Akzo Nobel India Limited

AkzoNobel

17 August 2018

The Secretary
Bombay Stock Exchange Ltd.
Market Operations Department
1st floor, New Trading Ring
Rotunda Building, P J Towers
Dalal Street, Fort
Mumbai - 400 001

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, 5th floor
Plot No C/1, G Block,
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400051

Dear Sirs,

Submission of Annual Report as per Regulation 34
Of the (Listing Obligations and Disclosure Requirements) Regulations, 2015

Enclosed please find e-copy of Annual Report for the year 2017-18 containing:

a) Audited financial statements i.e. balance sheets, profit and loss accounts, etc;
b) Consolidated financial statements audited by statutory auditors;
c) Cash flow statement presented only under the indirect method as prescribed in accounting standard, as applicable, specified in Section 133 of Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, as applicable;
d) Directors Report;
e) Management Discussion and Analysis Report;
f) Business responsibility report describing the initiatives taken by the Company from an environmental, social and governance perspective;
g) Such other disclosures specified in Companies Act, 2013 along with other requirements as specified in schedule V of these regulations.

Yours faithfully
For Akzo Nobel India Limited

R Guha
Company Secretary

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

T +91 124 254 0400
F +91 124 254 0849
www.akzonobel.co.in

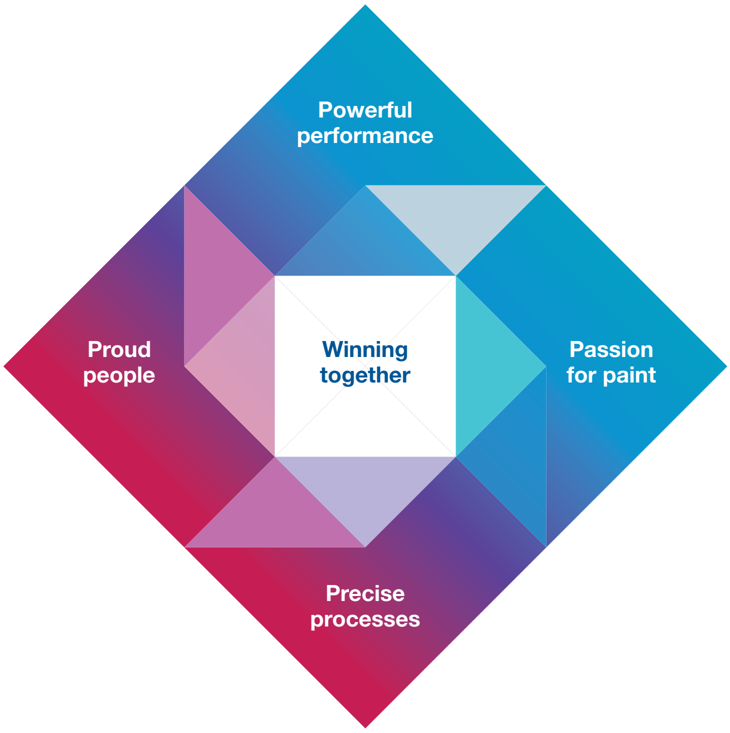



Akzo Nobel India Limited

17 Annual Report 18

Mission 2020

Pillars of Success



Passion for paint

We are reigniting our passion for making and selling paint. The pride we take in the products and services we deliver and our deep understanding of customer needs will help us stay ahead of the competition – establishing us as the number one choice. Putting a world class Integrated Supply Chain organization in place will drive improvements in quality, service and efficiency as we continue to anticipate current and future needs. This will be supported by relevant, focused innovation to ensure everyone benefits from our products and services.`

Precise processes

Integrated Business Planning will be the way we operate. We will get the waste out of our key end-to-end processes – including smooth hand-offs with our Global Business Services (GBS) organization – to ensure we rigorously execute simple and standardized processes. We will leverage a single Enterprise Resource Planning (ERP) and systems platform and use reliable, real-time information for decision-making.

Proud people

We believe in fostering a trusted workforce with the right values and a winning mindset. We intend to accelerate opportunities for the ample talent we have around the world. We are building a single, strong and diverse team for a focused, high performing Paints and Coatings company. One which takes pride in living our core principles and being the best at making and selling paint in our chosen segments.

Powerful performance

We are adopting a laser sharp focus to achieve 15% return on sales by 2020. A high performance culture will accelerate our pace of improvement. We will remain focused on margin improvement and will always look to deliver more by consuming less. We will combine our commitment to lowering fixed costs – building on our track record of continuous improvement – with frugal procurement.

Inside the Report

Overview

02	Chairman's Communique
04	Managing Director's Statement
06	Board of Directors
10	Akzo Nobel India at a Glance
12	Performance Highlights
13	Recent Years at a Glance
14	Company Information

Statutory Reports

16	Directors' report
	Annexures to the Directors' report
27	- Report on Corporate Governance
36	- Business Responsibility report
41	- Corporate Social Responsibility report
46	- Extract of Annual Return
56	Secretarial Audit report

Financial Statements

	Standalone Financial Statements
58	Independent Auditors' report
64	Financial Statements
	Consolidated Financial Statements
122	Independent Auditors' report
126	Financial Statements

181	Notice of Annual General Meeting
Appended	Attendance Slip, Proxy Form and E-Voting Particulars

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

Scan QR code to visit our website

Dulux Visualizer App

Scan QR code to download the App

For iOS

For Android

Chairman's Communique

When I look back and reflect on last year, I realise that a number of changes were experienced by your company both internally and externally. I would like to begin by thanking Mr Nihal Kaviratne CBE, your outgoing Chairman, for his immense contribution, in particular his leadership in guiding your Company through the merger of different AkzoNobel verticals in 2012 to make it an integrated coating solutions provider with unique advantages. He has also been instrumental in helping harness the power of 'One AkzoNobel' in India which proved its mettle in taking forward our mission to create everyday essentials for our customers.

India's economy has a lot going for it over medium and long-term. The country's GDP growth showed sign of improvement since mid - 2017, with the impetus carrying over into 2018. India is expected to witness its GDP grow at over 7% in 2018-19.

With the economy poised to grow, consumer spending is expected to get a huge boost, resulting inter alia in higher demand for paints. India's young population represents a huge opportunity as more and more young Indians join the workforce and will have disposable income available. The trend toward nuclear family augurs well for the paint industry.

The Government's increased emphasis on infrastructure development through a number of programmes has been widely welcomed. Infrastructure spends have a multiplier effect, enabling pan-industry growth, while contributing to an improved quality of life.

The per capita paint consumption in India of about 4 kgs is still very low and as more development takes place in the country, this figure is anticipated to increase.

In FY 17-18, the industry grew at a moderate rate. However, due to the demonetization and GST rollout, pace of growth was impacted in both paints and coatings markets in the early part of the year. Growth picked up pace during the second half of the year, owing to a good monsoon and a positive investment climate in the country. Consumer demand also picked up, signalling stabilization of the economy.

On the flip side, crude oil as well as commodity prices have been rising since last year. Higher oil prices mean higher inflation. It also means higher input costs for paints and coatings companies.

I believe that the medium term prospects in India are favourable and that the structural reform process will continue over the next few years, with policy reforms to come in sectors like infrastructure and power. These reforms would provide great impetus to the economy as well as to the paint industry.

Last year, your company's specialty chemicals business was sold to an affiliate of AkzoNobel Group for ₹320 crore with your overwhelming support. I would personally like to thank all of you for your continued trust in the company. We have always believed in sharing wealth with all of you in a transparent manner, and this time is no different: a share buyback programme has been launched and a dividend of ₹22 per share has been recommended.

The creation of a single Paints & Coatings company with the sale of the Specialty Chemicals has been helping us build a laser-sharp focus in order to become an agile as well as a stronger company, at the leading edge of innovation, designed to delight

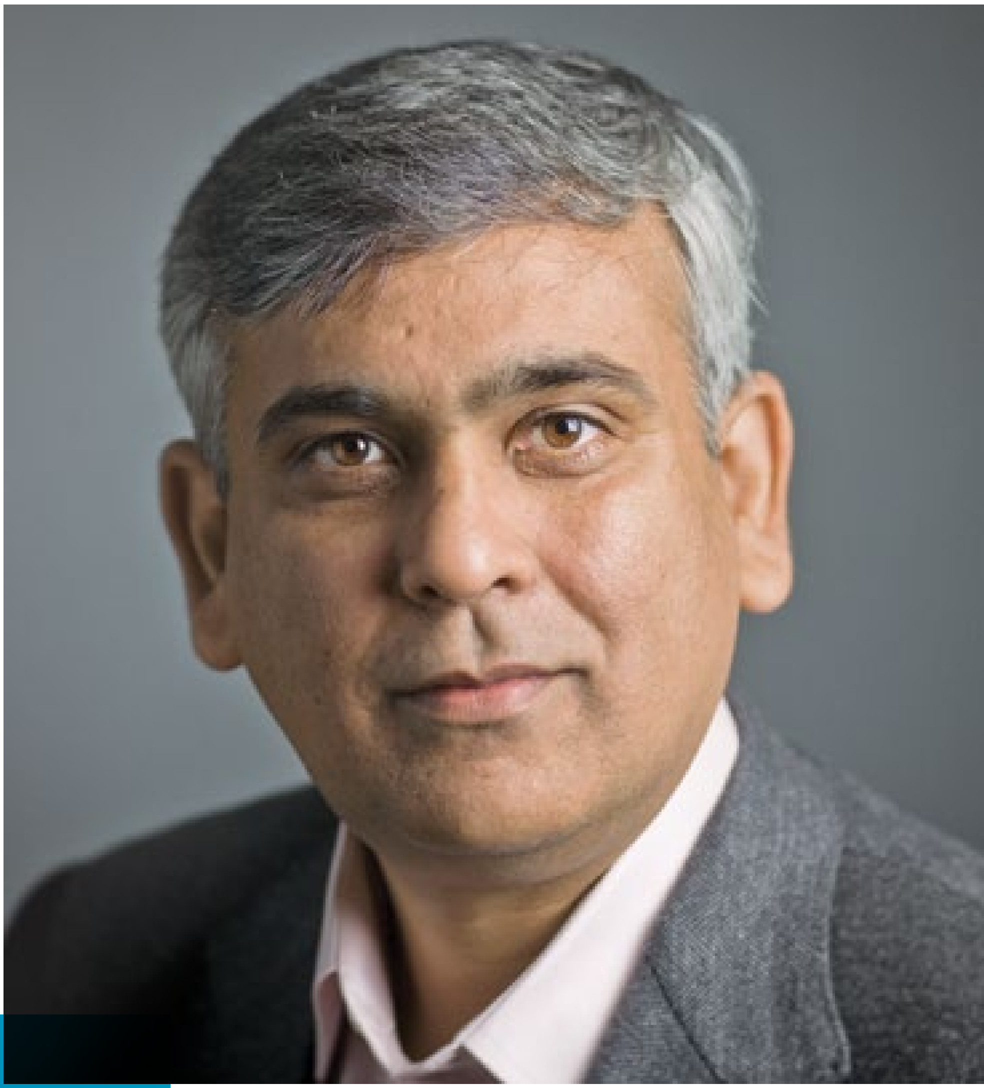
"The creation of a single Paints & Coatings company with the sale of the Specialty Chemicals has been helping us build a **laser-sharp focus** in order to become an agile as well as a stronger company, at the leading edge of innovation, designed to delight customers."

customers. Our go-to market strategy is crystal clear now: our 2020 financial promise is to realize a Return on Sales of 15% and a Return on Investments of >25%. And we can only achieve this by working together as one AkzoNobel.

I would also take this opportunity to welcome Mr Jeremy Rowe, who has been appointed to the Board of your company on April 06, 2018. He is currently the Managing Director AkzoNobel Paints, South East & South Asia, Middle East (SESAME) and has been with AkzoNobel since 2009. Mr Rowe is also a board member of several AkzoNobel Group companies in the Asia Pacific Region.

The year that has gone by has been a period of transformation. I warmly acknowledge the trust reposed on us by each one of our valued shareholders through our journey.

Amit Jain
Chairman



Managing Director's Statement

"**Our agility and passion for performance** has worked well for us and I am confident that the team will achieve the ambitious goals that we have set for ourselves."

Performance

Last year (2017-18) has been a landmark year in the history of our company. It marked the completion of the separation of Specialty Chemicals and as a result, the birth of Paints & Coatings as a single company. This puts back focus on our core capabilities – making and selling paint and striving for the best efficiency and performance in what we do.

In spite of unprecedented changes throughout 2017, we continued to deliver for our customers, develop new and exciting products, grow the business and increase our operational efficiency. After a dip due to GST introduction in early part of the year, demand for Coatings gradually bounced back even though, high raw material costs continued to impact margins. This reflected in our results - with the company growing its revenue by 5% over 2016-17, though PBT growth was impacted by cost pressures.

In order to strengthen our leading position in powder coatings, we have commissioned a new plant in Thane. This ₹650 million facility complements our existing plant capacity in Bangalore, adding new product lines in bonded metallic and functional powder coatings.

Our strategic focus on driving innovation to support organic growth and profitability gathered momentum. We forayed into the waterproofing category with Dulux Aquatech; introduced Dulux Velvet Touch Colour Motion, a first of its kind signature wall finish that reveals subtle shades each time you view the wall from a different angle; and launched Dulux Platinum Glo, a premium quality, subtle-sheen, environment-friendly washable emulsion paint. Last year, we added tinting machines to more than 2,000 new outlets and are able to reach out to over 15,000 sales outlets. In addition, we successfully launched ColourFutures™ 2018 announcing 'Heart Wood' as the Colour of the Year.

We continued our journey with regard to digital innovation – because meeting customer needs is at the heart of whatever we do.

- Dulux launched digital shade card which gives an almost life-like experience of selecting colours.
- The Protective Coatings business launched 'Select' application to streamline the sales process.
- Intertrac®Vision is the shipping industry's first enhanced consultancy tool that provides ship operators with predictions of potential fuel and CO_2 emission savings.
- ColorMix, a mobile application that helps our customers to get the color formulations online as well as offline for point of sale tinting solutions. In addition, this application also gives the pricing information of the color variants that are sold through retail channel.
- MixIt Cloud has been introduced for our vehicle refinishes customers for color related information for all Sikkens and Lesonal range of products, which work seamlessly online.

Where are we headed

There have only been a few moments in the rich past of this company where the course and focus of the entire company has so drastically changed.

Moving forward, we will be measuring our performance by a clear company-wide target: 15% Return on Sales (ROS) and >25% Return on Investment (ROI) by the year 2020.

In order to meet our 2020 goals, we are making changes to the way we operate and work together to deliver the targets, in alignment with our global organisation. We are working towards improving our profitability by selling more, improving margins, reducing costs and standardizing while getting closer to our customers.

Foundation for the future

There are four pillars on which we are building our success, so that we become the reference for our customers when it comes to products, people and performance.

- **Passion for paint:** A world class Integrated Supply Chain organization which drives safety and sustainability and is passionate about efficiency and quality. A Research and Development organization delivering relevant cutting-edge innovation, and businesses that understand how to get rewarded by customers for the products and services we bring;

- **Precise processes:** Integrated Business Planning will be the way we operate. We will get the waste out of our key end-to-end processes, including smooth hand-offs with Global Business Services (GBS) to avoid the repeated work we see today. We will leverage a single Enterprise Resource Planning (ERP) and systems platform. Customer Relationship Management (CRM) systems and world class pricing management will keep us ahead of the competition, establishing us as first choice for our customers;

- **Proud people:** A trusted workforce with the right values and a winning mindset. We need to accelerate opportunities for the ample talent we have around the world. One single team taking pride in being the best at making and selling paint in those segments we strategically choose to compete in;

- **Powerful performance:** Leading in sustainable footprint, focused on margin improvement and always looking to deliver more by consuming less. We will combine our passion to lower fixed costs with frugal procurement, both in raw materials and non-product related (NPR) spend.

Our ambitious goal of Winning Together: 15 by 20 is not just about meeting financial targets for investors. It is to ensure we preserve our strong heritage, are able to continue to develop products we are proud of.

Social Responsibility

Seeing examples of our purpose being brought to life has been a fulfilling journey. We have been focusing on education of underprivileged children and skill development of youth. During the year, we have trained about 1,500 youth in the Akzo Nobel Paint Academy, taking the cumulative total to 2,025 since inception of the Academy. The state of the art Paint Gun Simulator is helping to provide practical training in airless spray painting technique among underprivileged youth.

AkzoNobel and global peace movement MasterPeace reached the milestone of creating 100 “walls of connection”. The 100th mural was painted at the AkzoNobel education center in Badshahpur, Gurugram, India.

English Premiere League Chelsea FC team visited AkzoNobel India’s CSR education project in Bangalore. Coaches Ian Woodroffe and James Hagerty conducted a day-long soccer training session for 90 students to encourage education and sports amongst girl children.

As part of Mission Salamati project, over 9,000 school and college students have been sensitised and educated about road safety, safe behaviour and traffic rules. As a value addition, we have introduced first responders training in schools and colleges of Mohali. In this training, 100 students were trained on how to respond if they come across accidents, injuries, sudden sickness etc.

Our contribution towards creating societal impact has been recognised during the year with the prestigious ICSI (Institute of Company Secretaries of India) CSR Excellence Award 2017 in ‘Emerging Companies’ category.

Sustainability

Sustainability remains at the heart of our company: by reducing material waste, increasing our energy efficiency, continuing to drive eco-premium solutions and water-based paints. Our Bangalore plant makes use of wind energy to meet 95% of its energy requirements. A number of renewable energy initiatives have been implemented across sites. The company has a focused approach to reduce waste generation and water consumption. It’s our commitment to doing more with less and creating more value from fewer resources.

Our sustainability agenda was brought into sharper focus with Dulux and Dulux Professional range of products getting accredited by the prestigious “GreenPro Certification” by CII - Green Products & Services Council.

We are on a path to becoming the leading paints company in India, making the finest paints and coatings - and taking great pride in delighting our customers. We have the commitment, the products, the brands and – most importantly – the people to deliver. I am very confident that with our laser-sharp focus and a clear strategy, we will become the reference point when it comes to people, products and performance.

I take this opportunity to thank all the employees and business partners for their consistent efforts in delivering on our strategy, relentlessly pursuing continuous improvement and driving organic growth and innovation. I am confident that the year in progress will prove to be yet another success story for the AkzoNobel India family.

Jayakumar Krishnaswamy
Managing Director

Board of Directors

his will providing for
the establishment of
the Nobel Foundation
1900
Sikkens starts
producing
Ketjen builds a
new sulfuric
acid plant in
Amsterdam
5
6
7
10

1. Arabinda Ghosh

Non-Executive Director

Arabinda Ghosh is a Director on the Board of Akzo Nobel India since 2015 and Managing Director of AkzoNobel's Surface Chemistry business globally. Arabinda (AB) brings considerable experience with him 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.

Arabinda was born in New Delhi, India, and had spent his youth in Thailand after which he moved to the UK to complete his schooling. He qualified as a chartered accountant while working at Deloitte in Bristol, UK.

2. Dr Sanjiv Misra

Independent Director

Dr Sanjiv Misra has been a Director on the Board of Akzo Nobel India since May 2010.

Dr Misra graduated in Economics from St. Stephen's College, Delhi. He has a Master's degree in Economics from the Delhi School of Economics, a Master's degree in Public Administration from the Harvard Kennedy School, USA and a Ph. D from the Jawaharlal Nehru University, New Delhi.

Dr Misra was a member of the Indian Administrative Service for over 35 years during which period he held a wide range of key positions in the federal and state governments, including as Managing Director of the Gujarat Industrial Development Corporation and stints at senior levels in the Government of India in the Cabinet Office, the Ministry of Petroleum and the Ministry of Finance. He was a Secretary in the Ministry of Finance till his superannuation in 2008. Subsequently, he served as a Member of the 13th Finance Commission, a constitutional position with the rank of a Minister of State.

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

3. R Gopalakrishnan

Independent Director

R Gopalakrishnan is a Director on the Board of Akzo Nobel India since May 1999. He is the Chairman of the Nomination and Remuneration Committee.

Gopal also serves on the Boards 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 in Executive as well as Non-Executive roles.

Gopal is a Bachelor of Science in Physics from the University of Calcutta and a Bachelor of Technology from the Indian Institute of Technology, Kharagpur. He has also attended the Advanced Management Programme of the Harvard Business School.

He is an accomplished author (with several books already published), an international speaker, a corporate advisor and a teacher.

4. Raj S Kapur

Independent Director

Raj S Kapur joined the Board of Akzo Nobel India in March 2014. He is the Chairman of the Corporate Social Responsibility (CSR) Committee.

Based in Gurgaon, Raj is the owner of Country Strategy Business Consultants and in his professional capacity, he advises companies on their geographic expansion and market development strategies. He has an in-depth technical and business knowledge of the chemicals industry and more specifically, performance coatings and specialty chemicals.

He started his career as a chemical process engineer and over time, moved to finance and business roles. His career spans almost 40 years of which around 35 years were spent at Dow Corning in various parts of the world before he returned to India to start that organization in the country.

Raj is a Chemical Engineer from the Indian Institute of Technology (IIT), Kanpur and a Masters in Business Administration (MBA) in Finance & Marketing from the Central Michigan University, USA. He also holds a Masters in Polymer Engineering from Case Western University, USA.

Raj is passionate about helping international companies build their business in India and then leveraging the Indian capabilities to strengthen their Global position. He enjoys playing tennis, squash, bridge and travelling.

5. Arvind Uppal

Independent Director

Mr. Arvind Uppal joined the Board of Akzo Nobel India as a Non-Executive Director in April 2011. He is the Chairman of the Stakeholder Relationship Committee.

He is a Chemical Engineer from IIT, Delhi and holds a Master in Business Administration from the FMS, Delhi. He has also attended a programme for Executive Development at IMD, Lausanne, Switzerland.

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

6. Pradip Menon

Wholetime Director and CFO

Pradip Kumar Menon is the Chief Financial Officer and Wholetime Director of Akzo Nobel India since 2016.

Pradip has 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. Before that, Pradip was the Chief Financial Officer for the Unilever Gulf business. He also worked in Singapore as the Unilever Regional Lead for the implementation of the Sarbanes Oxley Act across Asia and Africa. He set up the first Information Management office for Unilever in Bengaluru. Pradip is a chartered accountant and cost & management accountant.

7. Jayakumar Krishnaswamy

Managing Director

Jayakumar Krishnaswamy (Jay) was appointed as the Managing Director of the Company in 2014. Jay has over 30 years of Professional experience. He is a Mechanical Engineering Graduate from Delhi College of Engineering and has attended the OWP program in IMD Lausanne. Prior to joining AkzoNobel, he was associated with Hindustan Unilever for over 15 years and played an important role in shaping the supply chain of the company. He has also worked with Lafarge, Brakes India and Eicher Tractors in the course of his career. He joined Akzo Nobel in 2011 as the Head of Supply Chain – ISA BU.

In AkzoNobel, prior to being appointed as the Managing Director, Jay has been instrumental in building the Supply chain in India and he also was responsible for setting up the Decorative paints business in Bangladesh, Laos, Myanmar and Cambodia in the South East Asia.

He is an avid sportsman and a long distance runner and enjoys non fiction reading. Jay was also the president of the Indian Paints Association from 2014 -2015 and continues to be part of the governing council of the association.

8. Kimsuka Narsimhan

Independent Director

Kimsuka Narsimhan joined the Board of the Company as an Independent Director in January 2015. Kimsuka is the Chief Financial Officer, Asia Pacific, Kimberly-Clark Corporation. A Chartered and Cost Accountant, Kimsuka was earlier with PepsiCo in the India business as also the Asia/Middle East/Africa Sector. Prior to PepsiCo, she was with Unilever in various roles across the Home & Personal Care and Foods businesses, in India, UK and Singapore. She also serves as an independent Director on the board of Astra Zeneca Pharma India Ltd.

9. Amit Jain

Chairman

Amit Jain served as the Managing Director of Akzo Nobel India from 2009-2013. He continued on the Board as a Non-Executive Director between 2014-17, consequent to his appointment as Managing Director for AkzoNobel Decorative Business for North & West Europe, based out of Amsterdam. He is the Chairman of the Company since 15 August 2017.

Amit commenced his career with ICI India, where he managed a diverse set of responsibilities within sales & marketing. He subsequently served in business leadership roles with Coca-Cola and Viacom & MTV across Asia.

He is an MBA from the Faculty of Management Studies, Delhi and has done Advanced Management from the Wharton Business School. An avid reader and golfer, Amit actively supports wildlife conservation and literacy for underprivileged children.

10. Jeremy Rowe

Non-Executive Director

Jeremy Rowe, Managing Director AkzoNobel Decorative Paints, South East & South Asia, Middle East (SESAME) was appointed to the Board of Akzo Nobel India Limited in 2018. He has been with AkzoNobel since 2009 and is currently a board member of several AkzoNobel Group companies in the Asia Pacific Region.

Jeremy has an MBA with Distinction from the London Business School specialized in Strategy, Marketing and Finance, and a B Sc. (Hons) in Physics from the University of Southampton in the United Kingdom.

Prior to AkzoNobel, Jeremy had a long career in Management Consulting, working at Accenture from 1994-2003 in their Strategy and Business Transformation division in London, Kuala Lumpur, Manila and Singapore. From 2003-2005 he worked in a project position for ICI Paints Asia Pacific as Business Transformation Director, and between 2005-2009 worked as a freelance Consultant and Management Development Partner where he worked across many industries as one-on-one, partner to CEO's and Leaders in Asia to help them develop and implement their business strategies and align and shape their organization.

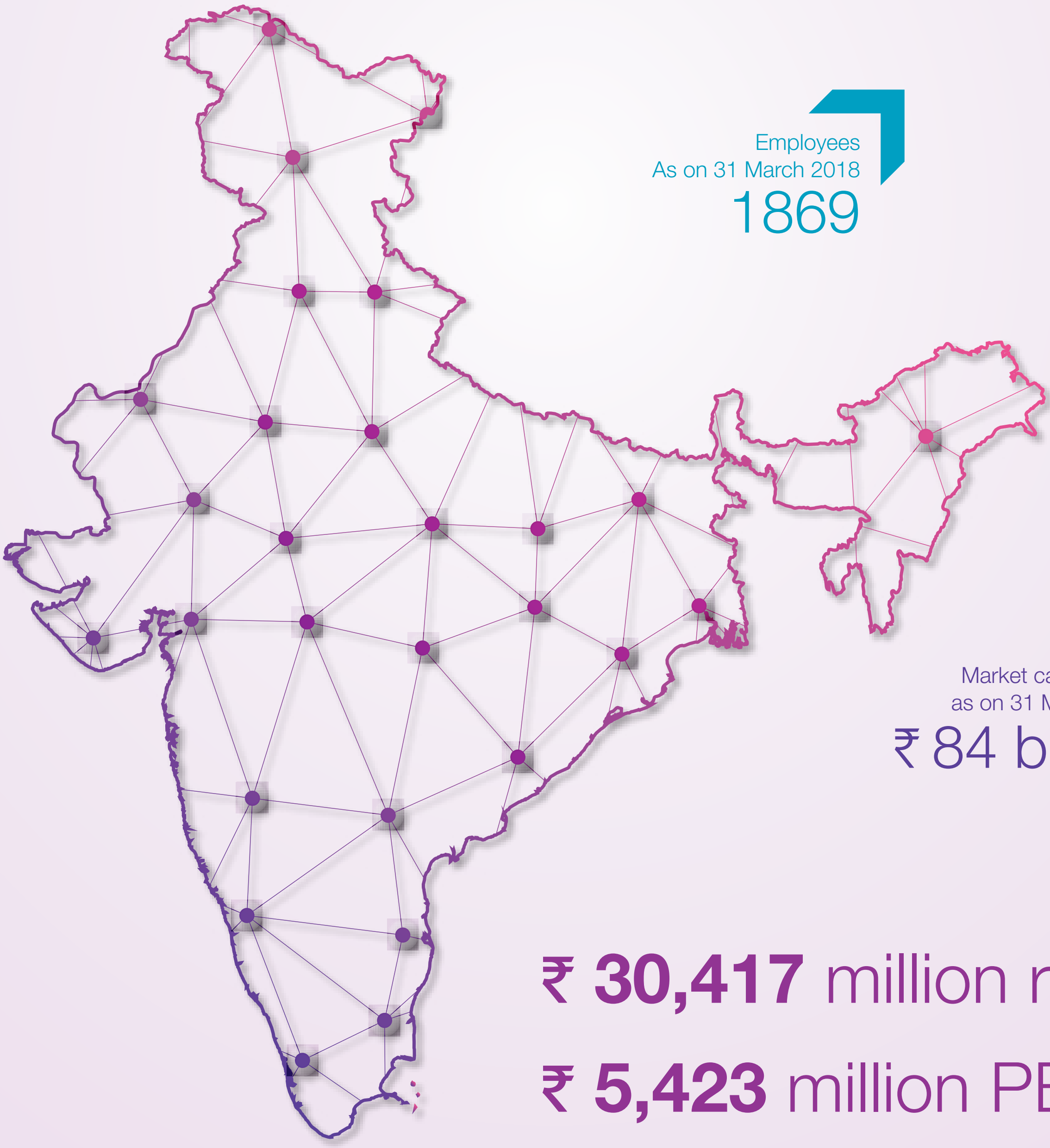
AkzoNobel India at a Glance

Key figures: 2017-18

RD & I Laboratory
1

Employees
As on 31 March 2018
1869

Production Sites
5



Market capitalization as on 31 March 2018
₹ 84 billion

₹ 30,417 million revenue

₹ 5,423 million PBT

₹ 4,006 million PAT

AkzoNobel is a leading paints and coatings company. Headquartered in Amsterdam, the Netherlands, the company is present in more than 80 countries with over 35,000 employees.

