them on road safety. 'Theatre in Education' workshops were organised in eight states across India, where community facilitators from different NGO partners learned about safe spaces and road safety rules. The community workers, in turn, imparted that knowledge to the children through the medium of theatre.

## Towards a safe and healthy tomorrow

AkzoNobel strongly believes in maintaining a culture of safety and for us there really is no shortcut as far as safety is concerned. Highlighting this commitment to safety, we launched **Mission Salamati: Jeevan Raksha Abhiyan** in Mohali to raise road safety awareness among children. The project reached out to 1,000 students from six senior secondary government schools. In phase one, the focus



was on interaction and capacity building of students through presentations and discussions. Group activities such as extempore speeches, poster-making competitions and skits were organised during the second phase. The Mohali project was appreciated by the children as well as the traffic authorities.

Our long-standing relationship with **St Jude's**, an NGO in Mumbai, resulted in the establishment of a new child care

centre in the city. St Jude's and its partner, Tata Memorial Hospital, provide hygienic accommodation and treatment to children suffering from cancer. The new facility in Sewri, Mumbai, has 14 centres to accommodate 165 families. In order to ensure round-the-clock access to quality medical care, the centre houses 10 doctors. AkzoNobel India is happy to help in building one of these centres.



AkzoNobel believes in maintaining a culture of safety and for us **there is no shortcut as far as safety is concerned.**





Changing lives

**This year saw the launch of our flagship CSR project, AkzoNobel Paint Academy.**

This takes our skill-building initiative to the next level, in synergy with the Government of India's 'Skill India' programme.

The academy adds colour to the lives of people in every sense. At four state-of-the-art training centres in Delhi, Kolkata, Bengaluru and Mohali, young participants and professional painters are taught modern methods of applying decorative and vehicle refinish (VR) paints, both skills that are highly in demand in India.

With this academy, AkzoNobel has begun a short-term vehicle refinish training programme for youth with no experience and from an underprivileged background. The painting curriculum includes modules focussing on modern painting techniques, knowledge of paint surfaces and use of safety tools and PPE (personal protective equipment). The academy also helps develop the soft skills of the painters to ensure better customer satisfaction. Eighty painters have been provided skill training in decorative paints this year. The participants who undergo the vocational course not only acquire a marketable skill, they also get a sense of pride, which propels them towards higher aims and bigger dreams. And, as they take confident strides to the future, we at AkzoNobel feel equally rewarded.

A life enhanced; one saved; another inspired... it is these small but significant milestones that reflect the success of a company with a conscience. It is what adds value to our work.

## First steps

Twelve-year-old Maya had a dream: She wanted to go to school and become self-reliant. The family lived in the Shahbad Dairy district in the National Capital Region. Our NGO partner, Child Rights and You (CRY), noticed Maya's keen interest in schooling and spent a month persuading her father. Once he agreed, she received preparatory lessons at a local activity centre, run by CRY along with its NGO partner, Sakshi.

Her problems, however, were not yet over. The principal of the school where Maya was taken for admission turned her away, citing lack of formal education. But the child was a fighter. She and the project staff met a senior education officer in the Delhi government to appeal for help. He was impressed enough by Maya to personally intervene and she was finally admitted to this school. Maya is now living her dream and we at AkzoNobel India feel happy to be a part of her story of change.







# Company information

## Board of Directors

### Chairman

Mr N Kaviratne CBE

### Managing Director

Mr K Jayakumar

### Directors

Mr P Menon —Wholetime Director (w.e.f. 1 Feb 2016)

Mr A Ghosh

Mr R Gopalakrishnan

Mr A Jain

Mr R S Kapur

Dr S Misra

Ms K Narsimhan

Mr A Uppal

## Key Managerial Personnel

Mr K Jayakumar, Managing Director

Mr P Menon, Wholetime Director and Chief Financial Officer

Mr R Guha, Company Secretary / Chief Internal Auditor

## Registered Office

Geetanjali Apartment, 1st Floor,

8-B, Middleton Street,

Kolkata 700 071, India

Tel: 033-22267462 Fax: 033-22277925

## Corporate Office

DLF Epitome, Building No 5, Tower A,

20<sup>th</sup> Floor Cyber City, DLF Phase III,

Gurugram (Gurgaon) 122 002, India

Tel: 0124-2540400 Fax: 0124-2540849

## Website

[www.akzonobel.co.in](http://www.akzonobel.co.in)

## Email

[investor.india@akzonobel.com](mailto:investor.india@akzonobel.com)

## Corporate Identity Number (CIN)

L24292WB1954PLC021516

## Registrar and Share Transfer Agent

C B Management Services (P) Ltd

P-22, Bondel Road,

Kolkata 700 019, India

Tel: 033-40116700

Fax: 033-22870263

Email: [rta@cbmsl.com](mailto:rta@cbmsl.com)

## Key Committees of the Board

### Audit Committee

Dr S Misra (Chairman)

Mr A Ghosh

Mr R Gopalakrishnan

Mr A Jain

Mr R S Kapur

Ms K Narsimhan

Mr A Uppal

### Nomination and Remuneration Committee

Mr R Gopalakrishnan (Chairman)

Mr A Ghosh

Mr A Jain

Mr R S Kapur

Mr N Kaviratne CBE

Dr S Misra

Mr A Uppal

### Stakeholders Relationship Committee

Mr A Uppal (Chairman)

Mr K Jayakumar

Mr P Menon

### CSR Committee

Mr R S Kapur (Chairman)

Mr K Jayakumar

Mr P Menon

## Statutory Auditors

B S R & Associates LLP

## Bankers

Citibank

Deutsche Bank

HDFC Bank

Hongkong & Shanghai Banking Corporation

ICICI Bank

Royal Bank of Scotland

Standard Chartered Bank

State Bank of India

# Directors' report

## Dear Members,

The Board of Directors are pleased to present their report of the business and operations of your Company along with the audited financial statements for the year ended 31 March 2016.

## Business Environment

Growth in GDP for FY 2015-16, as per advance estimates, is expected at 7.6% compared to the previous year's 7.2%. Headline inflation based on Consumer Price Index was 4.8% in March 2016, vs previous year's 6.3%. Taking cognisance of these developments, the Reserve Bank of India has been dropping interest rates in a gradual manner, while taking measures to enhance liquidity in the economy. The Forex reserves have shown growth during the year, an indicator of the confidence of international investors in India. The estimate of fiscal deficit and revenue deficit for 2015-16 at 3.9% and 2.5% respectively also showed an improving trend.

The year saw declining prices of crude oil and its derivatives for the most part. The benefits from such a decline was seen in the cost structure of the Company, though a significant part has been setoff by the adverse movement in exchange rates, which depreciated 6% during the year and price reductions in response to market developments.

All the above factors taken together, point to a favourable business environment for your Company to progress with its growth plans with optimism.

## Finance and Accounts

Revenue for the year at ₹ 27,401 million is 8% ahead of previous year, with contribution from all segments. EBITDA from business operations at 3,049 million grew 17% over the previous year. After considering exceptional income and tax, the profit after tax for the year at ₹ 2,021 million showed a growth of 8%, over previous year's ₹ 1,863 million, mainly on account of improved business performance.

The highlights of the performance during the year are:

	(₹ million)	
	2015-16	2014-15
<b>Revenue from operations</b>	<b>27,401</b>	<b>25,270</b>
<b>Operating profit</b>	<b>3,049</b>	<b>2,613</b>
Depreciation	(535)	(526)
Other Income net of Finance costs	386	635
Exceptional item – income	99	27
<b>Profit before tax</b>	<b>2,999</b>	<b>2,749</b>
Tax	(978)	(886)
<b>Profit after tax</b>	<b>2,021</b>	<b>1,863</b>
Surplus brought forward from previous year	2,316	1,763
<b>Total available for appropriation</b>	<b>4,337</b>	<b>3,626</b>
<b>Appropriations</b>		
Transfer to general reserve	(210)	(190)
Proposed dividend	(933)	(933)
Proposed special dividend	(2,333)	-
Tax on proposed dividend	(665)	(187)
<b>Balance carried to Balance Sheet</b>	<b>196</b>	<b>2,316</b>

## Dividend

Keeping in view the current year's performance and other relevant considerations, the Board is pleased to recommend a dividend of ₹ 20 per share for the financial year 2015-16, plus a Special Dividend of ₹ 50 per share, compared with the dividend of ₹ 20 per share in the previous year.

## Public Deposits

Your 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.

## Management Discussion and Analysis Industry structure

The Company is present in Coatings and Specialty Chemicals segments.

The Coatings industry has two main components: Decorative Paints and Performance Coatings and is served by both organised and unorganised sectors.

Decorative Paints account for a major part of the industry. The main drivers for the growth of this sector have been shortening of the repainting cycle and increased demand from smaller towns. Another important driver for demand of Decorative paints is the new homes backed by easy availability of finance.

Performance Coatings is essentially a B2B business and 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.

In Specialty Chemicals segment, the Company operates in Polymer Chemistry and Surface Chemistry businesses,

which cater to oil & gas, personal care and agrochemical industries.

## Business Performance

### Coatings

Overall market for Coatings faced several challenges from delays in project completion and liquidity issues, with low crude oil prices acting as a cushion. Notwithstanding the difficult market conditions your Company was able to grow its revenue and profit.

Coatings business recorded revenue of ₹ 25,554 million during the year 2015-16, compared to the previous year's ₹ 24,153 million, a growth of 6%. Profit, however, improved by 18% to ₹ 2,499 million, reflecting impact of cost control and soft input prices partially set off by currency depreciation.

Intensity of competition is being addressed by tightening the cost structure and differentiating the Company's products and services through product innovations and sustainable solutions to customer needs.

Supply security is ensured through a judicious mix of global and local contracts. Global contracts with key suppliers ensure availability as well as competitive pricing for inputs. Supplier partnership approach with key local vendors ensures business continuity against supply risks and leveraging supplier inputs for innovation pipeline.

Key focus area for the sourcing and technical functions has been localization of raw materials which will provide further impetus to supply security and sustainability. This will also enable structural cost competitiveness and insulation from exchange risks in the long run.

Your 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 continued to pursue its long-term objectives through investment in strengthening the brands, R&D, distribution expansion and capability building. Cost reduction and value creation initiatives have been institutionalised in the business processes.

Your Company has acquired a land parcel in Mysuru, Karnataka state, to cater to future expansion requirements.

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

Highlights of different businesses within Coatings segment are given below:

**Decorative Paints** business continued to focus on building a lean cost structure across functions and capitalize on cost saving opportunities.

Projects business witnessed slow-down in New Build segment, though growth in other areas was encouraging. During the year your Company has started export of some of its products to countries in South East Asia and South Asia. Your Company is actively pursuing growth opportunities in the mid-tier segment, leveraging its strength in the premium segment.

In pursuance of its core principle on sustainability, doing more with less, the business continued its focus on driving operational eco-efficiency in all manufacturing sites with y-o-y reduction in energy & water consumption and waste generation. Your Company reaffirmed its consumer centric innovation in the super premium category with the launch of Dulux Velvet Touch Diamond Glo & Dulux Weathershield Powerflexx.

Your Company's flagship brand Dulux retained its status as a SuperBrand, while Dulux SuperCover - Colours of the

World, won the product of the year award in the Paints category.

**Protective Coatings** business provides coating solutions to sectors like oil and gas, infrastructure (such as airports and stadia), power, mining and minerals, among others. Several new products were introduced during the year to cater specialized applications with significant sustainability features, viz., Interzone 1020 (for use by Coastal Industrial assets using sea water), Resicoat (which can cope with extreme weather conditions and completely solvent-free) and Interchar 1120 (chlorine-free).

**Marine Coatings** business provides coating solutions for ships, trawlers, supply vessels and coastal fishing boats. The business continued its focus on comprehensive coating solutions to new ship construction, as well as maintenance and repair. Difficult market conditions persisted throughout the year, putting pressure on both volumes and margins. Initiatives to expand into new avenues to propel growth, as well as de-risking were continued.

**Powder Coatings** business catering mainly to architecture, white goods, automotive and general industry, registered a healthy growth.

**Metal Coatings** business saw low growth during the early part of the year as domestic steel production was impacted adversely by low cost imports of coated steel. Government initiated measures to curb these low cost imports have partially mitigated the impact.

**Vehicle Refinishes** business showed positive growth as compared to the previous year, with major contribution from commercial vehicles.

### Specialty Chemicals

This segment, consisting of Polymer Chemistry and Surface Chemistry businesses, recorded a turnover of

₹ 1,847 million, compared to previous year's ₹ 1,117 million, a growth of 65%. The growth is attributable mainly to a change in business model where the Company has taken up the distribution of products sourced from other AkzoNobel units to benefit the Indian customers. Profit from the segment improved by 17% to ₹ 152 million over previous year.

## Corporate Governance

A report on Corporate Governance, along with a certificate from a practicing Company Secretary confirming compliance with the conditions of corporate governance, is attached as Annexure I to this report.

## Responsible Care / Corporate Social Responsibility

Your Company is committed to conduct its business in a socially and environmentally responsible way for the benefit of all its stake-holders. Planet Possible is your Company's approach to sustainability, which focuses on creating more value from fewer resources across the whole value chain. It is also about increasing our resource efficiency and working together with both customers and suppliers to develop sustainable solutions for the challenges people face every day.

A Business Responsibility Report in line with the National Voluntary Guidelines on social, environmental and economic responsibilities of business, as notified by the Ministry of Corporate Affairs, Government of India is attached as Annexure II A.

During the year, your Company implemented several CSR initiatives on its own with employee volunteers, as well as in partnership with implementing agencies. Such activities were mainly executed in the areas of health, education, skill development and environment protection. A report on the CSR activities and initiatives undertaken by your Company is attached as Annexure II B.

## Conservation of Energy, Technology Absorption and Forex Earnings and Outgo

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 134 of the Companies Act, 2013, are given in Annexure III to this report.

## Information Technology

Your Company continues to leverage IT for efficient management of its business operations and enhancing customer experience.

During the year your Company's sales force has been integrated with a Customer Relationship Management (CRM) application through mobile devices. This has helped the sales team to work more closely with the customers and deliver customized solutions in a timely manner. It has also provided the management with real time information on the progress in the field.

Towards the end of 2015, your Company launched version 2.0 of the award-winning Visualizer app, which includes additional features such as the ability to use the Visualizer on exterior walls. It also has enhanced photo functionality (allowing users to share ideas on social media), scrapbook registration and improved color visualization.

Your Company continued to leverage its access to global ERP solutions to have synergy and cost benefits on the assets and resources, shared across locations and businesses.

## 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 the following key areas:

- harmonisation of employee remuneration system and benefits across businesses,
- building a robust and diverse talent pipeline; and,
- driving greater employee engagement.

The total number of employees on the rolls of the Company as at 31 March 2016 was 1830 (previous year 1792).

Information as per Section 197 of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report. However, as permitted under the provisions of Section 137 of the Act, the Report and Accounts are being sent to the members excluding the statement containing the said information.

Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

The following disclosures are made in terms of Rule 5 of the 'Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Name	Status	(i)	(ii)
		Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2015-16	Percentage increase in remuneration during 2015-16
Mr Nihal Kaviratne CBE	Non Executive	1.2	Nil
Mr Jayakumar Krishnaswamy	Managing Director	27.5	A one time payment equivalent to 5% of Base salary in lieu of salary increase
Mr Himanshu Agarwal (resigned from the Board with effect from 19 August 2015)	Wholtime Director	14.5 (on annualised basis)	A one time payment equivalent to 2.5% of Base salary in lieu of salary increase
Mr Pradip Menon	Wholtime Director	16.1 (on annualised basis)	NA - joined the Board with effect from 1 Feb 2016
Mr R Gopalakrishnan	Non Executive	1.3	Nil
Mr Amit Jain	Non Executive	-	Nil
Mr Arabinda Ghosh	Non Executive	-	Nil
Mr Raj S Kapur	Non Executive	1.4	Nil
Dr Sanjiv Misra	Non Executive	1.3	Nil
Ms Kimsuka Narsimhan	Non Executive	1.3	Nil
Mr Arvind Uppal	Non Executive	1.3	Nil
Mr R Guha	Company Secretary	NA	A one time payment equivalent to 2% of Base salary in lieu of salary increase

Description	Remarks
(iii) Percentage increase in the median remuneration of employees in the financial year	9.0%
(iv) Number of permanent employees on the rolls of the Company	1830 as on 31 March 2016
(v) Explanation on the relationship between average increase in remuneration and the Company performance	Company PAT, improved by 8% in 2015-16, compared to previous year. Increase in remuneration levels is in line with the improvement in PAT and takes into account relevant market factors while determining remuneration levels.
(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company	Company PAT, improved by 8% in 2015-16, compared to previous year. Increase in remuneration levels of KMPs is far less than improvement in PAT, as well as the percentage increase at the median remuneration of the employees.
(vii) Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year	As on 31 March 2016, the market capitalization of the Company's was ₹ 64 billion compared to ₹ 66 billion on 31 March 2015. PE ratio was 32 times as on 31 March 2016 compared to 31 March 2015 (35 times)
Increase or Decrease in the market quotations of the shares of the Company in comparison with the last public offer	The market quote (on NSE) of the Company's share was ₹ 1364 as on 31 March 2016 and the last public offer was made at a price of ₹ 10 in 1967. An amount of ₹ 1,000 invested in the said public offer would be worth ₹ 1.8 lakh as on March 31, 2016 which translates into a Compounded Annual Growth Rate of 11%, taking into account the bonus shares issued and dividends paid during the period.

Description	Remarks
(viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentage increase in base salary of non-managerial personnel is 9%, which is higher than the increase in the managerial remuneration
(ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	Company PAT improved by 8% in 2015-16, compared to the previous year. Remuneration changes for each KMP are explained above
(x) Key parameters for any variable component of remuneration availed by the Directors	<ul style="list-style-type: none"> <li>• Business profitability</li> <li>• Business cash generation</li> <li>• Sustainability parameters</li> <li>• Specific personal goals</li> </ul>
(xi) Ratio of the remuneration of the highest paid Director to that of the employees who are not Directors, but receive remuneration in excess of the highest paid Director during the year	There is no employee drawing a base remuneration higher than a Director.

It is hereby affirmed that the remuneration to managerial personnel referred to above is as per the remuneration policy of the Company.

**Notes:**

1. The aforesaid details are calculated on the basis of remuneration for the financial year 2015-16.
2. Remuneration to Directors includes sitting fees paid to them for the financial year 2015-16.
3. Median remuneration in the Company (on cost to company basis) for all its employees was ₹ 781,133 for the financial year 2015-16.
4. Remuneration to Directors is within the overall limits approved by the shareholders.

## 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.

## Policy Against Sexual Harassment

Your Company has formulated a policy for the prevention of sexual harassment within the Company. It ensures prevention and deterrence of acts of sexual harassment and communicates procedures for their resolution and settlement. Internal Complaints Committees have been constituted in accordance with the requirements under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, which ensures implementation and compliance with the law. There were no cases/ complaints reported in this regard during 2015-16. A copy of the Policy against sexual harassment is posted on the Company website and available at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).

## Related Party Transactions (RPTs)

Your Company enters into various transactions with related parties as defined under Section 2(76) of the Companies Act, 2013 in the ordinary course of business. All the RPTs are undertaken in compliance with the provisions set out

in Companies Act, 2013 and the Listing Regulations. Your Company has a robust process for RPTs and the transactions with Related Parties are referred to the Audit Committee for its approval at the scheduled quarterly meetings or as may be called upon from time to time along with all relevant and stipulated information of such transaction(s).

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract / arrangement / transaction with related parties, which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

Your Directors draw attention of the members to Note 5.15 to the financial statement which sets out related party disclosures.

## Loans, Guarantees & Investments

There are no loans given or guarantees issued that are covered under Section 186 of the Act read with the Rules made thereunder. Details of investments made under the said section are covered in Notes 3.9 and 3.12 of the financial statements.

## Extracts of the Annual Return

As required under section 134(3)(a) of the Act, read with the Companies (Management and Administration) Rules, 2014, an extract of the Annual return in the prescribed form is attached as Annexure IV.

## Directors & Key Management Personnel

Mr Himanshu Agarwal, Wholetime Director, resigned from the Board with effect from 19 August 2015.

Mr Pradip Menon was appointed as a Wholetime Director with effect from 1 February 2016. His appointment and remuneration are subject to approval by the shareholders at the forthcoming Annual General Meeting.

Mr Arabinda Ghosh will be retiring by rotation at the forthcoming Annual General Meeting, and is eligible for re-appointment.

A brief resume of Mr P Menon and Mr A Ghosh, as required under Regulation 36 of the Listing Regulations, is given in the notice convening the Annual General Meeting.

The Board wishes to place on record its deep appreciation of the contribution of Mr Himanshu Agarwal during his tenure with the Company.

## Declaration by Independent Directors

The Company has received necessary declarations from each Independent Director that he/ she meets the criteria of independence, laid down in section 149(6) of the Act and the Listing Regulations.

## Auditors

### Statutory Auditors

M/s B S R & Associates LLP will retire as the Auditors of the Company at the conclusion of the forthcoming Annual General Meeting ('AGM') and have conveyed that they do not wish to be considered for re-appointment. The Auditors' Report for the financial year 2015-16, does not contain any qualification, reservation or adverse remark.

The Company had approached M/s Price Waterhouse Chartered Accountants LLP who have conveyed their eligibility and willingness to function as the Company's Auditors, if appointed. Accordingly, necessary resolution is being placed at the AGM for shareholder approval.

### Cost Auditors

In terms of section 148 of the Companies Act 2013, Cost Audit was conducted for the year 2015-16 by M/s. Chandra Wadhwa & Associates, New Delhi. Their report has been filed with MCA within the stipulated time.

The Board has re-appointed M/s Chandra Wadhwa & Associates as the Cost Auditors for conducting Cost Audit for the financial year 2016-17, whose remuneration is subject to the approval of the shareholders at the AGM.

### Secretarial Auditors

In terms of section 204 of the Companies Act 2013, a Secretarial Audit was conducted for the year 2015-16 by M/s A K Labh & Co, Kolkata. Their report is appended.

The Board has re-appointed M/s A K Labh & Co, Kolkata to conduct a Secretarial Audit for the financial year 2016-17.

## Directors' Responsibility Statement

As required under section 134 (5) of the Companies Act 2013, the Board states that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had 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 at the end of the financial year and of the profit and loss of the Company for that period;

- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## General

Your Directors state that no disclosure or reporting is required in respect of the following items, as there were no transactions on these items during the year under review:

1. The Company has issued only one class of equity shares with equal rights.
2. The Company has not issued any shares during the year, under ESOPs or Sweat Equity or otherwise.
3. The Company does not have any subsidiary; hence, the question of the Managing Director or Wholetime Directors of the Company receiving any remuneration or commission from any of its subsidiaries does not arise.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals, which could impact the going concern status and the Company's operations in future.



## 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.

13 May 2016

On behalf of the Board

**N Kaviratne CBE**

*Chairman*

# Annexure I

## Report on Corporate Governance

### 1. Company's philosophy on Corporate Governance

Your Company aspires to achieve the highest standards of corporate governance and seeks to consistently enhance and improve its performance, emphasizing transparency in accordance with applicable laws, regulations and codes.

The Company takes utmost care to safeguard the interests of all its stakeholders. The Board represents the shareholders' interest in terms of optimizing long-term financial returns and is committed to its responsibilities for all the stakeholders viz. customers, employees, suppliers, regulatory bodies and the public in general. All significant issues requiring strategic direction are decided after due examination by the Board with the full participation of non-executive directors, who impart the benefit of their vast experience and skills to bring qualitative improvement to the decision-making process.

In order to make informed decisions, the Board has constituted Committees viz Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and CSR Committee that oversee specific areas and monitor activities within their purview.

The Company ensures that all its actions are guided by ethical principles and values, which not only comply with the applicable legislations but also maintain highest standards of performance and behaviour in everything it does. The principles and policies that guide the company in achieving its corporate governance goals are listed on company's website and available at [www.akzonobel.com/in/corporate\\_governance](http://www.akzonobel.com/in/corporate_governance)

The Company is in compliance with the requirements on corporate governance stipulated under the Listing Regulations.

### 2. Board of Directors

#### Composition

The Board composition is in conformity with the applicable provisions of the Companies Act and the Listing Regulations. The names and categories of the Directors on the Board and the number of Directorships and Committee Memberships held by them as on the date of this report are as follows:

Name of the Director	Category of Directorship in Akzo Nobel India Limited	Directorship in Other Companies (Chairmanship)	Membership in specified committees (Chairmanship) [Audit & SRC]
Mr N Kaviratne CBE	Non Executive Chairman	8(1)	1
Mr K Jayakumar	Managing Director	2	1
Mr H Agarwal <sup>1</sup>	Wholetime Director	-	1
Mr P Menon <sup>2</sup>	Wholetime Director	1	1
Mr A Ghosh <sup>3</sup>	Non Executive Director	-	1
Mr R Gopalakrishnan	Independent Director	4(1)	2
Mr A Jain	Non Executive Director	2	1
Mr R S Kapur	Independent Director	-	1
Dr S Misra	Independent Director	2	2 (1)
Ms K Narsimhan	Independent Director	-	1
Mr A Uppal	Independent Director	3	3 (1)

<sup>1</sup> Resigned w.e.f. 19 August 2015

<sup>2</sup> Appointed w.e.f. 01 February 2016

<sup>3</sup> Appointed w.e.f. 28 May 2015

#### Board Procedures

The Board meets at least once in a quarter to review financial results and operations of the Company. In addition to the above, the Board also meets as and when necessary to deal with specific matters concerning your Company.

The Board Meetings are governed by a structured Agenda. The Agenda along with supporting material are circulated in advance before each meeting to all the Directors. At each meeting, presentations are made by the Management Team on the Company's performance, operations and any other matters asked by the Chairman/members.

The Board, inter alia, reviews annual operating and capital expenditure plans and budgets, financial statements of business segments, compliance report(s) of laws applicable to the Company, major legal and tax issues, appointment and remuneration to Directors and all relevant information in terms of Listing Regulations concerning your Company.

All Board members have access to accurate, relevant and timely information to fulfil their responsibilities. The Company has arranged for sharing information electronically in a secure manner with its board members. Board meeting agendas, presentations, minutes and other important

documents and messages are shared through this platform making the board communication seamless and paperless.

All the Board members are provided with necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's procedures. Presentations are made on the businesses at the Board and Board Committee Meetings, on business and performance of the Company, business environment, strategy and risk management. Quarterly updates on relevant statutory changes and judicial pronouncements encompassing important laws and their impact on the Company's operations, quarterly financial results, press releases and annual report are circulated to all the Directors.

Details of familiarization programmes imparted to Independent Directors is uploaded on the website of the Company and available at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).

## Meetings and attendance

Given below is the consolidated list of meetings of the shareholders, Board and specified committees held during April 2015 to March 2016 and attendance details of Directors:

Name of the meeting	Meeting date
Annual General Meeting (AGM)	14 August 2015
Board	28 May 2015, 14 August 2015, 21 October 2015 and 29 January 2016
Audit Committee	28 May 2015, 14 August 2015, 21 October 2015 and 29 January 2016
Stakeholders Relationship Committee (SRC)	24 February 2016
Nomination and Remuneration Committee (NRC)	28 May 2015 and 28 January 2016
CSR Committee	16 April 2015, 13 August 2015, 4 November 2015 and 24 February 2016
Independent Directors Meeting	28 January 2016

## Attendance details

	AGM	Board	Audit	SRC	NRC	CSR
<b>No. of Meetings held</b>	1	4	4	1	2	4
<b>Directors</b>						
Mr N Kaviratne CBE	1	4	NA	NA	2	NA
Mr K Jayakumar	1	4	NA	1	NA	4
Mr H Agarwal	1	2	NA	1	NA	2
Mr P Menon	NA	NA	NA	1	NA	1
Mr A Jain	1	3	3	NA	2	NA
Mr A Ghosh	1	3	3	NA	2	NA
Mr R Gopalakrishnan	1	4	4	NA	2	NA
Mr R S Kapur	1	4	4	NA	2	4
Dr S Misra	1	4	4	NA	2	NA
Ms K Narsimhan	1	4	4	NA	NA	NA
Mr A Uppal	-	3	3	1	2	NA

'NA' signifies not a member of the relevant committee or meetings held when the Director was not a member of the Board/Committee

## 3. Audit Committee

Composition	
Dr S Misra (Chairman)	Independent Director
Mr A Ghosh	Non Executive Director
Mr R Gopalakrishnan	Independent Director
Mr A Jain	Non Executive Director
Mr R S Kapur	Independent Director
Ms K Narsimhan	Independent Director
Mr A Uppal	Independent Director

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 attend the meetings of the Committee. Minutes of the Audit Committee meetings are circulated to all the Board members.

The terms of reference of the Committee are in alignment with the norms specified in the Listing Regulations and relevant provisions of the Companies Act, 2013.

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

## 4. Nomination and Remuneration Committee

Composition	
Mr R Gopalakrishnan (Chairman)	Independent Director
Mr A Jain	Non Executive Director
Mr A Ghosh	Non Executive Director
Mr R S Kapur	Independent Director
Mr N Kaviratne CBE	Non Executive Director
Dr S Misra	Independent Director
Mr A Uppal	Independent Director

The purpose of this Committee is to identify persons who are qualified to become directors and recommend to the Board such candidates for appointment as Executive/ Non-Executive Directors and also for senior management positions. It will also advise the Board on the policies and framework for the remuneration and other terms and conditions of employment including commissions, perquisites and allowances for all Executive Directors of the Company.

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

The Company Secretary functions as the Secretary to this Committee.

### Performance Evaluation of Board members

The Company has a mechanism to evaluate the performance of all Board members. The Board works with the Nomination and Remuneration Committee to lay down

the evaluation criteria for the performance of all its directors. For the year 2015-16, the evaluation was done through a peer-evaluation survey. The findings from the survey were shared with the Chairman; in turn, the Chairman held discussions with individual Board members. Individual evaluation were in line with the full board evaluation, with no Board Member receiving negative feedback on any aspect.

## 5. Remuneration of Directors

While remuneration of Wholetime Directors is recommended by the NR Committee, the remuneration of NEDs is recommended by the Board. The NEDs, other than Mr A Jain and Mr A Ghosh, were 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/payable to the Directors for the year 2015-16 are given below:

	(₹ million)		
	Fixed component <b>a</b> Salary and allowances	Performance linked bonus <b>b</b> Performance Pay	Total remuneration <b>c</b> (c = a+b)
<b>Managing/Wholetime Directors</b>			
Mr K Jayakumar	17.21	4.31	21.52
Mr H Agarwal	4.19	-	4.19
Mr P Menon	6.09	-	6.09*
<b>Total</b>	<b>27.49</b>	<b>4.31</b>	<b>31.80</b>
<b>Non-Executive Directors</b>	<b>Sitting fees</b>	<b>Commission</b>	
Mr N Kaviratne CBE	0.12	0.80	0.92
Mr R Gopalakrishnan	0.20	0.80	1.00
Mr R S Kapur	0.28	0.80	1.08
Dr S Misra	0.20	0.80	1.00
Ms K Narsimhan	0.16	0.80	0.96
Mr A Uppal	0.18	0.80	0.98
<b>Total</b>	<b>1.14</b>	<b>4.80</b>	<b>5.94</b>

\*Subject to shareholder approval.

### Notes:

- Service contracts with the Managing Director and Wholetime Director are terminable by notice of three months.
- No severance fee was paid to any Director during the year.
- Performance linked bonus are made to the Managing Director and Wholetime Director(s) based on pre-agreed parameters and taking into account the recommendations of the NR Committee.
- Currently, the Company does not have any stock option scheme.

## 6. Stakeholders Relationship Committee

### Composition

Mr A Uppal (Chairman)	Independent Director
Mr K Jayakumar	Managing Director
Mr P Menon	Wholetime Director

The Company Secretary functions as the Secretary to this Committee and has been nominated as the Compliance Officer of the Company.

The Company received 15 complaints from its investors during 2015-16, all of which have been resolved and no complaint was pending as on 31 March 2016. 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.

## 7. General Body Meetings

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

Date of AGM	Time	Venue
14 August 2015	2.30 pm	Taj Bengal, 34-B, Belvedere Road, Kolkata 700 027
11 August 2014	2.30 pm	Kala Mandir, 48, Shakespeare Sarani, Kolkata 700 017
8 August 2013	2.30 pm	Kala Kurj, 48 Shakespeare Sarani, Kolkata 700 017

- No Extraordinary General Meeting of the Members was held during the year 2015-16.
- There was one special resolution for payment of remuneration to Non-executive Directors taken up in the 2014 AGM which was approved with requisite majority.

- (iv) No Postal Ballot was conducted during the year 2015-16, nor is there any proposal pending as on date for approval as a special resolution through postal ballot.

## 8. Means of Communication

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 (Bangali)
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 <a href="http://www.akzonobel.co.in">www.akzonobel.co.in</a>
v. Presentations made to institutional investors or to the analysts	

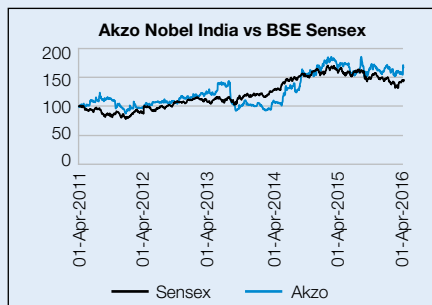
## 9. General Shareholder Information

i. AGM: date, time and venue	26 July 2016 at 1400 hours at Hyatt Regency, Salt Lake City, Kolkata 700098										
ii. Financial year	April 1 to March 31										
iii. Financial calendar (Tentative)	<table border="1"> <thead> <tr> <th>Quarterly / Annual Results</th> <th>Publication on or before</th> </tr> </thead> <tbody> <tr> <td>1<sup>st</sup> quarter ending 30 June, 2016</td> <td>14 August, 2016</td> </tr> <tr> <td>2<sup>nd</sup> quarter ending 30 September, 2016</td> <td>14 November, 2016</td> </tr> <tr> <td>3<sup>rd</sup> quarter ending 31 December, 2016</td> <td>14 February, 2017</td> </tr> <tr> <td>Year ending 31 March, 2017</td> <td>30 May, 2017</td> </tr> </tbody> </table>	Quarterly / Annual Results	Publication on or before	1 <sup>st</sup> quarter ending 30 June, 2016	14 August, 2016	2 <sup>nd</sup> quarter ending 30 September, 2016	14 November, 2016	3 <sup>rd</sup> quarter ending 31 December, 2016	14 February, 2017	Year ending 31 March, 2017	30 May, 2017
Quarterly / Annual Results	Publication on or before										
1 <sup>st</sup> quarter ending 30 June, 2016	14 August, 2016										
2 <sup>nd</sup> quarter ending 30 September, 2016	14 November, 2016										
3 <sup>rd</sup> quarter ending 31 December, 2016	14 February, 2017										
Year ending 31 March, 2017	30 May, 2017										
iv. Date of book closure	21 July 2016 to 26 July 2016 (both days inclusive)										
v. Dividend payment date	On or around 8 August 2016 (after approval at the AGM)										
vi. Listing on Stock Exchange	The Company's shares are listed in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Listing fees for the period 1 April 2016 to 31 March 2017 have been paid to BSE and NSE.										
vi. Stock code	BSE : 500710 NSE : AKZOINDIA-EQ ISIN : INE133A01011										

### viii. Market price data and stock performance during the year 2015-16

Month	BSE			NSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
April 2015	1,488	1,367	70,087	1,490	1,367	323,345
May 2015	1,470	1,331	61,585	1,467	1,335	247,718
June 2015	1,393	1,235	62,998	1,392	1,233	362,438
July 2015	1,375	1,249	114,417	1,380	1,245	421,361
August 2015	1,549	1,201	236,218	1,547	1,213	547,014
September 2015	1,403	1,216	41,133	1,404	1,223	229,234
October 2015	1,430	1,315	43,126	1,435	1,322	149,075
November 2015	1,375	1,272	36,382	1,375	1,275	103,745
December 2015	1,415	1,259	31,193	1,420	1,261	235,442
January 2016	1,460	1,286	41,210	1,420	1,282	160,642
February 2016	1,370	1,204	37,218	1,380	1,205	179,363
March 2016	1,397	1,255	17,974	1,419	1,252	473,153

**ix. Stock performance in comparison to BSE Sensex from April 2011 to March 2016**



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.

**x. Unpaid/Unclaimed Dividend**

In terms of the provisions of the Companies Act, 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 2016 and the due dates for transfer to IEPF are:

Financial year	Amount (₹ million)	Due date for transfer to IEPF (excluding the period allowed for remittance under Rule 3 of the IEPF Rules, 2001)
2008-09	6.3	15-Jul-2016
2009-10	7.3	21-Jul-2017
2010-11	8.8	21-Jul-2018
2011-12	12.0	8-Aug-2019
2012-13	48.4	7-Aug-2020
2013-14	46.8	10 Aug 2021
2014-15	13.3	13-Aug 2022

During the year, a sum of ₹ 3.1 million was remitted to the IEPF towards dividend remaining unclaimed in respect of the financial year ended 31 March 2008 within the due date.

**xi. Registrar and Share Transfer Agent**

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

**xii. 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 lodgment of complete documents.

**xiii. Distribution of shareholding as on 31 March 2016**

Range (No. of shares)	No. of shareholders	No. of shares ('000's)	% to total issued capital
1-50	29,772	553	1.18
51-500	14,316	2,040	4.37
501-5,000	1,240	1,413	3.03
5,001-50,000	62	922	1.98
50,001-1,000,000	22	6,850	14.68
1,000,001 & above	5	34,882	74.76
<b>Total</b>	<b>45,417</b>	<b>46,660</b>	<b>100.00</b>

**Shareholding Pattern as on 31 March 2016**

Category of shareholders	No. of shares ('000)	%
<b>(A) Promoter and Promoter Group</b>	<b>34,044</b>	<b>73.0</b>
<b>(B) Public shareholding</b>		
(a) Mutual funds	1,909	4.1
(b) Insurance companies	2,067	4.4
(c) Foreign institutional investors	936	2.0
(d) Bodies corporate	3,533	7.6
(e) Individuals/others	4,171	8.9
<b>Total public shareholding</b>	<b>12,616</b>	<b>27.0</b>
<b>Total (A) + (B)</b>	<b>46,660</b>	<b>100.0</b>

**xv. 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 2016, 73.9% of the Company's equity shares involving 34.48 million shares have been dematerialised (No. of Demat accounts: 26,195). The Company entered into necessary agreements with NSDL & CDSL to enable smooth operation of demat mode of shareholding.

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

None issued/outstanding

**xvi. Commodity price risk or foreign exchange risk and hedging activities**

The Company's business operations are subject to commodity as well as foreign exchange risks. Commodity price risk is managed by adhering to inventory norms. Foreign exchange risk is managed through transaction based forward contracts.

**xvii. Plant locations**

The Company's plants are located at:

- Plot No 9-29, Narsapur Road, Balanagar, Hyderabad, Telangana - 500 037
- Plot No 62 P, Hoskote Industrial Area, Pilgumpa Village, Bengaluru, Karnataka - 562 114
- Plot No. GAE-1 (Part), GAF-1 & GAF-2, Industrial Area, Ghirongi (Malanpur), Bhind, Madhya Pradesh - 477 117
- Plot No. A-42, Phase-VIII B, Focal Point, SAS Nagar, Mohali, Punjab - 160 059
- Plot No.1/1, TTC. Indl. Area, Thane Belapur Road, Koparkhairne, Navi Mumbai, Maharashtra - 400 709
- Plot No. E-19/20, MIDC Area, Mahad, Raigad, Maharashtra - 402 301

### xviii. Address for correspondence

Shareholders' correspondence may be addressed to:

1. C B Management Services (P) Ltd,  
P-22, Bondel Road, Kolkata 700 019  
Email: rta@cbmsl.com

OR

2. The Company Secretary  
Akzo Nobel India Ltd  
Epitome, Building No 5, Tower A,  
20th Floor, Cyber City, DLF Phase III  
Gurgaon 122 002  
Email: investor.india@akzonobel.com

## 10. Other Disclosures

- a. 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.
- b. 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.
- c. The Company has adopted a Whistle Blower policy by the name 'Speak Up' under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. It is affirmed that no personnel has been denied access to the Audit Committee. A copy of the policy is posted on the website of the Company and available at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).

- d. The Policy on materiality of related party transactions can be accessed on the Company's website at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).
- e. The Policy on related party transactions can be accessed on the Company's website at [www.akzonobel.com/in/corporate\\_governance/policies](http://www.akzonobel.com/in/corporate_governance/policies).
- f. The Company's business operations are subject to commodity risk. Commodity risk is not hedged but is managed by adhering to inventory norms.
- g. 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 and Mr A Ghosh are entitled to remuneration and other benefits for their respective roles and responsibilities in the AkzoNobel Group.
- h. All Directors have confirmed that they do not hold any shares in the Company.
- i. None of the Directors are related to each other.

## 11. Compliance

The company is in full compliance with all the requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the listing regulations.

## 12. Code of Conduct

Your Company has in place a comprehensive Code of Conduct applicable to all the employees and Non-executive Directors including Independent Directors. The Code of Conduct gives guidance and support needed for ethical conduct of business and compliance of law. Copy of the Code of Conduct is posted on the website of the Company and available at [www.akzonobel.com/in/](http://www.akzonobel.com/in/)

*corporate\_governance/policies*. This has been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually. A declaration in this regard by the Managing Director is given below:

### Code of Conduct Declaration

I hereby confirm that the Company has obtained affirmation from all the members of the Board and senior management personnel that they have complied with the Code of Conduct of the Company in respect of the financial year ended 31 March 2016.