Akzo Nobel India has been present in India for over 60 years and currently operates in Coatings segment.

In 2008, the Company became a member of the AkzoNobel Group. Since then, the Company has been at the forefront of cutting-edge innovation and has been supplying trusted and well-known brands like Dulux, Sikkens, International and Interpon. With an employee strength of around 1,900, Akzo Nobel India has manufacturing sites, offices and a distribution network spread across the country.

All manufacturing facilities have state-of-the art environmental management systems. Its commitment to health, safety, environment & security (HSE&S) is unmatchable, with due care taken to protect people and the environment.

All our business decisions take into account the best interests of all our stakeholders, including our employees.

Our Businesses

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 leading paint brands in India.

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.

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 to the food packaging industry.

Our Brands

Performance Highlights

(₹ million)

Statement of income
(on a comparable basis)

5% ▲

Revenue from operations

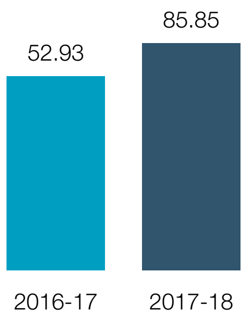
2016-17	28,248
2017-18	**29,653**

12% ▼

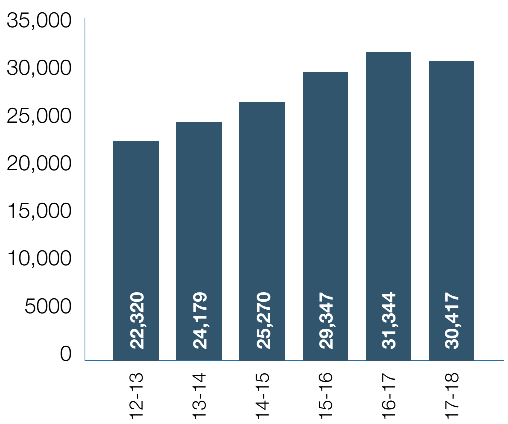
Profit before exceptional items and tax

2016-17	3,384
2017-18	**2,961**

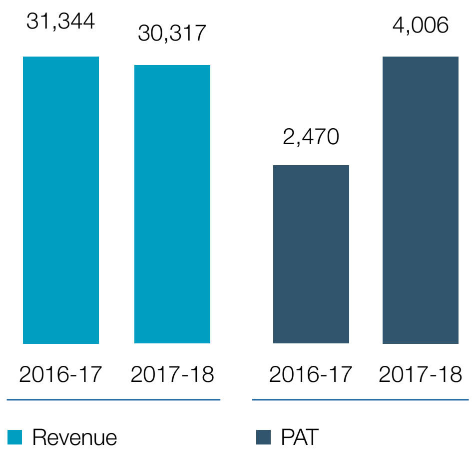
Earnings per share (In ₹)



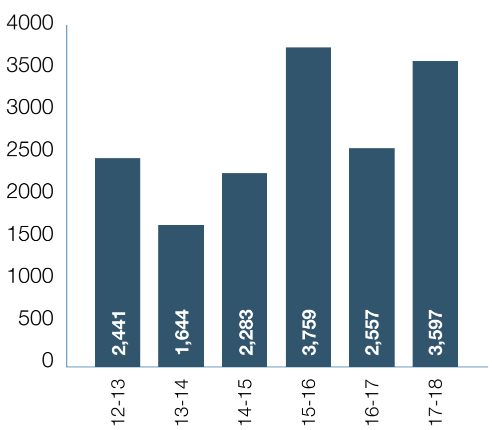
Revenue from operations
(as per financial statements)



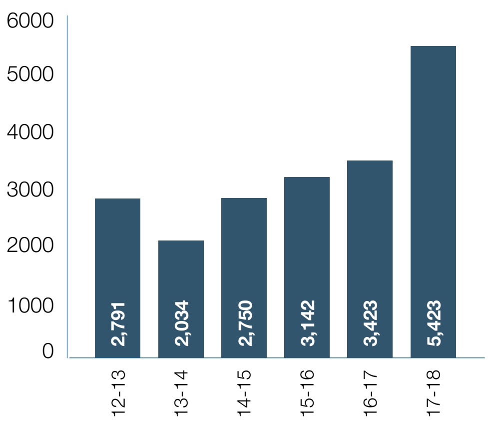
Revenue & PAT



Cash flow from operations



Profit before tax



Note: 2015-16 figures have been restated to Ind AS.

Recent Years at a Glance

Balance Sheet

(₹ million)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Assets							
Net fixed assets	3,711	4,605	5,331	5,306	5,318	5,423	5,656
Current & Non Current Investments	10,035	9,472	6,286	4,325	6,004	3,356	5,733
Current & Non Current Assets	7,751	8,233	8,580	8,575	9,112	10,057	10,456
Total Assets	**21,497**	**22,310**	**20,197**	**18,206**	**20,434**	**18,836**	**21,845**
Equity & Liabilities							
Equity Share Capital	479	467	467	467	467	467	467
Reserves	13,931	10,586	8,011	10,159	11,158	9,622	12,435
Shareholder funds	**14,410**	**11,053**	**8,478**	**10,626**	**11,625**	**10,089**	**12,902**
Current & Non Current Liabilities	7,317	11,454	11,327	7,058	8,426	8,652	9,353
Taxation (Net)	(230)	(197)	392	522	383	96	(410)
Total Liabilities	**7,087**	**11,257**	**11,719**	**7,580**	**8,809**	**8,748**	**8,943**
Total equity and liabilities	**21,497**	**22,310**	**20,197**	**18,206**	**20,434**	**18,836**	**21,845**

Statement of Profit and Loss

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue from operations	**19,878**	**22,320**	**24,179**	**25,270**	**29,347**	**31,344**	**30,417**
Other income	1,123	1,381	567	650	567	493	434
Total income	21,001	23,701	24,746	25,920	29,914	31,837	30,851
Depreciation & Amortisation Expense	366	386	437	526	537	565	607
Finance Cost	39	89	15	15	22	32	35
Profit before exceptional items and tax	**2,464**	**2,791**	**2,034**	**2,723**	**3,043**	**3,384**	**2,961**
Profit on sale of chemicals business	-	-	-	-	-	-	2,442
Exceptional items	-	-	-	27	99	39	20
Taxation	446	603	532	887	1,000	953	1,417
Profit After Tax	**2,018**	**2,188**	**1,502**	**1,863**	**2,142**	**2,470**	**4,006**
Earnings per share (₹)	**42.08**	**32.18**	**39.93**	**43.32**	**45.90**	**52.93**	**85.85**
Equity Dividend per share (₹)	**20.00**	**80.00**	**75.00**	**20.00**	**70.00**	**22.00**	**22.00**

Notes:

1. 2015-16 numbers have been restated to Ind AS; 2014-15 Balance Sheet is as at 1 Apr 2015 and has been restated to conform to Ind AS.
2. The Statement of P&L for 2016-17 & 2017-18 include results of discontinued operations.
3. The Balance sheet as at 31 March 2018 reflects only Coatings & retained assets after divestment of Chemicals business.
4. Prior years figures have been regrouped or reclassified where necessary.

Company information

Board of Directors

Mr A Jain	Chairman
Mr K Jayakumar	Managing Director
Mr P Menon	Wholetime Director and CFO
Mr A Ghosh	Non-Executive Director
Mr J Rowe	Non-Executive Director
Mr R Gopalakrishnan	Independent Director
Mr R S Kapur	Independent Director
Dr S Misra	Independent Director
Ms K Narsimhan	Independent Director
Mr A Uppal	Independent Director

Key Managerial Personnel

Mr K Jayakumar	Managing Director
Mr P Menon	Chief Financial Officer
Mr R Guha	Company Secretary

Registered Office

8-B, Middleton Street,
Kolkata 700 071, India
Tel: 033-22267462
Fax: 033-22277925

Corporate Office

DLF Epitome, Building No 5, Tower A,
20th Floor, Cyber City, DLF Phase III,
Gurugram (Gurgaon) 122 002, India
Tel: 0124-2540400
Fax: 0124-2540849
Website: www.akzonobel.co.in

Email

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: 033-40116739
Email: rta@cbmsl.com

Auditors

Price Waterhouse Chartered Accountants LLP

Bankers

Citibank
Deutsche Bank
HDFC Bank
Hongkong & Shanghai Banking Corporation
ICICI Bank
Standard Chartered Bank
State Bank of India

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
Dr S Misra
Ms K Narsimhan
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 Section

Directors' report

Dear Members,

The Board of Directors hereby presents their report on the business and operations of your Company along with the audited financial statements for the year ended 31 March 2018.

Business Environment

Indian Economy

FY 2017-18 had a challenging environment with the combined effect of demonetization (November 2016) and GST implementation (July 2017) leading to subdued economic activity and consumer sentiments. Rise in crude oil prices and inflationary pressures led to widening of the fiscal deficit of the country. Growth in private investment in the country continues to be a challenge. While the economy did witness a revival in the second half of FY 2017-18, overall annual growth is estimated at around 6.6%, lower than 7.1% of the previous year.

Despite the challenges, economic reforms continued with significant steps being taken towards resolution of problems associated with non-performing assets of the banks, further liberalization of FDI, introduction of the Indian Bankruptcy Code, implementation of Real Estate Regulations (RERA), etc.

Outlook

India continues to be the fastest growing major economies in the world and this trend is expected to continue in FY 2018 -19 also. India's GDP for FY 2018 -19 is expected to grow more than 7%. Macro economic data remains largely encouraging, with lead indicators showing the recovery carrying over into the final quarter of the fiscal year. The union budget for 2018 -19 reflected higher public capital outlays and investment in social sector, which more than offset a moderation in private spending growth. Government's efforts to streamline GST rates and minimize the compliance burden are likely to facilitate economic recovery, specifically for small and medium enterprises. FMCG market continues to offer sizeable headroom for growth by increasing penetration and higher consumption. Legislations like RERA are expected to support growth in the house construction sector - a growth opportunity for the company's business.

However, factors like inflation, exchange rate, crude oil, political situation, climate change, etc., could impact the economic recovery and growth. On the positive side, record level of Forex Reserves at USD 424 billion as on 31 March, 2018 reflects the positive outlook of global investors on India.

Financial Statements

The financial statements include:

1. Stand-alone statements of the Company, Akzo Nobel India Limited; and
2. Consolidated statements of the Group including the operational results of ICI India Research and Technology Centre, on which the Company exercises effective control.

Total revenue for the year at ₹29,653 million is 5% ahead of previous year on a comparable basis. However, EBITDA from business operations at ₹3,165 million de-grew 9% over the previous year. After considering exceptional income and tax, the net profit for the year at ₹4,006 million grew 62% over previous year's ₹2,470 million, mainly on account of exceptional income from sale of Specialty Chemicals business.

The revenue and results of the divested Specialty Chemicals Business have been included in the financial statements and reported as 'Discontinued Operations'.

The highlights of the performance during the year are:

(₹ million)

	Stand-alone		Consolidated	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Revenue from operations	**29,653**	28,248	**29,653**	28,248
Operating profit (EBITDA)	**3,165**	3,488	**3,160**	3,488
Depreciation	**(607)**	(565)	**(607)**	(565)
Other Income net of Finance costs	**403**	461	**403**	461
Exceptional item	**2,462**	39	**2,462**	39
Profit before tax	**5,423**	3,423	**5,418**	3,423
Tax	**(1,417)**	(953)	**(1,417)**	(953)
Profit after tax	**4,006**	2,470	**4,001**	2,470

Note: Revenue figures have been re-stated on net of excise/GST basis, to facilitate comparison.

Divestment of Specialty Chemicals

As approved by the shareholders through postal ballot on 18 December 2017, the Specialty Chemicals business, including the manufacturing facility at Mahad, Maharashtra was divested to Akzo Nobel Chemicals India Private Limited, an affiliate of Akzo Nobel N.V., on 31 March 2018, with commercial effect from 1 January 2018, for a value of ₹3,200 million. The net consideration received after agreed adjustments for working capital and tax was ₹3,098 million.

Share buyback

The Board at its meeting held on 6 April 2018 approved a proposal for the Company to buy back its equity shares from all eligible shareholders (Equity shareholders as on the Record Date to be announced in due course) on a proportionate basis for an amount not exceeding ₹2,352 million. The buyback proposal comprised a purchase of 1.12 million fully paid-up equity shares of the Company aggregating to 2.4% of the issued, subscribed and paid-up Equity Capital of the Company at a price of ₹2,100 per equity share. The shareholders approval for the proposal through postal ballot is in progress and further steps will be taken post shareholder approval.

Transfer to General Reserve

The Company proposes to transfer ₹400 million to the General Reserve out of the net profit for the year ended 31 March 2018.

Dividend

Keeping in view the current year's performance and other relevant considerations, and in line with the Company's Dividend Distribution Policy, the Board is pleased to recommend a dividend of ₹22 per share for the financial year 2017-18, maintaining the dividend compared to the previous year.

The Board is pleased to recommend a dividend of ₹22 per share for the financial year 2017-18.

Management Discussion and Analysis

Industry structure

With the divestment of Specialty Chemicals business, your Company is now operating in a single segment i.e. Coatings.

The Coatings industry is dominated by organised players accounting for about 65% of the industry's value and the unorganised players accounting for the rest. Decorative paints ('Paints') account for around 75% of the overall market in India and Performance coatings ('Coatings') account for the rest. Product quality, performance and service levels continue to be the key differentiators across this market. While Paints is a B2C business, Coatings is essentially a B2B business and is technology intensive with a diverse set of growth drivers, with strong emphasis on selling a solution rather than a product.

With the implementation of GST, Paints have been placed under the highest tax rate slab of 28% which is higher than the sum of taxes paid through excise, value added tax (VAT), entry taxes, etc., earlier.

The per capita paints and coatings consumption in India continues to be low compared to the developed economies. As India develops and modernizes, the per capita consumption is bound to increase. With the economy poised to grow >7%, consumer spending is expected to get a boost, resulting in higher demand for paints and coatings. India's burgeoning young population represents a huge opportunity as more and more young Indians join the workforce and will have disposable income available. The trend toward nuclear family provides a tail wind for the industry to grow further.

Demand for Paints depends on the housing sector and good monsoons whereas Coatings demand is linked to user industries like auto, engineering, infrastructure projects and consumer durables. Paints segment is expected to witness higher growth going forward. The Government's push towards rural infrastructure spends are expected to significantly improve rural consumption. Further, rural economy could get a boost from the increased minimum support prices farm produce and normal monsoon which is good for the industry.

Coatings business is dependent on business cycle and economic conditions. Demand for Coatings is expected to increase going forward on account of higher investments in infrastructure and increased consumer spending.

While the overall business outlook remains positive for Coatings industry for 2018 -19, concerns would remain on the raw materials front if crude oil prices continue to increase.

Business Performance

Operating in such a dynamic, competitive environment has its own challenges. While the strength of our brands and products helped in overall performance as we leveraged our scale and continued to invest in technologies and digital solutions to support the growing needs of our customers.

Total revenue for FY 2017-18 at ₹29,653 million reflected a growth of 5% over previous year's comparable figure, whereas EBITDA at 3,165 million de-grew 9%, reflecting cost pressures faced by the business. Top-line growth was driven by premium as well as mass market products and price increases. EBITDA was impacted by higher raw material costs, partly offset by increased selling prices, continuous improvement and cost control. During the first quarter of 17-18, the Coatings industry, especially the consumer facing businesses, experienced de-stocking ahead of GST rollout, followed by a gradual recovery in the subsequent quarters.

Your Company has achieved a seamless transition to GST regime.

Highlights of different businesses are given below:

Paints business has a presence in premium as well as mass market and economy segments, with strong positioning in the premium segment and is focused on the buildings and infrastructure end-user segment, serving both consumers and professional painters.

The business has launched a series of innovative and enviro-friendly new products during the year that have received encouraging response from the market. Some of them are:

- Dulux Aquatech – water proofing range,
- Weathershield Flash – two coat system, revolutionary technology for exterior walls,
- Supercover Sheen – entry level sheen product in premium emulsion.

The business has also established itself as a manufacturing hub for Colorants and Tinters to neighbouring countries by leveraging its capacities.

The main drivers for the growth of this business have been shortening of the repainting cycle and increased demand from smaller towns.

Going forward, macro developments like nuclear families, availability of easy finance for housing, govt's thrust on affordable housing, etc., are expected to push up the per-capita consumption of paints in the country and sustain the growth momentum of this business. However, upward trend in key input prices and depreciation of INR remain a concern in the near term.

Marine Coatings business mainly deals in providing coating solutions to coastal and Navy vessels. It serves customers in deep sea, dry docks, sea stores, new build and coastal docking (i.e. offshore supply, service & transport vessels and fishing, etc.) sectors. This business continued to experience tough market conditions, mainly in the new build category.

Protective Coatings business services a wide range of industrial sectors like oil & gas, power, infrastructure projects and wind energy.

The main driving factors for the markets are boost in government projects for renewable energy and acceleration of infrastructure projects.

Powder Coatings business caters to multiple segments like architectural, general trade coaters, general industries, automobiles, functional and domestic appliances. In architecture, this business offers coatings for exterior facades, interior, windows of residential & commercial buildings. Powder coating is also used on underbody-chassis, exterior trims, primers and clear for wheels and coatings for springs in the automobile segment. Our Interpon brand is well-recognised at a global level.

With the commissioning of a new plant in Thane, the capacity has increased significantly.

Industrial Coating (ICO) business covers coil coatings, packaging and wood coatings. Coil coatings market is dominated by roofing, domestic appliance and ACP segments, building & construction product category, aluminum composite panels and domestic appliances. Packaging coatings market can be broadly classified into beer & beverage, general line, closures and food. General line segment holds the biggest chunk of the market. Wood coatings is a relatively new business and offers a wide range of wood finishes and adhesive solutions

Auto and Specialty Coatings (ASC) business covers vehicle refinishes and specialty coatings. Vehicle refinishes business has a strong presence in mid-market range of vehicle refinish products. This business has a strong correlation with the growth of automobile industry. New car/commercial vehicle companies setting up operations in India as well as expansion plans of existing companies indicate a positive growth trend for this business.

In Specialty coatings, your Company is present mainly in the auto interiors and wireless segments supported by the new facility operating at Noida, Uttar Pradesh.

Company's Business Strategy

Your Company's strategic objective is to build a sustainable business for long-term value creation. This includes focus to develop world class brands and color expertise and continue driving the digital and innovation agendas.

The focus will be to accelerate growth and profitability, while increasing returns to all our stakeholders. Our financial target for the business is to achieve 15% return on sales and over 25% return on investment by year 2020.

Corporate Governance

Your Company continues to uphold the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and embedding a sustainable culture of long-term value creation.

A report on Corporate Governance of the Company, 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.

Board Evaluation

Your Company has a mechanism to evaluate the performance of all Board members. Details of the evaluation are given in the Corporate Governance report.

Sustainability

Sustainability for the Company means delivering long-term value for all our stakeholders. It underpins your Company's purpose and brands, it's core principles and employee value proposition. It also act as the driver for growth, innovation and productivity.

Your Company focuses on resource productivity and value selling as key drivers of sustainability, with explicit goals.

Resource productivity

Your Company is driving resource productivity to make the most of valuable raw materials, reducing environmental impact, while strengthening its business. Initiatives to improve material efficiency, right-first-time and first quality production throughout our operations are integrated in the AkzoNobel Leading Performance System (ALPS). This systematic approach drives increased raw material efficiency and reduces waste, while better planning processes help to reduce slow-moving and obsolete stocks. Your Company use a range of best practice manufacturing indicators to monitor progress, as well as the operational eco-efficiency parameters.

In order to make the most productive use of resources, especially raw materials, your Company works closely with suppliers, identifying and minimizing supply chain risks, creating value through continuous improvement and seeking out collaboration and joint development opportunities to ensure secure and sustainable supply of products.

Value selling

Your Company works closely with customers to deliver solutions that will make their business more sustainable, while delivering economic value to all parties in the chain by assessing the entire product range in sustainability terms to help customers make choices that deliver competitive advantage and also benefit to society.

Your Company's portfolio approach promotes the use of safer and more sustainable products. Your Company takes action to manage harmful substances in advance of legislation, futureproofing its products against changes in regulations.

A Business Responsibility Report is attached as **Annexure II-A**.

Corporate Social Responsibility

As a responsible corporate citizen, your Company is committed to make a difference in the communities it operates in. For the past few years, it has been focusing on education of underprivileged children, skill development of youth and road safety in different parts of India. Many of its employees actively participate in these programs as volunteers. An overview of your Company's current CSR projects is given below:

Vocational Skill Training

In synergy with Govt. of India's flagship programme 'Skill India', Akzo Nobel have initiated skill training in decorative paints and vehicle refinish to promote employability among youth for the past two years. Currently Akzo Nobel Paint Academy has presence in eight cities of India - Delhi, Kolkata, Mohali, Bengaluru, Lucknow, Pune, Gorakhpur and Kolhapur. In the past one year, 1,475 youth have been trained and linked with employment. The training

includes modules focusing on modern painting techniques, knowledge of paint surfaces and use of safety tools and PPE (Personal Protective Equipment). The Academy is also focusing on developing soft skills of the painters to ensure higher level of customer satisfaction and better client relationship.

Education

Your Company believes, there can be no innovation without education. In pursuance of this belief, your Company has been supporting and investing in education of more than 10,000 children across seven States of India.

The flagship education project of Akzo Nobel India is 'Parivartan' which is being implemented in Delhi, Madhya Pradesh, Maharashtra, Telangana and Karnataka. In the past one year Parivartan transformed the lives of more than 3,000 children using education as a medium. In this project your Company offer early childhood education to children from 2-6 years, non-formal education to out of school children to bring them back to the school and remedial education to under privilege children to improve their grades and stop them from dropping out of school.

Your Company is specially committed for promotion of girls' education and therefore in Disha Pari Udan Project it is promoting girls education for more than 1,000 girls from 12 Govt. schools of Hyderabad and Bengaluru. The main objective of the project is to ensure that girls are able to complete 10 years of schooling with a sound orientation on health education, sports/co-curricular activities and life skill education. As part of the project, your Company has established toilets, library and science labs in the schools to ensure availability of basic facilities to promote education for girls. Your Company also provides after school hours supplementary education to needy students and sensitisation on life skills and reproductive health.

Road Safety

Your Company identifies the critical need to promote awareness about road safety in the country, especially among children and vehicle drivers. With this objective Akzo Nobel India has joined hands with Mohali and Navi Mumbai Traffic Police to conduct comprehensive road safety awareness programme. In the year 2017-18 more than 7,000 school children, citizens, and commercial/school and private vehicle drivers were sensitized on road safety.

Details of the CSR policy of the Company is available on our website at **www.akzonobel.co.in**

A report on the CSR activities undertaken by your Company during the fiscal year 2017-18 is attached as **Annexure II-B**. It is pertinent to note that over 90% of CSR spend is incurred in local areas where your Company has its operations.

Human Resources

Your Company had cordial relations with employees across all locations during the year. The total number of employees on the rolls of the Company as at 31 March 2018 was 1,869 (previous year 1,902).

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 136 of the Act, the Report and Financial Statements 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 disclosures below are made in terms of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Name	Status	(i) Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2017-18	(ii) Percentage increase in remuneration during 2017-18 over 2016-17
Mr Nihal Kaviratne CBE (upto 14 August 2017)	Non Executive	1.36	NA – only part of the year
Mr Amit Jain	Non Executive	0.54	NA – no payment in previous year
Mr Jayakumar Krishnaswamy	Managing Director	31.91	15% of base salary
Mr Pradip Menon	Wholetime Director and CFO	23.88	10% of base salary
Mr R Gopalakrishnan	Non Executive – Independent	1.61	18% mainly due to revision in sitting fees
Mr Arabinda Ghosh	Non Executive	-	Nil
Mr Raj S Kapur	Non Executive – Independent	1.88	32% mainly due to revision in sitting fees
Dr Sanjiv Misra	Non Executive – Independent	1.81	41% mainly due to revision in sitting fees
Ms Kimsuka Narsimhan	Non Executive – Independent	1.54	15% mainly due to revision in sitting fees
Mr Arvind Uppal	Non Executive – Independent	1.81	44% mainly due to revision in sitting fees
Mr Jeremy Rowe	Non Executive	-	Nil
Mr R Guha	Company Secretary	NA	8% of base salary

	Description	Remarks
(iii)	Percentage increase in the median remuneration of employees in the financial year	6%
(iv)	Number of permanent employees on the rolls of the Company	1,869 as on 31 March 2018
(v)	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 was 6%, which is considered in line with the prevailing market conditions and other relevant factors.

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 2017-18.
2. Remuneration to Directors includes sitting fees paid to them for the financial year 2017-18.
3. Median remuneration in the Company (on cost to company basis) for all its employees was ₹744,594 for the financial year 2017-18.
4. Remuneration to Directors is within the overall limits approved by the shareholders.

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.

Your Company along with its business partners transitioned smoothly to the GST platform on 1st July 2017.

Dulux Visualizer continued its success story helping people to play with color ideas and see what rooms will look like, before anything is applied to the wall. Regularly upgraded with new features, it's just one of the ways in which your Company shares it's global expertise in color and design with customers and consumers.

Internal Control Systems

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

The Board periodically reviews the state of compliance with all laws applicable to the Company. The Company has an IT enabled tool incorporating all applicable legal compliances which are marked to their respective owners. The compliance library is updated periodically covering all changes with respect to Laws/Regulations.

Policy against Sexual Harassment

Your Company has formulated a policy for the prevention of sexual harassment within the Company. It seeks to prevent and deter acts of sexual harassment and communicate procedures for their resolution and settlement. Internal Complaints Committees have been constituted in accordance with the requirements of the law. There were no cases/ complaints reported in this regard during 2017-18. A copy of the Policy against sexual harassment has been disseminated amongst all employees and is posted on the Company website, which can be accessed from www.akzonobel.co.in.