Gurgaon  
13 May 2016

**Jayakumar Krishnaswamy**  
Managing Director

## 13. Certificate of Compliance

A certificate from a practicing Company Secretary on the Company's compliance with corporate governance norms as required under Listing Regulations is appended.

## 14. Unclaimed Suspense Account

In terms of the listing regulations, the Company has dematerialized and kept the unclaimed shares in 'Akzo Nobel India Limited - Unclaimed Suspense Account'. Disclosure in respect of the equity shares kept in this account is given below:

(i)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the beginning of the year	729 shareholders and 24,956 shares
(ii)	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	4 shareholders and 230 shares
(iii)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	4 shareholders and 230 shares

(iv) Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	725 shareholders and 24,726 shares
---	------------------------------------

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

## 15. Discretionary Requirements

Details of compliance with discretionary requirements as specified in Part E of Schedule II of the listing regulations are given below:

Description	Status as on 31 March 2016
i. 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 duties on behalf of the Company are borne by the Company.
ii. 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 financial 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.
iii. Audit qualifications	There is no audit qualification in the current financial year.
iv. Separate posts of Chairman and CEO	The Company currently has separate persons appointed to the posts of Chairman and Managing Director
v. Reporting of Internal Auditor	The Internal auditor directly reports to the Audit Committee

# Certificate of Compliance

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") as stipulated in clause 49 of the Listing Agreement ("Listing Agreement") of the Company with the stock exchanges for the period April 1, 2015 to November 30, 2015 and as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as referred to in Regulation 15(2) of the Listing Regulations for the period December 1, 2015 to March 31, 2016.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit for an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement / Listing Regulations, as applicable.

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

For **A. K. LABH & Co.**  
Company Secretaries

**(CS A. K. LABH)**  
Practicing Company Secretary  
FCS – 4848 / CP No 3238

Kolkata  
May 13, 2016



# Annexure II-A

## BUSINESS RESPONSIBILITY REPORT

### (In terms of Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)

This Business Responsibility (BR) Report follows the National Voluntary Guidelines on social, environmental and economic responsibilities of business, as notified by the Ministry of Corporate Affairs, Government of India, which lay down the following principles:

Principle #	Description
P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the well-being of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Businesses should respect, protect, and make efforts to restore the environment
P7	Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

- Corporate Identity Number (CIN) of the Company: L24292WB1954PLC021516
- Name of the Company : Akzo Nobel India Limited
- Registered address : Geetanjali Apartment, 1<sup>st</sup> Floor, 8-B, Middleton Street, Kolkata 700 071
- Website : www.akzonobel.co.in

- E-mail id : investor.india@akzonobel.com
- Financial Year reported: April 2015-March 2016
- Sectors that the Company is engaged in (industrial activity code-wise):

Code #	Description
202	Manufacture of paints, varnishes, enamels or lacquers
201	Manufacture of organic and inorganic chemical compounds

- Three key products that the Company manufactures/ provides (as in balance sheet) are:
  - Paints/Synthetic Enamels
  - Colorants and Thinners
  - Polymerisation Chemicals

- Total number of locations where business activity is undertaken by the Company:
 

(a) Number of International Locations	Nil
(b) Number of National Locations:	
Manufacturing facilities	6
R&T Centre	1
Depots/Sales locations	85
Offices	4

- Markets served by the Company: National and International

### SECTION B: FINANCIAL DETAILS OF THE COMPANY

- Paid up Capital : ₹ 466.6 million
- Total Turnover : ₹ 27,401 million
- Total profit after taxes : ₹ 2,021 million
- Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax : ₹ 35.2 million amounting to 1.7% of PAT

- List of activities in which expenditure in 4 above has been incurred:
  - Promotion of Education and eradicating malnutrition
  - Environment Sustainability
  - Skill Development
  - Healthcare

### SECTION C: OTHER DETAILS

- Does the Company have any Subsidiary Company/ Companies: No
- Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company?: NA
- Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company?

The Company encourages all its business partners to adopt its policies and practices.

### SECTION D: BR INFORMATION

#### 1. Details of Director/Directors responsible for BR

- Details of the Director/Director responsible for implementation of the BR policy/policies
 

DIN Number	02099219
Name	Jayakumar Krishnaswamy
Designation	Managing Director
- Details of the BR head
 

Name	R Guha
Designation	Company Secretary
Telephone number	0124-2540400
Email ID	r.guha@akzonobel.com

## 2. Principle-wise [as per National Voluntary Guidelines (NVGs)] BR Policy/policies (Reply in Y/N)

(a) Details of compliance (Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy approved by the Board?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Code of Conduct and Whistleblower Policies	HSE&S and Sustainability Policies	Sustainability Policy	CSR Policy	Code of Conduct and Sustainability Policies	HSE&S and Sustainability Policies	Code of Conduct Policy	Sustainability and CSR Policies	HSE&S and Sustainability Policies
All these policies are available at <a href="http://www.akzonobel.com/in/corporate_governance/policies/">www.akzonobel.com/in/corporate_governance/policies/</a>										
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

All answered yes hence Not Applicable

### 3. Governance related to BR

The board of directors assess the BR performance of the company on periodic basis.

Starting from year 2015-16 the Company publishes the information on BR which forms part of the Annual Report of the Company. The Annual Report is available on the website of the Company at [www.akzonobel.com/in/investor\\_relations/annual\\_reports\\_and\\_results/](http://www.akzonobel.com/in/investor_relations/annual_reports_and_results/)

#### SECTION E: PRINCIPLE-WISE PERFORMANCE

##### PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

The Company's policies relating to ethics, bribery and corruption cover the Company as well as its external stakeholders who have business relations with the Company. It has instituted various mechanisms for receiving and resolving complaints from its stakeholders.

The Company received 15 shareholder complaints during the past financial year and all of them were resolved. It also received 5 instances reported through 'Speak up' (Vigil Mechanism) during the year; all of which were investigated and resolved. There were 1194 consumer complaints received by the Company and all but 33 have been resolved by the end of the financial year.

##### PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFE CYCLE

The Company pursues its sustainability agenda through its Planet Possible programme, which highlights its commitment to creating more value from fewer resources across the value chain. The Company also continued its innovation in order to supply sustainable products and solutions for its customers.

##### PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Total number of permanent employees of the Company were 1830 among which 118 were females. There were 2 regular employees with disabilities. It also has about 1000 contractual/temporary workforce.

There are recognized trade unions at some of the Company's manufacturing units representing the workmen. Approximately 8% of permanent employees are members of these unions.

The Company did not receive any complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year.

Safety training related to the areas of work is mandatory for all employees. In addition, employees are encouraged to enroll for skill development training which is provided through internal or external programmes.

##### PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED.

Identifying the stakeholders and engaging with them is critical to our CSR and Health Safety Environment and Security (HSE&S) policies. The Company has broadly identified six groups covering both internal and external stakeholders as follows:

1. Employees
2. Local communities
3. Regulatory authorities
4. Customers
5. Shareholders
6. Dealers, suppliers and other business partners

Out of the above groups, local communities and contractual employees are identified as vulnerable and marginalized stakeholders. The Company has taken several initiatives to engage with these sections of the community. Some of the initiatives are mentioned in the Corporate Social Responsibility report.

Further, the Company creates social value by developing its employees and being active in the communities where it operates.

##### PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

The Company's Human Rights policy is covered in its Code of Conduct. All business partners are required to confirm adherence to the Code of Conduct of the Company. The Company did not receive any stakeholder complaint in 2015 -16 regarding human rights.

##### PRINCIPLE 6: BUSINESSES SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

The Company's environment policy applies to its employees as well as business partners in respect of the services and products received from them. The Company continues to focus its efforts on innovation in order to supply sustainable products and solutions to its customers.

Reducing the carbon footprint across the value chain is an important objective of the Company. In pursuance of its core principle of sustainability, several initiatives have been taken in the manufacturing operations to reduce energy and water consumption. Also actions have been taken to minimize VOC in the products manufactured by the Company. It has also ensured that no lead or other heavy metals are used in the production process.

Potential environmental risks are identified and reported as per the HSE&S policy. The Company regularly reviews these risks and undertakes initiatives to mitigate them.

All emissions and waste generated by the Company are within the permissible limits given by CPCB/SPCB in 2015-16. It has no pending show cause notices from SPCB or CPCB as at end of the financial year 2015-16.

**PRINCIPLE 7: BUSINESSES WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER**

The Company engages with the public and regulatory bodies in a responsible manner. The Company is a member of the following trade associations:

- a) Confederation of Indian Industry
- (b) Federation of Indian Chambers of Commerce & Industry
- (c) Indian Paints Association
- (d) CAPEXIL

The Company participates in various programmes of these associations and supports them with appropriate inputs on addressing industry wide issues and in evolving standards for promotion of product safety and environmental protection.

**PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

The Company has specified initiatives based on its CSR and HSE&S policies to support inclusive growth and equitable development in the society.

The Company's CSR programmes are monitored by the CSR Committee of the Board. In 2015-16, a sum of ₹ 35.2 million was spent on these programmes, details of which are given in the CSR Report.

**PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER**

AkzoNobel is a customer focused organisation and have a customer centric approach. It has dedicated infrastructure and personnel to receive and address customer feedbacks and complaints. During the last financial year it ensured no customer/consumer complaint is pending beyond normal response time. The products of the Company display all information mandated by the law. Additional product information is provided through product information sheets, when required.

During the year there was one case filed by a competitor, against the Company alleging wrongful use of their Trade Mark. Efforts are on hand to settle the matter through mutual discussion.

The Company conducts surveys from time to time with a view to engage and assess consumer preferences, service levels and effectiveness of its promotional campaigns so that appropriate changes can be made.

# Annexure II-B

## Corporate Social Responsibility (CSR) Report

**[Pursuant to clause (o) of sub-section (3) of section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]**

- As a responsible corporate, your Company is firmly committed to conduct its business in a socially and environmentally responsible way for the benefit of all its stake-holders viz. shareholders, consumers, employees, and the community at large.

The weblink of CSR policy is [www.akzonobel.com/in/system/images/AkzoNobel\\_CSR\\_Policy\\_tcm130-88414.pdf](http://www.akzonobel.com/in/system/images/AkzoNobel_CSR_Policy_tcm130-88414.pdf)

- The CSR committee consists of three directors including an independent director. The Chairman of the committee is Mr. Raj Kapur (Independent Director) and the other members are Mr. Jayakumar Krishnaswamy (Managing Director) and Mr. Pradip Menon (Wholetime Director).

- Average net profit of the Company for last three financial years is ₹ 1819 million, computed under section 198 of the Act

- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹ 36.38 million

- Details of CSR spent during the financial year.

(a) Total amount spent for the financial year ₹ 35.20 million

(b) Amount unspent, if any ₹ 1.18 million

(c) Manner in which the amount spent during the financial year is detailed below:

(1) S. No	(2) CSR project or activity identified	(3) Sector in which the Project is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise (₹ million)	(6) Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ million)	(7) Cumulative expenditure up to the reporting period (₹ million)	(8) Amount spent : Direct or through implementing agency	(9) Project Synopsis
1.	Child Development Project	Promotion of Education and eradicating malnutrition	Delhi (Delhi) Mumbai (Maharashtra)	2.50	Direct Project Expenditure: 1.26	1.26	In partnership with CRY	The project aims to bring holistic development among children with special attention to bring drop outs back to school, provide nutritional support and sensitize and educate communities about child protection. The project is benefitting more than 5000 underprivileged children in Delhi and Mumbai.
2.	Vocational Skill Training	Skill Training	Durg (Chattisgarh) and Indore (Madhya Pradesh)	0.25	Direct Project Expenditure: 0.24	0.24	In partnership with ICICI Skill Academy	Undertook vocational skill training in Paint Application Techniques for youth. This year 500 students completed the course and were placed in jobs.
3.	Child Care Centre for children suffering from Cancer	Preventive Health Care	Mumbai (Maharashtra)	10.00	Direct Project Expenditure: 10.00	10.00	In partnership with St. Jude's	The Company came in partnership with St. Jude's to start a new child care centre in Mumbai. This centre will help more than 165 children at a time from underprivileged families in getting treatment for cancer.

(1) S. No	(2) CSR project or activity identified	(3) Sector in which the Project is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise (₹ million)	(6) Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ million)	(7) Cumulative expenditure up to the reporting period (₹ million)	(8) Amount spent : Direct or through implementing agency	(9) Project Synopsis
4.	Green Belt Development Project	Environment Sustainability	Chandigarh (Chandigarh)	5.29	Direct Project Expenditure: 5.29	5.29	Directly	In order to promote greenbelt development to promote environment sustainability AkzoNobel India in partnership with Chandigarh Govt. administration prepared green belts in the city.
5.	Vocational Skill Training Project, AkzoNobel Paint Academy	Skill Training	Delhi (Delhi) Kolkata (West Bengal)	2.38	Direct Project Expenditure:2.38	2.38	Directly	In order to promote employability among youths initiated vocational skill training in Decorative Paints at Delhi and Kolkata.
6.	Vocational Skill Training Project, AkzoNobel Paint Academy	Skill Training	Mohali (Punjab)	0.96	Direct Project Expenditure: 0.24	0.24	In partnership with Sambhav Foundation	In order to promote employability among youths initiated vocational skill training in Car Refinish at Mohali.
7.	Community Health & Early Childhood Education project	Promoting education and preventive Health care	Bengaluru (Karnataka)	1.98	Direct Project Expenditure:1.57	1.57	In partnership with HLFPPPT (Hindustan Latex Family Planning Promotion Trust)	In this project we are promoting early childhood education and preventive health care for local communities in four villages at Hoskote, Bengaluru.
8.	Painting for Cancer Children care center	Healthcare	Mumbai (Maharashtra)	1.23	Direct Project Expenditure:1.23	1.23	Directly	The Company came in partnership with St. Jude's to provide paints to color new Centre at Mumbai. This support will help more than 150 child residents of the center to see a more colorful world.
9.	AkzoNobel education centre- Education project	Education	Gurgaon (Haryana)	2.10	Direct Project Expenditure:1.47	1.47	In partnership with Sakshi	In this project we are offering early childhood education, non formal education and remedial education to 500 under privileged children of Gurgaon district.
10.	Girls Education Project	Education	Bengaluru (Karnataka)	2,45	Direct Project Expenditure: 1.65	1,65	In partnership with Plan India	The project is promoting girls education in Govt. schools of Bengaluru through creating better facilities at schools and making local communities sensitized about importance of girls education.
11.	Infrastructure support to Special Children's home	Healthcare and Education	Pune (Maharashtra)	0.57	Direct Project Expenditure:0.57	0.57	Directly	In order to provide better access to physically challenged children created safe and good quality roads in the school.
12.	Education Support	Education	Chennai (Tamil Nadu)	0.95	Direct Project Expenditure: 0.95	0.95	Directly	Provided school uniforms to 900 students who were severely affected by Chennai Floods.
13.	Education project for Children	Education	Mahad (Maharashtra)	1.43	Direct Project Expenditure: 1.07	1.07	In partnership with PRIDE	The project is providing remedial education to school children to improve their grades and to ensure no children drop out of school.
14.	Early Children Education & Health project	Education	Hyderabad (Telangana)	1.21	Direct Project Expenditure: 0.80	0.80	In partnership with Lepira India	In partnership with ICDS the project is creating model Anganwadi's and facilitating to impart quality education to children.

(1) S. No	(2) CSR project or activity identified	(3) Sector in which the Project is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or programs wise (₹ million)	(6) Amount spent on the projects or programs Sub – heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ million)	(7) Cumulative expenditure up to the reporting period (₹ million)	(8) Amount spent : Direct or through implementing agency	(9) Project Synopsis
15.	Integrated Health & Education project	Education and Health	Gwalior (Madhya Pradesh)	1.15	Direct Project Expenditure:0.68	0.68	In partnership with Sambhav Social Services	This project is promoting education and health for children and local communities. As a part of it, an education resource center is being run which is providing after school and non-formal education to children who have dropped out from school.
16.	School Road Safety Awareness project	Promoting Education	Mohali (Punjab)	1.10	Direct Project Expenditure:0.55	0.55	In partnership with HASS	In partnership with Govt. of Punjab, AkzoNobel India is spreading awareness on road safety in 34 Govt. schools of Mohali, covering about 6,000 children.
17.	Sports activity Centre	Education and Sports	Thane (Maharashtra)	0.54	0.54	0.54	Directly	Supported in establishing a sports activity center at VishwaBalak Kendra (NGO) which houses orphans and mentally retarded children.
18.	Other areas < ₹ 0.5 m each	Education/Environment/ Sustainability/Health Care etc.	Various	3.60	3.60	3.60	Directly	-
19.	Admin Cost (Salary, Travelling Expenses, etc.)	Admin Cost	NA	1.70	NA	1.68	Directly	NA
<b>TOTAL CSR EXPENDITURE</b>						<b>35.20</b>		

6. By taking many concrete steps in the previous year, the Company has spent close to two percent of net profit on CSR projects during the year.
7. The CSR Committee hereby confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company.

**Raj S Kapur**  
Chairman (CSR Committee)  
DIN 00060056

**Jayakumar Krishnaswamy**  
Managing Director  
DIN 02099219

# Annexure III

**Disclosure of particulars with respect to conservation of energy, technology absorption, foreign exchange earnings and outgo pursuant to Section 134 (3) (m) of the Companies Act 2013:**

## A. Conservation of Energy

During the year 2015-16, various energy conservation measures were implemented by the Company:

<b>i. Conservation measures taken</b>	Energy saving measures adopted across all offices & factories. Continued efforts towards optimization of processes are in place. For example: Usage of single transfer pumps for various mixtures, reduction in recirculation time of slurries, optimization of natural lights through transparent sheets for day shift operations, addressing air leakages to optimize the air compressor usage, etc.
<b>ii. Steps taken by the Company for utilizing alternate sources of energy</b>	Installed Solar Panels at various plants.
<b>iii. Capital investment on energy conservation equipments</b>	₹ 3.2 million

## B. Absorption of technology

<b>i. Efforts made towards technology absorption</b>	The RD&I center of the Company focusses on development of innovative products & techniques. Efforts during the year resulted in: <ul style="list-style-type: none"> <li>• Closed Loop control system for filling line pumps based on VFD's</li> <li>• Use of common transfer pump for two mixers</li> <li>• Reducing recirculation time for each slurry pump</li> <li>• Maintaining water quality without RO &amp; UF pumps usage through regeneration of softener</li> <li>• New launches focusing on improvement of quality of products</li> <li>• Localized sourcing of raw materials</li> </ul>	
<b>ii. Benefits derived as a result of the above efforts (like product improvement, cost reduction, product development or import substitution)</b>	Major benefits derived from R&D initiatives are: <ul style="list-style-type: none"> <li>• Reduction in power consumption from usage of closed loop control system, common transfer pump, reduced recirculation, etc</li> <li>• Improvement of quality of products</li> <li>• Efficiency improvement through localization of raw materials</li> </ul>	
<b>iii. In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year)</b>	No technology was imported during the last 3 years	
<b>iv. Expenditure on R&amp;D</b>		
	(₹ million)	
	<b>2015-16</b>	<b>2014-15</b>
Capital	5	15
Recurring*	108	108
<b>Total</b>	<b>113</b>	<b>123</b>

\* Excludes Royalty Charge

## C. Foreign exchange earnings and outgo

	(₹ million)	
	<b>2015-16</b>	<b>2014-15</b>
<b>Earnings</b>	<b>1,215</b>	<b>1,213</b>
<b>Outgo<sup>o</sup></b>	<b>4,502</b>	<b>3,551</b>

<sup>o</sup> Excludes outgo on account of dividend

Outgo of foreign exchange by the Company is higher than earnings mainly on account of import of raw materials and services. Besides, the nature of the Company's product lines is such that it is not commercially viable to build a large export portfolio.



# Annexure IV

## EXTRACT OF ANNUAL RETURN - Form No. MGT-9

as on the financial year ended on 31 March 2016  
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

### I. REGISTRATION AND OTHER DETAILS:

i)	CIN	: L24292WB1954PLC021516
ii)	Registration Date	: 12 March, 1954
iii)	Name of the Company	: Akzo Nobel India Limited
iv)	Category/Sub-Category of the Company	: Public company having share capital
v)	Address of the Registered office and contact details :	: 8-B, Middleton Street, Kolkata – 700 071 Phone : (033) 22267462 Fax : (033) 22277925 Email : investor.india@akzonobel.com Website : www.akzonobel.co.in
vi)	Whether listed company	: Yes
vii)	Name, address and contact details of Registrar and Transfer Agent, if any:	: C B Management Services (P) Ltd. P-22, Bondel Road, Kolkata – 700019 Phone : (033) 4011 6700 Fax : (033) 4011 6739, Email : rta@cbmsl.com Website : www.cbmsl.com

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
Manufacture of paints and varnishes, enamels or lacquers	202	93.3

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Name and Address of the Company	CIN/GLN	Holding/ Subsidiary /Associate	% of shares held	Applicable Section
Akzo Nobel NV*	09007809 (The Netherlands)	Ultimate holding Company	72.96	2 (46)

\*Through wholly-owned subsidiaries

**Note:** List of Associate Companies with whom the transactions took place during the year- Refer Note 5.15 to financial statements

### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as Percentage of Total Equity)

#### (i) Category-wise Shareholding

Sl. No.	Category of Shareholder	No. of Shares held at the beginning of the year (01-04-2015)				No. of Shares held at the end of the year (31-03-2016)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(A)</b>	<b>Promoter</b>									
<b>(1)</b>	<b>Indian</b>									
(a)	Individuals/ HUF	-	-	-	-	-	-	-	-	-
(b)	Central Government(s)	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(e)	Bank/Financial Institutions	-	-	-	-	-	-	-	-	-
(f)	Others	-	-	-	-	-	-	-	-	-
	<b>Sub Total(A)(1)</b>	-	-	-	-	-	-	-	-	-
<b>(2)</b>	<b>Foreign</b>									
a	NRIs-Individuals	-	-	-	-	-	-	-	-	-
b	Other-Individuals	-	-	-	-	-	-	-	-	-
c	Bodies Corporate	22,977,544	11,066,791	34,044,335	72.96	22,977,544	11,066,791	34,044,335	72.96	-
d	Bank/Financial Institutions	-	-	-	-	-	-	-	-	-
e	Any Others	-	-	-	-	-	-	-	-	-
	<b>Sub Total(A)(2)</b>	<b>22,977,544</b>	<b>11,066,791</b>	<b>34,044,335</b>	<b>72.96</b>	<b>22,977,544</b>	<b>11,066,791</b>	<b>34,044,335</b>	<b>72.96</b>	-
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>22,977,544</b>	<b>11,066,791</b>	<b>34,044,335</b>	<b>72.96</b>	<b>22,977,544</b>	<b>11,06,6791</b>	<b>34,044,335</b>	<b>72.96</b>	-

Sl. No.	Category of Shareholder	No. of Shares held at the beginning of the year (01-04-2015)				No. of Shares held at the end of the year (31-03-2016)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>(B)</b>	<b>Public shareholding</b>									
<b>(1)</b>	<b>Institutions</b>									
(a)	Mutual Funds	1,910,685	27,667	1,938,352	4.16	1,880,945	27,667	1,908,612	4.09	-0.07
(b)	Bank/Financial Institutions	11,377	18,186	29,563	0.06	8,406	18,186	26,592	0.06	-
(c)	Central Government(s)	-	-	-	-	-	-	-	-	-
(d)	State Government(s)	-	276	276	-	-	276	276	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)	Insurance Companies	2,056,568	197	2,056,765	4.41	2,066,982	197	2,067,179	4.43	0.02
(g)	Foreign Institutional Investors (FII)	931,355	740	932,095	2	620,765	740	621,505	1.33	-0.67
(h)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(i)	FFI	-	600	600	-	-	600	600	-	-
(j)	Other (specify)	-	-	-	-	-	-	-	-	-
	<b>Sub-Total (B)(1)</b>	<b>4,909,985</b>	<b>47,666</b>	<b>4,957,651</b>	<b>10.63</b>	<b>4,577,098</b>	<b>47,666</b>	<b>4,624,764</b>	<b>9.91</b>	<b>-0.72</b>
<b>(2)</b>	<b>Non-institutions</b>									
(a)	Bodies Corporate									
i)	Indian	3,326,697	8,802	3,335,499	7.15	3,495,976	8,638	3,504,614	7.51	0.36
ii)	Overseas	-	-	-	-	-	-	-	-	-
(b)	Individuals									
i.	Individual shareholders holding nominal share capital up to ₹ 1 lakh	2,798,306	1,078,890	3,877,196	8.31	2,681,731	1,038,775	3,720,506	7.98	-0.33
ii.	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	285,404	-	285,404	0.61	284,531	-	28,4531	0.61	-
(c)	Other (specify)									
1	NRI	84,719	18,491	103,210	0.22	98,542	16,538	115,080	0.25	0.03
2	Clearing Member	18,488	-	18,488	0.04	24,750	-	24,750	0.05	0.01
3	OCB	-	-	-	-	-	-	-	-	-
4	Trust	12,503	24	12,527	0.03	2,070	24	2,094	0.01	-0.02
5	Foreign Portfolio Investor	-	-	-	-	313,866	-	313,866	0.67	0.67
6	Unclaimed Suspense Account	24,956	-	24,956	0.05	24,726	-	24,726	0.05	-
7	The Custodian of Enemy Property	-	1,048	1,048	-	1,048	-	1,048	-	-
	<b>Sub-Total (B)(2)</b>	<b>6,551,073</b>	<b>1,107,255</b>	<b>7,658,328</b>	<b>16.41</b>	<b>6,927,240</b>	<b>1,063,975</b>	<b>7,991,215</b>	<b>17.13</b>	<b>0.72</b>
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>1,146,058</b>	<b>1,154,921</b>	<b>12,615,979</b>	<b>27.04</b>	<b>11,504,338</b>	<b>1,111,641</b>	<b>12,615,979</b>	<b>27.04</b>	<b>-</b>
	<b>TOTAL (A)+(B)</b>	<b>34,438,602</b>	<b>12,221,712</b>	<b>46,660,314</b>	<b>100</b>	<b>34,481,882</b>	<b>12,178,432</b>	<b>46,660,314</b>	<b>100</b>	<b>-</b>
<b>(C)</b>	<b>Shares held by Custodians for GDRs &amp; ADRs</b>									
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>34,438,602</b>	<b>12,221,712</b>	<b>46,660,314</b>	<b>100</b>	<b>34,481,882</b>	<b>12,178,432</b>	<b>46,660,314</b>	<b>100</b>	<b>-</b>

## (II) Shareholding of Promoters

SI No.	Shareholder	Shareholding at the beginning of the year (01-04-2015)			Shareholding at the end of the year (31-03-2016)		
		No of Shares	% of total shares of Company	% of shares Pledged/ encumbered to total shares	No of Shares	% of total shares of Company	% of shares Pledged/ encumbered to total shares
<b>1</b>	<b>IMPERIAL CHEMICAL INDUSTRIES LIMITED</b>						
	a) At the beginning of the year	22,977,544	49.24	NIL	22,977,544	49.24	NIL
	b) Change during the year				NO CHANGE		
	c) At the end of the year				22,977,544	49.24	NIL
<b>2</b>	<b>AKZO NOBEL COATINGS INTERNATIONAL B.V</b>						
	a) At the beginning of the year	8,626,648	18.49	NIL	8,626,648	18.49	NIL
	b) Change during the year				NO CHANGE		
	c) At the end of the year				8,626,648	18.49	NIL
<b>3</b>	<b>AKZO NOBEL CHEMICALS INTERNATIONAL B.V.</b>						
	a) At the beginning of the year	2,439,847	5.23	NIL	2,439,847	5.23	NIL
	b) Change during the year				NO CHANGE		
	c) At the end of the year				2,439,847	5.23	NIL
<b>4</b>	<b>AKZO NOBEL COATINGS HOLDINGS B.V.</b>						
	a) At the beginning of the year	291	-	NIL	291	-	NIL
	b) Change during the year				NO CHANGE		
	c) At the end of the year				291	-	NIL
<b>5</b>	<b>PANTER B.V</b>						
	a) At the beginning of the year	5	-	NIL	5	-	NIL
	b) Change during the year				NO CHANGE		
	c) At the end of the year				5	-	NIL
	<b>TOTAL</b>	<b>34,044,335</b>	<b>72.96</b>	<b>NIL</b>	<b>34,044,335</b>	<b>72.96</b>	<b>NIL</b>

## (iii) Change in Promoter's Shareholding

SI. No.	Shareholding at the beginning of the year(01-04-2015)		Shareholding at the end of the year (31-03-2016)	
	No. of Shares	% of total shares of the Company	No .of Shares	% of total shares of the Company
1	34,044,335	72.96	34,044,335	72.96

There has been no change in Promoters Shareholding during the year.

(iv) Shareholding Pattern of Top Ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No.	Shareholder	Reason	Sh areholding at the beginning of the year (01-04-2015)		Cumulative Shareholding at the year end (31-03-2016)	
			No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>1</b>	<b>ASIAN PAINTS LIMITED</b>					
	a) At the beginning of the year		2,010,626	4.31	2,010,626	4.31
	b) Change during the year				NO CHANGE	
	c) At the end of the year				2,010,626	4.31
<b>2</b>	<b>BAJAJ ALLIANZ LIFE INSURANCE COMPANY LTD.</b>					
	a) At the beginning of the year		588,979	1.26	588,979	1.26
	b) Change during the year					
	10.04.2015	BUY	12,000	0.03	600,979	1.29
	26.06.2015	BUY	10,000	0.02	610,979	1.31
	30.06.2015	BUY	50,000	0.11	660,979	1.42
	03.07.2015	BUY	3,000	0.01	663,979	1.43
	10.07.2015	BUY	1,200	-	665,179	1.43
	07.08.2015	BUY	20,000	0.04	685,179	1.47
	02.10.2015	BUY	10,000	0.02	695,179	1.49
	23.10.2015	BUY	5,000	0.01	700,179	1.5
	11.12.2015	BUY	10,000	0.02	710,179	1.52
	18.12.2015	BUY	10,000	0.02	720,179	1.54
	25.12.2015	BUY	5,000	0.01	725,179	1.55
	01.01.2016	BUY	10,000	0.03	735,179	1.58
	08.01.2016	BUY	5,000	0.01	740,179	1.59
	15.01.2016	BUY	5,000	0.01	745,179	1.6
	05.02.2016	BUY	5,000	0.01	750,179	1.61
	19.02.2016	BUY	2,000	-	752,179	1.61
	26.02.2016	BUY	15,000	0.03	767,179	1.64
	04.03.2016	BUY	15,000	0.03	782,179	1.67
	11.03.2016	BUY	10,000	0.02	792,179	1.69
	18.03.2016	BUY	12,000	0.03	804,179	1.72
	25.03.2016	BUY	15,000	0.04	819,179	1.76
	31.03.2016	BUY	15,000	0.03	834,179	1.79
	c) At the end of the year				834,179	1.79
<b>3</b>	<b>GENERAL INSURANCE CORPORATION OF INDIA</b>					
	a) At the beginning of the year		737,760	1.58	737,760	1.58
	b) Change during the year					
	10.04.2016	SALE	33,660	0.07	704,100	1.51
	17.04.2016	SALE	4,000	0.01	700,100	1.50
	c) At the end of the year				700,100	1.50

Sl. No.	Shareholder	Reason	Sh areholding at the beginning of the year (01-04-2015)		Cumulative Shareholding at the year end (31-03-2016)	
			No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
<b>4</b>	<b>THE NEW INDIA ASSURANCE COMPANY LIMITED</b>					
	a) At the beginning of the year		63,9114	1.37	639,114	1.37
	b) Change during the year					
	15.01.2016	BUY	5,722	0.01	644,836	1.38
	22.01.2016	BUY	8,816	0.02	653,652	1.4
	29.01.2016	BUY	3,177	0.01	656,829	1.41
	05.02.2016	BUY	2,500	-	659,329	1.41
	12.02.2016	BUY	16,502	0.04	675,831	1.45
	19.02.2016	BUY	5,915	0.01	681,746	1.46
	26.02.2016	BUY	3,034	0.01	684,780	1.47
	04.03.2016	BUY	653	-	685,433	1.47
	c) At the end of the year				685,433	1.47
<b>5</b>	<b>BIRLA SUN LIFE TRUSTEE COMPANY PVT LTD A/C BIRLA SUN LIFE FRONTLINE EQUITY FUND</b>					
	a) At the beginning of the year		267,791	0.57	267,791	0.57
	b) Change during the year					
	31.12.2015	BUY	11,880	0.03	279,671	0.60
	15.01.2016	BUY	1,284	-	280,955	0.60
	22.01.2016	BUY	2,265	0.01	283,220	0.61
	05.02.2016	BUY	18,000	0.03	301,220	0.64
	31.03.2016	BUY	135,000	0.29	436,220	0.93
	c) At the end of the year				436,220	0.93
<b>6</b>	<b>ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD.</b>					
	a) At the Beginning of the year		430,259	0.92	430,259	0.92
	b) Change during the year		NO CHANGE			
	c) At the end of the year				430,259	0.92
<b>7</b>	<b>UTI-DIVIDEND YIELD FUND</b>					
	a) At the beginning of the year		504,000	1.08	504,000	1.08
	b) Change during the year					
	05.06.2015	SALE	-743	-	503,257	1.08
	26.06.2015	SALE	-46,057	0.10	457,200	0.98
	30.06.2015	SALE	-45,000	0.10	412,200	0.88
	18.09.2015	SALE	-13,500	0.03	398,700	0.85
	c) At the end of the year				398,700	0.85
<b>8</b>	<b>KOTAK MAHINDRA (UK) LTD. A/C INDIA MIDCAP (MAURITIUS) LTD</b>					
	a) At the beginning of the year		127,009	0.27	127,009	0.27
	b) Change during the year					
	10.04.2015	BUY	16,187	0.04	143,196	0.31

Sl. No.	Shareholder	Reason	Sh areholding at the beginning of the year (01-04-2015)		Cumulative Shareholding at the year end (31-03-2016)	
			No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	17.04.2015	BUY	293	-	143,489	0.31
	01.05.2015	BUY	1,841	-	145,330	0.31
	22.05.2015	BUY	27,900	0.06	173,230	0.37
	05.06.2015	BUY	26,172	0.06	199,402	0.43
	26.06.2015	BUY	43,852	0.09	243,254	0.52
	03.07.2015	BUY	31,081	0.07	274,335	0.59
	10.07.2015	BUY	57,000	0.12	331,335	0.71
	04.09.2015	BUY	6,852	0.01	338,187	0.72
	18.09.2015	BUY	1,896	0.01	340,083	0.73
	09.10.2015	BUY	16,270	0.03	356,353	0.76
	20.11.2015	BUY	583	-	356,936	0.76
	04.12.2015	BUY	269	-	357,205	0.76
	11.12.2015	BUY	611	-	357,816	0.76
	31.12.2015	BUY	810	0.01	358,626	0.77
	08.01.2016	BUY	12,000	0.02	370,626	0.79
	15.01.2016	BUY	269	-	370,895	0.79
	c) At the end of the year				370,895	0.79
<b>9</b>	<b>UTI OPPORTUNITIES FUND</b>					
	a) At the beginning of the year		378,259	0.81	378,259	0.81
	b) Change during the year					
	24.04.2015	SALE	-1,838	-0.01	376,421	0.8
	05.02.2016	SALE	-16,421	-0.03	360,000	0.77
	c) At the end of the year				360,000	0.77
<b>10</b>	<b>THE ORIENTAL INSURANCE COMPANY LIMITED</b>					
	a) At the beginning of the year		313,593	0.67	313,593	0.67
	b) Change during the year		NO CHANGE			
	c) At the end of the year				313,593	0.67
<b>11</b>	<b>LIFE INSURANCE CORPORATION OF INDIA</b>					
	a) At the beginning of the year		221,448	0.47	221,448	0.47
	b) Change during the year		NO CHANGE			
	c) At the end of the year				221,448	0.47

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name	Shareholding		Date	Increase/ (Decrease) in shareholding	Reason	Cumulative Shareholding at the year end (31-03-16)	
		No. of shares at the beginning of the year (01.04.15)/ end of the year (31.03.16)	% of total shares of the Company				No. of Shares	% of total Shares of the Company
<b>Directors</b>								
1	Mr N Kaviratne CBE	NIL	-	01.04.2015	NIL	NIL holding/ movement during the year	NIL	-
2	Mr K Jayakumar							
3	Mr H Agarwal (upto 18 Aug 2015)							
4	Mr P Menon (From 1 Feb 2016)							
5	Mr A Ghosh							
6	Mr R Gopalakrishnan							
7	Mr A Jain							
8	Mr R S Kapur							
9	Dr S Misra							
10	Ms K Narsimhan							
11	Mr A Uppal							
<b>Key Managerial Personnel</b>								
1	Mr K Jayakumar	NIL	-	01.04.2015	-	NIL holding/ movement during the year	NIL	-
2	Mr H Agarwal (upto 18 Aug 2015)							
3	Mr P Menon (From 1 Feb 2016)							
4	Mr R Guha							

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total(i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
• Addition	-	-	-	-
• Reduction	-	-	-	-
Net Change	-	-	-	-
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total(i+ii+iii)</b>	-	-	-	-

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ million)

Sr. No.	Particulars of Remuneration	Name of the Managing Director	Name of the Whole-time Director	Name of the Whole-time Director
		K Jayakumar	P Menon (Feb-March 2016)	H Agarwal (Apr-Aug 2015)
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	21.15	5.99	4.12
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.06	-	-
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission	0.31	0.10	0.07
	- as % of profit			
5.	Others - Contribution to Provident and other funds			
	<b>Total</b>	<b>21.52</b>	<b>6.09</b>	<b>4.19</b>
	Ceiling as per the Companies Act 2013			256.90

### B. Remuneration to other directors:

#### 1. Independent Directors

(₹ million)

Name of Director	Fee for attending Board/ committee meetings	Commission	Others	Total
Mr R Gopalakrishnan	0.20	0.80	-	1.00
Mr R S Kapur	0.28	0.80	-	1.08
Dr S Misra	0.20	0.80	-	1.00
Ms K Narsimhan	0.16	0.80	-	0.96
Mr A Uppal	0.18	0.80	-	0.98
<b>Total (1)</b>				<b>5.02</b>

#### 2 Non executive Directors

(₹ million)

Name of Director	Fee for attending board/ committee meetings	Commission	Others	Total
Mr N Kaviratne CBE	0.12	0.80	-	0.92
Mr A Jain	-	-	-	-
Mr A Ghosh	-	-	-	-
<b>Total (2)</b>				<b>0.92</b>
<b>Total (1+2)</b>				<b>5.94</b>
Ceiling as per the Companies Act 2013				25.69



### C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ million)

		<b>Key Managerial Personnel</b>
<b>Sr. No.</b>	<b>Particulars of Remuneration</b>	<b>Company Secretary R Guha</b>
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	9.20
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.04
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-
2.	Stock Option	-
3.	Sweat Equity	-
4.	Commission	-
	- as % of profit	-
5.	Others - Contribution to Provident and other funds	0.23
	<b>Total</b>	<b>9.47</b>

## VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES (under the Companies Act, 2013):

NIL during the financial year 2015-16.

# SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To  
The Members  
**Akzo Nobel India Limited**  
"Geetanjali Apartment", 1st Floor,  
8-B, Middleton Street,  
Kolkata – 700 071  
West Bengal

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Akzo Nobel India Limited** having its Registered Office at "Geetanjali Apartment", 1st Floor, 8-B, Middleton Street, Kolkata – 700 071, West Bengal (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31.03.2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

## Auditors' Responsibility

Maintenance of Secretarial Records is the responsibility of the management of the Company. Our responsibility is to express an opinion on existence of adequate Board process and compliance management system, commensurate to

the size of the Company, based on these secretarial records as shown to us during the said audit and also based on the information furnished to us by the officers' and the agents of the Company during the said audit.

We have followed the audit practices and processes as were appropriate to the best of our understanding to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.

We have not verified the correctness, appropriateness and bases of financial records, books of accounts and decisions taken by the Board and by various committees of the Company during the period under scrutiny. We have checked the Board process and compliance management system to understand and to form an opinion as to whether there is an adequate system of seeking approval of respective committees of the Board, of the Board, of the members of the Company and of other authorities as per the provisions of various statutes as mentioned hereinafter.

Wherever required we have obtained the management representation about the compliance of the laws, rules and regulations and happening of events, etc.

The Compliance of the provisions of Corporate and other applicable laws, rules, regulations and standards is the responsibility of the management. Our examination was limited to the verification of compliance procedures on test basis.

Our report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness or accuracy with which the management has conducted the affairs of the Company.

**We report that**, we have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended 31.03.2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) Secretarial Standards (SS – 1 and SS-2) as issued by The Institute of Company Secretaries of India and which became effective from 01.07.2015.
- (iii) The Securities Contracts (Regulation) Act, 1956 and the rules made there under;
- (iv) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (v) Foreign Exchange Management Act, 1999 and the rules and regulation made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (vi) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 :
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 1992;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

**We further report that**, having regard to the compliance system prevailing in the Company and on examination of the

relevant documents and records in pursuance thereof, on test-check basis, the Company has specifically complied with:

1. The Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008
2. The Petroleum Act, 1934 and The Petroleum Rules, 2002
3. Explosives Act, 1884

to the extent of their applicability to the Company during the financial year ended 31.03.2016 and our examination and reporting is based on the documents, records and files as produced and shown to and the information and explanations as provided to us by the Company and its management and to the best of our judgment and understanding of the applicability of the different enactments upon the Company. Further, to the best of our knowledge and understanding there are adequate systems and processes in the Company commensurate with its size and operation to monitor and ensure compliances with applicable laws including general laws, labour laws, competition law, environments laws, etc.