Related Party Transactions (RPTs)

Your Company enters into various transactions with related parties as defined under Section 2(76) of the Companies Act, 2013. 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 information.

Your Company's Policy on materiality of RPTs and dealing with RPTs may be accessed on the Company's website at www.akzonobel.co.in.

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 and/ or have been duly approved as required under law. During the year, the Company had entered into contracts / arrangements / transactions with related parties, which could be considered material in accordance with the policy of the Company on materiality of RPTs, with requisite approvals.

Your Directors draw attention of the members to Note 34 to the financial statements which contains the requisite 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 5.1 and 8.1 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 Pradip Menon will be retiring by rotation at the forthcoming Annual General Meeting (AGM) and has offered himself for re-election.

Mr Jeremy Paul Rowe joined the board as an additional director with effect from 6 April 2018 and will be holding office till the forthcoming AGM. His appointment will be placed for shareholders' approval at the forthcoming AGM.

A brief resume of M/s Pradip Menon and Jeremy Paul Rowe, as required under regulation 36 of the Listing Regulations, is given in the Notice convening the AGM.

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 Price Waterhouse Chartered Accountants LLP will retire as the Auditors of the Company at the conclusion of the forthcoming AGM and, have offered themselves for re-appointment. Their appointment is proposed to be extended in terms of section 139 of the Companies Act, 2013, and is placed for shareholder approval at the forthcoming AGM.

Cost Auditors

In terms of Section 148 of the Companies Act 2013, Cost Audit was conducted for the year 2017-18 by M/s Chandra Wadhwa & Co., New Delhi. Their report for the year 2016-17 has been filed with MCA within the stipulated time.

The Board has re-appointed M/s Chandra Wadhwa & Co., New Delhi as the Cost Auditors for conducting Cost Audit for the financial year 2018-19, whose remuneration is subject to ratification by the shareholders at the AGM.

Secretarial Auditors

In terms of Section 204 of the Companies Act 2013, Secretarial Audit was conducted for the year 2017-18 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 Secretarial Audit for the financial year 2018-19.

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 Indian 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 voting rights.
2. The Company has not issued any shares during the year, under ESOPs or Sweat Equity or otherwise.
3. The Managing Director or Wholetime Directors of the Company did not receive any remuneration or commission from any other company belonging to AkzoNobel Group or associate companies.
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.
5. 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.

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 Board of 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 for the customers, shareholders, investors, bankers, agents, suppliers, distributors and other business associates for their cooperation and support.

On behalf of the Board

Place: Gurugram
Date: 10 May 2018

Amit Jain
Chairman

Annexure I

Report on Corporate Governance

1. Company's philosophy on Corporate Governance

Your Company aspires to uphold the highest standards of corporate governance and seeks to consistently enhance and improve corporate governance performance, emphasizing transparency and embedding a sustainable culture of long-term value creation; its corporate governance practices are a reflection of its values and principles.

Your Company takes utmost care to safeguard the interests of all its stakeholders. The Board represents the shareholders' interest in optimizing long-term financial returns and is committed to its responsibility towards all the stakeholders viz. customers, employees, suppliers, regulatory bodies and the public in general. All significant matters are decided after due examination by the Board with 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.

Your Company has adopted a Code of Conduct based on three principles viz. Safety, Integrity and Sustainability, in order to drive a culture of good governance.

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

The principles and policies that guide the Company in achieving its corporate governance goals are listed on company's website www.akzonobel.co.in.

The Company is in compliance with the requirements of corporate governance stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), as reported below:

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 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 the Company	Directorship in other Companies (Chairmanship)	Membership in specified* committees (Chairmanship)
Mr A Jain[1]	Non Executive Chairman	1	1
Mr K Jayakumar	Managing Director	2	1
Mr P Menon	Wholetime Director	1	1
Mr A Ghosh	Non Executive Director	-	1
Mr J Rowe[2]	Non Executive Director	8	-
Mr R Gopalakrishnan	Independent Director	4(1)	2
Mr R S Kapur	Independent Director	-	1
Dr S Misra	Independent Director	2(1)	2
Ms K Narsimhan	Independent Director	1	1
Mr A Uppal	Independent Director	2	2(2)

*Specified committees include only audit and stakeholders relationship committees

1 appointed as the Chairman w.e.f 15 Aug 2017

2 joined the board w.e.f. 6 April 2018

Board Procedures

The Board normally meets once in a quarter to review the financial results and operations of the Company. In addition to this, 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 on the Company's performance, operations and any other matters sought by the Board.

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 Board members are provided with necessary documents/ brochures, reports and internal policies to enable them to familiarise with the Company's business, policies and procedures. Presentations are made 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 Board members.

The Board, inter alia, reviews annual operating and capital expenditure plans and budgets, financial statements, 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.

Details of familiarization programmes imparted to Independent Directors is uploaded on the website of the Company and available at www.akzonobel.co.in.

Meetings and attendance

Given below is the consolidated list of meetings of the shareholders, Board and specified committees held during April 2017 to March 2018 and attendance details of Directors:

Name of the meeting	Meeting date
Annual General Meeting (AGM)	14 Aug 2017
Board	18 May 2017, 14 August 2017, 2 November 2017, 7 November 2017 and 1 February 2018
Audit Committee	18 May 2017, 14 August 2017, 2 November 2017 and 01 February 2018
Stakeholders Relationship Committee (SRC)	2 November 2017
Nomination and Remuneration Committee (NRC)	18 May 2017 and 01 February 2018
CSR Committee	10 August 2017 and 06 March 2018
Independent Directors Meeting	01 February 2018

Attendance details

	AGM	Board	Audit	SRC	NRC	CSR
No. of Meetings held	1	5	4	1	2	2
Directors						
Mr N Kaviratne CBE	1	2	NA	NA	1	NA
Mr K Jayakumar	1	4	NA	1	NA	2
Mr P Menon	1	5	NA	1	NA	1
Mr A Jain	1	4	2	NA	2	NA
Mr A Ghosh	-	1	1	NA	0	NA
Mr R Gopalakrishnan	1	3	3	NA	2	NA
Mr R S Kapur	1	4	4	NA	2	2
Dr S Misra	1	5	4	NA	2	NA
Ms K Narsimhan	-	3	3	NA	1	NA
Mr A Uppal	1	5	4	1	1	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 Jain*	Non Executive Director
Mr A Ghosh	Non Executive Director
Mr R Gopalakrishnan	Independent Director
Mr R S Kapur	Independent Director
Ms K Narsimhan	Independent Director
Mr A Uppal	Independent Director

*upto 14 August 2017

The members of the Committee possess 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 N Kaviratne[1]	Non Executive Director
Ms K Narasimhan[2]	Independent Director
Mr R S Kapur	Independent Director
Dr S Misra	Independent Director
Mr A Uppal	Independent Director

1 upto 14 August 2017
2 w.e.f 15 August 2017

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.

The Company Secretary functions as the Secretary to this Committee.

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

5. Board evaluation

In terms of the Companies Act, 2013 and the Listing Regulations, an annual performance evaluation of the Board is being undertaken to formally assess the performance of the Board, its Committees and its individual members with an objective to improve the effectiveness of the Board and its Committees. For the year 2017-18, the evaluation was done through a peer-evaluation survey in accordance with the SEBI Guidance note on Board Evaluation dated 5 January 2017. The evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance structure, succession and talent management, etc.

The findings from the survey were shared with the Chairman, who in turn, held discussions with individual Board members. Individual evaluations were in line with the full Board evaluation, with no Board Member receiving negative feedback on any aspect. Aggregate findings were shared with the Board and it was noted that these were all positive, either meeting/exceeding expectations or exemplary. Several constructive suggestions for improvement were also noted for action. The survey also revealed that previous year's low rating items have moved up the scale and no longer remain a concern.

6. 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 Ghosh, were paid sitting fees of ₹50,000 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 2017-18 are given below:

(₹ million)

	Fixed component a Salary and allowances	Performance linked bonus b Performance Pay	Total remuneration c (c = a+b)
Managing/Wholetime Directors			
Mr K Jayakumar	17.45	6.31	23.76
Mr P Menon	14.37	3.40	17.77
Total	**31.82**	**9.71**	**41.53**
Non-Executive Directors	**Sitting fees**	**Commission**	
Mr N Kaviratne CBE (Chairman upto 14 August 2017)	0.15	0.86	1.01
Mr A Jain (Chairman w.e.f 15 August 2017)	0.10	0.30	0.40
Mr R Gopalakrishnan	0.40	0.80	1.20
Mr R S Kapur	0.60	0.80	1.40
Dr S Misra	0.55	0.80	1.35
Ms K Narsimhan	0.35	0.80	1.15
Mr A Uppal	0.55	0.80	1.35
Total	**2.70**	**5.16**	**7.86**

Notes:
a) Service contracts with the Managing Director and Wholetime Director are terminable by notice of three months.
b) No severance fee was paid to any Director during the year.
c) 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.
d) Currently, the Company does not have any stock option scheme, though some of the senior managers of the Company are eligible for long-term incentives, which are in the nature of share-based payments.

7. 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 9 complaints from its investors during 2017-18, all of which have been resolved and no complaint was pending as on 31 March 2018. 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 para 2 above.

8. General Body Meetings

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

Date of AGM	Time	Venue
14 August 2017	2:00 pm	Hyatt Regency, Salt Lake City, Kolkata 700 098
26 July 2016	2:00 pm	Hyatt Regency, Salt Lake City, Kolkata 700 098
14 August 2015	2:30 pm	Taj Bengal, 34-B, Belvedere Road, Kolkata 700 027

(ii) No Extraordinary General Meeting of the Members was held during the year 2017-18.

(iii) One Ordinary Resolution was passed by the shareholders through Postal Ballot on 18 December 2017 for divestment of Chemicals business. Further, a Special Resolution has been proposed for shareholder approval through postal ballot for buyback of 1.12 million equity shares of the company, which is pending for approval as of 10 May 2018.

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

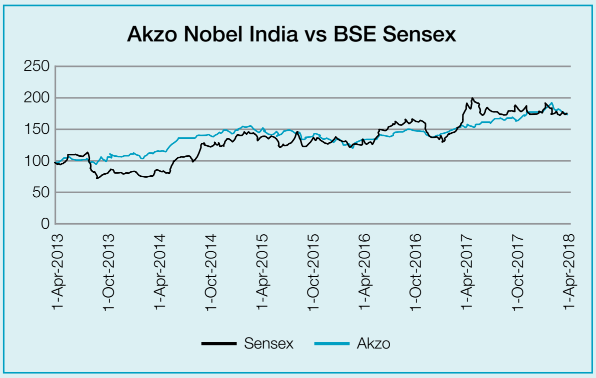
10. General Shareholder Information

i.	AGM:date, time and venue	2 August, 2018 at 1400 hours at Bharatiyam, IB-201, Sector III, Salt Lake City, Kolkata 700 106	
ii.	Financial year	1 April to 31 March	
iii.	Financial calendar (Tentative)	**Quarterly / Annual Results**	**Publication on or before**
		1st quarter ending 30 June 2018	14 August 2018
		2nd quarter ending 30 September 2018	14 November 2018
		3rd quarter ending 31 December 2018	14 February 2019
		Year ending 31 March 2019	30 May 2019
iv.	Date of book closure	27 July 2018 to 2 August 2018 (both days inclusive)	
v.	Dividend payment date	On or around 16 August 2018 (after approval at the AGM)	
vi.	Listing on Stock Exchange	The Company's shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Listing fees for the period 1 April 2018 to 31 March 2019 have been paid.	
vii.	Stock code	BSE : 500710	
		NSE : AKZOINDIA-EQ	
		ISIN : INE133A01011	

viii. Market price data and stock performance during the year 2017-18

Month	BSE High (₹)	BSE Low (₹)	BSE Volume	NSE High (₹)	NSE Low (₹)	NSE Volume
April 2017	2,095.00	1,855.00	27,741	2,089.00	1,851.00	316,901
May 2017	2,091.95	1,760.15	16,602	2,025.00	1,751.00	217,964
June 2017	1,973.95	1,740.10	19,620	1,959.00	1,766.60	221,976
July 2017	1,893.60	1,743.00	286,830	1,874.95	1,750.00	243,806
August 2017	1,830.00	1,715.70	159,935	1,831.00	1,711.00	119,063
September 2017	1,951.00	1,779.35	21,836	1,967.95	1,752.00	256,238
October 2017	1,948.00	1,805.00	22,387	1,959.00	1,804.95	161,767
November 2017	1,943.00	1,755.00	57,696	1,948.35	1,752.20	399,052
December 2017	1,865.00	1,750.00	62,261	1,870.00	1,748.30	217,372
January 2018	1,999.00	1,823.05	95,037	1,990.10	1,830.10	337,302
February 2018	1,862.85	1,688.00	8,848	1,877.90	1,700.50	126,739
March 2018	1,883.85	1,720.05	19,220	1,883.30	1,730.65	274,014

ix. Stock performance in comparison to BSE Sensex from April 2013 to March 2018



Note: Comparison is made by anchoring the share price and Sensex at a base value of 100 as on 1 April 2013. 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 and related shares

In terms of the applicable provisions of the Companies Act, 2013, read with the Investor Education & Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all dividends that are remaining unclaimed for a period of seven years along with the corresponding shares are required to be transferred by the Company to the IEPF Authority.

The Company has sent intimation to the concerned shareholders at their latest available address individually whose dividends/shares are liable to be transferred to IEPF as well as through a Press advertisement. Full details of such dividends/shares, including the names of shareholders, Folio number or DP ID-Client ID and the number of shares and dividend amount have also been uploaded on the website of the Company www.akzonobel.co.in, with due intimation to the Stock Exchanges.

Your Company has transferred a sum of ₹6.96 million and 281,307 shares, after 148 and 222 days respectively of aforesaid intimation, to the IEPF Authority being unclaimed dividend for seven consecutive years and corresponding shares in respect of the financial year ended 31 March 2010, within the due date.

Amounts of unclaimed dividend as on 31 March 2018 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)
2010-11	8.3	27 August, 2018
2011-12	11.1	14 September, 2019
2012-13	44.9	13 September, 2020
2013-14	43.4	16 September, 2021
2014-15	12.3	19 September, 2022
2015-16	38.4	31 August, 2023
2016-17	14.4	19 September, 2024
Total	**172.8**	

xi. Registrar and Share Transfer Agent

M/s C B Management Services (P) Ltd.
P-22, Bondel Road, Kolkata 700 019
Tel: 033-40116700 Email: rta@cbmsl.com

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 2018

Range (No. of shares)	No. of shareholders	% of shareholders	No. of shares	% to total issued capital
1-50	26,479	65.77	490,002	1.05
51-500	12,585	31.26	1,790,175	3.84
501-5000	1,106	2.75	1,274,654	2.73
5001-50000	67	0.16	815,134	1.75
50001-1000000	21	0.05	6,235,684	13.36
1000001 & above	4	0.01	36,054,665	77.27
TOTAL	**40,262**	**100.00**	**46,660,314**	**100.00**

Shareholding Pattern as on 31 March 2018

Category of shareholders	No. of shares (000's)	%
(A) Promoter and Promoter Group	**34,044**	**72.96**
(B) Public shareholding		
(a) Mutual funds	2,305	4.94
(b) Insurance companies	1,873	4.01
(c) Nationalised Banks	18	0.04
(d) Other Banks	4	0.01
(e) Foreign Institutional Investors	806	1.73
(f) NRIs	117	0.25
(g) Bodies Corporate	3,591	7.70
(h) Individuals/others	3,902	8.36
Total public shareholding	**12,616**	**27.04**
Total (A) + (B)	**46,660**	**100.00**

xiv. 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 2018, 74.60% of the Company's equity shares involving 34.81 million shares have been dematerialised (No. of Demat accounts: 27,767).

The Company has entered into necessary agreements with the authorised depositories 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 forward contracts.

xvii. Plant locations

The Company's plants are located at:

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

xviii. Address for correspondence

Shareholders' correspondence may be addressed to:

1. C B Management Services (P) Ltd.,
   Unit: Akzo Nobel India Limited
   P-22, Bondel Road, Kolkata 700 019
   Tel: 033-40116700
   Email: rta@cbmsl.com

   OR

2. The Company Secretary
   Akzo Nobel India Limited
   Epitome, Building No 5, Tower A,
   20th Floor, Cyber City, DLF Phase III,
   Gurugram 122 002
   Tel: 0124-2540400
   Email: investor.india@akzonobel.com

11. 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 at www.akzonobel.co.in

d. The Policy on materiality of related party transactions can be accessed on the Company's website www.akzonobel.co.in

e. The Policy on related party transactions can be accessed on the Company's website www.akzonobel.co.in

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 Non Executive Directors had any materially significant pecuniary relationship or transaction vis-à-vis the Company, which may have a potential conflict with the interests of the Company at large. Mr A Jain, Mr A Ghosh and Mr J Rowe are/were 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.

12. 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.

13. 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 with law. Copy of the Code of Conduct is posted on the website of the Company www.akzonobel.co.in. 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 2018.

Gurugram	**Jayakumar Krishnaswamy**
10 May 2018	Managing Director

14. 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.

15. 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.	724 shareholders and 24,624 shares
ii)	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year.	5 shareholder s and 96 shares
iii)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year.	5 shareholders and 96 shares
Iv)	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account to IEPF Authority	585 shareholders and 19,196 shares
iv)	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	134 shareholders and 5,332 shares

The voting rights on these shares have been frozen till the rightful owner approaches the Company to claim the shares as per applicable regulations.

16. Non-mandatory Requirements

Details of compliance with non-mandatory requirements as specified in Part E of Schedule II of the Listing Regulations are given below:

Description		Status as on 31 March 2018
(i)	Non Executive Chairman's office and expenses	The former Non Executive Chairman was reimbursed the cost of maintaining his office at Mumbai upto his retirement. In addition, expenses incurred by him in the performance of his duties on behalf of the Company were also borne by the Company. For the current Non Executive Chairman, 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 report of the statutory auditors for 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") in terms of Regulation 15(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for the year ended 31.03.2018.

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 Regulations.

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

Place : Kolkata
Dated : 10 May 2018

Annexure II-A

Business Reponsibility (BR) Report

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

This 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 laid 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

1. Corporate Identity Number (CIN) of the Company: L24292WB1954PLC021516
2. Name of the Company: Akzo Nobel India Limited
3. Registered address: Geetanjali Apartment, 1st Floor, 8-B, Middleton Street, Kolkata 700 071
4. Website : www.akzonobel.co.in
5. E-mail id : investor.india@akzonobel.com
6. Financial year reported: April 2017 - March 2018
7. Sectors that the Company is engaged in (industrial activity code-wise):

Code #	Description
202	Paints, varnishes, enamels or lacquers

8. Three key products that the Company manufactures/ provides (as in balance sheet) are:

   1) Paints/Synthetic Enamels

   2) Colorants and Thinners

9. 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	5
RD&I Centre	1
Depots/Sales locations	50
Offices	4

10. Markets served by the Company: National and International

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital : ₹466.6 million
2. Total Turnover : ₹30,417 million
3. Total profit after taxes : ₹4,006 million
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax : ₹52 million amounting to 1.3% of PAT (2% of profit computed under Section 198 of the Act)
5. List of activities in which expenditure in 4 above has been incurred:

   (a) Promotion of Education and eradicating malnutrition

   (b) Environment Sustainability

   (c) Skill Development

   (d) Healthcare

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies: Yes – ICI India Research and Technology Centre, a not for profit company engaged in scientific research, where the Company has effective control.

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company?: Yes

3. 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 responsible for BR

(a) Details of the Director responsible for implementation of the BR policy:

DIN Number	02099219
Name	Jayakumar Krishnaswamy
Designation	Managing Director

(b) Details of the BR head:

Name	Rajasekaran Guha
Designation	Company Secretary
Telephone number	0124-2540400
Email ID	investor.india@akzonobel.com

2. Principle-wise [as per National Voluntary Guidelines] 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 the above policies are available at **www.akzonobel.co.in**									

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
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 a 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.co.in.

SECTION E: PRINCIPLE-WISE PERFORMANCE

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

For Akzo Nobel India, promoting integrity means acting in accordance with its values – responsible, transparent and sustainable – wherever it does business. A key element of integrity is compliance: adherence to the law and to its internal regulations. It has zero tolerance for corruption and violation of the principles of fair competition – and where they do occur, such instances are rigorously investigated and taken to their logical conclusion.

Your 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.

Your Company received 9 shareholder complaints during the past financial year, all of which have been resolved. It also received 9 cases reported through 'Speak up' (Vigil Mechanism) during the year; all of which were investigated and resolved. There were

1,080 consumer complaints received by the Company of which 877 were resolved and 203 were under resolution as at 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

Your 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 to its customers.

Your Company seeks to lead by example by improving the environmental/social performance of its products and processes.

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

Total number of permanent employees of the Company were 1869 among which 131 were female. There were 2 regular employees with disabilities. It also has about 850 contractual/ temporary workforce.

There are recognized trade unions at some of the Company's locations representing the workmen. Approximately 7% of permanent employees are members of these unions.

Your Company did not receive any complaints relating to child labour, forced labour, involuntary labour or 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 the Company's 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.

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

Your 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 during the year 2017-18 regarding human rights.

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

Your 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.

Your company is rapidly expanding its green energy initiatives by adopting newer options for green energy. All manufacturing units have already adopted the green energy drive and have operational solar units. The company has clear focus and targets for waste, water, energy and VOC which are monitored on a monthly basis.

Potential environmental risks are identified and addressed 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 Central Pollution Control Board (CPCB) / State Pollution Control Boards (SPCB) in 2017-18. It has no pending show cause notices from CPCB or SPCB as at end of the financial year 2017-18.

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

Your 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 (CII)

(b) Indian Paints Association (IPA)

Your Company participates in various programmes of these associations and participates with appropriate inputs for 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

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

Your Company's CSR programmes are monitored by the CSR Committee of the Board. In 2017-18, a sum of ₹52 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

Akzo Nobel India is a customer focused organisation and has adopted a customer centric approach. It has requisite infrastructure and personnel to receive and address customer feedbacks and complaints. During the last financial year it ensured that all customer/consumer complaints were duly addressed. The products of the Company display all information mandated by the law. Additional product information is provided through product information sheets, when required.

Your 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]

1. 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 to the CSR policy is http://akzonobel.co.in/pdf/policy/AkzoNobel_CSR_Policy_tcm130-88414.pdf.

2. The CSR committee consists of three Directors. The Chairman of the committee is Mr. Raj Kapur, an Independent Director, and the other members are Mr. Jayakumar Krishnaswamy (Managing Director) and Mr. Pradip Menon (Wholetime Director).

3. Average net profit of the Company for last three financial years is ₹2,588 million, computed under Section 198 of the Act

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) is ₹52 million

5. Details of CSR spent during the financial year:

   (a) Total amount spent for the financial year: ₹52 million

   (b) Amount unspent, if any: Nil

   (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.	Education Project	Promoting Education	Hyderabad (Telangana)	2.45	Direct Project Expenditure: 1.96	1.96	In partnership with APSA (NGO)	AkzoNobel is supporting supplementary and remedial education for 1,000 children across five schools of Hyderabad.
2.	Child Care Centre for children suffering from Cancer	Preventive Health Care	Mumbai (Maharashtra)	10.80	Direct Project Expenditure: 3.60	3.60	In partnership with St. Jude's Child Care Centres	AkzoNobel is supporting one centre of St. Jude's which is providing care for children belonging to 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
3.	Vocational Skill Training Project, AkzoNobel	Skill Training	Delhi (Delhi), Kolkata (West Bengal), Lucknow and Gorakhpur (UP), Kolhapur, Pune and Thane (Maharashtra)	30.00	Direct Project Expenditure: 30.00	30.00	In partnership with SEEDS and Sambhav Foundation	In order to promote employability among youth, AkzoNobel provided vocational skill Training to 1,475 youth in Decorative Paints and Vehicle Refinish and linked them with employment.
4.	Community Health & Early Childhood Education project	Promoting education and preventive Health care	Bengaluru (Karnataka)	3.11	Direct Project Expenditure: 2.16	2.16	In partnership with HLFPPT (Hindustan Latex Family Planning Promotion Trust)	The project is promoting early childhood education and preventive health care for 10,000 local villagers in four villages at Hoskote, Bengaluru.
5.	Education Project	Promoting Education	Gurugram (Haryana)	3.01	Direct Project Expenditure: 2.50	2.50	In partnership with Sakshi	AkzoNobel is offering early childhood education, non-formal education and remedial education to 500 under privileged children of Gurugram district.
6.	Girls Education Project	Education	Bengaluru (Karnataka)	3.39	Direct Project Expenditure: 1.68	1.68	In partnership with Plan India	The project is promoting girls education for 500 girls in Govt. schools of Bengaluru through creating better facilities at schools, providing supplementary education and making local communities sensitized about importance of girls education.

(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
7.	Education project for Children	Education	Mahad, Raigarh (Maharashtra)	2.12	Direct Project Expenditure: 0.58	0.58	In partnership with Pride (NGO)	The project is providing remedial education to 500 school children to improve their grades and to sensitize them on health and sanitation.
8.	Integrated Health and Education Project	Promoting Education and Health	Bhind (Madhya Pradesh)	2.67	Direct Project Expenditure: 2.19	2.19	In partnership with Sambhav Social Services (NGO)	This project is promoting education and health for children specially girls. Last year more than 200 children were provided non formal and supplementary education. In addition, through adult education more than 100 village women were made literates.
9.	School Road Safety Awareness project	Promoting Education	Navi Mumbai (Maharashtra)	1.34	Direct Project Expenditure: 1.20	1.20	In partnership with YUVA	In partnership with Navi Mumbai Traffic Police, Akzo Nobel India is spreading awareness on road safety in 20 schools of Navi Mumbai, covering 4,000 children and Motorists.
10.	Education Project	Promoting Education	Thane (Maharashtra)	1.95	0.58	0.58	In partnership with Room to Read (NGO)	The project promotes education in five Govt. schools through improving reading habits of school 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
11.	Sanitation Facility for Old Age Home	Promoting Health	Gurugram (Haryana)	0.47	0.47	0.47	In Partnership with Earth Saviours Foundation	The project helped in Creating sanitation facility in an old age home run by Earth Saviours Foundation. This is benefitting 400 dwellers of the old age home.
12.	Education project	Promoting Education	Mohali (Punjab)	1.64	0.47	0.47	In partnership with Sambhav Foundation	The project helped in sensitizing more than 1000 children and youth from 10 schools and colleges on road safety precautions.
13.	Child Care Centre for children suffering from Cancer	Preventive Health Care	Mumbai (Maharashtra)	0.90	Direct Project Expenditure: 0.90	0.90	In partnership with St. Jude's Child Care Centres	AkzoNobel painted two centres of St. Jude Child Care Centres which is provide care for children belonging to underprivileged families in getting treatment for cancer.
14.	Others - Less than ₹0.50 million each	Various	Various	1.11	1.11	1.11	Directly	NA
15.	Administrative Cost (Salary, Travelling Expenses, etc.)	Various	NA	2.60	2.60	2.60	Directly	NA
				Total		**52.00**		

6. The Company has spent 2% of the average Net profit of the past 3 years computed u/s 198 of the Companies Act, 2013 towards CSR activities.

7. Over 90% of the aforesaid amount was spent in local areas in and around where the company has its operations.

8. 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 2016-17, various energy conservation measures were implemented by the Company:

i.	Conservation measures taken	Energy saving measures adopted across all offices & factories. Continued efforts towards optimization of processes are in place. Some of the measures are: • Pneumatic powder conveying was replaced with direct bulk bag dumping for HSD • Installation of invertor AC units in R&T building • Timers for exhaust blowers and ventilation system • LED Electrical light fittings installed to reduce power consumption • Improved efficiency by reducing our energy use per ton of production, and are working towards improving our share of renewable energy.
ii.	Steps taken by the Company for utilizing alternate sources of energy	The Company has adopted the process of open access renewable energy wheeling to utilize more Solar energy and to save power cost in parallel. Current year saw more buildings powered by solar energy.
iii.	Capital investment on energy conservation equipment's	The Company has invested about ₹1.3 million on energy conservation equipment during the year.