We have also examined compliance with the applicable clauses of the Listing Agreements entered into by the Company with the Stock Exchanges.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above.

During the period under review, provisions of the following regulations/guidelines/standards were not applicable to the Company :

- (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (ii) SEBI (Share Based Employee Benefits) Regulations, 2014

- (iii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (iv) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009;
- (v) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009.

**We further report that :**

- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- (b) Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent atleast seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- (c) There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For **A. K. LABH & Co.**  
*Company Secretaries*

**(CS A. K. LABH)**

*Practicing Company Secretary*  
FCS – 4848 / CP No. 3238

Kolkata  
13 May 2016

# Independent Auditor's Report

To  
The Members  
**Akzo Nobel India Limited**

## 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 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year ended, and a summary of the significant accounting policies and other explanatory information.

## Management's responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2016, its profit and its cash flows for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we enclose in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report, to the extent applicable, that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure B ; and
- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 5.1 to the financial statements;
  - ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.: 116231W / W-100024

Gurgaon  
13 May 2016

**Rakesh Dewan**  
Partner  
Membership No.: 092212

## Annexure A

**(referred to in our Independent Auditor's Report of even date on the financial statements of Akzo Nobel India Limited for the year ended 31 March 2016.)**

- (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 of the Company 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 the programme, all fixed assets at Company's manufacturing locations have been physically verified by the management during the year. As informed to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of the immovable property are held in the name of the Company except for the following:

(₹ million)

S No	Leasehold / Freehold	Gross Block as at 31 March 2016	Net Block as at 31 March 2016	Remarks
1	Leasehold land	5.7	4.3	Title in respect of Leasehold land taken over pursuant to the Scheme of Amalgamation (FY 2011-12) is yet to be transferred in the name of the Company.
2	Leasehold land	164	164	The Company has received the final possession of land on 30 March 2016, for which, the lease deed is under finalisation.

- (ii) (a) According to the information and explanations given to us, physical verification, except in case of goods in transit and stocks lying with third parties, has been carried out by the management during the year in respect of inventories. For stocks lying with third parties, as at 31 March 2016 confirmations or statements of account have been obtained. According to the information and explanations given to us, the procedures for physical verification of inventories followed by the management during the year are reasonable and adequate in relation to the size of the Company and the nature of its business. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Act during the year ended 31 March 2016. Thus, paragraph 3(iii) of the Order is not applicable.
- (iv) According to the information and explanations given to us, the Company has not given any loans to any parties specified under section 185 of the Act. Further, guarantee or security provided and the investments made by the Company are in compliance with section 185 and 186 of the Act.
- (v) As per the information and explanations given to us, the Company has not accepted any deposits as mentioned in the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder.

(vi) 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 under sub-section (1) to Section 148 of the Act, in respect of activities of the Company 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.

(vii) (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, Income-tax, Sales tax, Value Added Tax, Service tax, duty of Excise, duty of Customs, Employees' State Insurance, Cess and other material statutory dues have been generally been regularly deposited during the year by the Company with the appropriate authorities though there has been a slight delay in a few cases.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Service tax, Value Added Tax, duty of Customs, duty of Excise, Employees' State Insurance, Cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales Tax, Value Added tax, Service tax, duty of Customs, duty of Excise and Cess which have not been deposited with the appropriate authorities on account of any dispute, except for the following:

(Amounts in ₹ million)					
Name of the Statute	Nature of the dues	Amounts involved	Amount paid under protest	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income tax	161	121	2008-09, 2010-11	First Appellate level
		1,445	857	1996-97, 1997-98, 1999-00, 2002-03 to 2007-08, 2009-10, 2010-11, 2011-12	Tribunal
The Finance Act, 1994	Service tax	31	1	2004-05, 2005-06, 2007-08 to 2014-15	First Appellate level
The Central Excise Act, 1944	Excise duty	2	-	2006-07, 2007-08	First Appellate level
		13	-	2001-02, 2002-03, 2004-05, 2005-06	Second Appellate level
		73	-	1991-92 to 1996-97, 2004-05 to 2008-09	Tribunal
Sales Tax Act	Sales tax	231	17	2000-01, 2003-04, 2004-05, 2006-07 to 2015-16	First Appellate level
		265	23	1976-77, 1979-80, 1980-81, 1982-83 to 1999-00, 2002-03, 2005-06 to 2012-13	Second Appellate level
		20	5	2004-05 to 2006-07, 2009-10, 2012-13	Tribunal
		12	-	2005-06, 2006-07, 2012-13	High Court

(viii) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to banks. The Company did not have any outstanding dues to any financial institutions, government or debenture holders during the year.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.

(x) According to the information and explanations given to us, there has been no fraud by the company and neither any fraud on the Company by its officers or employees has been noticed or reported during year.

(xi) According to information and explanations given to us and on the basis of our examination of the records of the Company, the managerial remuneration has been provided and paid by the Company in accordance with the provisions of section 197 read with Schedule V to the Act.

(xii) According to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable and the details have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

(xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or person connected with him covered by Section 192 of the Act. Accordingly, paragraph 3(xv) of the Order is not applicable.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.: 116231W / W-100024

Gurgaon  
13 May 2016

**Rakesh Dewan**  
Partner  
Membership No.: 092212

## Annexure B

(referred to in our Independent Auditor's Report of even date on the financial statements of Akzo Nobel India Limited for the year ended 31 March 2016)

### Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Akzo Nobel India Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit

of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial

statements in accordance with generally accepted accounting principles, and that receipts and expenditure of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting, issued by the Institute of Chartered Accountants of India.

For **B S R & Associates LLP**  
Chartered Accountants  
Firm Registration No.: 116231W / W-100024

Gurgaon  
13 May 2016

**Rakesh Dewan**  
Partner  
Membership No.: 092212

# Balance Sheet

(Amounts in ₹ million, unless stated otherwise)	Note	As at 31 March 2016		As at 31 March 2015	
<b>Equity and Liabilities</b>					
<b>Shareholders' funds</b>					
(a) Share capital	3.1	467		467	
(b) Reserves and surplus	3.2	6,823	7,290	8,733	9,200
<b>Non-current liabilities</b>					
(a) Deferred tax liabilities (net)	3.3	138		109	
(b) Other long-term liabilities	3.4	171		161	
(c) Long-term provisions	3.5	469	778	602	872
<b>Current liabilities</b>					
(a) Trade payables	3.6				
Total outstanding dues of micro enterprises and small enterprises		65		50	
Total outstanding dues of creditors other than micro enterprises and small enterprises		5,855		4,540	
(b) Other current liabilities	3.7	1,422		1,149	
(c) Short-term provisions	3.5	4,779	12,121	2,180	7,919
			20,189		17,991
<b>Assets</b>					
<b>Non-current assets</b>					
(a) Fixed assets	3.8				
(i) Tangible assets		5,208		5,164	
(ii) Capital work-in-progress		89		119	
		5,297		5,283	
(b) Non-current investments	3.9	408		500	
(c) Long term loans and advances	3.10	1,213		1,075	
(d) Other non-current assets	3.11	5	6,923	5	6,863
<b>Current assets</b>					
(a) Current investments	3.12	5,051		3,444	
(b) Inventories	3.13	3,593		3,647	
(c) Trade receivables	3.14	3,179		2,784	
(d) Cash and bank balances	3.15	551		601	
(e) Short-term loans and advances	3.16	643		516	
(f) Other current assets	3.17	249	13,266	136	11,128
			20,189		17,991
Significant accounting policies	2				

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

As per our report of even date attached.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration No. 116231W / W-100024

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

**Rakesh Dewan**

Partner

Membership No. 092212

Gurgaon

13 May 2016

**Nihal Kaviratne CBE**

Chairman

DIN 00032473

**R Gopalakrishnan**

Director

DIN 00027858

**Jayakumar Krishnaswamy**

Managing Director

DIN 02099219

**Pradip Menon**

Wholetime Director and CFO

DIN 07417530

**R Guha**

Company Secretary

Gurgaon

13 May 2016



# Statement of Profit and Loss

(Amounts in ₹ million, unless stated otherwise)	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenue from operations</b>	4.1		
Sale of products (gross)		29,777	27,416
Less: Excise duty		(2,946)	(2,718)
<b>Sale of products (net)</b>		<b>26,831</b>	<b>24,698</b>
Service Income		308	337
Other operating income		262	235
		<b>27,401</b>	25,270
Other income	4.2	399	650
<b>Total revenue</b>		<b>27,800</b>	<b>25,920</b>
<b>Expenses</b>			
Cost of materials consumed	4.3	11,936	11,970
Purchase of stock-in-trade	4.4	2,667	2,219
Changes in inventories of finished products, work-in-progress and stock-in-trade	4.5	84	(126)
Employee benefits expenses	4.6	2,308	2,058
Finance costs	4.7	13	15
Depreciation and amortisation expense (Net of transfer from revaluation reserve)	3.8	535	526
Other expenses	4.8	7,357	6,535
<b>Total expenses</b>		<b>24,900</b>	<b>23,197</b>
<b>Profit before exceptional item and tax</b>		<b>2,900</b>	<b>2,723</b>
Exceptional item (income)	4.9	99	27
<b>Profit before tax</b>		<b>2,999</b>	<b>2,750</b>
Tax expense			
Current tax		949	857
Deferred tax (credit)/charge		29	(1)
Provision for earlier years		-	31
		<b>978</b>	887
<b>Profit after tax for the year</b>		<b>2,021</b>	<b>1,863</b>
Earnings per equity share - basic and diluted (in ₹) [Face value of ₹ 10 each]			
Before Exceptional item	5.3	41.90	39.54
After Exceptional item	5.3	43.32	39.93
Significant accounting policies	2		

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

As per our report of even date attached.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration No. 116231W / W-100024

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

**Rakesh Dewan**

Partner

Membership No. 092212

**Nihal Kaviratne CBE**

Chairman

DIN 00032473

**R Gopalakrishnan**

Director

DIN 00027858

**Jayakumar Krishnaswamy**

Managing Director

DIN 02099219

**Pradip Menon**

Wholetime Director and CFO

DIN 07417530

**R Guha**

Company Secretary

Gurgaon  
13 May 2016

Gurgaon  
13 May 2016

# Cash Flow Statement

(Amounts in ₹ million, unless stated otherwise)	For the year ended 31 March 2016		For the year ended 31 March 2015	
<b>(A) Cash flow from operating activities</b>				
Profit before tax		2,999		2,750
<b>Adjusted for :</b>				
Depreciation and amortisation	535		526	
Loss on write-off of fixed assets	8		1	
Provisions/liabilities no longer required written back	(5)		(37)	
Profit on disposal of fixed assets (net)	-		(25)	
Sale of beneficial interest in residential flats	(100)		-	
Additional compensation received for land acquired by Karnataka Government	(10)			
Provision for doubtful debts and advances	45		12	
Provision for raw material	15		-	
Accrued interest on long term investments (bonds)	(46)		(43)	
Gains on redemption of long term investments	(86)		(305)	
Gains on redemption of other current investments	(145)		(226)	
Exceptional item	(99)		(27)	
Interest income on Income tax refunds	-		(12)	
Interest expense	13	125	15	(121)
<b>Operating cash flow before working capital changes</b>		<b>3,124</b>		<b>2,629</b>
<b>Changes in :</b>				
(Decrease) / increase in current and non current liabilities and provisions	1,493		(212)	
Decrease / (increase) in inventories	39		(405)	
Decrease / (increase) in trade receivables	(440)		280	
(Increase) / decrease in loans and advances and other current and non current assets	(443)		(9)	
		<b>649</b>		(346)
<b>Cash generated from operations</b>		<b>3,773</b>		2,283
Income tax (paid)/received (net)		(1,129)		(729)
Net cash flow from operating activities (A)		<b>2,644</b>		<b>1,554</b>
<b>(B) Cash flow from investing activities</b>				
Purchase of fixed assets (tangible fixed assets, capital work in progress)		(392)		(512)
Proceeds from sale of fixed assets		-		25
Proceeds from sale of beneficial interest in residential flats		100		-
Additional compensation received for land acquired by Karnataka Government		10		-
Investment in other current investments		(16,714)		(18,320)

# Cash Flow Statement

(Amounts in ₹ million, unless stated otherwise)	For the year ended 31 March 2016	For the year ended 31 March 2015
Redemption of long term investments	109	3,647
Proceeds from sale of other current investments	15,321	17,546
Fixed deposits held as margin money	-	1
<b>Net cash flow from investing activities (B)</b>	<b>(1,566)</b>	<b>2,387</b>
<b>(C) Cash flow from financing activities</b>		
Dividend paid	(933)	(3,499)
Corporate dividend tax	(187)	(595)
Interest paid	(13)	(15)
Interest income on Income tax refunds	-	12
<b>Net cash flow from financing activities (C)</b>	<b>(1,133)</b>	<b>(4,097)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>	<b>(55)</b>	<b>(156)</b>
<b>Cash and cash equivalents - opening balance</b>	<b>462</b>	<b>618</b>
Cash and cash equivalents - closing balance	407	462
Cash and cash equivalents comprise :		
- Bank balances in current accounts	407	462

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

As per our report of even date attached.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration No. 116231W / W-100024

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

**Rakesh Dewan**

Partner

Membership No. 092212

**Nihal Kaviratne CBE**

Chairman

DIN 00032473

**R Gopalakrishnan**

Director

DIN 00027858

**Jayakumar Krishnaswamy**

Managing Director

DIN 02099219

**Pradip Menon**

Wholtime Director and CFO

DIN 07417530

**R Guha**

Company Secretary

Gurgaon

13 May 2016

Gurgaon

13 May 2016

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 1: Company Background

Akzo Nobel India Limited ('the Company') was incorporated in India on 12 March 1954 as Indian Explosives Limited.

A fresh certificate of incorporation consequent to the change in name to Akzo Nobel India Limited was issued by the Dy. Registrar of Companies, Kolkata on 15 February 2010 under Section 23(1) of the Companies Act, 1956.

The Company was set-up inter alia with the object of manufacturing and selling of paints, chemicals and related products.

## Note 2: Significant accounting policies

### Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention on a going concern basis, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles (GAAP) in India. Indian GAAP comprises mandatory accounting standards as specified under the section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and other accounting pronouncements of the Institute of Chartered Accountants of India. Accounting policies set out below have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

### Current & non-current classification

All assets and liabilities are classified into current and non-current.

### Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;

- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

### Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles in India (GAAP) require 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 and, if material, their effects are disclosed in notes to financial statements. Examples of such estimates are estimated useful life of assets, provision for doubtful debts, income taxes, future obligations under employee retirement benefit plans, 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

Tangible fixed assets are carried at the cost of acquisition or construction, less accumulated depreciation and impairment loss, if any. The cost of fixed assets comprises of its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Expenses directly attributable to new manufacturing facility during its construction period are capitalized. Know-how related to plans, designs and drawings of buildings or plant and machinery is capitalized under relevant tangible asset heads. Profit or Loss on disposal of tangible assets is recognised in the statement of Profit and Loss.

### Capital work-in-progress and capital advances

Capital Work-in-progress excluding capital advances includes fixed assets under construction and not ready for intended use as on Balance Sheet date.

**Depreciation** on fixed assets other than leasehold improvements has been provided pro-rata to the period of use, on the straight line method, using rates determined based on management's assessment of useful economic lives of the asset. Depreciation is provided at the rates equal to or higher than those prescribed in Part C of Schedule II to the Companies Act, 2013.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

<b>Asset Category</b>	<b>Estimated useful life (in years)</b>
Buildings	10 to 60*
Plant and Machinery	15
Plant and Machinery under operating lease	6
Laboratory equipment	10
Office equipment	5
Furniture and Fixture (at stores)	3
Furniture and Fixture (others)	10
Computers	3 to 6*
Vehicles	5
Trucks	7

\* For different locations/type of assets

During the current year, pursuant to the Companies Act, 2013, the Company has revised depreciation rates of fixed assets as per the useful life specified in Part 'C' of Schedule II of the Act, read with notification dated 29 August 2014 of the Ministry of Corporate Affairs, on the original cost/ acquisition of assets or other amounts substituted for cost, except for the following classes of fixed assets which are depreciated as under:

- Plant and Machinery under operating lease: 6 years
- Furniture and fixtures (at stores): 3 years

The above useful lives have been arrived at, based on the technical assessment of the management, and are currently reflective of the estimated useful lives of the fixed assets (also refer note 3.8 of the financial statements).

Leasehold improvements are amortised over the lower of useful life or the period of lease including the optional period, if any, available to the Company, where it is reasonably certain at the inception of lease that such option would be exercised by the Company.

## 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, trade discounts and sales tax/VAT.

Service income is recognised on 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. Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the redemption price and carrying value of the investment.

## Investments

Investments are classified into current and long-term investments. Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments expected to be realized within twelve months from Balance Sheet date is also presented under "Current Assets" under "Current portion of long term investments" in consonance with the current / non-current classification of revised Schedule III to the Companies Act, 2013.

Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

Long-term investments are stated at cost. A provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is recognized in the statement of Profit and Loss.

Current investments are carried at the lower of cost and fair value.

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 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.

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

## Cash flow statement

Cash flows are reported using the indirect method, whereby, profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with the investing or financing cash flows. The cash flows from operating, investing and financing activities of the company are segregated.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## 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 other than in relation to acquisition of fixed assets and other long term foreign currency monetary liabilities are dealt with in the statement of Profit and Loss.

In case of foreign exchange forward contracts taken for underlying transactions, and covered by Accounting Standard 11, "Accounting for the effects of changes in foreign exchange rates", the premium or discount is amortised as income or expense over the life of the contract. The exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences is recognised in the statement of Profit and Loss in the reporting period in which the exchange rates change.

Any profit or loss arising on the cancellation or renewal of such contracts is recognised as income or expense for the year.

## 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.

Lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

Lease payments under operating leases are recognised as an expense in the statement of Profit and Loss on a straight line basis over the lease term and disclosed as lease rent equalization reserve in the Balance Sheet.

## Employee benefits

a) Short term employee benefits  
All employee benefits payable /available within twelve months of rendering the service are classified as shortterm 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 basis actual valuation as at the date of the Balance Sheet.

### 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 actual 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 basic and dilutive earnings per share is computed by dividing the net profit attributable to equity shareholders for the year by the weighted average

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

number of equity shares outstanding during the 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 (i.e. the amount of tax for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing differences between the accounting income and taxable income for the year). A provision is made for income tax, based on the tax liability computed, after considering tax allowances and exemptions. Provisions are recorded when it is estimated that our liability due to disallowances or other matters is probable. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted as of the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

Minimum Alternative Tax ("MAT") under the provisions of the Income-tax Act, 1961 is recognised as current tax in the statement of Profit and Loss. The credit available under the Income-tax Act, 1961 in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each Balance Sheet date and written down to the extent the aforesaid convincing evidence no longer exists.

## **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 obligation and the amount of such obligation can be reliably estimated. Where no reliable estimate can be made, disclosure is made as contingent liability. 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.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash and deposit with banks with an original maturity of 3

months or less. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.1: Share capital

	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
126,690,000 (previous year: 126,690,000) equity shares of ₹ 10 each	1,267	1,267
<b>Issued, subscribed and fully paid up</b>		
46,660,314 (previous year: 46,660,314) equity shares of ₹ 10 each fully paid up	467	467

### Foot notes:

(i) Reconciliation of equity shares outstanding at the beginning and at the end of the year

	31 March 2016		31 March 2015	
	Numbers	Amount (₹)	Numbers	Amount (₹)
Opening balance	46,660,314	466,603,140	46,660,314	466,603,140
Add: Equity shares issued during the year	-	-	-	-
Closing balance	46,660,314	466,603,140	46,660,314	466,603,140

(ii) 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, if any, in proportion to their shareholding.

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

Shareholders	As at 31 March 2016		As at 31 March 2015	
	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

The ultimate holding company is Akzo Nobel N.V., Netherlands ('the Promoter Group'), which does not hold any shares directly in the Company.