We continue to drive resource productivity to make the most of valuable raw materials and reduce environmental impact, while strengthening our business.

B. Absorption of technology

i.	**Efforts made towards technology absorption**	The RD&I centre of the Company focuses on development of innovative products & techniques.
ii.	**Benefits derived as a result of the above efforts like product improvement, cost reduction, product development or import substitution**	Major benefits derived from the above initiatives are cost reduction, quality improvement and import substitution. Launched a series of new products in Coatings offering differentiated benefits to our customers. For instance, Interchar 1,290, a single component, low VOC, waterborne acrylic intumescent coating designed for onsite application to structural steel requiring protection from cellulosic fire for up to 180 minutes; Intercept 8,500 high performance biocidal antifouling based on patented Lubyon and Silyl Methacrylate technology providing excellent self-smoothening properties and exceptional static performance in high fouling challenge locations; CoatIn, range of fit for purpose products for the mid-tier segment in Marine and Protective coatings; Wanda 2:1 and 4:1 Clearcoat System, our range of products in the retail vehicle refinish market with Clearcoat systems offering long lasting appearance with exceptional finish; and Intergard 251HS, a high-solids fast curing epoxy primer containing zinc phosphate anticorrosive pigmentation that eliminates the need to thin, leading to cost savings and productivity benefits.
iii.	**In case of imported technology, imported during the last 3 years (reckoned from the beginning of the financial year)**	No technology was imported during the last 3 years

(₹ million)

		2017-18	2016-17
iv.	**Expenditure on R&D**	**2017-18**	**2016-17**
	Capital	5	0
	Recurring*	142	60
	Total	**147**	**60**

*Excludes Royalty Charge

C. Foreign exchange earnings and outgo

(₹ million)

	2017-18	2016-17
Earnings	983	930
Outgo@	3,750	4,161

@ 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 2017
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule12(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 – 700 019 Phone : 033 4011 6700 Fax : 033 4011 6739, Email : rta@cbmsl.com Website : www.cbmsl.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sl. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the Company
1	Manufacture of paints and varnishes, enamels or lacquers	202	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No.	Name and Address of The Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Akzo Nobel N.V.* The Netherlands	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 Notes 10 and 34 to standalone financial statements.

IV. SHARE HOLDING PATTERN
(Equity share capital breakup as percentage of total equity)

(i) Category-wise Shareholding

Category of Shareholder	No.of Shares held at the beginning of the year (01-04-2017) Demat	Physical	Total	% of Total Shares	No.of Shares held at the end of the year (31-03-2018) Demat	Physical	Total	% of Total Shares	% Change during the year
(A) Promoter									
(1) Indian	0	0	0	0.00	0	0	0		0.00
(a) Individuals/ HUF									
(b) Central Government(s)									
(c) State Government(s)									
(d) Bodies Corporate									
(e) Bank/Financial Institutions									
(f) Others									
Sub Total(A)(1)	**0**	**0**	**0**	**0.00**	0	0	0		**0.00**
(2) Foreign									
(a) NRIs-Individuals									
(b) Other-Individuals									
(c) Bodies Corporate	22,977,544	11,066,791	3,4044,335	72.96	22,977,544	11,066,791	34,044,335	72.96	0.00
(d) Bank/Financial Institutions									
(e) Any Others									
Sub Total(A)(2)	**22,977,544**	**11,066,791**	**34,044,335**	**72.96**	22,977,544	11,066,791	34,044,335	72.96	**0.00**
Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**22,977,544**	**11,066,791**	**34,044,335**	**72.96**	22,977,544	11,066,791	34,044,335	72.96	**0.00**
(B) Public shareholding									
(1) Institutions									
(a) Mutual Funds	1,844,245	27,565	1,871,810	4.01	2,277,952	27,215	2,305,167	4.94	0.93
(b) Bank/Financial Institutions	10,362	18,186	28,548	0.06	5341	16,892	22,233	0.05	-0.01
(c) Central Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d) State Government(s)	0	276	276	0.00		276	276	0.00	0.00
(e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(f) Insurance Companies	1,944,170	197	1,944,367	4.17	1,873,222	0	1,873,222	4.01	-0.16
(g) Foreign Portfolio Investor	921,731	0	921,731	1.98	805,636	0	805,636	1.73	-0.25
(h) Foreign Institutional Investors (FII)	41,934	740	42,674	0.09	0	0	0	0.00	-0.09
(i) Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(j) FFI	0	600	600	0.00	0	0	0	0.00	0.00
(k) Other (specify)	0	0	0	0.00	0	0	0	0.00	0.00
Sub-Total (B)(1)	**4,762,442**	**47,564**	**4,810,006**	**10.31**	4,962,151	44,383	5,006,534	10.73	**0.42**
(2) Non-institutions									
(a) Bodies Corporate									
i) Indian	3,622,887	8,438	3,631,325	7.78	3,584,309	7063	3,591,372	7.70	-0.08
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
(b) Individuals									
i. Individual shareholders holding nominal share capital up to ₹1 lakh	2,745,378	1,006,442	3,751,820	8.04	2,621,933	728,582	3,350,515	7.18	-0.86
ii. Individual shareholders holding nominal share capital in excess of ₹1 lakh.	228,467	0	228,467	0.49	245,483	0	245,483	0.53	0.04
(c) Other (specify)									
(1) NRI	112,270	16,352	128,622	0.28	112,480	4552	117,032	0.25	-0.03
(2) Clearing Member	39,212	0	39,212	0.09	16,100	0	16,100	0.03	-0.06
(3) Trust	831	24	855	0.00	1,232	24	1,256	0.00	0.00
(4) Unclaimed Suspense Account	24,624	0	24,624	0.05	5,332	0	5,332	0.01	-0.04

Category of Shareholder	No.of Shares held at the beginning of the year (01-04-2017) Demat	Physical	Total	% of Total Shares	No.of Shares held at the end of the year (31-03-2018) Demat	Physical	Total	% of Total Shares	% Change during the year
(5) The Custodian of Enemy Property	1,048	0	1,048	0.00	1,048	0	1,048	0.00	0.00
(6) Investor Education And Protection Fund	0	0	0	0.00	281307	0	281307	0.60	0.60
Sub-Total (B)(2)	6,774,717	1,031,256	7,805,973	16.73	6,869,224	740,221	7,609,445	16.31	-0.42
(B) Total Public Shareholding (B)= (B)(1)+(B)(2)	11,537,159	1,078,820	12,615,979	27.04	11,831,375	784,604	12,615,979	27.04	0.00
TOTAL (A)+(B)	34,514,703	12,145,611	46,660,314	100.00	34,808,919	11,851,395	46,660,314	100.00	0.00
(C) Shares held by Custodians for GDRs & ADRs	0	0	0	0	0	0	0	0	0
GRAND TOTAL (A)+(B)+(C)	34,514,703	12,145,611	46,660,314	100.00	34,808,919	11,851,395	46,660,314	100.00	0.00

(II) Shareholding of Promoters

Shareholder's Name		Shareholding at the beginning of the year (01-04-2017) No of Shares	% of total shares of Company	% of shares Pledged/ encumbered to total shares	Shareholding at the end of the year (31-03-2018) No of Shares	% of total shares of Company	% of shares Pledged/ encumbered to total shares
1 Imperial Chemical Industries Limited							
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
2 Akzo Nobel Coatings International B.V.							
a) At the beginning of the year		8,626,648	18.49	NIL	8,626,648	18.49	NIL
b) Change during the year							
Date	Reason						
19/01/18	BUY	2,439,847	5.23	NIL	11,066,495	23.72	NIL
c) At the end of the year					11,066,495	23.72	NIL
3 Akzo Nobel Chemicals International B.V.							
a) At the beginning of the year		2,439,847	5.23	NIL	2,439,847	5.23	NIL
b) Change during the year							
Date	Reason						
19/01/18	SELL	2,439,847	5.23	NIL	0	0	
c) At the end of the year					0	0	
4 Akzo Nobel (C) Holdings B.V.							
a) At the beginning of the year		291	0	NIL	291	0	NIL
b) Change during the year					NO CHANGE		
c) At the end of the year					291	0	NIL
5 Panter B.V							
a) At the beginning of the year		5	0	NIL	5	0	NIL
b) Change during the year					NO CHANGE		
c) At the end of the year					5	0	NIL
Total		34,044,335	72.96	NIL	34,044,335	72.96	NIL

(iii) Change in Promoter's Shareholding

	Shareholding at the beginning of the year (01-04-2017)		Cumulative Shareholding during the year (01-04-2017 to 31-03-2018)	
	Total	% of Total Shares	Total	% of Total Shares
	34,044,335	72.96	34,044,335	72.96

(iv) Shareholding Pattern of top 10 Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRS)

		Shareholding		Cumulative Shareholding	
Category of Shareholder		No.of Shares	% of total shares of the Company	No.of Shares	% of total shares of the Company
1 Asian Paints Limited					
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
2 Bajaj Allianz Life Insurance Company Ltd.					
a) At the beginning of the year		883,179	1.89	883,179	1.89
b) Change during the year					
Date	Reason				
07/04/17	BUY	38,000	0.08	921,179	1.97
28/04/17	BUY	3,000	0.01	924,179	1.98
26/05/17	SALE	10,200	0.02	913,979	1.96
02/06/17	BUY	2,000	0.00	915,979	1.96
30/06/17	BUY	2,080	0.00	918,059	1.97
04/08/17	SALE	50,000	0.11	868,059	1.86
08/09/17	BUY	2,000	0.00	870,059	1.86
22/09/17	BUY	3,000	0.01	873,059	1.87
29/09/17	SALE	2,080	0.00	870,979	1.87
06/10/17	BUY	21,000	0.05	891,979	1.91
10/11/17	SALE	10,000	0.02	881,979	1.89
24/11/17	SALE	11,230	0.02	870,749	1.87
01/12/17	BUY	11,230	0.02	881,979	1.89
15/12/17	BUY	20,000	0.04	901,979	1.93
22/12/17	SALE	10,000	0.02	891,979	1.91
29/12/17	BUY	25,000	0.05	916,979	1.97
12/01/18	SALE	50,000	0.11	866,979	1.86
19/01/18	SALE	45,000	0.10	821,979	1.76
02/02/18	BUY	5,000	0.01	826,979	1.77
09/02/18	BUY	3,000	0.01	829,979	1.78
23/02/18	BUY	3,000	0.01	832,979	1.79
16/03/18	BUY	10,000	0.02	842,979	1.81
23/03/18	BUY	2,000	0.00	844,979	1.81
30/03/18	BUY	5,000	0.01	849,979	1.82
c) At the end of the year				849,979	1.82
3 General Insurance Corporation of India					
a) At the beginning of the year		700,100	1.50	700,100	1.50
b) Change during the year					
Date	REASON				
01/12/17	SALE	167	0.00	699,933	1.50
15/12/17	SALE	28	0.00	699,905	1.50

Category of Shareholder		Shareholding No.of Shares	Shareholding % of total shares of the Company	Cumulative Shareholding No.of Shares	Cumulative Shareholding % of total shares of the Company
22/12/17	SALE	9,805	0.02	690,100	1.48
c) At the end of the year				690,100	1.48
4 The New India Assurance Company Limited					
a) At the beginning of the year		639,083	1.37	639,083	1.37
b) Change during the year					
Date	Reason				
15/12/17	SALE	8,000	0.02	631,083	1.35
22/12/17	SALE	4,747	0.01	626,336	1.34
29/12/17	SALE	10,189	0.02	616,147	1.32
05/01/18	SALE	7,000	0.02	609,147	1.31
c) At the end of the year				609,147	1.31
5 Aditya Birla Sun Life Trustee Pvt Ltd					
a) At the beginning of the year		704,597	1.51	704,597	1.51
b) Change during the year					
Date	Reason				
07/08/17	BUY	50,000	0.11	754,597	1.62
09/03/18	BUY	76,613	0.16	831,210	1.78
c) At the end of the year				831,210	1.78
6 ICICI Prudential Life Insurance Company Ltd.					
a) At the beginning of the year		485,166	1.04	485,166	1.04
b) Change during the year					
Date	Reason				
07/04/17	BUY	16	0.00	485,182	1.04
14/04/17	BUY	40	0.00	485,222	1.04
21/04/17	BUY	14	0.00	485,236	1.04
28/04/17	BUY	6	0.00	485,242	1.04
12/05/17	BUY	32	0.00	485,274	1.04
19/05/17	BUY	19	0.00	485,293	1.04
26/05/17	BUY	16	0.00	485,309	1.04
02/06/17	BUY	49	0.00	485,358	1.04
09/06/17	SALE	79	0.00	485,279	1.04
16/06/17	BUY	2,231	0.00	487,510	1.04
23/06/17	BUY	1,608	0.00	489,118	1.05
30/06/17	BUY	1,469	0.00	490,587	1.05
07/07/17	BUY	2,169	0.00	492,756	1.06
14/07/17	BUY	669	0.00	493,425	1.06
21/07/17	SALE	16,156	0.03	477,269	1.02
28/07/17	BUY	848	0.00	478,117	1.02
04/08/17	BUY	1,243	0.00	479,360	1.03
11/08/17	BUY	344	0.00	479,704	1.03
18/08/17	BUY	402	0.00	480,106	1.03
25/08/17	BUY	418	0.00	480,524	1.03
01/09/17	SALE	5,801	0.01	474,723	1.02
08/09/17	BUY	1,021	0.00	475,744	1.02
15/09/17	BUY	1,086	0.00	476,830	1.02
22/09/17	BUY	560	0.00	477,390	1.02
29/09/17	BUY	764	0.00	478,154	1.02
06/10/17	BUY	2,345	0.01	480,499	1.03
13/10/17	BUY	815	0.00	481,314	1.03

Category of Shareholder		Shareholding No.of Shares	Shareholding % of total shares of the Company	Cumulative Shareholding No.of Shares	Cumulative Shareholding % of total shares of the Company
20/10/17	SALE	3,209	0.01	478,105	1.02
27/10/17	SALE	3,086	0.01	475,019	1.02
31/10/17	BUY	327	0.00	475,346	1.02
03/11/17	BUY	130	0.00	475,476	1.02
10/11/17	BUY	287	0.00	475,763	1.02
17/11/17	BUY	416	0.00	476,179	1.02
24/11/17	BUY	253	0.00	476,432	1.02
01/12/17	BUY	110	0.00	476,542	1.02
08/12/17	BUY	627	0.00	477,169	1.02
15/12/17	BUY	476	0.00	477,645	1.02
22/12/17	BUY	1,259	0.00	478,904	1.03
29/12/17	BUY	431	0.00	479,335	1.03
05/01/18	BUY	1,074	0.00	480,409	1.03
12/01/18	BUY	159	0.00	480,568	1.03
19/01/18	BUY	6,364	0.01	486,932	1.04
26/01/18	BUY	264	0.00	487,196	1.04
02/02/18	BUY	617	0.00	487,813	1.05
09/02/18	BUY	774	0.00	488,587	1.05
16/02/18	BUY	193	0.00	488,780	1.05
23/02/18	BUY	385	0.00	489,165	1.05
09/03/18	BUY	1,114	0.00	490,279	1.05
16/03/18	BUY	113	0.00	490,392	1.05
23/03/18	BUY	891	0.00	491,283	1.05
30/03/18	BUY	512	0.00	491,795	1.05
c) At the end of the year				491,795	1.05
7 UTI Opportunities Fund					
a) At the beginning of the year		351,000	0.75	351,000	0.75
b) Change during the year					
Date	Reason				
12/05/17	SALE	1,862	0.00	349,138	0.75
19/05/17	SALE	10,773	0.02	338,365	0.73
09/06/17	SALE	66,403	0.14	271,962	0.58
16/06/17	SALE	2,731	0.01	269,231	0.58
23/06/17	SALE	19,196	0.04	250,035	0.54
14/07/17	SALE	1,173	0.00	248,862	0.53
21/07/17	SALE	107,683	0.23	141,179	0.30
21/07/17	SALE	141,179	0.30	0	0.00
c) At the end of the year				0	0.00
8 India Midcap (Mauritius) Ltd.					
a) At the beginning of the year		331,827	0.71	331,827	0.71
b) Change during the year	Reason				
19/05/17	SALE	1,173	0.00	330,654	0.71
c) At the end of the year				330,654	0.71
9 UTI-Dividend Yield Fund					
a) At the beginning of the year		297,000	0.64	297,000	0.64
b) Change during the year					
Date	Reason				
23/06/17	SALE	2,671	0.01	294,329	0.63
31/10/17	SALE	6,329	0.01	288,000	0.62
24/11/17	SALE	45,000	0.10	243,000	0.52
23/03/18	SALE	9,000	0.02	234,000	0.50
c) At the end of the year				234,000	0.50

Category of Shareholder		Shareholding		Cumulative Shareholding	
		No.of Shares	% of total shares of the Company	No.of Shares	% of total shares of the Company
10 The Oriental Insurance Company Limited					
a) At the beginning of the year		280,273	0.60	**280,273**	**0.60**
b) Change during the year					
Date	Reason				
07/04/17	SALE	1,000	0.00	**279,273**	**0.60**
14/04/17	SALE	3,824	0.01	**275,449**	**0.59**
21/04/17	SALE	1,188	0.00	**274,261**	**0.59**
c) At the end of the year				**274,261**	**0.59**
11 Franklin Templeton Mutual Fund A/c Franklin India Prima Fund					
a) At the beginning of the year		0	0.00	**0**	**0.00**
b) Change during the year					
Date	Reason				
01/12/17	BUY	245,461	0.53	**245,461**	**0.53**
15/12/17	BUY	11,498	0.02	**256,959**	**0.55**
29/12/17	BUY	2,137	0.00	**259,096**	**0.56**
09/02/18	BUY	8,246	0.02	**267,342**	**0.57**
23/03/18	BUY	8,902	0.02	**276,244**	**0.59**
c) At the end of the year				**276,244**	**0.59**
12 L and T Mutual Fund Trustee Limited - L and T Mid Cap Fund					
a) At the beginning of the year		0	0.00	**0**	**0.00**
b) Change during the year					
Date	Reason				
21/07/17	BUY	58,000	0.12	**58,000**	**0.12**
12/01/18	BUY	11,435	0.02	**69,435**	**0.15**
19/01/18	BUY	105,000	0.23	**174,435**	**0.37**
26/01/18	BUY	5,038	0.01	**179,473**	**0.38**
02/02/18	BUY	25,848	0.06	**205,321**	**0.44**
09/02/18	BUY	24,616	0.05	**229,937**	**0.49**
09/03/18	BUY	21,000	0.05	**250,937**	**0.54**
16/03/18	BUY	10,000	0.02	**260,937**	**0.56**
c) At the end of the year				**260,937**	**0.56**

(v) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Name	Shareholding: No. of shares at the beginning of the year (01.04.17) / end of the year (31.03.18)	Shareholding: % of total shares of the Company	Date	Increase/ (Decrease) in shareholding	Reason	Cumulative shareholding at year end 31.03.2018: No. of shares	Cumulative shareholding at year end 31.03.2018: % of total shares of the Company
Directors								
1	Mr N Kaviratne CBE (Retired on 14.08.2017)							
2	Mr A Jain							
3	Mr Jayakumar K							
4	Mr P Menon							
5	Mr A Ghosh	Nil Nil	- -	**01.04.2017** **31.03.2018**	- -	**No movement during the year**	Nil Nil	- -
6	Mr R Gopalakrishnan							
7	Mr R S Kapur							
8	Dr S Misra							
9	Ms K Narsimhan							
10	Mr A Uppal							
Key Managerial Personnel								
1	Mr Jayakumar K							
2	Mr P Menon	Nil Nil	- -	**01.04.2017** **31.03.2018**	- -	**No movement during the year**	Nil Nil	- -
3	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
Indebtedness at the beginning of the financial year				
i) Principal amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ million)

Sl. No.	Particulars of Remuneration	Name of the Managing Director K Jayakumar	Name of the Whole-time Director P Menon	Total
1.	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	23.00	17.09	40.09
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-		
6.	Others - Contribution to Provident and other funds	0.76	0.68	1.44
	Total	**23.76**	**17.77**	**41.53**
	Ceiling as per the Companies Act, 2013			**265.00**

B. Remuneration to other directors

1. Independent Directors

(₹ million)

Name of Director	Fee for attending Board/ committee meetings	Commission	Total
Mr R Gopalakrishnan	0.40	0.80	1.20
Mr Raj S Kapur	0.60	0.80	1.40
Dr Sanjiv Misra	0.55	0.80	1.35
Ms Kimsuka Narasimhan	0.35	0.80	1.15
Mr Arvind Uppal	0.55	0.80	1.35
Total (1)	**2.45**	**4.00**	**6.45**

2. Non executive Directors

(₹ million)

Name of Director	Fee for attending Board/ committee meetings	Commission	Total
Mr Nihal Kaviratne	0.15	0.86	1.01
Mr Amit Jain	0.10	0.30	0.40
Mr Arabinda Ghosh	-	-	-
Total (2)	**0.25**	**1.16**	**1.41**
Total (1+2)	**2.70**	**5.16**	**7.86**
Ceiling as per the Act			**26.50**

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

(₹ million)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel Company Secretary R Guha
1.	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	10.36
	(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	-
6.	Others - Contribution to Provident and other funds	0.28
	Total	**10.68**

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

During the financial year 2017-18, no penalties/punishment/compounding of offences were levied under the Companies Act, 2013.

Secretarial Audit Report

For the financial year ended 31.03.2018

[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 – 700071
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 – 700071, 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 31.03.2018 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 statues 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 31.03.2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

(ii) Secretarial Standards as issued by The Institute of Company Secretaries of India;

(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) Regulations, 2011;

  (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

  (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;

  (d) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 the provisions of the following Acts:

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;
4. The Environment (Protection) Act, 1986;
5. Air (Prevention and Control of Pollution) Act, 1981; and
6. Water (Prevention and Control of Pollution) Act, 1974

to the extent of their applicability to the Company during the financial year ended 31.03.2018 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, environmental laws, etc.

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

"*The Company does not have its entire Promoters' Shareholding in dematerialized form as stipulated under Regulation 31(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.***"**

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) The Securities and Exchange Board of India (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) Regulations, 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, if any, 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 at least 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) All decisions were carried through unanimously and there were no dissenting views.

(d) 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.

We further report that during the year under report:

a) The Company had conducted Postal Ballot for passing of the resolution regarding sale and transfer of the Company's Specialty Chemicals Business to an affiliate of Akzo Nobel N.V., Netherlands, as a going concern on a slump sale basis for a consideration of ₹3,200 million vide Postal Ballot Notice dated 07.11.2017. The said resolution was passed with requisite majority by the shareholders of the Company on 18.12.2017.

b) Subsequent to the passing of aforesaid resolution by the shareholders of the Company for divestment, a definitive agreement for sale of the Company's Specialty Chemicals Business to Akzo Nobel Chemicals India Private Limited was executed on 30.03.2018 and the process of divestment was completed with effect from close of business on 31.03.2018.

c) There was an inter-se transfer of 2439847 no. of equity shares (representing 5.23% of the paid up capital of the Company) on 19.01.2018 between the promoter entities viz. Akzo Nobel Coatings International B.V. (buyer) and Akzo Nobel Chemicals International B.V. (seller) due to internal restructuring.

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

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

Place : Kolkata
Dated : 10 May 2018

Independent Auditors' Report

To
The Members of
Akzo Nobel India Limited

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone financial statements of Akzo Nobel India Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. 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 Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including 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.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 2018, and its total comprehensive income (comprising profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143 (3) of the Act, we report 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, except that the backup of the books of account and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.

    (c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors as on 31 March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the maintenance of accounts and other matters connected therewith, reference is made to our comment in Paragraph 10(b) above that the back up of the books of account and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.

    (g) 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 A.

    (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

        i. The Company has disclosed the impact, if any, of pending litigations as at 31 March 2018 on its financial position in its standalone Ind AS financial statements – Refer Note 27(a).

        ii. The Company has long term contracts including derivative contracts as at 31 March 2018 for which there were no material foreseeable losses.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2018.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended 31 March 2018.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership Number 078571

Place : Gurugram
Date : 10 May 2018

Annexure to Independent Auditors' Report

Annexure A

Referred to in paragraph 10(g) of the Independent Auditors' Report of even date to the members of Akzo Nobel India Limited on the standalone financial statements for the year ended 31 March 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Akzo Nobel India Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. 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 Act.

Auditors' Responsibility

3. 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 deemed to be prescribed under section 143(10) of the Act 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 ICAI. 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.

4. 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.

5. 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

6. 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 expenditures 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

7. 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

8. 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 2018, 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 **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/ N500016
Chartered Accountant

Anurag Khandelwal
Partner
Membership Number 078571

Place: Gurugram
Date : 10 May 2018

Annexure B

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Akzo Nobel India Limited on the standalone financial statements as of and for the year ended 31 March 2018

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the financial statements, are held in the name of the Company, except :

Nature	₹ In Million	
	Gross Book Value	Net Book Value
Two cases of leasehold land at Mysore and Mahad for which lease agreements are yet to be registered in the name of the Company including the one transferred as part of discontinued operations-refer Note 36A to the Financial Statements.	187.5	185.5
One case of leasehold land at Thane location for which original title deed is not in possession of the Company.	7.1	4.2

ii. The physical verification of inventory (excluding goods in transit) have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans, or provided any guarantees or security to the parties covered under Section 185 and 186 of the Companies Act, 2013. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of the investments made by it.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax with effect from 1 July 2017 and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax, duty of customs and duty of excise duty, value added tax as at 31 March 2018 which have not been deposited on account of a dispute, are as follows:

(₹ in million)

Name of the Statute	Nature of the dues	Amount	Amount paid under protest	Assessment year for which the matter has been disputed	Forum
Income Tax Act, 1961	Income tax	91	84	2008-09, 2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax	1,581	673	2004-05, 2007-08 to 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax	869	44	1994-95, 1996-97, 1998-99, 1999-00, 2002-03, 2003-04, 2005-06 to 2007-08	High Court
The Central Excise Act, 1944	Excise Duty	2	-	2006-07, 2007-08	Additional Commissioner/Joint Commissioner
The Central Excise Act, 1944	Excise Duty	13	-	2000-01, 2002-03, 2004-05, 2005-06	Commissioner (Appeals)
The Central Excise Act, 1944	Excise Duty	95	-	1991-92 to 1996-2000, 2004-05 to 2009-10, 2011-12, 2012-13	Customs Excise and Service Tax Appellate Tribunal
The Central Excise Act, 1944	Excise Duty	1	-	2004-06	High Court
Service Tax	Service Tax	26	-	2012-13, 2013-14, 2014-15, 2016-17	Customs Excise and Service Tax Appellate Tribunal
Service Tax	Service Tax	1	-	2013-14 to 2014-15	Commissioner Appeals
Sales Tax Act	Sales Tax	345	38	2000-01, 2002-03 to 2015-16, 2017-18	Additional Commissioner/ Joint Commissioner/ Deputy Commissioner/ Assistant Commissioner/Commercial Tax Inspector
Sales Tax Act	Sales Tax	25	7	2005-06 to 2008-09, 2010-11 to 2015-16	Appellate and Revisional Board/ Commissioner Appeal/Additional Commissioner (Appeals)
Sales Tax Act	Sales Tax	22	5	2004-05 to 2006-07, 2008-09 to 2011-12	Sales Tax Tribunal
Sales Tax Act	Sales Tax	78	4	2005-06, 2006-07, 2009-10 , 2010-11, 2012-13	High Court

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of borrowings to Government as at the balance sheet date. The Company does not have any loans or borrowings from any financial institution or bank, nor has it issued any debentures as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with it. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/ N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership Number 078571

Place: Gurugram
Date : 10 May 2018

Balance Sheet

All amounts are in millions Indian ₹ unless otherwise stated	Note	As at 31 March 2018	As at 31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**5,288**	5,076
Capital work-in-progress	3	**268**	232
Intangible Assets	4	**101**	115
Financial assets			
(i) Investments	5.1	**717**	663
(ii) Other bank balances	5.2	**6**	6
(iii) Loans	5.3	**3**	5
(iv) Other financial assets	5.4	**78**	91
Other non-current assets	6	**559**	633
Total non-current assets		**7,020**	**6,821**
Current assets			
Inventories	7	**3,508**	4,054
Financial assets			
(i) Investments	8.1	**5,016**	2,693
(ii) Trade receivables	8.2	**3,953**	4,121
(iii) Cash and cash equivalents	8.3	**662**	167
(iv) Bank balances other than (iii) above	8.4	**179**	173
(v) Loans	8.5	**7**	13
(vi) Other financial assets	8.6	**172**	113
Other current assets	9	**1,329**	681
Current tax assets (net)	9.1	**467**	-
Total current assets		**15,293**	**12,015**
Total assets		**22,313**	**18,836**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	**467**	467
Other equity	11	**12,435**	9,622
Total equity		**12,902**	**10,089**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	12.1	**29**	29
(ii) Other financial liabilities	12.2	**144**	114
Provisions	13	**446**	620
Deferred tax liabilities (net)	14	**58**	14
Other non-current liabilities	15	**47**	46
Total non-current liabilities		**724**	**823**
Current liabilities			
Financial liabilities			
(i) Trade payables	16.1		
Total outstanding dues of micro enterprises and small enterprises		**67**	97
Total outstanding dues of creditors other than micro enterprises and small enterprises		**6,537**	6,135
(ii) Other financial liabilities	16.2	**858**	671
Provisions	13	**323**	219
Other current liabilities	17	**902**	720
Current tax liabilities (net)	18	**-**	82
Total current liabilities		**8,687**	**7,924**
Total liabilities		**9,411**	**8,747**
Total equity and liabilities		**22,313**	**18,836**

The notes from note no. 1 to 40 form an integral part of these financial statements.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Anurag Khandelwal
Partner
Membership No. : 078571

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Statement of Profit and Loss

All amounts are in millions Indian ₹ unless otherwise stated	Note	For the year ended 31 March 2018	For the year ended 31 March 2017
Continuing operations			
Revenue from operations	19	**27,928**	28,702
Other income	20	**438**	489
Total income		**28,366**	29,191
Expenses			
Cost of materials consumed	21	**13,208**	12,095
Purchases of stock-in-trade		**1,808**	1,957
Changes in inventories of finished products, work-in-progress and stock-in-trade	22	**245**	(166)
Excise duty		**735**	2,977
Employee benefits expense	23	**2,763**	2,445
Finance costs	24	**35**	32
Depreciation and amortisation expense		**582**	543
Other expenses	25	**6,178**	6,109
Total expenses		**25,554**	25,992
Profit from continuing operations before exceptional items and tax		**2,812**	3,199
Exceptional items	26	**20**	38
Profit before tax from continuing operations		**2,832**	3,237
Income tax expense:			
Current tax (includes taxes of ₹171 relating to prior years written back, 31 March 2017 ₹96)	14	**758**	1,023
Deferred tax		**17**	(127)
Total tax expense		**775**	896
Profit after tax from continuing operations		**2,057**	2,341
Discontinued operations	36		
Profit from discontinued operations before tax		**2,591**	186
Tax expense of discontinued operations (includes taxes of ₹5 relating to prior years paid, 31 March 2017 ₹ Nil)	14	**642**	57
Profit after tax from discontinued operations		**1,949**	129
Profit after tax for the year (A)		**4,006**	2,470
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years:			
(i) Remeasurement of defined benefit plans		**63**	(107)
Income tax relating to Other comprehensive income/(loss) arising from continuing operations		**(22)**	37
(ii) Other comprehensive income/(loss) arising from discontinued operation		**3**	(3)
Income tax relating to Other comprehensive income/(loss) arising from discontinued operation		**(1)**	1
Total other comprehensive income for the year (B)		**43**	(72)
Total comprehensive income for the year (A + B)		**4,049**	2,398
Earnings per share for profit from continuing operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹10 each]		**44.08**	50.17
Diluted earning per share (in ₹) [Face value of ₹10 each]		**44.08**	50.17
Earnings per share for profit from discontinued operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹10 each]		**41.77**	2.76
Diluted earning per share (in ₹) [Face value of ₹10 each]		**41.77**	2.76
Earnings per share for profit from combined operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹10 each]		**85.85**	52.93
Diluted earning per share (in ₹) [Face value of ₹10 each]		**85.85**	52.93

The notes from note no. 1 to 40 form an integral part of these financial statements.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Statement of Cash Flows

All amounts are in millions Indian ₹ unless otherwise stated	For the year ended 31 March 2018	For the year ended 31 March 2017
A Cash flow from operating activities		
Profit before tax from		
Continuing Operations	2,832	3,237
Discontinued Operations	2,591	186
Profit before tax including discontinued operations	**5,423**	**3,423**
Adjustments for:		
Depreciation and amortisation expense	607	565
Loss on write-off of property, plant and equipment (net)	5	4
Exceptional Income	(20)	(39)
Gain on sale of beneficial interest in residential flats	-	(35)
Gain on sale of chemicals business	(2,442)	-
Provision / liabilities no longer required written back	-	(87)
Provision for inventory obsolescence	(41)	45
Provision for bad and doubtful debts/advances (including write offs)	41	45
Government grant income	(9)	(21)
Interest income	(218)	(110)
Interest income from financial assets at amortised cost - Bonds	(54)	(50)
Net fair value gain/(loss) on investments measured at FVTPL	30	161
Gain on sale of investments	(183)	(419)
Finance costs (including fair value change in financial instruments)	35	32
Operating Profit / (Loss) before working capital changes	**3,174**	**3,514**
Movements in working capital:		
Decrease / (Increase) in inventories	257	(490)
(Increase) in trade receivables	(424)	(647)
Decrease in loans	13	13
(Increase) / Decrease in other financial assets	(46)	59
(Increase) in other assets	(640)	(83)
Increase in trade payables	879	407
Increase / (Decrease) in other financial liabilities	200	(61)
(Decrease) in provisions	(21)	(4)
Increase / (Decrease) in other liabilities	186	(151)
Net cash generated from operations	**3,578**	**2,557**
Income tax paid (net)	(1,771)	(1,124)
Net cash inflow from operating activities (A)	**1,807**	**1,433**
B Cash flow from investing activities		
Payments for purchase of property, plant and equipment	(1,030)	(789)
Proceeds from sale of property, plant and equipment	3	5
Proceeds from sale of chemicals business (Refer note 36)	3,098	-
Proceeds from sale of beneficial interest in residential flats	-	35
Payments for purchase of investments	(19,040)	(15,270)
Proceeds from sale of investments	16,871	18,226
Government grant received	-	19
Interest received	42	25
Net cash (outflow) / inflow from investing activities (B)	**(56)**	**2,251**

Statement of Cash Flows

All amounts are in millions Indian ₹ unless otherwise stated	For the year ended 31 March 2018	For the year ended 31 March 2017
C Cash flow from financing activities		
Dividend paid	**(1,027)**	(3,238)
Dividend distribution tax paid	**(209)**	(665)
Interest paid	**(20)**	(21)
Net cash (outflow) from financing activities (C)	**(1,256)**	**(3,924)**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	**495**	**(240)**
Cash and cash equivalents at the beginning of the year	**167**	407
Effect of exchange rate changes on cash and cash equivalents	*	*
Cash and cash equivalents at the end of the year	**662**	**167**
Non-cash financing activities		
- Acquisition of property, plant and equipment by means of finance lease	**-**	29

*Amount is below rounding off norms adopted by the company

Notes:

(i) The statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 Statement of Cash Flows.

(ii) Amounts in brackets represent a cash outflow or a loss.

(iii) Components of cash and cash equivalents are as under:

Balances with banks		
- In current account	**660**	167
-Deposits with original maturity of upto 3 months	**2**	-
Cash and cash equivalents (Refer Note 8.3)	**662**	**167**

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Statement of Changes In Equity

for the year ended 31 March 2018

All amounts are in millions Indian ₹ unless otherwise stated

(a) Equity share capital

	Number of Shares	Amount
As at 31 March 2016	46,660,314	467
Changes in equity share capital during 2016-17	-	-
As at 31 March 2017	46,660,314	467
Changes in equity share capital during 2017-18	-	-
As at 31 March 2018	**46,660,314**	**467**

(b) Other equity

Description	Reserves and surplus					Other Reserves	Total
	Capital reserve	Capital redemption reserve	Revaluation reserve	General reserve	Retained earnings	Equity instrument through Other Comprehensive Income	
Balance as at 31 March 2016	503	53	15	6,036	4,548	3	11,158
Profit for the year	-	-	-	-	2,470	-	2,470
Other Comprehensive Income	-	-	-	-	(72)	*	(72)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,398**	**-**	**2,398**
Transactions with owners in their capacity as owners:							
Dividends paid (including dividend distribution tax)	-	-	-	-	(3,931)	-	(3,931)
Transfer to general reserve	-	-	-	210	(210)	-	-
Reduction on account of sale of underlying asset	-	-	(3)	-	-	-	(3)
Balance as at 31 March 2017	**503**	**53**	**12**	**6,246**	**2,805**	**3**	**9,622**
Balance as at 1 April 2017	503	53	12	6,246	2,805	3	9,622
Profit for the year	-	-	-	-	4,006	-	4,006
Other Comprehensive Income	-	-	-	-	43	-	43
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,049**	**-**	**4,049**
Transactions with owners in their capacity as owners:							
Dividends paid (including dividend distribution tax)	-	-	-	-	(1,236)	-	(1,236)
Transfer to general reserve	-	-	-	250	(250)	-	-
Reduction on account of sale of underlying asset	-	-	-	-	-	-	-
Balance as at 31 March 2018	**503**	**53**	**12**	**6,496**	**5,368**	**3**	**12,435**

*Amount is below rounding off norms adopted by the company

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

Date: 10 May 2018
Place: Gurugram

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

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 is domiciled in India and is limited by shares. The registered office of the Company is situated in Kolkata (West Bengal). The Company is engaged in the business of manufacturing, trading and selling of paints and related products. The Company also provides research and development services and other services to the holding company and its group companies.

Note: 1 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these standalone financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

(i) Compliance with Ind AS

The standalone financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost convention on a going concern basis, except for the following:-

- Certain financial assets and financial liabilities are measured at fair value.
- Defined benefit plans- plan assets are measured at fair value

(iii) Current and non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

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 realized within 12 months after the reporting date;
- 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.

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;
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The 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 assets/liabilities include current portion of non-current financial assets/liabilities respectively.

All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle

Based on the nature of the operations and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of assets and liabilities.

b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The standalone financial statements have been prepared and presented in Indian Rupees (INR), which is the Company's functional and presentation currency. All financial information presented in the financial statements have been rounded to the nearest million as per Schedule III, unless otherwise stated.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

c) Property, plant and equipment

Recognition and measurement

Freehold land is carried at historical cost. All other items including fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost comprises the purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent costs and disposal

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. Capital work-in-progress excluding capital advances includes property, plant and equipment under construction and not ready for intended use as on Balance Sheet date.

Depreciation

Depreciation on fixed assets is calculated using the straight line method (SLM) 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.

Particulars	Estimated Useful Life (In years)
Buildings	10 - 60
Plant and Machinery	15
Plant and Machinery given under operating lease	6
Furniture and Fixtures (at stores)	3
Furniture and Fixtures (others)	10
Motor Vehicles	5-7
Laboratory Equipment	10
Office Equipment	5
Data processing equipment	3 – 6

The above useful lives have been arrived at, based on the technical assessment of the management, and are currently reflective of the estimated useful life of the fixed assets. The assets' residual values and useful lives are reviewed at the end of each reporting period.

Leasehold land is amortised over the period of the lease and Leasehold improvements are amortised over the lower of useful life and 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.

d) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

e) Intangible assets

(i) Customer relationships and Non-Compete fees

Separately acquired customer relationships and non compete fees are shown at historical cost. They have finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Amortisation

The Company amortises intangible assets with finite useful life using the straight-line method over the following periods:

Particulars	**Estimated useful life (In years)**
Customer relationships	10
Non Compete fees	3

f) Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit and loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the statement of profit and loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Investments in Mutual Funds and equity instruments

Investment in mutual funds and equity instruments are classified as fair value through profit or loss as they are not held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of such assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investment in bonds

Investment in bonds are financial assets with fixed or determinable payments that are not quoted in an active market.

These are classified as financial assets measured at amortised cost as they fulfill both of the following conditions:

- Such assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of such assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company recognises these assets on the date when they are originated and are initially measured at fair value plus any directly attributable transaction costs.

Trade receivables

Trade receivables are financial assets with determinable payments that are not quoted in an active market. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and other short-term highly liquid investments/deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdraft.

Other bank balances

Other bank balances consist of term deposits with banks, which have original maturities of more than three months. Such assets are recognised and measured at amortised cost (including directly attributable transaction cost) using the effective interest method, less impairment losses, if any.

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 -Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Derecognition of financial assets

A financial asset is derecognised only when the Company has transferred the rights to receive cash flows from the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

(v) Income recognition

Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Dividends

Dividends are recognised in profit or loss only when the right to receive payment is established, provided it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

g) Financial liabilities

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings (including finance lease payables)

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

h) Borrowing costs

Borrowing cost includes interest expense as per effective interest rate (EIR).

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

The Company enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss and are included in other income/expenses as the case may be. The related asset/liability are disclosed under other financial assets/other financial liabilities.

i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

j) Inventories

Raw materials, stores and spare parts, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work in progress and finished goods comprises cost of raw materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of weighted average. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Excise duty on finished products is included in the value of finished products inventory.

k) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grant relating to the purchase of Property, Plant and equipment are included in current financial assets as accrued receivable and is credited to profit or loss on a straight line basis over the expected lives of the related asset and presented within other income.

l) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The unwinding of the discount is recognised as finance cost. Provisions are reviewed by the management at each reporting date and adjusted to reflect the current best estimates.

m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

n) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are classified as short-term employee benefits. These benefits include salaries and wages, short-term bonus, pension, incentives etc. These are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Post-employment benefits

The Company operates the following post-employment schemes:

Defined contribution plan

Defined contribution plans are provident fund scheme, superannuation scheme and part of the pension fund scheme for eligible employees. The Company recognises contribution payable to the respective employee benefit fund scheme as an expenditure, as and when they are due. The Company has no further payment obligations once the contributions have been made.

Defined benefit plans

Provident Fund

The Company makes specified monthly contributions towards employees' provident fund to Trusts administered by the Company for certain employees. 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 of contribution and interest (basis the actuarial valuation), if any, as at the date of the Balance Sheet.

Gratuity & Pension

The liability or asset recognised in the balance sheet in respect of defined benefit pension fund and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

Post employment medical obligations

The Company provides post-retirement healthcare benefits to certain categories of its employees. The entitlement to these benefits is conditional on the employee retiring from the services of the Company, after completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Liability for unfunded post-retirement medical benefit is accrued on the basis of actuarial valuation as at the year end by an actuary using the Projected Unit Credit Method.

(iii) Other long-term employee benefit obligations

The liabilities for annual leave, pension scheme for certain employees and long term service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore accrued using actuarial valuations and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria as per the respective arrangement have been met.

Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

The Company operates a loyalty programme where customers accumulate points for purchases made which entitle them to incentives. Revenue related to the award points is deferred and recognised when the points are redeemed.

Service income is recognised on accrual basis in the accounting period in which the services are rendered as per the contractual terms with the customers.

(p) Income taxes

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. In this case, the tax is also recognised in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability that at the time of the transaction affects neither accounting profit nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Identification of segments

Results of the operating segments are reviewed regularly by the country leadership team (Managing Director, Chief Financial Officer, business heads, Head HR) which has been identified as the chief operating decision maker (CODM), to assess the financial performance and position of the Company and make strategic decisions.

Refer note 33 for reportable segments determined by the Company.

(r) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Arrangements containing a lease have been evaluated as on the date of transition i.e. 1 April 2015 in accordance with Ind-AS 101. Lease arrangements have been separately evaluated for finance or operating lease at the date of transition to Ind AS basis the facts and circumstances existing as at that date. Also, refer note 36 for the related transition provisions to Ind AS.

As a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

(s) Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

(t) Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Discontinued operation

A discontinued operation is a component of an entity that has been disposed off and that represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such line of business area or operations. The results of the discontinued operations are presented separately in the statement of profit and loss.

(v) Exceptional items

Exceptional items are items which are events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to occur frequently or regularly.

(w) Rounding off amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated.

Note 2 : Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policy. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the standalone financial statements.

Critical estimates and judgements

- Estimation of useful life of Fixed Assets (Refer note 3)
- Estimation of useful life of Intangible Assets (Refer note 4)
- Estimation of Employee benefit obligations (Refer note 35)
- Estimation for fair value measurement of financial assets and liabilities (Refer note 31)
- Impairment of Financial assets (Refer note 31)
- Estimation for contingencies (Refer note 27(a)
- Estimation for Government Grant (Refer note 8.6)
- Customer Loyalty Programme (Refer note 19)

Estimates and judgements are continuously evaluated. They are based on historical experience and other factors including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 3. Property, plant and equipment

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	Up to 31 March 2017	Additions*	Deletions/ Adjustment	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018
Tangible assets										
Land (Refer note 'a', 'b' and 'c' below)										
- Leasehold taken on finance lease	399	-	(22)	377	3	2	(1)	4	396	373
- Freehold	265	-	-	265	-	-	-	-	265	265
Buildings	1,995	77	(63)	2,009	165	88	(8)	245	1,830	1,764
Plant and Equipment										
-owned	2,341	652	(121)	2,872	445	277	(30)	692	1,896	2,180
- given under operating lease	562	230	(11)	781	201	122	(7)	316	361	465
Motor vehicles	22	6	(26)	2	6	5	(10)	1	16	1
Furniture and fixtures	317	14	(28)	303	130	35	(17)	148	187	155
Office equipment	49	10	(10)	49	19	13	(5)	27	30	22
Leasehold improvements	52	-	-	52	20	12	-	32	32	20
Data processing equipment	123	23	(9)	137	60	39	(5)	94	63	43
Total	**6,125**	**1,012**	**(290)**	**6,847**	**1,049**	**593**	**(83)**	**1,559**	**5,076**	**5,288**

Particulars	As at 31 March 2017	Additions	Deletions	As at 31 March 2018
Capital work-in-progress (Refer note 'd' below)	232	766	(729)	268

(a) The Company had received the final possession of leasehold land at Mysore from Karnataka Industrial Area Development Board (KIADB) in March 2016 and accordingly had capitalised the same with effect from 30 March 2016. The registration of lease deed in respect of the said land is pending finalisation with the authorities.

(b) Leasehold land represents land taken on finance lease under long term multi-decade lease term, capitalised at the present value of the aggregate future minimum lease payments (which include annual lease rentals in addition to the initial payment made at the inception of the lease). There are no contingent payments. Also refer note 12.1 and 16.2 for further disclosures.

(c) The Company had acquired revaluation reserve attributable to certain land as part of amalgamation done with various companies in the previous periods.

(d) Capital Work in Progress constitutes certain plant and machinery which is pending installation at customer premises, expenditure for setting up a factory etc.

(e) There are no exchange differences capitalised during the year.

(f) During the year, the company executed Business Transfer Agreement ('BTA') for transferring its specialty chemicals business to Akzo Nobel Chemicals India Private Limited ('ANCIPL'). The Deletions/Adjustments include ₹ 270 and ₹71 for Gross carrying amount and Accumulated Depreciation relating to the discontinued operations transferred to ANCIPL. The transferred assets also include leasehold land at Mahad, which was pending registration in the name of the company. An intimation regarding the execution of BTA and consequential transfer to ANCIPL has been sent to authorities, refer note 36.

Significant Estimates: The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset. The Company reviews the useful life of property, plant and equipment at the end of each reporting period.

* Additions include depreciation charge on fixed assets pertaining to discontinued operations till the date of transfer (Refer note 36).

Notes

to the financial statements for the year ended 31 March 2018

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 3. Property, plant and equipment (contd..)

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	Up to 31 March 2016	Additions*	Deletions/ Adjustment	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Tangible assets										
Land (Refer note 'a', 'b', 'c' and 'd' below)										
- Leasehold taken on finance lease	383	18	(2)	399	2	3	(2)	3	381	396
- Freehold	266	-	(1)	265	-	-	-	-	266	265
Buildings	1,982	20	(7)	1,995	84	85	(4)	165	1,898	1,830
Plant and Equipment										
-owned	2,237	121	(17)	2,341	212	248	(15)	445	2,025	1,896
- given under operating lease	396	179	(13)	562	103	111	(13)	201	293	361
Motor vehicles	25	4	(7)	22	5	5	(4)	6	20	16
Furniture and fixtures	308	10	(1)	317	77	54	(1)	130	231	187
Office equipment	33	16	-	49	10	9	-	19	23	30
Leasehold improvements	42	10	-	52	11	9	-	20	31	32
Data processing equipment	94	39	(10)	123	33	37	(10)	60	61	63
Total	**5,766**	**417**	**(58)**	**6,125**	**537**	**561**	**(49)**	**1,049**	**5,229**	**5,076**

Particulars	As at 31 March 2016	Additions	Deletions	As at 31 March 2017
Capital work-in-progress (Refer note 'e' below)	89	542	(399)	232

(a) The Company had received the final possession of leasehold land at Mysore from Karnataka Industrial Area Development Board (KIADB) in March 2016 and accordingly had capitalised the same with effect from 30 March 2016. The registration of lease deed in respect of the said land is pending finalisation with the authorities.

(b) Leasehold land represents land taken on finance lease under long term multi-decade lease term, capitalised at the present value of the aggregate future minimum lease payments (which include annual lease rentals in addition to the initial payment made at the inception of the lease). There are no contingent payments. Also refer, note 12.1 and 16.2 for further disclosures.

(c) The Company has possession of a portion of leasehold land situated in Mahad which is pending registration in the name of the Company.

(d) The Company had acquired revaluation reserve attributable to certain land as part of amalgamation done with various companies in the previous periods.

(e) Capital Work in Progress constitutes certain plant and machinery which is pending installation at customer premises, certain project related expenditure for setting up a factory etc.

(f) There are no exchange differences capitalised during the year.

Significant Estimates: The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset. The Company reviews the useful life of property, plant and equipment at the end of each reporting period.

*Additions include depreciation charge on fixed assets pertaining to discontinued operations till the date of transfer (Refer note 36).

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 4. Intangible assets

	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
Particulars	As at 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	Up to 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018
Intangible assets (Acquired)										
Customer Relationships	110	-	-	110	3	11	-	14	107	96
Non Compete Fees	9	-	-	9	1	3	-	4	8	5
Total	119	-	-	119	4	14	-	18	115	101

	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
Particulars	As at 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	Up to 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Intangible assets (Acquired)										
Customer Relationships	-	110	-	110	-	3	-	3	-	107
Non Compete Fees	-	9	-	9	-	1	-	1	-	8
Total	-	119	-	119	-	4	-	4	-	115

Significant Estimates: Useful life of Intangible assets - Customer relationships and non compete fees

Pursuant to business transfer agreement with BASF India Private Limited, the Company had acquired Intangible assets with respect to customer relationships and non-compete fees during the year ended 31 March 2017. The estimate for the useful life of the customer relationships is based on the expected economic benefits from such assets, however, which may be shorter or longer than 10 years, depending upon the customer attrition rate and competition. If it were only 5 years, the carrying amount would be ₹ 82 (₹ 104 as at 31 March 2017). If the useful life were estimated to be 15 years, the carrying amount would be ₹ 101 (₹ 108 as at 31 March 2017).

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 5.1 Non current financial assets- investments

	Number as at 31 March 2018	Number as at 31 March 2017	Face value ₹ per unit	As at 31 March 2018	As at 31 March 2017
(a) Investment in equity instruments (at FVTPL)					
Unquoted*					
Adyar Property Holding Company Limited (paid up ₹ 65 per share)	105	105	100	-	-
Kohinoor Mills Limited (fully paid up)	5	5	100	-	-
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited (fully paid up)	144	144	250	-	-
Paints and Coatings Skill Council (fully paid up)	10	10	25,000	-	-
(b) Investment in equity instruments (at FVOCI)					
Unquoted (fully paid up)					
Woodlands Multispeciality Hospital Limited (Refer note 'a' below)	10,810	10,810	10	4	4
(c) Investment in debentures and bonds (at Amortised Costs)					
Quoted					
Non-convertible redeemable bonds					
Rural Electrification Corporation Limited (zero coupon) (Refer note 'b' below)	29,450	29,450	13,580	713	659
Unquoted*					
6.5% Bengal Chamber of Commerce and Industry	19	19	1,000	-	-
6% Sholapur Spinning & Weaving Co. Limited (in Liquidation)	523	523	100	-	-
				717	663

	As at 31 March 2018	As at 31 March 2017
Aggregate amount of quoted investments and market value thereof	713	659
Aggregate value of unquoted investments	4	4
Aggregate amount of impairment in value of investments	-	-
	717	663

(a). Equity shares designated at fair value through other comprehensive income

Tthe Company designated the investments shown below as equity shares at fair value through other comprehensive income.

	Fair value at 31 March 2018	Dividend income recognised during 2017-18	Fair value at 31 March 2017	Dividend income recognised during 2016-17	Fair value at 31 March 2016
Woodlands Multispeciality Hospital Limited	4	-	4	-	4

No investments measured at FVOCI were disposed off during the year and there were no transfers of any cumulative gain or loss within equity relating to such investments.

(b). The non-convertible redeemable bonds carry a maturity 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 the value of investments. These have been considered as quoted based on their readily available resale prices.

(c). Information about the Company's exposure to credit and market risk and fair value measurement is included in note 31.

*Amount is below rounding off norms adopted by the company

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹. unless otherwise stated)

Note 5.2 Non current financial assets - Other bank balances

	As at 31 March 2018	As at 31 March 2017
Fixed deposits	6	6
	6	6

The above fixed deposits are held as margin money against various guarantees issued by banks on behalf of the Company in favour of Government authorities.

Note 5.3 Non current financial assets - Loans

	As at 31 March 2018	As at 31 March 2017
Secured, considered good		
Loan given to employees (Refer note 'a' and 'b' below)	3	5
	3	5

(a). Loan given to employees include dues from a key managerial person ₹ 0.8 (31 March 2017 – ₹ 0.8)

(b). Loan given to employees include housing loan against which the employees have submitted property title papers or other assets/ documents as envisaged under the housing loan scheme.

Note 5.4 Non current financial assets - Others

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good		
Security deposits	78	91
Unsecured, considered doubtful		
Security deposits	8	8
Provision for doubtful deposits	(8)	(8)
	78	91

Note 6. Other non-current assets

	As at 31 March 2018	As at 31 March 2017
Capital Advances	66	121
Advances other than capital advances:		
Indirect taxes recoverable		
- Considered good	58	52
- Considered doubtful	31	31
Less: Provision for doubtful indirect taxes recoverable	(31)	(31)
Retirement benefit trusts surplus (Refer note 35)	58	78
Advances to customers	358	357
Deferred payroll cost	4	6
Prepaid rent	13	15
Miscellaneous advances	2	4
	559	633

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 7. Inventories

	As at 31 March 2018	As at 31 March 2017
Raw Material (Refer note 'a' below)	**1,200**	1,374
Work in progress	**78**	63
Finished products (Refer note 'b' below)	**2,004**	2,062
Stock in trade (traded goods) (Refer note 'a' below)	**222**	549
Stores and spares parts	**4**	6
	3,508	**4,054**
(a) Includes in-transit inventory:		
Raw materials	31	181
Stock in trade	202	151

(b) Finished products are written down by ₹ 6 (31 March 2017- ₹ 8) on account of cost or net realisable value, whichever is lower. These were recognised as an expense during the year and included in 'changes in inventories of finished products, work-in-progress and stock-in-trade' in the statement of profit and loss.