(iv) Number of equity shares of ₹ 10 each bought back in the five years immediately preceding the Balance Sheet date, aggregates to 1,300,000 (2014-15: 2,535,195)



# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.2: Reserves and surplus

		As at 31 March 2016	As at 31 March 2015
<b>Capital reserve</b>			
At the commencement and at the end of the year	(A)	503	503
<b>Capital redemption reserve</b>			
At the commencement and at the end of the year	(B)	53	53
<b>Revaluation reserve</b>			
At the commencement of the year		15	15
Less: Adjustment on account of depreciation on revalued assets (Refer to foot note 1)		-	-
At the end of the year	(C)	15	15
<b>General reserve</b>			
At the commencement of the year		5,846	5,677
Add: Amount transferred from surplus balance		210	190
Less: Adjustment on account of depreciation net of deferred tax of ₹ 11 million (Refer note 3.3 and 3.8 of the financial statements)		-	(21)
At the end of the year	(D)	6,056	5,846
<b>Surplus</b>			
At the commencement of the year		2,316	1,763
Net profit after tax transferred from Statement of Profit and Loss		2,021	1,863
<b>Less: Appropriations</b>			
Transferred to general reserve		(210)	(190)
Proposed dividend (Refer to foot note 2)		(3,266)	(933)
Corporate dividend tax on proposed dividend		(665)	(187)
At the end of the year	(E)	196	2,316
<b>Total Reserves and Surplus</b>	(A) +(B) +(C) +(D) +( E)	<b>6,823</b>	<b>8,733</b>

### Foot notes:

1. Adjustment against revaluation reserve of ₹ 0.1 million (2014-15 : ₹ 0.1 million) in respect of depreciation on revalued assets
2. Dividend proposed ₹ 70 per share (2014-15 ₹ 20 per share)

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.3: Deferred tax liabilities (net)

	As at 31 March 2016	As at 31 March 2015
<b>Deferred tax liabilities on account of:</b>		
Excess of depreciation on fixed assets under Income tax laws over depreciation provided in books of accounts	457	420
Surplus payments to retirement trusts	36	40
(A)	493	460
<b>Less: Deferred tax assets on account of:</b>		
Provision for doubtful debts and advances	67	58
Expenditure disallowed u/s 43b of Income tax Act, 1961	187	211
Provisions relating to divested businesses	25	26
Lease rent equalisation reserve	5	5
Other disallowances under the Income Tax Act, 1961	71	51
(B)	355	351
<b>Net deferred tax liability recognised</b>	<b>138</b>	<b>109</b>
(A) - (B)		
Deferred tax charge/(credit) for the year	29	(1)
Adjustment on account of depreciation in Reserves and Surplus (Refer note 3.8 to the financial statements)	-	(11)
Net deferred tax movement for the year	29	<b>(12)</b>

## Note 3.4: Other long-term liabilities

	As at 31 March 2016	As at 31 March 2015
Security deposits from customers	156	147
Lease rent equalisation reserve	15	14
	<b>171</b>	<b>161</b>

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.5: Provisions

	Long-term		Short-term	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Employee benefits [Refer Note 5.13]				
Pension	53	73	41	17
Gratuity	39	122	28	22
Compensated absences	97	122	34	22
Post retirement medical and others	246	251	19	18
Income tax	-	-	443	567
Proposed dividend	-	-	3,266	933
Corporate dividend tax on proposed dividend	-	-	665	187
Indirect taxes *	-	-	192	206
Divested businesses *	20	20	79	198
Others *	14	14	12	10
	469	602	4,779	2,180

### \* Foot Notes

(a) Details of Provisions

	Indirect taxes		Divested businesses		Others	
	(Foot note b)		(Foot note c)		(Foot note d)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Opening balance	206	165	218	251	24	29
Provision created during the year	-	41	-	122	2	-
Payments against provision	(7)	-	(20)	-	-	-
Provision written back	(7)	-	(99)	(155)	-	(5)
<b>Closing balance</b>	<b>192</b>	<b>206</b>	<b>99</b>	<b>218</b>	<b>26</b>	<b>24</b>

(b) Provisions relating to indirect taxes are in respect of proceedings of various sales tax, duty of excise, duty of customs 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, Paints Advanced Refinish and Adhesive businesses) and subsidiaries (Quest International India Limited and Polyinks Limited). Outflows in these cases will depend upon settlement of demands/claims.

During the year, basis approvals from the authorities and final agreement with the purchaser, the Company has completed its 2002 divestment of Catalyst Business. Accordingly, the legal ownership of leasehold rights relating to land, building and other assets have been transferred to the purchaser. The adjustment of provisions relating to the divestment of the business has been disclosed as an exceptional item. Based on expert opinion, the Company has considered the original year of business transfer for determination of tax liability.

(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.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.6: Trade payables

	As at 31 March 2016	As at 31 March 2015
Acceptances	244	268
Payable to:		
Micro, small and medium enterprises *	65	50
Others	5,611	4,272
	<b>5,920</b>	<b>4,590</b>
* 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	65	50
(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 of the MSMED Act, 2006	-	-

## Note 3.7: Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Unpaid dividends #	143	138
Statutory liabilities, including withholding taxes, provident fund and sales taxes	404	410
Payable on account of employees	284	222
Advances from customers	29	18
Current portion of security deposits from customers	124	89
Payables for purchase of fixed assets	75	76
Payable on account of forward contracts	241	115
Miscellaneous payables	122	81
	<b>1,422</b>	<b>1,149</b>

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

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.8: Fixed assets

As at 31 March 2016

Particulars	Gross block				Depreciation				Net block
	Book value at cost or revalued amounts as at 31 March 2015	additions during the year	Disposals / adjustments	Book value at cost or revalued amounts as at 31 March 2016	Upto 31 March 2015	Depreciation for the year	In respect of disposals / adjustments	Upto 31 March 2016	As at 31 March 2016
<b>Tangible assets</b>									
Land (Refer to foot note 1 & 4 below)									
- leasehold	142	164	-	306	8	1	-	9	297
- freehold	321	-	-	321	-	-	-	-	321
Buildings (Refer to foot notes 1 and 2 below)	2,535	38	(1)	2,572	584	83	(1)	666	1,906
Plant and machinery -owned	4,016	219	(40)	4,195	1,998	212	(40)	2,170	2,025
Plant and machinery - given under operating lease (Refer to note 5.10)	1,357	102	(28)	1,431	1,063	103	(28)	1,138	293
Motor vehicles	46	5	(3)	48	26	5	(3)	28	20
Furniture and fixtures	531	23	-	554	246	77	-	323	231
Office equipments	135	12	(2)	145	114	10	(2)	122	23
Leasehold improvements	96	-	(17)	79	46	11	(9)	48	31
Data processing equipment	415	24	(117)	322	345	33	(117)	261	61
	<b>9,594</b>	<b>587</b>	<b>(208)</b>	<b>9,973</b>	<b>4,430</b>	<b>535</b>	<b>(200)</b>	<b>4,765</b>	<b>5,208</b>
<b>Capital work-in-progress</b>	119	393	(423)	89					89

### 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 (2014-15: ₹ 0.1 million) on revalued assets charged against revaluation reserve.
- (3) Title in an immovable property, taken over pursuant to the Scheme of Amalgamation is yet to be transferred in the name of the Company.
- (4) During the year, the Company has received the final possession of the land at Mysore from Karnataka Industrial Area Development Board (KIADB) and accordingly has capitalised the same with effect from 30 March 2016. The lease deed in respect of the said land is under finalisation with the authorities.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.8: Fixed assets (contd.)

As at 31 March 2015

	Gross block			Book value at cost or revalued amounts as at 31 March 2015	Depreciation			Net block	
	Book value at cost or revalued amounts as at 31 March 2014	additions during the year	Disposals / adjustments		Upto 31 March 2014	Depreciation for the year	In respect of disposals / adjustments	Upto 31 March 2015	As at 31 March 2015
<b>Tangible assets</b>									
Land (Refer to foot note 1 below)									
- leasehold	142	-	-	142	7	1	-	8	134
- freehold	320	1	-	321	-	-	-	-	321
Buildings (Refer to foot note 1 and 2 below)	2,369	169	(3)	2,535	495	83	6	584	1,951
Plant and machinery -owned	3,810	307	(100)	4,016	1,885	199	(87)	1,998	2,018
Plant and machinery - given under operating lease (Refer to note 5.11)	1,335	62	(40)	1,357	1,000	102	(39)	1,063	294
Motor vehicles	46	3	(3)	46	25	4	(3)	26	20
Furniture and fixtures	436	99	(2)	531	174	77	(4)	246	285
Office equipments	128	10	(5)	135	108	12	(7)	114	21
Leasehold improvements	96	-	-	96	35	11	-	46	50
Data processing equipment	367	49	-	415	295	37	13	345	70
	<b>9,049</b>	<b>700</b>	<b>(153)</b>	<b>9,594</b>	<b>4,024</b>	<b>526</b>	<b>(121)</b>	<b>4,430</b>	<b>5,164</b>
<b>Capital work-in-progress</b>	306	513	(700)	119					119

### 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 (2014-15: ₹ 0.1 million) on revalued assets charged against revaluation reserve.
- (3) Title in certain immovable properties, taken over pursuant to the Scheme of Amalgamation are yet to be transferred in the name of the Company.
- (4) During the year ended 31 March 2015, according to Schedule II of the Companies Act, 2013, the Company based on an internal assessment and independent technical evaluation carried out by external valuer, had reassessed the remaining estimated useful life of fixed assets with effect from 1 April 2014. Accordingly, the useful life of certain assets have been changed from the previous estimates.
- (5) Pursuant to the Companies Act, 2013 ('the Act') being effective from 1 April 2014, during the year ended 31 March 2015, the Company had changed the useful life specified in Part 'C' of Schedule II of the Act. As a result of this change, the depreciation charge for the year ended 31 March 2015 was higher by ₹ 30 million. Further, based on the transitional provision provided in Note 7(b) of Schedule II, an amount of ₹ 32 million (before adjustment of related tax impact of ₹ 11 million) was debited to the opening balance of Retained earnings in respect of the fixed assets where life had expired as per the said Schedule as on 31 March 2014.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.9: Non-current investments

	Number as at 31 March 2016	Number as at 31 March 2015	Face Value ₹ per unit	As at 31 March 2016	As at 31 March 2015
<b>Long-term investments (valued at cost)</b>					268
<b>(i) Trade Investments</b>					
Equity shares - unquoted					
Adyar Property Holding Company Limited	105	105	100		
[Book value ₹ 6,825 (2014-15: ₹ 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 (2014-15: ₹ 19,000)]					
<b>(ii) Other investments</b>					
Equity shares - unquoted					
Kohinoor Mills Limited [Book value ₹ 1,300 (2014-15: ₹ 1,300)]	5	5	100		
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited	144	144	250		
[Book Value ₹ 1 (2014-15: ₹ 1)]					
Woodlands Multispeciality Hospital Limited					
[Book value: ₹ 28,002 (2014-15: ₹ 28,002) ]	10,810	10,810	10		
Debentures - unquoted					
6% Sholapur Spinning & Weaving Co. Limited (in Liquidation)	523	523	100		
[Book Value ₹ 1 (2014-15: ₹ 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
Investment in Fixed Maturity Plans of Mutual Funds - quoted (Foot note-3 & 4)					
TATA FMP Series 47 Scheme C - Direct - Growth	-	10,000,000	10	-	100
DWS FMP Series 62 - Growth (matured and invested during the year)	833,005	-	10	8	-
				408	500

### 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 2016		As at 31 March 2015	
	Aggregate book value	Market Value	Aggregate book value	Market Value
Quoted investments				
- Fixed Maturity Plans of Mutual Funds (Foot note 4)	8	9	100	109
- Others (Foot note 2)	400	604	400	562
	408	613	500	671

Book value of unquoted investments in absolute value: ₹ 55,129 (2014-15: ₹ 55,129)

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

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

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

	As at 31 March 2016	As at 31 March 2015
<b>Considered good</b>		
Capital advances	3	169
Security deposits	126	123
Loans and advances to related parties (Refer note 5.15 of the financial statements)	-	-
MAT credit entitlement	-	-
Income tax	246	192
Indirect tax (Excise, Service tax, VAT receivable)	76	70
Interest accrued on long-term investments (not due) (Non trade)	209	162
Retirement benefit trusts surplus	102	116
Advances to retirement benefit trusts	56	48
Advances to employees (Foot note 1 and 2)	27	29
Advances to customers	367	165
Miscellaneous advances	1	1
	<b>1,213</b>	<b>1,075</b>
<b>Considered doubtful</b>		
Indirect tax (Excise, Service tax, VAT receivable)	8	8
Less: Provision for doubtful advances	(8)	(8)
	<b>1,213</b>	<b>1,075</b>
<b>Foot notes:</b>		
1. Advances to employees include dues from a Key managerial person	1	1

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

## Note 3.11: Other non-current assets (Unsecured, considered good)

	As at 31 March 2016	As at 31 March 2015
Fixed deposits with maturity period of more than 12 months from reporting date (Refer note 3.15 of the financial statements)	5	5
	<b>5</b>	<b>5</b>



# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.12: Current Investments

	Number as at 31 March 2016	Number as at 31 March 2015	Face Value ₹ per unit	As at 31 March 2016	As at 31 March 2015
<b>(i) Long-term investments (at cost) (Quoted) (Foot note 1)</b>					268
<b>(with current maturities fixed maturity plans of mutual funds)</b>					
HDFC Annual Interval Fund Series 1 - Plan A- Direct - Growth	10,000,000	10,000,000	10	100	100
DWS FMP Series 62 - Growth	-	833,005	10	-	8
				100	108
<b>(ii) Other investments (at the lower of cost and fair value)</b>					
<b>Investment in Liquid/Floater Schemes of Mutual Funds - quoted (Foot note 1)</b>					
Axis Liquid Fund - Direct Plan - Growth (CFDG)	3,183	-	1000	5	-
-(invested during the year)					
Kotak Floater Short Term - Direct Plan - Growth	243,083	-	1000	600	-
-(invested during the year)					
Birla Sun Life Cash Plus - Regular - Growth	1,662,604	-	100	450	-
-(invested during the year)					
Birla Sun Life Cash Plus - Direct - Growth	-	2,060,943	100	-	450
-(redeemed during the year)					
Birla Sun Life Cash Plus - Direct - Growth	426,291	715,685	100	100	150
-(redeemed and invested during the year)					
DSP Blackrock Liquidity Fund - direct -Growth	69,443	101,148	1,000	150	200
-(redeemed and invested during the year)					
DSP Blackrock Ultra Short Term Fund - Regular - Growth	23,039,988	-	10	250	-
-(invested during the year)					
ICICI Prudential Ultra Short Term Fund - Direct - Growth	33,389,197	-	100	500	-
-(invested during the year)					
DHFL Pramerica Insta Cash Plus Fund - Direct - Growth	1,685,362	-	100	330	-
-(invested during the year)					
DHFL Pramerica Banking & PSU Debt Fund - Direct Plan - Growth	7,993,605	-	10	100	-
-(invested during the year)					
DWS Money Plus Fund - Direct - Growth	-	7,469,208	10	-	100
-(redeemed during the year)					
HDFC Liquid Fund - Direct Plan - Growth	-	5,439,930	10	-	150
-(redeemed during the year)					
HDFC Floating Rate Fund - Direct - Growth	16,595,927	-	10	400	-
-(invested during the year)					
IDFC Ultra Short Term Fund - Direct - Growth	10,164,061	-	10	200	-
-(invested during the year)					
IDFC Money Manager Fund - Treasury Plan - Growth	3,438,701	6,782,236	10	80	150
-(redeemed and invested during the year)					
Reliance Liquid Fund - Cash Plan - Direct - Growth	-	112,091	1,000	-	250
-(redeemed during the year)					
Religare Invesco Ultra Short Term Fund - Direct - Growth	-	25,902	1,000	-	50
-(redeemed during the year)					

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.12: Current Investments (contd.)

	Number as at 31 March 2016	Number as at 31 March 2015	Face Value ₹ per unit	As at 31 March 2016	As at 31 March 2015
Religare Invesco Ultra Short Term Fund - Direct - Bonus	44,819	44,819	1,000	45	45
SBI Magnum Insta Cash Fund Liquid Floater - Direct - Growth	-	33,717	1,000	-	80
-(redeemed during the year)					
Reliance Liquid Fund - Treasury Plan - Direct - Growth	-	41,292	1,000	-	140
-(redeemed during the year)					
SBI Ultra Short Term Debt Fund - Regular - Growth	205,939	-	1,000	400	-
-(invested during the year)					
Reliance Banking & PSU Debt Fund - Direct - Growth	23,500,658	-	10	250	-
-(invested during the year)					
Sundaram Select Debt ST Asset -Direct - Bonus	4,793,726	4,793,726	10	50	50
Sundaram Flexi Fund ST Plan - Bonus	10,081,961	10,081,961	10	99	99
Taurus Short Term Income Fund - Direct - Growth	-	63,207	1,000	-	150
-(redeemed during the year)					
UTI Liquid Cash Plan - Inst. - Direct - Growth	147,961	96,291	1,000	340	220
-(invested during the year)					
UTI Floating Rate Fund - Direct - Growth	43,906	43,906	1,000	100	100
				4,449	2,384
<b>Investment in Short Term Income Schemes of Mutual Fund - quoted (Foot note 1)</b>					
DWS Premier Bond Fund - Growth	4,445,156	4,445,156	10	100	100
ICICI Prudential Short Term - Regular - Growth	-	7,035,095	10	-	200
-(redeemed during the year)					
IDFC Money Manager Fund - Investment Plan Growth - (Regular plan)	9,277,471	9,277,471	10	200	200
JP Morgan India Active Bond Fund Inst. Growth	-	24,768,170	10	-	250
-(redeemed during the year)					
Religare Bank Debt Fund - Direct Plan Growth	199,945	199,945	1000	202	202
TATA Income Fund Plan A - Appreciation Option - Growth	-	-	10	-	-
-(redeemed during the year)					
				502	952
				5,051	3,444

### Foot notes:

1. Book and market value of investments:

	As at 31 March 2016		As at 31 March 2015	
	Aggregate book value	Market Value	Aggregate book value	Market Value
Quoted investments (Foot note 2)				
-Fixed Maturity Plans of Mutual Funds	100	141	108	129
-Liquid Schemes of Mutual Funds	4,449	4,665	2,384	2,459
-Short Term Income Schemes of Mutual Funds	502	585	952	1,061
	5,051	5,391	3,444	3,649

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

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.13: Inventories

	As at 31 March 2016	As at 31 March 2015
(value at the lower of cost and net realisable value)		
Raw materials (Refer to foot note 1)	1,169	1,178
Work-in-progress	44	106
Stores and spares parts	2	2
Finished products	1,992	1,963
Stock in trade (traded goods) (Refer to foot note 1)	386	398
	<b>3,593</b>	<b>3,647</b>
<b>Foot note :</b>		
1. Includes in-transit inventory:		
Raw materials	23	49
Stock in trade	72	71
2. Finished products are written down on account of net realisable value of ₹ 4 million (previous year ₹ 10 million).		
<b>Additional disclosures regarding inventories</b>		
<b>Work-in-progress</b>		
Titanium Dioxide	2	2
Pigments / Extenders / Tinters	11	21
Resins	11	33
Latex, Monomers	3	4
Others *	17	46
	<b>44</b>	<b>106</b>
<b>Finished products</b>		
Coatings	1,980	1,938
Others*	12	25
	<b>1,992</b>	<b>1,963</b>
<b>Stock in trade (traded goods)</b>		
Coatings	343	363
Others *	43	35
	<b>386</b>	<b>398</b>

\* Others do not include any individual item accounting for 10% or more of total value.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 3.14: Trade receivables

	As at 31 March 2016	As at 31 March 2015
<b>Secured - considered good</b>		
Receivables outstanding over 6 months from the date they became due for payment	1	1
Others	26	11
	27	12
<b>Unsecured</b>		
Receivables outstanding over 6 months from the date they became due for payment		
- considered good	26	7
- considered doubtful	122	114
Less: Provision for doubtful debts	(122)	(114)
	26	7
Other receivables:		
- considered good	3,126	2,765
- considered doubtful	64	35
Less: Provision for doubtful debts	(64)	(35)
	3,126	2,765
Total unsecured debts	3,152	2,772
	3,179	2,784

## Note 3.15: Cash and bank balances

	Short term		Long term	
	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
<b>Cash and cash equivalents</b>				
Balances with banks:				
Current accounts	407	462	-	-
Fixed deposits with original maturity period upto 3 months	-	-	-	-
<b>Other bank balances</b>				
Fixed deposits with maturity period upto 12 months	-	-	-	-
Fixed deposits held as margin money (Refer to foot note 1)	1	1	5	5
Unpaid dividend accounts (Refer to foot note 3)	143	138	-	-
	551	601	5	5
Less: Amount disclosed under other non-current assets (Refer note 3.11 of the financial statements)	-	-	(5)	(5)
	551	601	-	-

### Foot note:

- 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. (refer note 5.15)
- The Company can utilise these balances only towards settlement of unclaimed dividend.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

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

	As at 31 March 2016	As at 31 March 2015
<b>Considered good</b>		
Security deposits	1	9
Amount recoverable from related parties (Refer note 5.15 of the financial statements)	71	36
Advances to suppliers	101	63
Indirect tax (Excise, Service tax, VAT receivable)	238	225
Advances to employees (Foot note 1)	21	29
Advances to customers	182	128
Prepaid expenses	13	16
Other advances	16	10
	<b>643</b>	<b>516</b>
<b>Considered doubtful</b>		
Other advances	12	12
Less: Provision for doubtful advances	(12)	(12)
	<b>643</b>	<b>516</b>