Note 8.1 Current financial assets - Investments

	Number as at 31 March 2018	Number as at 31 March 2017	Face value ₹ per unit	As at 31 March 2018	As at 31 March 2017
Investment in mutual funds (At FVTPL)					
(Quoted)					
(i) Fixed maturity plans of mutual funds					
HDFC FMP - March 2018 (39) - 1 - 92D - Direct - Growth	**15,000,000**	-	10	**151**	-
Aditya Birla Sun Life Interval Income Fund Quarterly Plan - Series I - Direct - Growth	**6,715,526**	-	10	**151**	-
DWS FMP Series 62 - Growth	**-**	833,005	10	**-**	11
				302	**11**
(ii) Liquid/Floater Schemes of Mutual Funds					
Aditya Birla Sun Life Banking & PSU Debt Fund - Reg - Growth	**3,978,713**	-	10	**202**	-
Aditya Birla Sun Life Floating Rate - Short Term - Growth - Direct Plan	**1,516,321**	-	100	**352**	-
Aditya Birla Sun Life Cash Plus - Regular - Growth	**-**	632,370	100	**-**	202
Aditya Birla Sun Life Cash Plus - Direct - Growth	**426,291**	426,291	100	**119**	111
Aditya Birla Sun Life Floating Rate - Short Term - Growth - Direct Plan	**-**	931,642	100	**-**	202
DSP BlackRock Low Duration Fund - Direct - Growth	**27,609,709**	-	10	**352**	-
DSP BlackRock Ultra Short Term Fund - Direct Plan - Growth	**-**	10,118,726	10	**-**	120
ICICI Prudential Liquid - Direct Plan - Growth	**-**	208,292	100	**-**	50
DHFL Pramerica Banking & PSU Debt Fund - Direct Plan - Growth	**-**	7,128,803	10	**-**	103
HDFC Liquid Fund - Direct Plan - Growth	**-**	130,960	10	**-**	420
HDFC Liquid Fund - Regular Plan - Growth	**137,675**	-	1,000	**469**	-
IDFC Money Manager Fund - Treasury Plan - Growth	**3,438,701**	3,438,701	10	**96**	90
IDFC Cash Fund - Direct - Growth	**166,626**	-	1,000	**352**	-
Invesco Ultra Short Term Fund - Direct - Growth	**143,868**	-	1,000	**352**	-
Invesco Ultra Short Term Fund - Regular - Growth	**42,278**	-	1,000	**101**	-
Invesco Ultra Short Term Fund - Direct - Bonus	**44,819**	44,819	1,000	**61**	57
Kotak Corporate Bond Fund - Std - Growth	**88,813**	-	1,000	**203**	-
Kotak Floater - ST - Direct - Growth	**105,662**	-	1,000	**301**	-

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 8.1 Current financial assets - Investments (Contd..)

	Number as at 31 March 2018	Number as at 31 March 2017	Face value ₹ per unit	As at 31 March 2018	As at 31 March 2017
Reliance Money Manager - Direct - Growth	61,716	-	1,000	151	-
Reliance Banking & PSU Debt Fund - Direct - Growth	16,140,488	23,500,658	10	203	278
SBI Ultra Short Term Debt Fund - Regular - Growth	-	145,372	1,000	-	306
SBI Premier Liquid Fund - Direct - Growth	143,818	-	1,000	392	-
Sundaram Select Debt ST Asset -Direct - Bonus	-	4,793,726	10	-	69
Sundaram Flexi Fund ST Plan - Bonus	-	10,081,961	10	-	130
UTI Banking & PSU Debt Fund - Direct - Growth	28,462,333	-	10	407	-
UTI Liquid Cash Plan - Inst. - Direct - Growth	123,615	115,150	1,000	352	307
				4,465	2,445
(iii) Short Term Income Schemes of Mutual Funds					
IDFC Money Manager Fund - Investment Plan Growth	9,277,471	9,277,471	10	249	237
				249	237
				5,016	2,693
Aggregate amount of quoted investments and market value thereof				5,016	2,693
Aggregate value of unquoted investments				-	-
Aggregate amount of impairment in value of investments				-	-
				5,016	2,693

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

(b). Information about the Company's exposure to credit and market risk and fair value measurement is included in note 31.

Note 8.2 Current financial assets - Trade receivables

	As at 31 March 2018	As at 31 March 2017
Secured		
- considered good	184	86
Unsecured:		
- considered good	3,534	3,853
- receivable from related parties (Refer note 34)	235	182
- considered doubtful	197	174
Less: Provision for doubtful debts	(197)	(174)
	3,769	4,035
	3,953	4,121

Note 8.3 Current financial assets - Cash and cash equivalents

	As at 31 March 2018	As at 31 March 2017
Balance with banks:		
- In current accounts	660	167
Deposits with maturity of less than three months	2	-
	662	167

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 8.4 Current financial assets - Other bank balances

	As at 31 March 2018	As at 31 March 2017
Fixed deposits held as margin money (Refer note 'a' below)	6	2
Unpaid dividend accounts (Refer note 'b' below)	173	171
	179	173

(a). Fixed deposits held as margin money is against various guarantees issued by banks on behalf of the Company in favour of Government authorities.

(b). The Company can utilise these balances only towards settlement of unclaimed dividend.

Note 8.5 Current financial assets - Loans

	As at 31 March 2018	As at 31 March 2017
Secured, considered good		
Loan given to employees (Refer 'a' and 'b' below)	7	13
	7	13

(a). Loan given to employees include housing loan against which the employees have submitted property title papers or other assets/ documents as envisaged under the housing loan scheme.

(b). Dues from a Key managerial person include Re 0.1 (31 March 2017- Re 0.1)

Note 8.6 Current financial assets - Others

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good unless otherwise stated)		
Amount recoverable from related parties (Refer note 34)	90	52
Security deposits	4	10
Government grant receivable	67	41
Others	11	10
	172	113

(a) The carrying value of loans and advances may be affected by changes in the credit risk of the counterparties. Refer note 31 for the credit risk exposure.

(b) Government grant relates to tax incentives receivable from the State Government of Madhya Pradesh in respect of the operations of the Company's factory at Gwalior. Refer note 20 for details.

Significant Estimates : Grants relating to assets are initially measured based on estimated grant receivable under the scheme. Grant receivables are based on sales estimates within State of Madhya Pradesh which involves gathering and evaluating sales estimates for future periods as well as analysing actual outcomes on a regular basis and compliance with stipulated conditions. Changes in estimates or non-compliance of stipulated conditions could lead to significant changes in grant income and are accounted for prospectively over the balance life of the asset.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 9. Other current assets

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good unless otherwise stated)		
Advances to suppliers		
- Considered good	45	61
- Considered doubtful	12	4
Less: Provision for doubtful advances	(12)	(4)
Advances to employees		
- Considered good	6	8
- Considered doubtful	3	3
Less: Provision for doubtful advances	(3)	(3)
Advances to customers		
- Considered good	395	196
- Considered doubtful	6	6
Less: Provision for doubtful advances	(6)	(6)
Prepaid expenses	88	90
Indirect tax recoverable	763	279
Deferred payroll cost	1	1
Prepaid rent	4	4
Related party receivable (Refer note 34)	-	33
Other advances	27	9
	1,329	681

Note 9.1 Curent tax assets (net)

	As at 31 March 2018	As at 31 March 2017
Income tax (net of provision ₹ 12,309)	467	-
	467	-

Note 10. Equity share capital

	As at 31 March 2018	As at 31 March 2017
Authorised:		
126,690,000 (31 March 2017 - 126,690,000) equity shares of ₹10 each	1,267	1,267
Issued, subscribed & fully paid up:		
46,660,314 (31 March 2017 - 46,660,314) equity shares of ₹10 each	467	467
	467	467

a. Reconciliation of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2018		As at 31 March 2017	
	No. of Shares	Amount	No. of Shares	Amount
Opening balance	46,660,314	467	46,660,314	467
Add: Equity shares issued during the year	-	-	-	-
Closing balance	46,660,314	467	46,660,314	467

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 10. Equity share capital (contd..)

b. Terms and rights attached to equity shares

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 regulations. In the event of liquidation, normally, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, if any, in proportion to their shareholding.

c. Shares of the company held by holding/ultimate holding company or their subsidiary/ associates

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

	As at 31 March 2018 No. of Shares	As at 31 March 2017 No. of Shares
Imperial Chemical Industries Limited, England	**22,977,544**	22,977,544
Akzo Nobel Coatings International B.V., Netherlands*	**11,066,495**	8,626,648
Akzo Nobel Chemicals International B.V., Netherlands*	**-**	2,439,847
Akzo Nobel Coatings Holdings B.V.	**291**	291
Panter B.V.	**5**	5

*Consequent to inter se transfer of shares from Akzo Nobel Chemicals International B.V. to Akzo Nobel Coatings International B.V. during the year.

d. Shareholders holding more than 5% shares in the Company

	As at 31 March 2018		As at 31 March 2017	
	No. of Shares	% holding	No. of Shares	% holding
Imperial Chemical Industries Limited, England	**22,977,544**	**49.24%**	22,977,544	49.24%
Akzo Nobel Coatings International B.V., Netherlands	**11,066,495**	**23.72%**	8,626,648	18.49%
Akzo Nobel Chemicals International B.V., Netherlands	**-**	**-**	2,439,847	5.23%

As per records of the Company, including its register of shareholders/ members, the above shareholding represents legal ownership of shares.

e. The Board of Directos of the Company at its meeting held on 6 April 2018 has recommended for approval by the shareholders, through postal ballot, a proposal to buy back its own shares by the Company from public shareholders through tender offer as per details below:

Maximum Number of Shares to be bought back 11,20,000 at a tender price of ₹2,100 each and a total buyback size of ₹2,352.

On receipt of shareholders' approval, further steps will be initiated in this regard.

Note 11. Other equity

	As at 31 March 2018	As at 31 March 2017
Capital reserve	**503**	503
Capital redemption reserve	**53**	53
Revaluation reserve	**12**	12
General reserve	**6,496**	6,246
Retained earnings	**5,368**	2,805
Other reserves		
- Equity instruments through OCI	**3**	3
	12,435	**9,622**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 11. Other equity (contd..)

	As at 31 March 2018	As at 31 March 2017
a Capital reserve	**503**	503
Pursuant to various amalgamation schemes executed in the previous years as per the requirement of Companies Act, 1956 and Court orders, the Company had created a capital reserve based on the differential between the net assets and liability acquired from the other party.		
b Capital redemption reserve	**53**	53
Pursuant to the buy back scheme for purchase of equity shares offered by the Company during the period 2006-2013, the Company had created a capital redemption reserve in those years as per the regulatory requirements.		
c Revaluation reserve	**12**	**12**
It represents revaluation of certain land acquired as part of amalgamation done with various companies in the previous periods.		
d General reserve		
Balance at the beginning of the year	**6,246**	6,036
Add: Amount transferred from surplus balance	**250**	210
Balance at the end of the year	**6,496**	**6,246**

The General reserve is used from time to time to transfer profit from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserves will not be reclassified subsequently to profit and loss.

	As at 31 March 2018	As at 31 March 2017
e Retained earnings		
Balance at the beginning of the year	**2,805**	4,548
Net profit for the period	**4,006**	2,470
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post-employment benefit obligation, net of tax	**43**	(72)
Dividends	**(1,236)**	(3,931)
Amount transferred to general reserve	**(250)**	**(210)**
Balance at the end of the year	**5,368**	**2,805**
Remeasurements of defined benefit liability (asset) comprises actuarial gains and losses and return on plan assets (excluding interest income).		
Other reserves		
f Equity instruments through OCI		
Balance at the beginning of the year	**3**	**3**
Add: Fair value gain on equity instruments for the year	**-**	**-**
Balance at the end of the year	**3**	**3**

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the equity investments through OCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Note 12.1 Non current financial liabilities - Borrowings

	As at 31 March 2018	As at 31 March 2017
Non - current maturities of finance lease obligations (unsecured)		
Obligations under finance leases (Refer note 'a' & 'b' below)	**29**	29
	29	**29**

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 12.1 Non current financial liabilities - Borrowings (contd..)

(a) In respect of leasehold land capitalised as property, plant and equipment, refer note 3 (b). Refer below for minimum lease payments.

	As at 31 March 2018	As at 31 March 2017
Minimum lease payments payable		
Not later than one year	3	3
Later than one year and not later than five years	13	13
Later than five years	280	284
	296	300
Present value of minimum lease payments payable		
Not later than one year	*	*
Later than one year and not later than five years	*	*
Later than five years	29	29
Total minimum lease payments payable	29	29
Current (Refer note 16.2)	*	*
Non-current	29	29
	29	29

*Amount is below rounding off norms adopted by the company

(b) The lease period of the finance lease obligation is 99 years which is discounted at the rate of 11%. The lease term is expected to end by March 2110.

The lease has various terms with no escalation clause and no renewal rights.

Note 12.2 Non current financial liabilities - Others

	As at 31 March 2018	As at 31 March 2017
Security Deposits (Refer note 'a' below)	126	114
Deferred Government Grant (Refer note 'b' below)	18	*
	144	114

(a) Represents deposits received from customers under operating lease arrangement, as explained in note 30.

	As at 31 March 2018	As at 31 March 2017
(b) Opening balance of (Deferred) /Accrued Government grant	*	8
Add : Government grant accrued during the year	9	21
Less: Government grant receivable	(27)	(29)
Closing balance of (Deferred) /Accrued Government grant	(18)	*

*Amount is below rounding off norms adopted by the company

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 13. Provisions

	Non- current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Employee benefits (Refer note 35)				
Pension	19	28	-	-
Gratuity	60	153	-	-
Leave obligations	105	146	23	26
Post retirement medical and others	223	228	20	19
Long service award	10	14	1	1
Indirect taxes	-	-	212	136
Divested businesses	20	40	42	37
Asset retirement obligation	3	3	-	-
Others	6	8	25	-
	446	620	323	219

Additional disclosure relating to provisions

(a) Movement in provisions:

For the year ended 31 March 2018	Class of provisions			
	Indirect taxes	Divested business	Asset retirement obligation	Others
Opening balance	136	77	3	8
Provision created during the year	76	5	*	23
Provision written back	*	(20)	-	-
Closing balance	212	62	3	31

For the year ended 31 March 2017	Class of provisions			
	Indirect taxes	Divested business	Asset retirement obligation	Others
Opening balance	149	119	2	15
Provision created during the year	-	-	1	-
Payments against provision	-	(3)	-	-
Provision written back	(13)	(39)	-	(7)
Closing balance	136	77	3	8

*Amount is below rounding off norms adopted by the company

(b) Nature of provisions

(i) Indirect taxes

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

(ii) Divested businesses

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. Outflows in these cases will depend upon settlement of claims, if any, for which timing and amount of outflow is not certain.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 13. Provisions (contd..)

(iii) Asset retirement obligation

Asset retirement obligation has been created for dismantling cost to be incurred at the time of vacation of the office premises taken on lease by the Company.

(iv) Others

Others relate to various claims arising during the due course of business. Outflows in these cases will depend upon settlement of claims, if any, for which timing and amount of outflow is not certain.

Note 14. Income tax

	For the year ended 31 March 2018	For the year ended 31 March 2017
A. Income tax expense		
Current tax expense		
Current tax on profit for the year	1,562	1,183
Adjustments relating to prior periods	(166)	(96)
Total current tax expense	**1,396**	**1,087**
Deferred tax		
Decrease (increase) in deferred tax assets	(1)	(42)
(Decrease) increase in deferred tax liabilities	22	(92)
Total deferred tax expense/(benefit)	**21**	**(134)**
Income tax expense	**1,417**	**953**
Income tax expense is attributable to:		
Profit from continuing operations	775	896
Profit from discontinued operations	642	57
	1,417	**953**
B. Reconciliation of effective tax rate		
Profit from continuing operations before tax	2,832	3,237
Profit from discontinued operations before tax	2,591	186
Tax at the Indian tax rate of 34.608% (2016-17 - 34.608%)	1,877	1,185
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Long term capital gains not taxed due to brought forward long term capital losses	(21)	(49)
Slump sale of specialty chemicals business taxed at lower rate as per Income Tax Act, 1961	(289)	-
Corporate social responsibility expenditure	18	11
Income Tax Provision of prior year written back	(166)	(96)
Non-taxable Interest Income on REC Bond	(4)	(17)
Others	2	(81)
Income tax expense	**1,417**	**953**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 14. Income tax (contd..)

	As at 31 March 2017	Recognised in P&L*	Recognised in OCI*	As at 31 March 2018
C. Movement in deferred tax balances				
Deferred tax liabilities				
Property, plant and equipment	379	18	-	**397**
Surplus payments to retirement trusts	27	(2)	-	**25**
Investments at fair value through profit or loss	42	(8)	-	**34**
Investments at fair value through OCI	1	-	-	**1**
Others	28	14	-	**42**
Sub- total (a)	**477**	**22**	**-**	**499**
Deferred tax assets				
Provision for doubtful debts and advances	78	20	-	**98**
Expenditure disallowed u/s 43B of Income Tax Act, 196	213	(29)	(23)	**161**
Provisions relating to divested businesses	26	7	-	**33**
Other disallowances under the Income Tax Act, 1961	146	3	-	**149**
Sub- total (b)	**463**	**1**	**(23)**	**441**
Net deferred tax liabilities (a)-(b)	**14**	**21**	**23**	**58**

* Recognised in statement of profit and loss as a part of continuing and discontinued operations

	As at 31 March 2016	Recognised in P&L*	Recognised in OCI*	As at 31 March 2017
D. Movement in deferred tax balances				
Deferred tax liabilities				
Property, plant and equipment	436	(57)	-	**379**
Surplus payments to retirement trusts	36	(9)	-	**27**
Investments at fair value through profit or loss	87	(45)	-	**42**
Investments at fair value through OCI	1	-	-	**1**
Others	9	19	-	**28**
Sub- total (a)	**569**	**(92)**	**-**	**477**
Deferred tax assets				
Provision for doubtful debts and advances	74	4	-	**78**
Expenditure disallowed u/s 43B of Income tax Act, 1961	153	22	38	**213**
Provisions relating to divested businesses	25	1	-	**26**
Other disallowances under the Income Tax Act, 1961	131	15	-	**146**
Sub- total (b)	**383**	**42**	**38**	**463**
Net deferred tax liabilities (a)-(b)	**186**	**(134)**	**(38)**	**14**

* Recognised in statement of profit and loss as a part of continuing and discontinued operation

Note 15. Other non-current liabilities

	As at 31 March 2018	As at 31 March 2017
Deferred lease rentals *	**31**	35
Others	**16**	11
	47	**46**

*Represents fair valuation of security deposits received from customers, as explained in note 31.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 16.1 Current financial liabilities - Trade payables

	As at 31 March 2018	As at 31 March 2017
Total outstanding dues of micro enterprises and small enterprises (Refer note 'b' below)	67	97
Total outstanding dues of creditors other than micro enterprises and small enterprises		
- Related Party Payables to various entities (Refer note 34)	1,256	1,648
- Acceptances	291	273
- Others	4,990	4,214
	6,604	6,232

(a). Refer note 31 for explanations on the Company's liquidity risk management process.

(b). **Additional disclosure as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

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:

	As at 31 March 2018	As at 31 March 2017
(i) The principal amount due thereon remaining unpaid to any supplier as at the end of the accounting year	61	94
(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	435	465
(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)	3	3
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	6	3
(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	6	3

*Amount is below rounding off norms adopted by the company

Note 16.2 Current financial liabilities - Others

	As at 31 March 2018	As at 31 March 2017
Current maturities of finance lease obligations	*	*
Security Deposits	319	221
Others		
Unpaid dividends (Refer note 'a' below)	173	171
Payable to employees	218	154
Capital creditors	82	83
Derivatives not designated as hedges- forward contracts (Refer note 31)	-	7
Related Party Payables to various entities (Refer note 34)	40	29
Retention money payable	26	6
	858	671

*Amount is below rounding off norms adopted by the company

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

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 17. Other current liabilities

	As at 31 March 2018	As at 31 March 2017
Statutory liabilities	523	345
Advance from customers	14	24
Deferred revenue	272	291
Deferred lease rental*	32	19
Liability towards dealer incentive	43	38
Others	18	3
	902	**720**

* It includes fair valuation of security deposits received from customers, as explained in note 31.

Note 18. Current tax liabilities (net)

	As at 31 March 2018	As at 31 March 2017
Income tax (net of advance tax as at 31 March 2017- ₹ 10,624)	-	82
	-	**82**

Note 19. Revenue from operations

	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products (including excise duty) *	27,241	28,216
Sale of services	330	314
Other operating revenues	357	172
	27,928	**28,702**
Breakup of other operating revenues		
Duty drawback on exports	10	15
Lease rentals	122	103
Scrap sales	33	37
Business auxiliary services	167	-
Miscellaneous income	25	17
	357	**172**

* Sale of products are net of incentive to customers ₹4,004 (31 March 2017: ₹4,059)

(a) The customer incentive is recognised based on purchases made by the customer in line with customer schemes and incentive programmes rolled out by the Company. Provision is recorded at the end of reporting period for customer incentives as per purchases made by the customer. Judgements include considerations of inputs i.e. past history of incentive, other variable inputs etc. Changes in assumptions about these factors could affect the reported accrual of customer incentive.

Note 20. Other income

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income from financial assets at amortised cost - Bonds	54	50
Net fair value gain/(loss) on investments measured at FVTPL	(30)	(161)
Gain on sale of investments	183	419
Net foreign exchange gain	-	12
Government grants (Refer note 'a' below)	9	21

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 20. Other income (contd..)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income:		
- on income tax refund	166	78
- on others	52	32
Miscellaneous income (Refer note 'b' below)	4	38
	438	**489**

(a) Government grants are related to investments of the Company in property, plant and equipment of the manufacturing plant set up in a backward area at Malanpur, Gwalior, India. There are no unfulfilled conditions or other contingencies attached to these grants. The Company did not benefit directly from any other forms of government assistance. Also refer note 8.6 & 12.2.

(b) Miscellaneous income includes sale of beneficial interest in residential flat ₹Nil (31 March 2017 - ₹ 35).

Note 21. Cost of materials consumed

	For the year ended 31 March 2018	For the year ended 31 March 2017
Raw material as at the beginning of the year	1,217	1,067
Add: Purchases	13,191	12,245
Less: Raw material as at the end of the year	1,200	1,217
Total cost of materials consumed	**13,208**	**12,095**

Note 22. Changes in inventories of finished products, work-in-progress and stock-in-trade

	For the year ended 31 March 2018	For the year ended 31 March 2017
Inventory at the beginning of the year		
- Finished products	2,033	1,996
- Stock-in-trade	453	343
- Work-in-progress	63	44
	2,549	**2,383**
Inventory at the end of the year		
- Finished products	2,004	2,033
- Stock-in-trade	222	453
- Work-in-progress	78	63
	2,304	**2,549**
(Increase)/ decrease in inventory	**245**	**(166)**

Note 23. Employee benefits expense

	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries, wages and bonus	2,511	2,222
Contribution to provident and other funds (Refer note 35)	130	133
Other retirement benefits	16	23
Staff welfare expenses	106	67
	2,763	**2,445**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 24. Finance cost

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest and finance charges on financial liabilities not at FVTPL	20	21
Unwinding of interest on security deposit and finance lease obligations	13	8
Others	2	3
	35	32

Note 25. Other expenses

	For the year ended 31 March 2018	For the year ended 31 March 2017
Stores and spare parts consumed	30	32
Repairs and maintenance		
- Plant and Machinery	176	181
- Others	22	26
Power and fuel*	157	145
Travelling	347	407
Rates and taxes**	41	74
Rent	222	224
Insurance	56	55
Freight and transport	1,512	1,454
Advertisement and publicity***	1,079	1,196
Royalty	818	737
Consultancy charges	552	429
Net foreign exchange loss	17	-
Payments to the auditor (Refer note 'a' below)	14	12
Corporate Social responsibility expenditure (Refer note 'b' below)	48	41
IT Support and Maintenance	157	163
External service charges	266	222
Provision for doubtful debts and advances****	31	10
Loss on sale of property, plant and equipment (net)	5	4
Miscellaneous expenses	628	697
	6,178	6,109

* net of provision written back ₹ Nil (31 March 2017 - ₹6)
** net of refund and provision written back ₹ Nil (31 March 2017 - ₹23)
*** net of provision written back of ₹ Nil (31 March 2017 - ₹68)
**** net of bad debts written off during the year amounting to ₹10 (31 March 2017 - ₹35)

	For the year ended 31 March 2018	For the year ended 31 March 2017
(a).Details of payments to auditors*		
Statutory audit for the year	6	5
Limited reviews	2	1
Other audit related services	4	3
Reimbursement of expenses	2	3
	14	12

* Excluding Service Tax or Goods and Service Tax, as applicable

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 25. Other expenses (contd..)

	For the year ended 31 March 2018	For the year ended 31 March 2017
(b).Corporate social responsibility expenditure		
Amount required to be spent as per section 135 of the Act from combined operations	52	43
Amount spent during the year on		
i) Construction/acquisition of an asset	-	-
ii) On purposes other than (i) above*	52	44

* ₹ 4 (31 March 2017 - ₹ 3) is considered as part of expenses pertaining to discontinued operations (Refer note 36)

Note 26. Exceptional items (Income)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Divestment provision no longer required written back*	20	38
	20	38

*This relates to write back of provisions with respect to divested businesses (Refer note 13)

Note 27(a). Contingent liabilities

	As at 31 March 2018	As at 31 March 2017
Claims against the Company not acknowledged as debts	116	61
Sales tax/VAT matters under appeal	118	212
Excise and Service Tax matters in dispute / under appeal	74	113
Income tax matters in dispute / under appeal *	1,450	854
	1,758	1,240

* The Income tax assessments for the Company has been completed up to the financial year ended 31 March 2013 and demands aggregating from such assessments and appellate orders amount to ₹1,450 (31 March 2017- ₹854). The Company as well as the Income tax department have filed appeals on various matters arising from these assessments. Based on the available documentation and tax experts view, the Company has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

The Company is contesting certain claims raised by authorities towards excise, service tax and sales tax/VAT dues at various forums. Based on the available documentation and expert view, the Company has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

The Company is contesting certain claims filed against the Company by past employees and external parties in various forums. Based on the available documentation and expert view, the Company has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

Significant Estimates:The assessments undertaken in recognising provisions and contingencies have been made in accordance with Ind AS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’. The evaluation of the likelihood of the contingent events requires best judgement by management considering the probability of exposure to potential loss. Judgement includes consideration of experts opinion, facts of the matter , underlying documentation and historical experience. Changes in assumptions about these factors could affect the reported value of contingencies and provisions.

Note 27(b).

There are no contingent assets as at 31 March 2018 and as at 31 March 2017.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 28. Capital and other commitments

	As at 31 March 2018	As at 31 March 2017
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	48	311
Liability on partly paid investment: Adyar Property Holding Company Limited	*	*

*Amount is below rounding off norms adopted by the company

Note 29. Earnings per share

	As at 31 March 2018	As at 31 March 2017
Weighted average number of shares outstanding during the year	46,660,314	46,660,314
Net profit after tax available for equity shareholders from continuing operations	2,057	2,341
Basic earning per share (in ₹) [Face value of ₹ 10 each]	44.08	50.17
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	44.08	50.17
Net profit after tax available for equity shareholders from discontinued operations	1,949	129
Basic earning per share (in ₹) [Face value of ₹ 10 each]	41.77	2.76
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	41.77	2.76
Net profit after tax available for equity shareholders from combined operations	4,006	2,470
Basic earning per share (in ₹) [Face value of ₹ 10 each]	85.85	52.93
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	85.85	52.93

Note 30. Operating lease

(a) The Company has given colour solution machines under operating leases to various dealers and customers. These have been disclosed under 'Plant and machinery -given under operating lease' in note 3 (Property, plant and equipment). The leases have varying terms with no escalation clause and no renewable rights. The leases are cancellable at the option of Company. The future lease rentals receivable in respect of these assets, based on the agreements in place, are as under :

Amount receivable	Total future minimum lease rentals receivable as on 31 March 2018	Total future minimum lease rentals receivable as on 31 March 2017
Within one year	163	109
Later than one year and not later than five years	130	121
Later than five years	*	*
	293	230

*Amount is below rounding off norms adopted by the company

Note 31. Fair value measurements

a) Financial instruments by category

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial Assets						
Investments in Equity shares	*	4	-	*	4	-
Investments in Mutual funds	5,016	-	-	2,693	-	-
Investments in Bonds	-	-	713	-	-	659
Loans	-	-	10	-	-	18
Security deposits	-	-	82	-	-	101
Other financial assets	-	-	168	-	-	103
Trade receivables	-	-	3,953	-	-	4,121

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Cash and cash equivalents	-	-	662	-	-	167
Other bank balances	-	-	185	-	-	179
Total Financial Assets	5,016	4	5,773	2,693	4	5,348
Financial Liabilities						
Borrowings	-	-	29	-	-	29
Trade payables	-	-	6,604	-	-	6,232
Other financial liabilities	-	-	1,002	-	-	778
Other financial liabilities - Foreign exchange forward contracts	-	-	-	7	-	-
Total Financial Liabilities	-	-	7,635	7	-	7,039

b) Fair value measurement hierarchy for assets and liabilities

The following explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

Financial assets and liabilities measured at fair value at 31 March 2018

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial instruments at FVTPL				
- Mutual funds	5,016	-	-	5,016
Financial instruments at FVOCI				
- Unquoted Equity shares	-	-	4	4
Financial Liabilities				
Derivative not designated as hedges				
- Foreign exchange forward contracts	-	*	-	-

Financial assets and liabilities measured at fair value at 31 March 2017

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial instruments at FVTPL				
- Mutual funds	2,693	-	-	2,693
Financial instruments at FVOCI				
- Unquoted Equity shares	-	-	4	4
Financial Liabilities				
Derivative not designated as hedges				
- Foreign exchange forward contracts	-	7	-	7

*Amount is below rounding off norms adopted by the company

Notes:

Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price and are valued using the closing Net Assets Value (NAV).

Level 2 hierarchy includes the fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This includes foreign exchange forward contracts.

Note 31. Fair value measurements (Contd..)

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.This is the case for unlisted equity securities included in level 3.There are no transfers between levels 1 and 2 during the year.The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

c) Valuation techniques used to determine fair value

The fair value of the financial assets and liabilities are included at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants. The following methods were used to estimate the fair values:

- Unquoted equity shares – The valuation model is based on market multiples derived from quoted prices and PE Multiples of companies comparable to the investee and the NAV and PE multiple of the investee. The estimate is adjusted for the effect of the non-marketability of the relevant equity securities.

- Other non-current financial assets and liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate the fair value.

- Derivative financial assets/liabilities: The Company enters into derivative contracts with various counterparties, principally financial institutions with investment grade credit ratings. Forward foreign currency contracts are determined using forward exchange rates at the balance sheet date.

- Trade receivables, cash and cash equivalents, other bank balances, loans, other current financial assets, current borrowings, trade payables and other current financial liabilities: Approximate their carrying amounts largely due to the short-term maturities of these instruments.

d) Valuation processes

External valuers are involved for valuation of significant assets.The finance department of the Company assists the external valuers in the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.

The valuation processes and results are reviewed by CFO and finance team once every three months, in line with the Company's quarterly reporting periods.

The main level 3 inputs for unlisted equity securities, used by the Company are derived and evaluated as follows:

- The use of quoted market prices / dealer quotes / profit earning (PE) for similar instruments

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by the Company's internal credit risk management group.

- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (Contd..)

e) Financial assets and liabilities measured at amortised cost

Fair value of financial assets and liabilities measured at amortised cost

	31 March 2018		31 March 2017		Level
	Carrying amount	Fair value	Carrying amount	Fair value	
Financial Assets					
Investments in Bonds	713	713	659	659	3
Loans	10	10	18	18	3
Security deposits	82	84	101	103	3
Other financial assets	168	168	103	103	3
Trade receivables	3,953	3,953	4,121	4,121	Refer note 'a'
Cash and cash equivalents	662	662	167	167	Refer note 'a'
Other bank balances	185	185	179	179	Refer note 'a'
Total Financial Assets	**5,773**	**5,775**	**5,348**	**5,350**	
Financial Liabilities					
Borrowings	29	34	29	34	3
Trade payables	6,604	6,604	6,232	6,232	Refer note 'a'
Other financial liabilities	1,002	1,009	778	785	3
Total Financial Liabilities	**7,635**	**7,647**	**7,039**	**7,051**	

a) The carrying amounts of investments in bonds, loans, trade receivables, other financial assets, trade payables, other bank balances and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

b) The fair values for security deposits are calculated based on cash flows discounted using a current lending rate. The fair values of non-current borrowings are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

c) The fair values of financial assets and financial liabilities recorded in the balance sheet in respect of which quoted prices in active markets are available are measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's activities expose it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost.	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Indian rupee	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk – net asset value	Investments in mutual funds	Sensitivity analysis	Portfolio diversification

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

The Company's exposure to mutual funds prices/NAV risk arises from investments held by the Company and classified in the balance sheet as fair value through profit or loss. To manage its price/NAV risk arising from investments in mutual funds, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

In order to minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency risk exposures on account of expenditure in foreign currencies and earnings in foreign exchange (export of goods, service income,etc.).The Company does not enter into any derivative instruments for trading or speculative purposes or for highly probable forecast transactions.

The Company follows a forex Risk Management policy under which all material foreign currency exposures are hedged through forward covers to protect against swings in exchange rates.

The Company's risk management is carried out by a central treasury department / finance team under policies approved by the board of directors.

i. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.The carrying amounts of financial assets represent the maximum credit risk exposure.

A default on a financial asset is when the counterparty fails to make contractual payments as per agreed terms . This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Trade and other receivables

Credit risk refers to the risk of default on its obligation by the counterparty resulting in financial loss. The maximum exposure to the credit risk at the reporting date is primarily from Trade Receivable amounting to ₹3,953 and ₹4,121 as at 31 March 2018 and 31 March 2017 respectively. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company has a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers.The Company monitors its exposure to credit risk on an ongoing basis at various levels. The Company only deals with financial counterparties that have a sufficiently high credit rating. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. The Company closely monitors the acceptable financial counterparty credit ratings and credit limits and revise where required in line with the market circumstances. Due to the geographical spread and the diversity of the Company 's customers, the Company is not subject to any significant concentration of credit risks at balance sheet date.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous companies and assessed for impairment collectively. The calculation is based on credit losses historical data. The Company has evaluated that the concentration of risk with respect to trade receivables to be low.

Trade and other receivables are written off when there is no reasonable expectation of recovery post identification on case to case basis.

On account of adoption of Ind AS 109, the Company uses a simplified approach (lifetime expected credit loss model) for the purpose of computation of expected credit loss for trade receivables.

Reconciliation of loss allowance provision – Trade receivables

	31 March 2018	31 March 2017
Opening balance	174	161
Changes in loss allowance	23	13
Closing balance	**197**	**174**

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

Reconciliation of loss allowance provision – Other receivables

	31 March 2018	31 March 2017
Opening balance	52	55
Changes in loss allowance	8	(3)
Closing balance	60	52

Significant Estimates: The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109, "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Effects of offsetting on balance sheet

The following table represents financial instruments that are offset, or subject to enforceable netting arrangements and other similar agreements but not offset, as at 31 March 2018 and 31 March 2017. The column "gross amount set off in balance sheet" represents rebate accruals which are netted off as per customary business practice.The column "net amount" shows the impact on the Company's balance sheet if all set-off rights were exercised :

Financial Assets	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet
31 March, 2018			
Trade receivable	4,451	(498)	3,953
31 March, 2017			
Trade receivable	4,467	(346)	4,121

Cash and cash equivalents, short term investments and derivatives

For short-term investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the Company attempts to limit the credit risk by only dealing with reputable banks and financial institutions having high credit-ratings assigned by international credit-rating agencies.

ii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

		Contractual cash flows				
	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
31 March 2018						
Non-derivative financial liabilities						
Finance lease obligations (including interest)	296	3	-	3	10	280
Trade and other payables	6,605	6,605	-	-	-	-
Other financial liabilities	1,002	656	202	26	60	58
Derivative financial liabilities						
Forward exchange contracts	*	*	-	-	-	-

*Amount is below rounding off norms adopted by the company

		Contractual cash flows				
	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
31 March 2017						
Non-derivative financial liabilities						
Finance lease obligations (including interest)	300	3	-	3	10	284
Trade and other payables	6,232	6,222	10	-	-	-
Other financial liabilities	778	283	381	9	51	54
Derivative financial liabilities						
Forward exchange contracts	7	7	-	-	-	-

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

Borrowing facilities	31 March 2018	31 March 2017
- Expiring within one year (bank overdraft facilities)	**1,051**	980

iii. Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, NAV of mutual funds will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and investments in mutual funds. The Company is exposed to market risk primarily related to foreign exchange rate risk and the market value of the investments. Thus, the Company's exposure to market risk is a function of investing and revenue generating and operating activities. The objective of market risk management is to avoid excessive exposure in financial assets and unhedged foreign currency, revenues and costs.

Currency risk

The Company is exposed to currency risk on account of its receivables and payables in foreign currency. The functional currency of the Company is Indian Rupee. The Company uses forward exchange contracts to limit its exposure of currency risk, most with a maturity of less than one year from the reporting date. The Company does not use derivative financial instruments for trading or speculative purposes.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

Exposure to currency risk

The currency profile of financial assets and financial liabilities (other than Indian Rupees) as at 31 March 2018 and 31 March 2017 are reinstated in millions Indian Rupees which is stated below :

	USD	Euro	Other
31 March 2018			
Financial assets			
Trade and other receivables	342	26	-
Derivative Assets			
Foreign Exchange Forward Contracts-Sell Foreign Currency	-	-	-
Net Exposure to Foreign Currency Risk (Assets)	**342**	**26**	**-**
Financial liabilities			
Trade and other payables	689	72	73
Derivative liabilities			
Foreign Exchange Forward Contracts-Buy Foreign Currency	(249)	(9)	-
Net Exposure to Foreign Currency Risk (Liabilities)	**440**	**63**	**73**
31 March 2017			
Financial assets			
Trade and other receivables	240	95	1
Derivative Assets			
Foreign Exchange Forward Contracts-Sell Foreign Currency	-	-	-
Net Exposure to Foreign Currency Risk (Assets)	**240**	**95**	**1**
Financial liabilities			
Trade and other payables	685	321	72
Derivative liabilities			
Foreign Exchange Forward Contracts-Buy Foreign Currency	(261)	(11)	(2)
Net Exposure to Foreign Currency Risk (Liabilities)	**424**	**310**	**70**

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars/EURO as at year end would have affected the measurement of financial instruments denominated in US dollars /EURO or other currencies and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Impact on Profit after tax	
Effect in INR	**Increase**	**Decrease**
31 March 2018		
10% movement		
USD	(6)	6
Euro	(2)	2
Others	(5)	5
	(13)	**13**
31 March 2017		
10% movement		
USD	(12)	12
Euro	(14)	14
Others	(5)	5
	(31)	**31**

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

iv. Price risk

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The Company considers factors such as long term credit rating, tenor of investment, minimum assured return, monetary limits,etc. while investing.

Sensitivity analysis

The table below summarises the impact of increases/decreases of the index on the Company's profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all the Company's equity instruments moved in line with the index.

	Impact on Profit after tax	
Effect in INR	**31 March 2018**	**31 March 2017**
Increase 10%	328	176
Decrease 10%	(328)	(176)

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Note 32. Capital management

For the purpose of the Company's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Company. The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2018.

	For the year ended 31 March 2018	For the year ended 31 March 2017
The following dividends were declared and paid by the Company during the year:		
31 March 2017 - ₹ 22 per equity share (31 March 2016- ₹ 70 per equity share)	1,027	3,266
Dividend distribution tax on dividend to equity shareholders	209	665
	1,236	**3,931**

In addition to the above dividend, directors have recommended the payment of dividend of ₹22 per equity share (31 Mar 2017- ₹22 per equity share). The proposed dividend is subject to the approval of shareholders in the ensuing Annual General Meeting

Dividend not recognised at the end of the Reporting period	For the year ended 31 March 2018	For the year ended 31 March 2017
31 March 2018 - ₹ 22 per equity share (31 March 2017- ₹ 22 per equity share)	1,027	1,027
Dividend distribution tax on dividend to equity shareholders	211	209
	1,238	**1,236**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 33. Segment information

A. General Information

The chief operating decision maker (CODM) (i.e. the country leadership team comprising Managing Director, Chief Financial Officer, business unit heads, head HR) examines the Company's performance from a product perspective and has identified the below mentioned segments of its business, which are the Company's strategic business units.The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CODM reviews internal management reports based on profit or loss to assess the performance of the operating segments, as disclosed below:

For management purposes, the Company is organised into following two reportable segments:

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

ii) **Others :** consisting of specialty chemicals business which has been discontinued during the year (Refer note 36).

B. Information about reportable segments and reconciliation to amounts reflected in the financial statements:

Particulars	Coatings		Others (Discontinued operations)		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
1. Revenue						
External revenue	27,571	28,530	2,387	2,569	29,958	31,099
Inter-segment revenue	139	101	48	17	187	118
Inter-segment eliminations	(139)	(101)	(48)	(17)	(187)	(118)
Other operating income	357	172	102	73	459	245
Total Revenue	27,928	28,702	2,489	2,642	30,417	31,344
2. Results						
Segment profit before income tax and exceptional items	2,493	2,860	196	214	2,689	3,074
3. Results reconciled to Profit after tax as follows					2,689	3,074
Less: Finance cost					(35)	(32)
Add:Unallocated income (net of unallocated expense)					307	342
Add:Profit on sale of specialty chemicals business					2,442	-
Profit before exceptional items					5,403	3,384
Exceptional items					20	39
Profit before taxation					5,423	3,423
Income taxes						
-Current tax (net)					(1,396)	(1,087)
-Deferred tax					(21)	134
Profit after taxation					4,006	2,470

C. Other Information

Particulars	Coatings		Others (Discontinued operations)		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
a. Assets						
Segment assets	16,188	14,087	-	1,280	16,188	15,367
Unallocated Assets					6,125	3,469
Total assets	16,188	14,087	-	1,280	22,313	18,836
b. Liabilities/ Shareholders' funds						
Segment Liabilities	8,475	7,059	-	871	8,475	7,930
Unallocated Other liabilities					936	817
Share Capital					467	467
Reserves and surplus					12,435	9,622
Total liabilities/ shareholders' funds	8,475	7,059	-	871	22,313	18,836

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 33. Segment information (contd..)

Particulars	Coatings 31 March 2018	Coatings 31 March 2017	Others (Discontinued operations) 31 March 2018	Others (Discontinued operations) 31 March 2017	Total 31 March 2018	Total 31 March 2017
c. Revenue from external customers						
India	**26,165**	27,545	**2,361**	2,525	**28,526**	30,070
Outside India	**1,406**	985	**26**	44	**1,432**	1,029
Total revenue from external customers	**27,571**	**28,530**	**2,387**	**2,569**	**29,958**	**31,099**

i) 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.

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

D. Information about major customers

No external customer individually accounted for more than 10% of the revenues during the years ended 31 March 2018 and 31 March 2017.

Note 34. Related party disclosures

1. (a) The Company is controlled by:

Akzo Nobel N.V., Netherlands (Ultimate Holding Company)

Imperial Chemical Industries Limited, England, which is wholly owned by Akzo Nobel N.V.

(b) The Company controls the following related party:

ICI India Research and Technology Centre*

(c) Fellow subsidiaries:

Akzo Nobel Chemicals (Boxing) Co. Ltd.	Akzo Nobel Paints Singapore Pte Ltd.
Akzo Nobel Chemicals (Ningbo) Co. Ltd.	Akzo Nobel Projects & Engineering B.V.
Akzo Nobel Decorative Coatings B.V.	Akzo Nobel Packaging Coatings S.A.
Akzo Nobel Industrial Coatings Korea Ltd.	Akzo Nobel Paints (Malaysia) Sdn. Bhd.
Akzo Nobel Industrial Paints, S.L	Akzo Nobel Paints (Thailand) Ltd.
Akzo Nobel Middle East FZE	Akzo Nobel Paints Lanka (Pvt) Ltd.
Akzo Nobel Paints Pakistan Ltd.	Akzo Nobel Paints Taiwan Ltd.
Akzo Nobel Performance Coatings (Shanghai) Co. Ltd.	Akzo Nobel Paints Vietnam Ltd.
Akzo Nobel Powder Coatings (Vietnam) Co. Ltd.	Akzo Nobel Powder Coatings (Ningbo) Co., Ltd.
Akzo Nobel Powder Coatings GmbH	Akzo Nobel Powder Coatings B.V.
Akzo Nobel Pulp and Perfromance Chemicals Inc	Akzo Nobel Powder Coatings Korea Co., Ltd.
Akzo Nobel Surface Chemistry Pte. Ltd.	Akzo Nobel Pty. Ltd.
Akzo Nobel Swire Paints (Shanghai) Ltd.	Akzo Nobel Surface Chemistry AB
Akzo Nobel (Shanghai) Co. Ltd.	Akzo Nobel Surface Chemistry LLC
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Akzo Nobel UAE Paints L.L.C.
Akzo Nobel Car Refinishes (Singapore) Pte Ltd.	ICI Dulux (Pty) Ltd.
Akzo Nobel Car Refinishes B.V.	International Paint Ltd.
Akzo Nobel Car Refinishes SL	International Paint (Akzo Nobel Chile) Ltd.a
Akzo Nobel Chang Cheng Ltd.	International Paint (Korea) Ltd.
Akzo Nobel Chemicals AG	International Paint (Nederland) B.V.
Akzo Nobel Chemicals International B.V.	International Paint (Panama) Inc.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

(c) Fellow subsidiaries:

Akzo Nobel Chemicals India Pvt. Ltd.	International Paint (Taiwan) Ltd.
Akzo Nobel Coatings (Dongguan) Co. Ltd.	International Paint LLC
Akzo Nobel Coatings (Jiaxing) Co. Ltd.	International Paint of Shanghai Co Ltd.
Akzo Nobel Coatings Inc.	International Paint Pazarlama Ltd. Sirketi
Akzo Nobel Coatings International B.V.	International Paint Singapore Pte Ltd.
Akzo Nobel Coatings Ltd.	International Peinture
Akzo Nobel Coatings S.P.A.	Keum Jung Akzo Nobel Peroxides Ltd.
Akzo Nobel Ltd.a	PT ICI Paints Indonesia
Akzo Nobel Packaging Coatings Ltd.	PT International Paint Indonesia
Akzo Nobel Saudi Arabia Ltd.	Schramm SSCP Hanoi Company Ltd.
Akzo Nobel Global Business Services LLP	Tianjin Akzo Nobel Peroxides Co. Ltd.
Akzo Nobel Oman SAOC	PT. Akzo Nobel Car Refinishes Indonesia
Akzo Nobel Asia Pte Ltd.	International Paint (East Russia) Ltd.
Akzo Nobel Adhesives (Asia) Pte Ltd.	Akzo Nobel Surface Chemistry AB
Akzo Nobel Coatings AS	Akzo Nobel Surface Chemistry LLC
Akzo Nobel Coatings Vietnam Ltd.	International Farbenwerke GmbH
Akzo Nobel Cross-Linking Peroxides (Ningbo) Co. Ltd.	International Farvefabrik AS
Akzo Nobel Functional Chemicals AB	International Paint (Hong Kong) Ltd.
Akzo Nobel Functional Chemicals B.V.	International Paint Sdn Bhd
Akzo Nobel Functional Chemicals LLC	Oy International Paint (Finland) AB
Akzo Nobel Hilden GmbH	Schramm Coatings GmbH
Akzo Nobel KK	Akzo Nobel Powder Coatings (Suzhou) Co Ltd.
Akzo Nobel LLC	Akzo Nobel Powder Coatings SAS
Akzo Nobel Performance Coatings (Changzhou) Co Ltd.	Akzo Nobel Pulp and Performance Chemicals AB
Akzo Nobel Polymer Chemicals (Ningbo) Co Ltd.	ICI South Africa (Pty) Ltd.

(d) Key management personnel

Mr Nihal Kaviratne CBE - Chairman (upto 14 August 2017)
Mr Amit Jain - Chairman (from 15 August 2017)
Mr Jayakumar Krishnaswamy - Managing Director
Mr Pradip Menon - Wholetime Director and CFO
Mr Arabinda Ghosh - Non-Executive Director
Mr Jeremy Rowe - Non-Executive Director (from 6 April 2018)
Mr R Gopalakrishnan - Independent Director
Mr Raj S Kapur - Independent Director
Dr Sanjiv Misra - Independent Director
Ms Kimsuka Narsimhan - Independent Director
Mr Arvind Uppal - Independent Director
Mr R Guha - Company Secretary

(e) Employee benefit trusts

Pension trusts
ICI's Associated Companies in India Employees Pension Fund
ICI India Management Staff Pension Fund
Akzo Nobel India Employees Pension Scheme
Akzo Nobel Coatings Employees Superannuation Fund

Gratuity trusts
ICI India Limited Employees' Gratuity Fund
ICI India Management Staff Gratuity Fund
Akzo Nobel India Employees Gratuity Trust 2016
Akzo Nobel Coatings India P Ltd Employees Group Gratuity Cum Life Assurance Scheme

Provident fund trusts
The Alkali and Chemical Corporation of India Limited Provident Fund
ICI India Staff Provident Fund
ICI's Associated Companies in India Staff Provident Fund

*As per Ind AS 110, the Company exercises 'control' on ICI India Research and Technology Centre under the definition of 'Control' as it has exposure/ right to variable returns from its involvement with the Research and Technology Centre.

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

2. The following transactions were carried out with related parties in the ordinary course of business (continuing and discontinued operations) :

	Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Management Personnel	Employee Benefit Trusts	ICI India Research & Technology Centre
	2017-18	2017-18	2017-18	2017-18	2017-18	2017-18
	(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)
a) Transactions during the year						
Purchase of materials / finished goods	-	-	2,615	-	-	-
	-	-	(2,742)	-	-	-
Purchase of Fixed Assets	-	-	2	-	-	-
	-	-	-	-	-	-
Sale of finished goods	-	-	448	-	-	-
	-	-	(402)	-	-	-
Sales proceeds from divestment of specialty chemicals business	-	-	3,098	-	-	-
	-	-	-	-	-	-
Interest income	-	-	39	-	-	-
	-	-	-	-	-	-
Expenses incurred and recovered/recoverable from other Companies (Income)	176	*	99	-	7	-
	(167)	(2)	(98)	-	-	-
Expenses reimbursed to other Companies (Expense)	230	-	11	-	-	-
	(116)	-	(89)	-	-	*
Royalty	-	-	843	-	-	-
	-	-	(758)	-	-	-
Dividend paid	-	506	243	-	-	-
	-	(1,608)	(775)	-	-	-
Services provided (Income)	2	-	433	-	-	-
	-	-	(380)	-	-	-
Services received (Expenses)	27	-	14	-	-	39
	-	-	(34)	-	-	(33)
Advances given during the year	-	-	-	-	-	-
	-	-	-	-	(45)	-
Managerial remuneration						
-Short-term employee benefits	-	-	-	46	-	-
	-	-	-	(43)	-	-
-Post employment benefits	-	-	-	4	-	-
	-	-	-	(2)	-	-
-Other long - term benefits	-	-	-	6	-	-
	-	-	-	(7)	-	-
Contributions made to trust	-	-	-	-	-	-
	-	-	-	-	(28)	-
Guarantee issued on behalf of the Company for credit facilities from banks	1,051	-	-	-	-	-
	(980)	-	-	-	-	-

*Amount is below rounding off norms adopted by the company

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

		Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Management Personnel	Employee Benefit Trusts	ICI India Research & Technology Centre
		2017-18	2017-18	2017-18	2017-18	2017-18	2017-18
		(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)
b)	**Balances as at the end of the year**						
	Dues to related parties	**35**	**33**	**1,228**	**21**	**-**	**-**
		(6)	(29)	(1,641)	(22)	-	(1)
	Dues from related parties	**46**	**-**	**263**	**-**	**-**	**16**
		(43)	-	(224)	-	-	-
c)	**Share Capital outstanding as at end of the year**	**-**	**230**	**111**	**-**	**-**	**-**
		-	(230)	(111)	-	-	-

Terms and conditions of transactions with related parties

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash.
- There have been no guarantees provided or received for any related party receivables or payables.
- For the year ended 31 March 2018 (and any of the previous years) the Company has not recorded any impairment of receivables relating to amounts owed by related parties.
- Figures in bracket indicate transactions/balances relating to financial year 2016-17

d) 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.

	2017-18	2016-17
Purchase of materials / finished goods		
PT Akzo Nobel Car Refinishes Indonesia	**286**	287
Akzo Nobel Surface Chemistry AB	**527**	310
Akzo Nobel Surface Chemistry LLC	**322**	646
Akzo Nobel Functional Chemicals BV	**318**	179
Others	**1,162**	1,320
	2,615	**2,742**
Purchase of fixed assets		
Akzo Nobel Functional Chemicals B.V.	**2**	-
	2	**-**
Sales of finished goods		
International Paint Singapore Pte Ltd	**4**	51
Akzo Nobel Paints Vietnam Ltd	**58**	49
PT ICI Paints Indonesia	**116**	100
Akzo Nobel Paints (Malaysia) Sdn. Bhd.	**55**	67
Akzo Nobel Saudi Arabia Ltd.	**9**	48
Akzo Nobel Paints (Thailand) Ltd.	**59**	-
Akzo Nobel Paints LLC	**49**	-
Others	**98**	87
	448	**402**
Sales proceeds from divestment of Chemicals Business (Refer note 36)		
Akzo Nobel Chemicals India Pvt. Ltd.	**3,098**	-
	3,098	**-**
Interest income		
Akzo Nobel Chemicals India Pvt. Ltd.	**39**	-
	39	**-**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

	2017-18	2016-17
Expenses incurred and recovered/recoverable from other companies (Income)		
Akzo Nobel Lanka (Pvt.) Limited	*	22
Akzo Nobel N.V. Netherlands	176	167
Akzo Nobel Decorative Coatings B.V.	25	40
Akzo Nobel Car Refinishes B.V.	10	22
International Paint Limited	*	*
Others	71	16
	282	267
Expenses reimbursed to other companies (Expense)		
Akzo Nobel N.V. Netherlands	230	116
Akzo Nobel Functional Chemicals B.V.	-	21
AkzoNobel Paints (Singapore) Pte	2	29
International Paint Limited	-	22
Others	8	17
	240	205
Royalty		
Akzo Nobel Coatings International B.V.	818	737
Others	25	21
	843	758
Dividend paid		
Imperial Chemical Industries Limited, England	506	1,608
Akzo Nobel Coatings International B.V.	190	604
Others	54	171
	750	2,383
Services provided (Income)		
Akzo Nobel Car Refinishes B.V.	334	312
Others	102	68
	436	380
Services received (Expense)		
Akzo Nobel Car Refinishes B.V.	-	33
ICI India Research & Technology Centre	39	33
Akzo Nobel N.V. Netherlands	27	-
Akzo Nobel Projects & Engineering B.V.	14	-
Others	*	1
	80	67
Advances given during the year		
ICI Associated Companies in India Employee Pension Fund	-	15
ICI India Limited Employee Gratuity Fund	-	19
ICI India Management Staff Pension Fund	-	5
ICI Associated companies in India Staff Provident Fund	-	4
ICI India Management Staff Gratuity Fund	-	1
The Alkali & Chemicals Corporation India Limited PF	-	1
	-	45
Contributions made to trust		
The Alkali & Chemical Corporation of India Ltd. Provident Fund	-	28
	-	28
Managerial remuneration		
Mr. Jayakumar Krishnaswamy	24	25
Mr. Pradip Menon	18	20
Others	8	7
	50	52

*Amount is below rounding off norms adopted by the company

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

	31 March 2018	31 March 2017
Dues to related parties		
Akzo Nobel Coatings International B.V.	720	430
Akzo Nobel Surface Chemistry AB	-	150
Akzo Nobel Surface Chemistry LLC	-	266
Akzo Nobel Chemicals AG	-	12
PT. Akzo Nobel Car Refinishes Indonesia	110	723
Others	487	118
	1,317	1,699
Dues from related parties		
Akzo Nobel Car Refinishes B.V.	65	89
Akzo Nobel Decorative Coatings B.V.	12	22
PT ICI Paints Indonesia	38	11
Akzo Nobel N.V. Netherlands	46	43
Akzo Nobel LLC	36	-
Others	128	102
	325	267
Share capital outstanding		
Imperial Chemical Industries Limited, England	230	230
Akzo Nobel Coatings International B.V.	111	86
Others	*	25
	341	341

*Amount is below rounding off norms adopted by the company

3. 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 to be contemporaneous in nature, the Company is in process of updating the documentation of international transactions with the Associated Enterprises 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.