### Foot note:

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

(a) Dues from a director	*	*
(a) Dues from a Key managerial person	**	**

\* include ₹ nil (2014-15: ₹ nil)

\*\* include ₹ 0.1 million (2014-15: ₹ 0.1 m)

## Note 3.17: Other current assets (Unsecured, considered good)

	As at 31 March 2016	As at 31 March 2015
Unamortised premium on forward contracts	2	1
Receivable on account of forward contracts	236	115
Unbilled revenue	11	9
Others	-	11
	<b>249</b>	<b>136</b>

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 4.1: Revenue from operations

	For the year ended 31 March 2016	For the year ended 31 March 2015
Sale of products: (after rebates and discounts)		
Finished goods	25,844	24,048
Traded goods	3,933	3,368
Sale of products (gross)	<b>29,777</b>	27,416
Less: Excise duty	<b>(2,946)</b>	(2,718)
Sale of products (net)	<b>26,831</b>	24,698
Sale of services	<b>308</b>	337
Other operating revenue		
Duty drawback on exports, subsidy, etc.	6	11
Lease rentals	72	72
Commission on sales		
Scrap sales	76	47
Miscellaneous income	108	105
	<b>262</b>	235
	<b>27,401</b>	<b>25,270</b>
<b>Additional disclosures in respect of sale of products and services:</b>		
<b>Break-up of revenue from sale of products</b>		
<b>Manufactured goods</b>		
Coatings	<b>24,917</b>	23,202
Others*	<b>927</b>	846
	<b>25,844</b>	<b>24,048</b>
<b>Traded goods</b>		
Coatings	<b>2,996</b>	3,085
Others*	<b>937</b>	283
	<b>3,933</b>	<b>3,368</b>
<b>Break-up of revenue from services rendered</b>		
Research and development	<b>304</b>	331
Others*	<b>4</b>	6
	<b>308</b>	<b>337</b>

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

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 4.2: Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Accrued interest on long term investments (bonds)	46	43
Gains on redemption of long term investments (fixed maturity plan mutual fund schemes)	86	305
Gains on redemption of other investments (short term liquid mutual fund schemes)	145	226
Forex gain (net of forex loss)	4	-
Interest income on income tax refunds	-	12
Surplus in pension fund written back	-	7
Provision/liabilities no longer required written back	5	30
Profit on disposal of fixed assets (net)	-	25
Miscellaneous*	113	2
	<b>399</b>	<b>650</b>

\* Miscellaneous includes:

Sale of beneficial interest in residential flats ₹ 100 million

Additional compensation received for land acquired by Karnataka Government ₹ 10 million

## Note 4.3: Cost of materials consumed (raw materials)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening stock	1,178	942
Add: Purchases	11,927	12,206
Less: Closing stock	(1,169)	(1,178)
<b>Materials consumed</b>	<b>11,936</b>	<b>11,970</b>
<b>Break-up of raw materials consumed</b>		
Titanium Dioxide	1,639	1,521
Pigments / Extenders / Tinters	1,961	1,801
Resins	2,309	2,550
Latex, Monomers	1,414	1,530
Solvents	1,172	1,376
Packing material	1,122	1,347
Others*	2,319	1,845
	<b>11,936</b>	<b>11,970</b>

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

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 4.4: Purchase of Stock-in-Trade (traded goods)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Coatings	1,845	2,003
Others*	822	216
	<b>2,667</b>	<b>2,219</b>

## Note 4.5: Changes in inventories of finished products, work-in-progress and stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Inventories at the beginning of the year</b>		
Finished products	1,963	1,834
Stock in trade	398	397
Work-in-progress	106	67
	<b>2,467</b>	<b>2,298</b>
<b>Less: Inventories at the end of the year</b>		
Finished products	1,992	1,963
Stock in trade	386	398
Work-in-progress	44	106
	<b>2,422</b>	<b>2,467</b>
Movement in excise duty on finished products	39	43
	<b>84</b>	<b>(126)</b>

## Note 4.6: Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	1,977	1,737
Contributions to provident and other funds	197	170
Other retirement benefits	22	62
Staff welfare expenses	112	89
	<b>2,308</b>	<b>2,058</b>

## Note 4.7: Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense and bank charges	13	15
	<b>13</b>	<b>15</b>



# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 4.8: Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Stores and spare parts consumed	45	29
Repairs and maintenance		
- Plant and machinery	217	212
- Buildings	16	19
- Others	11	14
Power and fuel	174	164
Travelling	401	349
Rates and taxes	195	237
Rent [Refer Note 5.10]	269	269
Communication	-	-
Insurance	61	57
Freight and transport	1,424	1,184
Advertisement and publicity	1,332	1,066
Royalty	855	561
Technical Fees		
Cash discount on sales	891	846
Consultancy charges	425	365
Loss on foreign exchange (net)	-	1
Audit fees		
- Statutory audit	5	5
- Tax audit	1	1
- Limited review for quarterly results	2	2
- Other services	4	4
- Reimbursement of expenses	3	3
Provision for doubtful debts and advances	8	15
(Provision for doubtful debts/ advances no longer required)	(8)	(14)
Corporate Social responsibility [Refer Note 5.12]	35	8
Miscellaneous expenses	991	1,139
	<b>7,357</b>	<b>6,535</b>

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 4.9: Exceptional Items (Income)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Divestment provision no longer required written back [Refer Note 3.5 (c)]	99	27
	99	27

## Note 5.1: Contingent liabilities

	As at 31 March 2016	As at 31 March 2015
(a) Claims against the Company not acknowledged as debts	52	91
(b) Sales tax matters under appeal	222	227
(c) Excise matters in dispute / under appeal	88	88
(d) Industrial relations and other matters under dispute	2	2
(e) Income tax matters in dispute / under appeal *		

\* The Income tax assessments for the Company have been completed up to the financial year ended 31 March 2012. Arising from such assessments and appellate orders, the demands aggregate ₹ 1,300 million (2014-15 : ₹ 1,145 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 2016	As at 31 March 2015
(a) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for.	51	62
(b) Title in a immovable property, taken over pursuant to the Scheme of Amalgamation is yet to be transferred in the name of the Company.		

## Note 5.3: Earnings per share

	As at 31 March 2016	As at 31 March 2015
Number of equity shares at the beginning of the year	46,660,314	46,660,314
Total number of equity shares outstanding at the end of the year	46,660,314	46,660,314
Add: Equity shares issued during the year		
Weighted average number of shares	46,660,314	46,660,314
Net profit after tax available for equity shareholders (₹ million)	2,021	1,863
Earnings per equity share - basic and diluted (in ₹) [Face value of ₹ 10 each]		
Before exceptional item	41.90	39.54
After exceptional item	43.32	39.93

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

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

	Raw materials				Stores and Spare parts			
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
			%	%			%	%
Imported	3,520	3,288	29%	27%	2	4	5%	14%
Indigenous	8,416	8,682	71%	73%	42	25	95%	86%
	<b>11,936</b>	<b>11,970</b>	<b>100%</b>	<b>100%</b>	<b>44</b>	<b>29</b>	<b>100</b>	<b>100</b>

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)

	2015-16	2014-15
Raw materials	4,277	3,365
Capital goods	2	4
Finished goods	45	40

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

	2015-16	2014-15
Consultancy charges	15	6
Travel	32	40
Others (includes IT networking cost, communication expenses, container hire cost, training cost, project cost, etc.)	131	96

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

	2015-16	2014-15
Export of goods (FOB basis)	890	838
Reimbursement of expenses	-	26
Service income	304	331
Others	21	18

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## 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 contracts 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 2016	59	3,406,919	137,579
As at 31 March 2015	18	1,771,262	54,460

- (b) The Company's Foreign currency exposures that are not hedged by derivative instruments as on 31 March, 2016 amount to 886 million (31 March 2015: 852 million)

Particulars	Currency	As at 31 March 2016		As at 31 March 2015	
		Amount in foreign currency	Amount in ₹	Amount in foreign currency	Amount in ₹
Trade receivables	EUR	1,777,413	133,036,696	2,997,043	202,108,079
	LKR	-	-	8,734,535	4,100,721
	USD	3,528,726	233,831,361	1,612,608	100,675,544
Trade payables	AED	61,882	1,166,943	38,553	657,036
	CHF	5,803	404,404	4,704	316,412
	EUR	2,215,328	164,991,224	2,422,855	163,613,820
	GBP	647,125	62,297,612	482,692	44,640,134
	HKD	122,437	1,046,316	122,437	988,136
	LKR	17,008	7,948	-	-
	SGD	244,833	11,989,340	189,429	8,619,908
	USD	4,153,670	277,794,408	5,209,482	325,936,357
	TKR	-	-	9,146	219,537
	SEK	7,510	59,684	-	-
	ZAR	20,026	81,606	96,184	493,760

## 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	2015-16	2014-15
2014-15	3	34,044,039	679	-
2013-14	3	34,044,039	-	2,553

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.10: Operating lease

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

	Total future minimum lease rentals receivable as on 31 March 2016	Total future minimum lease rentals receivable as on 31 March 2015
Within one year	82	81
Later than one year and not later than five years	94	70
Later than five years	-	-
<b>Total</b>	<b>176</b>	<b>151</b>

- (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:

	31 March 2016	31 March 2015
- Lease rentals charged during the year (on a straight line basis)	39	39
- Lease obligations	<b>Total future minimum lease rentals payable as on 31 March 2016</b>	<b>Total future minimum lease rentals payable as on 31 March 2015</b>
Within one year	34	10
Later than one year and not later than five years	91	6
Later than five years	-	-
<b>Total</b>	<b>125</b>	<b>16</b>

## Note 5.11

Managerial remuneration paid by the erstwhile Akzo Nobel Coatings India Private Limited ("AN Coatings"), since amalgamated with the Company 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

As required by Section 135 of the Companies Act. 2013, a corporate social responsibility (CSR) committee has been formed by the Company. The areas for CSR activities include promoting education including vocational training and skills development, ensuring environmental sustainability, promoting road safety, promoting preventive health care and sanitation, contribution to Prime Minister's national relief fund or any other fund set up by the Government for relief and welfare and any other area the Board may find appropriate. Gross amount required to be spent by the Company during the year was ₹ 36 million.

Amount spent during the year:

Purpose	2015-16	2014-15
Promotion of education and skills	23	6
Healthcare and sanitation	3	2
Environmental sustainability	6	1
Promotion of sports	1	-
Administrative expenses	2	-
	<b>35</b>	<b>8</b>

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.13: Employee benefits

	Pension (funded)				Gratuity (funded)		Post Retirement Medical Benefits (unfunded)		Provident Fund (funded)	
	Management Staff		Non-Management Staff		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15						
<b>(A) Employee benefit expense recognised in the Statement of profit and loss</b>										
(a) Current service cost	1	1	2	2	41	40	6	3	-	-
(b) Interest cost	2	2	5	6	27	24	18	17	-	-
(c) Expected return on plan assets	(6)	(5)	(15)	(12)	(17)	(14)	-	-	-	-
(d) Actuarial (gains) / losses	4	(8)	-	(26)	9	30	(3)	41	-	-
(e) Liability extinguishment charge	-	-	-	-	-	-	-	-	-	-
(f) Writeback on account of assets recognition	(0)	-	20	22	-	-	-	-	-	-
<b>Total expense / (gain)<sup>6</sup></b>	<b>1</b>	<b>(10)</b>	<b>12</b>	<b>(8)</b>	<b>60</b>	<b>80</b>	<b>21</b>	<b>61</b>	<b>-</b>	<b>-</b>
<b>(B) Net Asset / (Liability) as at year end</b>										
(a) Present value of obligations as at year end	18	28	65	68	360	330	241	239	5	4
(b) Fair value of plan assets as at year end	70	83	192	187	246	211	-	-	14	6
(c) Fair value of plan assets, limited to present value of future contributions	70	83	91	107	247	211	-	-	14	6
<b>Net Asset / (Liability) (b)-(a)</b>	<b>52</b>	<b>55</b>	<b>127</b>	<b>119</b>	<b>(114)</b>	<b>(119)</b>	<b>(241)</b>	<b>(239)</b>	<b>9</b>	<b>2</b>
<b>Net Asset / (Liability) recognised in Balance Sheet (c)-(a)</b>	<b>52</b>	<b>55</b>	<b>26</b>	<b>39</b>	<b>(113)</b>	<b>(119)</b>	<b>(241)</b>	<b>(239)</b>	<b>-</b>	<b>-</b>
<b>(C) Change in defined benefit obligations during the year</b>										
Present value of obligations at beginning of the year	28	23	69	73	329	266	239	193	5	3
(a) Liabilities assumed in an amalgamation in the nature of purchase	-	-	-	-	-	-	-	-	-	-
(b) Current service cost	1	1	2	2	42	41	6	3	1	1
(c) Interest cost	-	1	6	7	26	23	19	18	-	0
(d) Benefits paid	(18)	(3)	(6)	(9)	(44)	(47)	(19)	(16)	-	-
(e) Actuarial (gains) / losses	6	6	(4)	(4)	7	47	(3)	41	0	1
(f) Liabilities extinguished on settlements	-	-	-	-	-	-	-	-	-	-
<b>Present value of obligations at end of the year</b>	<b>17</b>	<b>28</b>	<b>67</b>	<b>69</b>	<b>360</b>	<b>330</b>	<b>242</b>	<b>239</b>	<b>5</b>	<b>5</b>
<b>(D) Change in fair value of plan assets during the year</b>										
Fair value of plan assets as at beginning of the year	82	69	188	163	210	174	-	-	6	7
Less restriction for net assets in excess of future contributions	(0)	-	(81)	(59)	-	-	-	-	-	-
Fair value of plan assets as at beginning of the year (net)	82	69	107	104	210	174	-	-	6	7
(a) Assets acquired in an amalgamation in the nature of purchase	-	-	-	-	-	-	-	-	-	-
(b) Expected return on plan assets	6	5	14	12	17	14	-	-	-	-
(c) Actual company contributions	-	-	-	-	65	53	19	16	-	-
(d) Benefit payments	(18)	(3)	(6)	(9)	(44)	(47)	(19)	(16)	-	-
(e) Adjustment of defined contribution	(2)	(3)	-	-	-	-	-	-	-	-
(f) Actuarial gains / (losses)	2	15	(5)	22	(2)	17	-	-	8	(1)

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.13: Employee benefits (contd.)

	Pension (funded)				Gratuity (funded)		Post Retirement Medical Benefits (unfunded)		Provident Fund (funded)	
	Management Staff		Non-Management Staff		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
(g) Unrecognised asset taken into account	-	-	(20)	(22)	-	-	-	-	-	-
(h) Benefit payments-settlements	-	-	-	-	-	-	-	-	-	-
Fair value of plan assets (after applying restrictions in excess of future contributions)	70	83	90	107	246	211	-	-	14	6
Restriction for net assets in excess of future contributions	-	-	101	81	-	-	-	-	-	-
Fair value of plan assets at end of the year	70	83	192	187	246	211	-	-	14	6
<b>(E) Category of assets</b>										
Debt securities	99%	99%	100%	100%	61%	61%	-	-	85%	85%
Gilt	0%	0%	0%	0%	4%	4%	-	-	9%	9%
Insurer Managed Funds	1%	1%	0%	0%	33%	33%	-	-	0%	0%
Special deposit	0%	0%	0%	0%	2%	2%	-	-	6%	6%
Total	100%	100%	100%	100%	100%	100%	-	-	100%	100%
<b>(F) Actuarial assumptions</b>										
(a) Discount rate (annual) *	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%
(b) Expected rate of return on assets (per annum)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	-	-	8.50%	8.50%
(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 2015-16 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 and defined benefit obligation:										
									<b>One percentage point increase</b>	<b>One percentage point decrease</b>
Effect on the aggregate of the service cost and interest cost									26	22
Effect on defined benefit obligation as on 31 March 2016									265	220

<sup>s</sup> 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 2016 with a term that matches that of the liabilities

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.13: 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 2016. The net actuarial gain on account of post retirement benefits scheme amounting to 3 million (2014-15: actuarial loss of 41 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 17 million. (2014-15: 3 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 (2014-15: 35 million) has been included in 'Contributions to provident and other funds' in Note 4.6.

### (v) Experience Adjustments

#### Management Staff Pension Fund

	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
1 Defined Benefit Obligation at end of the period	(27)	(23)	(22)	(28)	(18)
2 Plan Assets at end of the period	71	69	69	83	70
3 Funded Status	44	46	47	55	52
4 Experience Gain/(Loss) adjustments on plan liabilities	0	1	(3)	(2)	(5)
5 Experience Gain/(Loss) adjustments on plan assets	0	1	0	14	1
6 Actuarial Gain/(Loss) due to change on assumptions	(1)	(2)	4	(4)	(1)

#### Non-Management Staff Pension Fund

	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
1 Defined Benefit Obligation at end of the period	(78)	(83)	(74)	(68)	(65)
2 Plan Assets at end of the period	148	155	162	187	192
3 Funded Status	70	72	89	119	127
4 Experience Gain/(Loss) adjustments on plan liabilities	6	2	6	10	5
5 Experience Gain/(Loss) adjustments on plan assets	9	1	1	22	(5)
6 Actuarial Gain/(Loss) due to change on assumptions	0	(3)	5	(5)	-

#### Gratuity Fund

	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
1 Defined Benefit Obligation at end of the period	(186)	(265)	(237)	(330)	(360)
2 Plan Assets at end of the period	152	183	174	211	246
3 Funded Status	(34)	(82)	(63)	(119)	(113)
4 Experience Gain/(Loss) adjustments on plan liabilities	13	(12)	9	(0)	21
5 Experience Gain/(Loss) adjustments on plan assets	(2)	7	(3)	17	(2)
6 Actuarial Gain/(Loss) due to change on assumptions	2	(4)	12	(18)	(1)

#### Provident Fund

	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16
1 Defined Benefit Obligation at end of the period	2	2	(3)	(5)	(6)
2 Plan Assets at end of the period	1	3	7	6	14
3 Funded Status	-	1	5	1	9
4 Experience Gain/(Loss) adjustments on plan liabilities	(2)	-	(2)	(1)	-
5 Experience Gain/(Loss) adjustments on plan assets	1	1	4	(1)	8
6 Actuarial Gain/(Loss) due to change on assumptions	-	-	(1)	-	-



# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.14: 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

							(₹ million)
		Coatings		Others		Total	
		2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<b>1. External sales (gross)</b>		27,915	26,287	1,862	1,129	29,777	27,416
	Excise Duty	(2,828)	(2,608)	(118)	(110)	(2,946)	(2,718)
	<b>External sales (net)</b>	25,087	23,679	1,744	1,019	26,831	24,698
	Services and other operating income	467	474	103	98	570	572
	<b>Total Revenue</b>	25,554	24,153	1,847	1,117	27,401	25,270
<b>2. Results</b>							
	Segment results	2,499	2,111	152	129	2,651	2,240
	Unallocated income (net of unallocated expense)					262	498
	Profit from operations before interest, taxation and exceptional items					2,913	2,738
	Interest and bank charges					(13)	(15)
	Profit before exceptional items					2,900	2,723
	Exceptional items					99	27
	Profit before taxation					2,999	2,750
	Income taxes						
	-Current tax (net)					(949)	(857)
	-Provision for earlier years					-	(31)
	-Deferred tax					(29)	1
	Profit after taxation					2,021	1,863
<b>3. Other Information</b>							
<b>a. Assets</b>							
	Segment assets	12,479	12,585	920	713	13,399	13,298
	Investments					5,459	3,944
	Unallocated assets					1,331	749
	<b>Total assets</b>					20,189	17,991
<b>b. Liabilities/ Shareholders' funds</b>							
	Segment Liabilities	6,727	5,772	622	187	7,349	5,959
	Unallocated liabilities					5,550	2,832
	Share Capital including Share capital pending allotment					467	467

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.14: Segment Information (contd.)

(₹ million)						
	Coatings		Others		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Reserves and surplus					6,823	8,733
<b>Total liabilities/ shareholders' funds</b>					<b>20,189</b>	<b>17,991</b>
<b>c. Others</b>						
Capital expenditure	532	480	19	31	551	511
Unallocated capital expenditure					6	1
Depreciation	486	475	24	21	510	496
Unallocated depreciation					25	30

### (B) Information about secondary segment (by geographical segment) (₹ million)

(₹ million)						
	India		Outside India		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Revenue	26,184	24,411	1,217	859	27,401	25,270
Carrying amount of segment assets *	19,822	17,684	367	307	20,189	17,991
Capital expenditure	557	512	-	-	557	512

\* 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.

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.15: Related Party Disclosures

### 1. (a) List of related parties where control exists:

- Imperial Chemical Industries Limited, England (Related party having significant influence over the Company)
- Akzo Nobel N.V., Netherlands (Ultimate Holding Company)

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

<b>Fellow subsidiaries:</b>	
Akzo Nobel Coatings A.E.	Akzo Nobel Paints Singapore Pte Ltd
Akzo Nobel Car Refinishes Indonesia	Akzo Nobel Projects & Engineering B.V.
Akzo Nobel Chemicals (Boxing) Co. Ltd	Akzo Nobel Packaging Coatings S.A.
Akzo Nobel Chemicals (Ningbo) Co. Ltd	Akzo Nobel Paints (Asia Pacific) Pte Ltd
Akzo Nobel Decorative Coatings B.V.	Akzo Nobel Paints (Malaysia) Sdn. Bhd.
Akzo Nobel Functional Chemicals B.V.	Akzo Nobel Paints (Thailand) Ltd
Akzo Nobel Functional Chemicals LLC	Akzo Nobel Paints Lanka (Pvt) Ltd
Akzo Nobel Industrial Coatings	Akzo Nobel Paints Taiwan Limited
Akzo Nobel Industrial Coating Korea Co Ltd	Akzo Nobel Paints Vietnam Ltd
Akzo Nobel Industrial Paints SL	Akzo Nobel Polymer Chemicals LLC
Akzo Nobel Middle East FZE	Akzo Nobel Powder Coatings (Ningbo) Co. Ltd
Akzo Nobel Netherland BV	Akzo Nobel Powder Coatings B.V.
Akzo Nobel Pakistan Limited	Akzo Nobel Powder Coatings Korea Co. Ltd
Akzo Nobel Performance Coatings (Shanghai) Co. Ltd	Akzo Nobel (Pty) Limited
Akzo Nobel Powder Coatings (Vietnam) Co. Ltd	Akzo Nobel Surface Chemistry AB
Akzo Nobel Powder Coatings FZE	Akzo Nobel Surface Chemistry LLC
Akzo Nobel Powder Coatings GmbH	Akzo Nobel UAE Paints L.L.C.
Akzo Nobel Pulp and Performance Chemicals AB	ICI Dulux (Pty) Limited
Akzo Nobel Surface Chemistry Pte. Ltd	ICI India Research & Technology Centre
Akzo Nobel Swire Paints (Shanghai) Ltd	International Paint - Vietnam
Akzo Nobel (Shanghai) Co. Ltd	International Paint Japan K.K.
Akzo Nobel Boya Sanayi ve Ticaret A.S.	International Paint Limited
Akzo Nobel Car Refinishes (Singapore) Pte Ltd	International Farbenwerke GmbH
Akzo Nobel Car Refinishes B.V.	International Maling A/S
Akzo Nobel Car Refinishes SL	International Paint (Akzo Nobel Chile) Ltda
Akzo Nobel Chang Cheng Coatings (Guangdong) Co. Ltd	International Paint (Hong Kong) Limited
Akzo Nobel Chemicals AG	International Paint (Korea) Ltd
Akzo Nobel Chemicals International B.V.	International Paint (Nederland) B.V.
Akzo Nobel Coatings (Dongguan) Co. Ltd	International Paint (Panama) Inc.
Akzo Nobel Coatings (Jiaying) Co. Ltd	International Paint (Taiwan) Ltd
Akzo Nobel Packaging Coatings GmbH	International Paint LLC
Akzo Nobel Coatings Inc.	International Paint of Shanghai Co Ltd
Akzo Nobel Coatings International B.V.	International Paint Pazarlama Limited Sirketi
Akzo Nobel Coatings Ltd	International Paint Singapore Pte Ltd

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.15: Related Party Disclosures (contd.)

Akzo Nobel Coatings S.P.A.	International Peinture S.A.
Akzo Nobel Cross-Linking Peroxides (Ningbo) Co. Ltd	IP Singapore Pte -Vietnam
Akzo Nobel Ltda	Keum Jung Akzo Nobel Peroxides Ltd
Akzo Nobel Packaging Coatings Limited	PT ICI Paints Indonesia
AkzoNobel Powder Coatings	PT International Paint Indonesia
AkzoNobel Saudi Arabia Ltd.	Schramm SSCP Hanoi Company Ltd
International Paint (East Russia) Ltd	Tianjin Akzo Nobel Peroxides Co. Ltd
International Paint Turkey	PT Akzo Nobel Car Refinishes Indonesia

### Key managerial persons

Mr. Nihal Kaviratne CBE - Chairman

Mr. Jayakumar Krishnaswamy - Managing Director

Mr. Himanshu Agarwal - Wholetime Director and CFO (upto 18 August 2015)

Mr. Pradip Menon - Wholetime Director and CFO (from 1 February 2016)

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

	(₹ million)			
	Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Managerial Persons
	2015-16 2014-15	2015-16 2014-15	2015-16 2014-15	2015-16 2014-15
<b>a) Transactions during the year</b>				
Purchase of materials / finished goods	-	-	1,872	-
	-	-	1,538	-
Sale of finished goods	-	-	339	-
	-	-	166	-
Purchase of fixed assets	-	-	-	-
	-	-	23	-
Expenses incurred and recoverable from other Companies ( Income)	84	3	198	-
	28	10	147	-
Expenses payable to other companies	90	-	166	-
	57	1	29	-
Royalty	-	-	723	-
	-	-	534	-
Dividend paid	-	459	220	-
	-	1,723	830	-
Services provided (Income)	-	-	314	-
	-	-	415	-
Services received (expenses)	-	-	197	-

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.15: Related Party Disclosures (contd.)

	(₹ million)			
	Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Managerial Persons
	2015-16	2015-16	2015-16	2015-16
	2014-15	2014-15	2014-15	2014-15
Managerial remuneration *	-	-	270	-
	-	-	-	33
Guarantee issued on behalf of the Company for credit facilities from banks	500	-	-	-
	500	-	-	-
<b>Balances as at the end of the year</b>				
Dues to related parties	69	34	955	-
	11	33	467	-
Dues from related parties	8	-	231	-
	10	9	304	-

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.

	2015-16	2014-15
<b>b) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the respective year:</b>		
<b>Purchase of Goods</b>		
PT Akzo Nobel Car Refinishes Indonesia	288	344
Akzo Nobel Surface Chemistry AB	276	63
Akzo Nobel Surface Chemistry LLC	223	23
Others	1,085	1,108
	1,872	1,538
<b>Sales of finished products</b>		
International Paint Singapore Pte Ltd	70	10
Akzo Nobel Paints Vietnam Ltd	44	10
Akzo Nobel Polymer Chemicals B.V.	-	27
PT ICI Paints Indonesia	100	51
Akzo Nobel Paints (Malaysia) Sdn. Bhd.	61	17
Others	64	51
	339	166
<b>Purchase of Fixed Assets</b>		
Akzo Nobel Coatings S.P.A.	-	3
Akzo Nobel Automotive and Aerospace Coatings Mexico S.S.de.C.V	-	20
	-	23
<b>Expenses incurred and recoverable from other companies</b>		
Akzo Nobel Lanka (Pvt.) Limited	15	27
Akzo Nobel Surface Chemistry AB	29	26

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.15: Related Party Disclosures (contd.)

	2015-16	2014-15
Akzo Nobel N.V. Netherlands	84	28
Akzo Nobel Decorative Coatings B.V.	37	41
Akzo Nobel Car Refinishes B.V.	74	6
International Paint Limited	14	23
Others	32	34
	<b>285</b>	<b>185</b>
<b>Expenses payable to other companies</b>		
Akzo Nobel N.V. Netherlands	90	57
Akzonobel Powder Coating B.V.	3	9
Akzo Nobel Functional Chemicals B.V.	30	7
Akzo Nobel Car Refinishes B.V.	69	2
Others	64	12
	<b>256</b>	<b>87</b>
<b>Royalty</b>		
Akzo Nobel Coatings International B.V.	698	509
Others	25	25
	<b>723</b>	<b>534</b>
<b>Dividend paid</b>		
Imperial Chemical Industries Limited, England	459	1,723
Akzo Nobel Coatings International B.V.	172	647
Others	48	183
	<b>679</b>	<b>2,553</b>
<b>Rendering of service (income)</b>		
Akzo Nobel Car Refinishes B.V.	231	331
Akzo Nobel Functional Chemicals B.V.	14	44
Other	69	40
	<b>314</b>	<b>415</b>
<b>Receiving of service (expenses)</b>		
Akzo Nobel Car Refinishes B.V.	69	21
Akzo Nobel Decorative Coating BV	70	153
ICI India Research & Technology Centre	36	69
Others	22	27
	<b>197</b>	<b>270</b>
<b>Managerial remuneration</b>		
Mr. N Kaviratne CBE	1	1
Mr. K Jayakumar	22	19
Mr. H Agarwal	4	14
Mr. P Menon	6	-
	<b>33</b>	<b>34</b>
<b>Dues to related parties</b>		
Akzo Nobel Coatings International B.V.	1	78
Akzo Nobel Surface Chemistry AB	176	26
Akzo Nobel Surface Chemistry LLC	158	10

# Notes

to Financial Statements for the year ended 31 March 2016

(Amounts in Rupees million, unless stated otherwise)

## Note 5.15: Related Party Disclosures (contd.)

	2015-16	2014-15
Akzo Nobel Chemicals AG	21	62
PT Akzo Nobel Car Refinishes Indonesia	94	53
Others	608	282
	<b>1,058</b>	<b>511</b>
<b>Dues from related parties</b>		
Akzo Nobel Car Refinishes B.V.	72	167
Akzo Nobel Decorative Coatings B.V.	46	17
PT ICI Paints Indonesia	13	41
Others	108	98
	<b>239</b>	<b>323</b>

## Note 5.16

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under section 92-92F of The Income Tax Act, 1961. Since the law requires such information and documentation contemporaneous in nature, the company is in process of updating the documentation of international transactions with the associated enterprise during the financial year and expects such records to be in existence latest by the due date of filing the return of income. The management is of the opinion that its international transactions are at arms length so that aforesaid legislation will not have any material impact on the financial statements, particulars on the amount of tax expense and that of provision for taxation.

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

As per our report of even date attached.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration No. 116231W / W-100024

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

**Rakesh Dewan**

Partner

Membership No. 092212

**Nihal Kaviratne CBE**

Chairman

DIN 00032473

**R Gopalakrishnan**

Director

DIN 00027858

**Jayakumar Krishnaswamy**

Managing Director

DIN 02099219

**Pradip Menon**

Wholetime Director and CFO

DIN 07417530

**R Guha**

Company Secretary

Gurgaon

13 May 2016

Gurgaon

13 May 2016

# Notice of Annual General Meeting

Notice is hereby given that the 62<sup>nd</sup> Annual General Meeting of the Members of Akzo Nobel India Limited will be held on Tuesday, 26 July 2016 at 1400 hours at Hotel Hyatt Regency, JA-1, Sector III, Salt Lake City, Kolkata-700098, to transact the following business:

## Ordinary Business

1. To consider and adopt the audited financial statements for the year ended 31 March 2016 and the Reports of the Directors and Auditors thereon.
2. To declare a Dividend on equity shares for the year ended 31 March 2016.
3. To appoint a Director in place of Mr Arabinda Ghosh 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 Arabinda Ghosh (DIN 07194797) be and is hereby re-appointed a Director of the Company.”

## Special Business

4. To appoint Auditors for the year 2016-17 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 M/s Price Waterhouse Chartered Accountants LLP, (ICAI FRN 012754N/ N500016), be and are hereby appointed as 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
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.”

5. To approve the appointment of Mr Pradip Kumar Menon as a Wholetime Director of the Company and fix his remuneration:

The Board, vide its resolution dated 29 January 2016, has appointed Mr Pradip Kumar Menon as a Wholetime Director of the Company for a period of five years with effect from 1 February 2016, 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 Pradip Kumar Menon'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 Pradip Kumar Menon (DIN 07417530) as a Wholetime Director of the Company, 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 01 February 2016 and payment of such remuneration to Mr Pradip Kumar Menon during the tenure of his appointment as set out in the agreement dated 01 February 2016 entered into between him and the Company, a copy of which was placed before the Meeting.”

6. 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 2016-17 by the Board of Directors, be and is hereby ratified.”

Gurgaon  
13 May 2016

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 21 July 2016 to 26 July 2016 both days inclusive.
- iii) Dividend, if approved at the Meeting, will be paid on or around 8 August 2016 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 20 July 2016 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 20 July 2016.
- 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](http://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 encashed the dividend warrants so far, for the financial year ended 31st March 2009 or any subsequent financial years, are requested to send un-encashed 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 2016. All unclaimed dividends in respect of Financial Year 2008-09 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.

### **Brief profile of Directors to be appointed/ re-appointed and explanatory statement pursuant to Section 102 of the Companies Act, 2013**

#### **Item No. 3**

##### **Mr Arabinda Ghosh**

Mr. Arabinda Ghosh is a non executive Director since May 2015. He was appointed in the casual vacancy caused by the resignation of Mr Rob Molenaar, who was appointed as a Director at the AGM held on 11 August 2014. In terms of section 152 of the Act, Mr Ghosh will retire by rotation at this AGM and is eligible for re-appointment.

Mr Ghosh is a member of the Audit, and Nomination & Remuneration Committees of the Board. He does not hold any shares in the Company.

Apart from Akzo Nobel India Limited, Mr AB Ghosh is not a member in the Board of any other company.

Mr Arabinda Ghosh is currently the Managing Director of AkzoNobel Surface Chemistry business. He brings considerable experience with him from his current role and also previous roles in Finance and General Management in the global business units of Powder

Coatings, Automotive and Aerospace Coatings, Marine & Protective Coatings and Metal Coatings Divisions.

Mr Ghosh was born in New Delhi, India in 1962, and had spent his youth in Thailand after which he moved to the UK to complete his schooling. Mr Ghosh qualified as a Chartered Accountant while working at Deloitte in Bristol, UK.

The Board recommends the resolution. Except Mr Arabinda Ghosh, no other Director has any interest or concern in this resolution.

## Special Business

### Item No. 4

#### Appointment of Statutory Auditors

M/s BSR & Associates LLP, Chartered Accountants, the retiring Auditors have advised that they will not be offering themselves for re-appointment at the forthcoming Annual General Meeting. Their present appointment, approved by the shareholders at the Annual General Meeting held on 14 August 2015 will be valid upto the forthcoming AGM to be held on 26 July 2016.

In light of the above, the Company evaluated the options available to replace the Auditors and have shortlisted M/s Price WaterHouse Chartered Accountants ('PW') to be considered for appointment as the Auditors of the Company at the forthcoming AGM. PW have conveyed their eligibility and consent to be appointed as the Auditors of the Company in terms of section 139 of the Companies Act 2013 at such remuneration as specified in the resolution.

The Board recommends the resolution. None of the Directors has any interest or concern in this resolution.

### Item No. 5

#### Appointment of Mr Pradip Kumar Menon as Wholetime Director

Born in 1968, Mr Pradip Kumar Menon ('Mr Pradip Menon/ Mr Menon') is a Chartered Accountant and a Cost & Management Accountant by qualification, with over 23 years of excellent track record and diverse experience in Finance across geographies within and outside India.

He was most recently the Vice President Finance, Global Procurement of Unilever and a member of Global Procurement Leadership team based out of Switzerland before which he was the CFO for the Unilever Gulf business during 2009-2012. He has also worked in Singapore as the Unilever Regional lead for the Sarbanes Oxley implementation across Asia and Africa as well as setting up the first Information Management office for Unilever in Bangalore. He joined Hindustan Unilever as a Management Trainee in 1992 and has moved across various roles in finance function before his expatriation.

The remuneration and other terms relating to Mr Menon's appointment as a Wholetime Director of the Company are contained in the agreement dated 1 February 2016 between Mr Menon and the Company (the 'Agreement'). The key terms of Mr Menon's appointment are set out below:

#### 1. Term

Five years with effect from 1 February 2016, subject to the rules of the Company.

#### 2. Emoluments

Mr Pradip Menon shall be entitled to receive from the Company the following remuneration, subject to the overall limits specified herein and as laid down in

sections 197 and 198 of the Companies Act, 2013 (the "Act"):

#### a) Base Salary

Basic Salary: ₹ 432,000 per month

Allowances including Leave Travel Allowance: ₹ 216,000 per month

#### Sign-on Bonus

Mr Pradip Menon will be a paid once off lump sum amount of ₹ 4,000,000 within first month of his joining the Company, which shall be recoverable in full in the event of his leaving the services of the company within two years.

#### 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 net profit of the Company for that year, computed in the manner laid down in section 198 of 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: Provision of 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 Pradip Menon will become a member of the Alkali & Chemical Corporation of India Provident Fund with the Company's contribution not exceeding the limit permissible under law (currently 12% of the salary).
- b) Mr Pradip Menon will be entitled to pension benefits in accordance with the Pension Fund Rules applicable to the Company's Management Staff under the Defined Contribution Scheme. The Company's contribution will be 15% of his Basic Salary.
- Provided however that the contributions to the Pension Fund shall not, together with the Company's contribution to the Provident Fund, exceed the maximum limit permissible under law.
- c) Mr Pradip Menon will be entitled to Gratuity in accordance with the Gratuity Fund Rules applicable to the Company's Management Staff not exceeding half a month's salary for each completed year of service.
- iv) **Club Fees:** Fees of a maximum of one club.
- v) **Leave:** Leave on full pay and allowances, as per rules of the Company, but not exceeding 22 days leave for every 12 months of service.
- vi) **Encashment of Leave:** 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 Pradip Menon 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.
- The aforesaid remuneration shall be subject to the limit of ₹ 1.2 million per month plus perquisites and Commission/ Annual Bonus/ Deferred Performance Pay, which taken together shall not exceed 250% of the aforesaid limit, as specified in the resolution approved by the shareholders at the Annual General Meeting held on 22 July 2011.
- For the purpose of calculating the ceiling as above, encashment of leave at the end of tenure, expenses on account of car and telephone for official duties, Company's contribution to Retiral Benefit Funds to the extent not taxable under the Income Tax Act, shall not be taken into account.
- 3.** The Board while approving any change in the remuneration of Mr Pradip Menon 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.
- 4. Minimum Remuneration**
- In the event of absence or inadequacy of profit of the Company in any financial year, Mr Pradip Menon will be entitled to receive such minimum remuneration as is permissible under the provisions of the Act.
- 5. 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 Pradip Menon.
- 6. Duties and Obligations**
- The Agreement also sets out the duties and obligations of Mr Pradip Menon.
- 7. Sitting Fees**
- Mr Pradip Menon will not be entitled to receive Sitting Fees from the Company for attending Meetings of the Board of Directors or any Committee thereof.
- 8. Approval of the Company in General Meeting**
- Mr Pradip Menon's appointment as a Wholetime Director and the remuneration payable to him, as aforesaid, is subject to the approval of the Members in General Meeting and to the extent any of the

provisions herein are inconsistent with or contrary to the terms of such approval, the latter shall prevail.

If and when this Agreement expires or is terminated for any reason whatsoever, Mr Menon will cease to be the Wholetime Director and also cease to be Director of the Company. If at any time, Mr Menon 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 Menon 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 Pradip Kumar Menon as a Wholetime Director and the remuneration payable to him as aforesaid are required to be approved by the shareholders at this Annual General Meeting in terms of sections 196 and 197 of the Act. This resolution is intended for the purpose.

The terms of Mr Pradip Menon's appointment are more fully set out in the said Agreement dated 1 February 2016, 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 Pradip Kumar Menon, no other Director has any interest or concern in the resolution.

#### **Item No. 6**

##### **Payment of Remuneration to Cost Auditors**

The Board, at its meeting held on 13 May 2016, 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 section 148 of the Companies Act 2013 and fixed a sum of ₹ 0.75 million as remuneration payable, for the financial year 2016-17.

The remuneration, as recommended above 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 ordinary resolution for ratification by the shareholders of the Company. None of the Director has any concern or interest in the resolution.





**Design**

WyattPrism Communications  
([www.wyatt.co.in](http://www.wyatt.co.in))

**Printing**

United Advertising & Marketing Services  
([www.unitedadvertising.in](http://www.unitedadvertising.in))

## Corporate Office

DLF Epitome  
Building No. 5, Tower A, 20th Floor  
Cyber City, DLF Phase III  
Gurgaon 122 002, India

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[www.akzonobel.co.in](http://www.akzonobel.co.in)

AkzoNobel creates everyday essentials to make people's lives more liveable and inspiring. As a leading global paints and coatings company and a major producer of specialty chemicals, we supply essential ingredients, essential protection and essential colour to industries and consumers worldwide. Backed by a pioneering heritage, our innovative products and sustainable technologies are designed to meet the growing demands of our fast-changing planet, while making life easier. Consistently ranked as a leader in sustainability, we are dedicated to energising cities and communities while creating a protected, colourful world where life is improved by what we do.

AkzoNobel India has been present in India for over 60 years and is a significant player in the paints industry. In 2008, the company became a member of the AkzoNobel Group. Our portfolio includes well-known brands such as Dulux, Sikkens, International and Interpon. With employee strength of close to 1,900, AkzoNobel India has manufacturing sites, offices and a distribution network spread across the country. All manufacturing facilities have a state-of-the-art environmental management system. Its commitment to Health, Safety, Environment & Security (HSE&S) has been among the best in class globally, with due care being taken to protect the people and the environment.

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