Note 35. Employee benefits

Other long-term employee benefit obligations

The liabilities for annual leave, pension scheme for certain employees and long term service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore accrued using actuarial valuations and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Defined benefit plans

The Company makes specified monthly contributions towards employees' provident fund to the trusts administered by the Company for certain employees. 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 of contribution and interest (basis the actuarial valuation), if any, as at the date of the Balance Sheet.

The liability or asset recognised in the balance sheet in respect of defined benefit pension, provident fund and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuary using the projected unit credit method. The Gratuity Plan provides a lump sum payment to vested employees as per payment of Gratuity Act, 1972 at retirement, disability or termination of employment being an amount based on the respective employee's last drawn salary and the number of years of employment with the Company.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

Post-employment medical benefits

The Company provides post-retirement healthcare benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Defined contribution plans

Defined contribution plans are provident fund scheme, superannuation scheme and part of the pension fund scheme for eligible employees. The Company recognises contribution payable to the respective employee benefit fund scheme as an expenditure, as and when they are due. The Company has no further payment obligations once the contributions have been made.

Significant Estimates : Employee benefit obligations are determined using actuarial valuations. An actuarial valuation involves making appropriate assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

	Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(A) Employee benefit expense recognised in profit or loss								
(a) Current service cost	53	48	1	3	(4)	6	22	29
(b) Interest cost (net)	11	2	(16)	(6)	16	18	14	(2)
(c) Writeback on account of assets recognition	-	-	-	-	-	-	2	1
(d) Past service cost - plan amendments	2	-	-		-		-	
Total expense / (gain)	**66**	**50**	**(15)**	**(3)**	**12**	**24**	**38**	**28**
Remeasurements recognised directly in other comprehensive income								
(a) Return on plan assets (greater)/ less than discount rate	2	13	10	26	-	-	(13)	(2)
(b) Actuarial (gains) / losses								
- from changes in demographic assumptions	-	(12)	-	(11)	-	(9)	-	(1)
- from changes in financial assumptions	(121)	81	(8)	6	(11)	-	-	-
- Experience adjustments	22	4	60	13	30	23	-	(2)
(c) Adjustment for limit on net asset	-	-	(50)	(24)	-	-	13	5
Total expense / (gain)	**(97)**	**86**	**12**	**10**	**19**	**14**	**-**	**-**
(B) Net Asset / (Liability) as at year end								
(a) Present value of obligations as at year end	359	452	125	80	243	247	830	734
(b) Fair value of plan assets as at year end	300	309	249	258	-	-	830	779
(c) Fair value of plan assets, limited to present value of future contributions	300	309	182	148	-	-	830	734
Net Asset / (Liability) (b)-(a)	(59)	(143)	124	178	(243)	(247)	-	45
Net Asset / (Liability) recognised in Balance Sheet (c)-(a)	**(59)**	**(143)**	**57**	**68**	**(243)**	**(247)**	**-**	**-**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

(Refer below details for amount recognised in balance sheet)

	Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Provision in Balance Sheet (Refer Note 13)								
Current	-	-	-	-	(20)	(19)	-	-
Non-Current	(59)	(153)	-	-	(223)	(228)	-	-
	(59)	(153)	-	-	(243)	(247)	-	-
Retirement Benefit Trust Surplus (Refer Note 6)								
Current	-	-	-	-	-	-	-	-
Non-Current	1	10	57	68	-	-	-	-
	1	**10**	57	**68**	-	**-**	-	**-**
Net Asset / (Liability) recognised in Balance Sheet								
Current	-	-	-	-	(20)	(19)	-	-
Non-Current	(59)	(143)	57	68	(223)	(228)	-	-
	(59)	**(143)**	57	**68**	(243)	**(247)**	-	**-**

The Company administers benefits through different trusts, which do not allow set off of asset and obligation inter-se. Accordingly, the net balance for each trust is disclosed for each benefit.

		Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(C)	**Change in defined benefit obligations during the year**								
	Present value of obligations at beginning of the year	452	360	80	83	247	241	734	600
	(a) Current service cost	53	48	1	3	(4)	6	22	29
	(b) Interest cost	30	27	5	6	16	18	64	54
	(c) Benefits paid	(47)	(36)	(13)	(20)	(31)	(32)	(52)	(40)
	(d) Actuarial (gains) / losses	(99)	73	52	8	19	14	-	(4)
	(e) Liabilities extinguished on settlements	-	(20)	-	-	-	-	-	-
	(f) Employee Contributions	-	-	-	-	-	-	56	52
	(g) Transfer In/(Out) - Other Provident Funds	-	-	-	-	-	-	1	43
	(h) Other Adjustments	-	-	-	-	-	-	5	-
	(i) Past service cost - plan amendments	2	-	-	-	(4)	-	-	
	(j) Liability for discontinued operations	(32)	-	-	-	-	-	-	-
	Present value of obligations at end of the year	359	**452**	125	**80**	243	**247**	830	**734**
(D)	**Change in fair value of plan assets during the year**								
	Fair value of plan assets as at beginning of the year	309	329	258	284	-	-	779	585
	(a) Return on plan assets (greater)/ less than discount rate	(2)	(13)	(10)	(26)	-	-	-	44
	(b) Interest income on plan assets	19	25	14	21			50	53
	(c) Company contributions	1	-	-	-	-	-	37	28
	(d) Employee Contributions	-	-		(20)	-	-	56	52
	(e) Benefits paid	(19)	(12)	(13)	(1)	-	-	(52)	(40)

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

	Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(f) Adjustment of defined contribution	-	(20)	-	-	-	-	(40)	58
(g) Actuarial gains / (losses)	-	-	-	-	-	-	-	-
(h) Transfer In/(Out) - Other Provident Funds	-	-	-	-	-	-	-	(1)
(i) Assets for discontinued operations	(8)	-	-	-	-	-	-	-
Fair value of plan assets	**300**	**309**	**249**	**258**	**-**	**-**	**830**	**779**
(E) Change in Irrevocable Surplus								
Irrevocable Surplus as at the beginning of the year	-	-	110	125	-	-	45	-
(a) Interest in Irrevocable Surplus	-	-	7	9	-	-	-	(3)
(b) Change in Irrevocable Surplus in excess of interest	-	-	(50)	(24)	-	-	(45)	48
Irrevocable Surplus as at the end of the year	**-**	**-**	**67**	**110**	**-**	**-**	**-**	**45**
(F) Expected benefit payments for the year ending								
Less than a year	58	53	16	11	21	20	1	1
Between 1-2 years	63	52	16	10	21	20	1	1
Between 2-5 years	190	189	42	36	65	61	3	6
Over 5 years	307	371	52	53	109	104	7	25
Total	**618**	**665**	**126**	**110**	**216**	**205**	**12**	**33**
(G) Weighted Average Duration	6	6	9 to 10	9 to 10	10	11	6	6
(H) Sensitivity Analysis								
Discount Rate (%age)								
Effect of DBO due to 0.5% increase in Discount Rate	-2.6%	-3.3%	-4.0%	-3.7%	-4.1%	-4.5%	-	-
Effect of DBO due to 0.5% decrease in Discount Rate	2.8%	3.5%	4.0%	3.7%	4.5%	4.9%	-	-
Salary Escalation Rate (%age)								
Effect of DBO due to 0.5% increase in Salary Escalation Rate	2.8%	3.3%	-	-	-	-	-	-
Effect of DBO due to 0.5% decrease in Salary Escalation Rate	-2.8%	-3.1%	-	-	-	-	-	-
Medical Inflation Rate (%)								
Effect on DBO due to 0.5% increase in Medical Inflation	-	-	-	-	3.7%	3.6%	-	-
Effect on DBO due to 0.5% decrease in Medical Inflation	-	-	-	-	-3.7%	-3.6%	-	-
Mortality Rate (%)								
Effect on DBO if Post Retirement Mortality Rates are scaled up by one year	-	-	-	-	-4.5%	-2.8%	-	-
Effect on DBO if Post Retirement Mortality Rates are scaled down by one year	-	-	-	-	4.5%	2.8%	-	-

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The method and type of assumptions used in preparing the sensitivity analysis did not change as compared to previous year.

(I) Other long-term employee benefit obligations out of which the current portion of obligations is the expected amount to be settled in next twelve months.

	2017-18	2016-17
Long service award obligation		
Current	(1)	(1)
Non-Current	(10)	(14)
Total	**(11)**	**(15)**
Leave obligation		
Current	(23)	(26)
Non-Current	(105)	(146)
Total	**(128)**	**(172)**
Pension obligation		
Current	-	-
Non-Current	(19)	(28)
Total	**(19)**	**(28)**

(J) Expected contributions to post-employment benefit plans for the year ending 31 March 2019 is ₹88.

(K) Major category of plan assets

	Gratuity				Pension			
	2017-18		2016-17		2017-18		2016-17	
	%	Amount	%	Amount	%	Amount	%	Amount
Government of India Securities (Central & State)	12%	37	16%	49	20%	50	29%	74
High Quality Corporate Bonds (including Public sector bonds)	12%	37	14%	44	41%	103	44%	113
Cash (including special deposits)	4%	11	4%	11	6%	15	3%	9
Scheme of Insurance-conventional products	2%	7	2%	6	0%	-	0%	-
Scheme of Insurance-ULIP products	37%	112	37%	116	0%	-	0%	-
Others	33%	96	27%	83	33%	81	24%	62
	100%	300	100%	309	100%	249	100%	258

Major category of plan assets

	Provident Fund			
	2017-18		2016-17	
	%	Amount	%	Amount
Government of India Securities (Central & State)	31%	261	24%	189
High Quality Corporate Bonds (including Public sector bonds)	56%	466	62%	477
Cash (including special deposits)	3%	24	7%	56
Others	10%	79	7%	57
	100%	830	100%	779

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

Actuarial Assumptions

	2017-18	2016-17
Discount Rate (annual)	7.50%	7.00%
Salary growth rate	8.00%	10.50%
Expected rate of return (Annualised)	8.00%	8.00%
Medical Inflation Rate	8.00%	8.00%

(L) Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility:- The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a return lesser than the yield. Most of the plan asset investments are in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk to minimise risk to an acceptable level.

Changes in bond yields :The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

Inflation risks : In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The pension and medical plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary conditions result in higher sensitivity to changes in life expectancy.

The Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the employee benefit plans. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due.

(M) During the year ended 31 March 2018, the Company has made certain changes in the assumptions relating to actuarial valuation to reflect changes in macro-economic and other relevant factors. Other comprehensive income for the year ended 31 March 2018 reflect the impact of this change. The impact, if any, for the future period is not determinable at this stage.

Note 36. Discontinued operations

(a) Description

Pursuant to the Board of Directors decision on 7 November 2017 and subsequent shareholders' approval on 18 December 2017, the Company entered into a Business Transfer Agreement ("BTA") on 30 March 2018 and addendums thereto to sell by way of slump sale its Specialty Chemicals Business ("the Business") as a going concern to Akzo Nobel Chemicals India Private Limited ('ANCIPL'), an affiliate of the ultimate holding company.

In accordance with the BTA the following major categories of assets and liabilities have been transferred to ANCIPL with effect from the close of business on 31 March 2018, being the date of transfer of control.

Particulars	As at 31 March 2018
Property, plant and equipment	199
Capital work in progress	37
Inventories	330
Trade receivables	559
Other assets	23
Total Assets	**1,148**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 36. Discontinued operations (contd..)

Particulars	As at 31 March 2018
Trade payables	511
Provisions	40
Others	17
Total Liabilities	**568**
Net Assets	**580**

(b) Financial performance and cash flow information

The following results of operations and cash flows for the year ended 31 March 2018 and corresponding previous year ended 31 March 2017, have been presented as discontinued operation in the financial statement.

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from operations	2,489	2,642
Expenses	2,340	2,456
Profit before tax	**149**	**186**
Tax expense	62	57
Profit after income tax	**87**	**129**
Profit on sale of specialty chemicals business after income tax (see (c) below)	1,862	-
Profit from discontinued operations	**1,949**	**129**
Remeasurement of defined benefit plans arising from discontinued operations	3	(3)
Income tax relating to Other comprehensive income/(loss) arising from discontinued operations	(1)	1
Other Comprehensive Income from discontinued operations	**2**	(2)
Total Comprehensive Income from discontinued operations	**1,951**	**127**
Cash Flow Statement		
Net cash inflow from operating activites	30	(181)
Net cash inflow/(outflow) from investing activities	3,031	(45)
Net increase in cash generated from discontinued operations	**3,061**	**(226)**

(c) Details of the sale of the Business

The profit on sale of the Business is computed as follows -

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale consideration adjusted for working capital movement and taxes as per the BTA	3,098	-
Less: Net assets transferred (Refer note 'a' above)	(580)	-
Less: Transaction costs in relation to the transfer	(76)	-
Profit on sale	**2,442**	**-**
Less : Income tax expense	(580)	-
Profit on sale after tax	**1,862**	**-**

Note 37. Recent accounting pronouncements

Standards issued but not yet effective

The Ministry of Corporate Affairs (MCA), on 28 March 2018, notified Ind AS 115, Revenue from Contracts with Customers as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. The new standard is effective for accounting periods beginning on or after 1 April 2018 and requires an entity to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Note 37. Recent accounting pronouncements (contd..)

Amendment to Ind AS 40: Investment Property

The amendment lays down the principle regarding when a company should transfer an asset to, or from, an investment property.

Amendment to Ind AS 21: The Effects of Changes in Foreign Exchange Rates

This amendment brings clarity on the date of transaction when foreign currency consideration is paid or received in advance of the item

Amendment to Ind AS 28: Investments in Associates and Joint Ventures

The amendment brings clarity on whether an entity needs to choose between application of equity method or measuring the investment at fair value for each instrument whenever an investment in an associate or a joint venture is held by directly or indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Amendment to Ind AS 112 : Disclosure of Interests in Other Entities

Disclosure requirements for interests in other entities also apply to interests that are classified (on included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with Ind AS 105, non-current Assets Held for Sale and Discontinued Operations.

Ind AS 12 Income Taxes

The amendment clarifies the accounting for deferred taxes on unrealised losses.

The Company is evaluating the requirements of the above amendments and their effect on the financial statements.

38 Managerial remuneration paid by erstwhile Akzo Nobel Coatings India Private Limited ("AN Coatings"), since amalgamated with the Company, for the years ended 31 March 1999 and 31 March 2000 was in excess of limits prescribed under the Companies Act,1956 by an amount of ₹ 10 million. AN Coatings had, therefore, made applications with the Central Government for approval of the excess remuneration paid, for which response is awaited.

39 In accordance with Ind AS 18 on Revenue and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, revenue for year ended 31 March 2017 and period ended 30 June 2017 are reported inclusive of Excise Duty. Consequent to the implementation of the Goods and Service Tax ("GST") w.e.f. 1 July 2017, Excise Duty, VAT, Service Tax and various other Indirect Taxes have been subsumed into GST. As per Ind AS 18, revenue for the period 1 July 2017 to 31 March 2018 is reported net of GST.

40 Previous year figures have been regrouped and reclassified where ever necessary to confirm with the current year classifications.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Consolidated Financial Statements

Independent Auditors' Report

To
The Members of
Akzo Nobel India Limited

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of Akzo Nobel India Limited (hereinafter referred to as the "Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group"), (refer Note 37 to the attached consolidated financial statements), comprising the consolidated Balance Sheet as at 31 March 2018, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and changes in equity of the Group in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of Consolidated Ind AS Financial Statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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, which has been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these Consolidated Ind AS Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the Consolidated Ind AS Financial Statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Ind AS Financial Statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Ind AS Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Ind AS Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS 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 Holding Company's Board of Directors, as well as evaluating the overall presentation of the Consolidated Ind AS Financial Statements.

6. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Ind AS Financial Statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS 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 consolidated state of affairs of the Group, as at 31 March 2018, and their consolidated total comprehensive income (comprising consolidated profit and consolidated other comprehensive

income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

8. 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 of the aforesaid Consolidated Ind AS Financial Statements.

   (b) In our opinion, proper books of account as required by law maintained by the Holding Company and its subsidiary included in the Group, including relevant records relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the subsidiary, except that the backup of the books of account and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.

   (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company and its subsidiary included in the Group, including relevant records relating to the preparation of the Consolidated Ind AS Financial Statements.

   (d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

   (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2018 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company, incorporated in India is disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

   (f) With respect to the maintenance of accounts and other matters connected therewith, reference is made to our comment in Paragraph 8(b) above that the back up of the books of account and other books and papers maintained in electronic mode has not been maintained on servers physically located in India.

   (g) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company and its subsidiary company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

   (h) With respect to the other matters to be included in the Auditors' 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 Consolidated Ind AS Financial Statements disclose the impact, if any, of pending litigations as at 31 March 2018 on the consolidated financial position of the Group– Refer Note 27(a) to the Consolidated Ind AS Financial Statements.

      ii. The Group has long term contracts including derivative contracts as at 31 March 2018 for which there were no material foreseeable losses.

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2018. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the subsidiary company incorporated in India during the year ended 31 March 2018.

      iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended 31 March 2018.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership Number 078571

Place : Gurugram
Date : 10 May 2018

Annexure to Independent Auditors' Report

Annexure A

Referred to in paragraph 8(g) of the Independent Auditors' Report of even date to the members of Akzo Nobel India Limited on the consolidated financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the Consolidated Ind AS Financial Statements of the Company as of and for the year ended 31 March 2018, we have audited the internal financial controls over financial reporting of Akzo Nobel India Limited (hereinafter referred to as "the Holding Company") and its subsidiary Company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary Company which are companies incorporated in India, are 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 Act.

Auditors' Responsibility

3. 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 deemed to be prescribed under Section 143(10) of the Act 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 ICAI. 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.

4. 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.

5. 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

6. 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 expenditures 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

7. 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

8. In our opinion, the Holding Company, its subsidiary Company, which are companies incorporated in India, have, 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 2018, 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 **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership Number 078571

Place : Gurugram
Date : 10 May 2018

Consolidated Balance Sheet

All amounts are in millions Indian ₹ unless otherwise stated	Note	As at 31 March 2018	As at 31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**5,288**	5,076
Capital work-in-progress	3	**268**	232
Intangible Assets	4	**101**	115
Financial assets			
(i) Investments	5.1	**717**	663
(ii) Other bank balances	5.2	**6**	6
(iii) Loans	5.3	**4**	6
(iv) Other financial assets	5.4	**78**	91
Other non-current assets	6	**560**	633
Total non-current assets		**7,022**	**6,822**
Current assets			
Inventories	7	**3,508**	4,054
Financial assets			
(i) Investments	8.1	**5,016**	2,693
(ii) Trade receivables	8.2	**3,953**	4,121
(iii) Cash and cash equivalents	8.3	**689**	175
(iv) Bank balances other than (iii) above	8.4	**179**	173
(v) Loans	8.5	**7**	13
(vi) Other financial assets	8.6	**156**	113
Other current assets	9	**1,329**	681
Current tax assets (net)	9.1	**467**	-
Total current assets		**15,304**	**12,023**
Total assets		**22,326**	**18,845**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	**467**	467
Other equity	11	**12,442**	9,629
Total equity		**12,909**	**10,096**
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	12.1	**29**	29
(ii) Other financial liabilities	12.2	**144**	114
Provisions	13	**448**	620
Deferred tax liabilities (net)	14	**58**	14
Other non-current liabilities	15	**47**	46
Total non-current liabilities		**726**	**823**
Current liabilities			
Financial liabilities			
(i) Trade payables	16.1		
Total outstanding dues of micro enterprises and small enterprises		**67**	97
Total outstanding dues of creditors other than micro enterprises and small enterprises		**6,538**	6,135
(ii) Other financial liabilities	16.2	**860**	673
Provisions	13	**323**	219
Other current liabilities	17	**903**	720
Current tax liabilities (net)	18	**-**	82
Total current liabilities		**8,691**	**7,926**
Total liabilities		**9,417**	**8,749**
Total equity and liabilities		**22,326**	**18,845**

The notes from note no. 1 to 41 form an integral part of these financial statements.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Consolidated Statement of Profit and Loss

All amounts are in millions Indian ₹ unless otherwise stated	Note	For the year ended 31 March 2018	For the year ended 31 March 2017
Continuing operations			
Revenue from operations	19	**27,928**	28,702
Other income	20	**438**	489
Total income		**28,366**	29,191
Expenses			
Cost of materials consumed	21	**13,208**	12,095
Purchases of stock-in-trade		**1,808**	1,957
Changes in inventories of finished products, work-in-progress and stock-in-trade	22	**245**	(166)
Excise duty		**735**	2,977
Employee benefits expense	23	**2,802**	2,486
Finance costs	24	**35**	32
Depreciation and amortisation expense		**582**	543
Other expenses	25	**6,144**	6,068
Total expenses		**25,559**	25,992
Profit from continuing operations before exceptional items and tax		**2,807**	3,199
Exceptional items	26	**20**	38
Profit before tax from continuing operations		**2,827**	3,237
Income tax expense:			
Current tax (includes taxes of ₹ 171 relating to prior years written back, 31 March 2017 ₹ 96)	14	**758**	1,023
Deferred tax		**17**	(127)
Total tax expense		**775**	896
Profit after tax from continuing operations		**2,052**	2,341
Discontinued operations	36		
Profit from discontinued operations before tax		**2,591**	186
Tax expense of discontinued operations (includes taxes of ₹ 5 relating to prior years paid, 31 March 2017 ₹ Nil)	14	**642**	57
Profit after tax from discontinued operations		**1,949**	129
Profit after tax for the year (A)		**4,001**	2,470
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years:			
(i) Remeasurement of defined benefit plans		**68**	(107)
Income tax relating to Other comprehensive income/(loss) arising from continuing operations		**(22)**	37
(ii) Other comprehensive income/(loss) arising from discontinued operation		**3**	(3)
Income tax relating to Other comprehensive income/(loss) arising from discontinued operation		**(1)**	1
Total other comprehensive income for the year (B)		**48**	(72)
Total comprehensive income for the year (A + B)		**4,049**	2,398
Earnings per share for profit from continuing operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹ 10 each]		**43.98**	50.17
Diluted earning per share (in ₹) [Face value of ₹ 10 each]		**43.98**	50.17
Earnings per share for profit from discontinued operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹ 10 each]		**41.77**	2.76
Diluted earning per share (in ₹) [Face value of ₹ 10 each]		**41.77**	2.76
Earnings per share for profit from combined operation attributable to owners of Akzo Nobel India Limited:	29		
Basic earning per share (in ₹) [Face value of ₹ 10 each]		**85.75**	52.93
Diluted earning per share (in ₹) [Face value of ₹ 10 each]		**85.75**	52.93

The notes from note no. 1 to 41 form an integral part of these financial statements.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

Date: 10 May 2018
Place: Gurugram

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Consolidated Statement of Cash Flows

All amounts are in millions Indian ₹ unless otherwise stated	As at 31 March 2018	As at 31 March 2017
A Cash flow from operating activities		
Profit before tax from		
Continuing Operations	2,827	3,237
Discontinued Operation	2,591	186
Profit before tax including discontinued operation	5,418	3,423
Adjustments for:		
Depreciation and amortisation expense	607	565
Loss on write-off of property, plant and equipment (net)	5	4
Exceptional Income	(20)	(39)
Gain on sale of beneficial interest in residential flats	-	(35)
Gain on sale of chemicals business	(2,442)	-
Provision / liabilities no longer required written back	-	(87)
Provision for inventory obsolescence	(41)	45
Provision for bad and doubtful debts/advances (including write offs)	41	45
Government grant income	(9)	(21)
Interest income	(218)	(110)
Interest income from financial assets at amortised cost - Bonds	(54)	(50)
Net fair value gain/(loss) on investments measured at FVTPL	30	161
Gain on sale of investments	(183)	(419)
Finance costs (including fair value change in financial instruments)	35	32
Operating Profit / (Loss) before working capital changes	3,169	3,514
Movements in working capital:		
Decrease / (Increase) in inventories	257	(490)
(Increase) in trade receivables	(424)	(647)
Decrease in loans	13	13
(Increase) / Decrease in other financial assets	(22)	59
(Increase) in other assets	(640)	(83)
Increase in trade payables	879	407
Increase / (Decrease) in other financial liabilities	200	(61)
(Decrease) in provisions	(22)	(4)
Increase / (Decrease) in other liabilities	187	(151)
Net cash generated from operations	3,597	2,557
Income tax paid (net)	(1,771)	(1,124)
Net cash inflow from operating activities (A)	1,826	1,433
B Cash flow from investing activities		
Payments for purchase of property, plant and equipment	(1,030)	(789)
Proceeds from sale of property, plant and equipment	3	5
Proceeds from sale of chemical business (Refer note 36)	3,098	-
Proceeds from sale of beneficial interest in residential flats	-	35
Payments for purchase of investments	(19,040)	(15,270)
Proceeds from sale of investments	16,871	18,226
Government Grant Received	-	19
Interest received	42	25
Net cash (outflow) / inflow from investing activities (B)	(56)	2,251

Consolidated Statement of Cash Flows

All amounts are in millions Indian ₹ unless otherwise stated	As at 31 March 2018	As at 31 March 2017
C Cash flow from financing activities		
Dividend paid	**(1,027)**	(3,238)
Dividend distribution tax paid	**(209)**	(665)
Interest paid	**(20)**	(21)
Net cash (outflow) from financing activities (C)	**(1,256)**	**(3,924)**
Net increase/ (decrease) in cash and cash equivalents (a+b+c)	**514**	**(241)**
Cash and cash equivalents at the beginning of the year	**175**	416
Effect of exchange rate changes on cash and cash equivalents	*****	*
Cash and cash equivalents at the end of the year	**689**	**175**
Non-cash financing activities		
- Acquisition of property, plant and equipment by means of finance lease	**-**	29

*Amount is below rounding off norms, adopted by the group

Notes:

(i) The statement of cash flows has been prepared under the indirect method as set out in Ind AS 7 Statement of Cash Flows.

(ii) Amounts in brackets represent a cash outflow or a loss.

(iii) Components of cash and cash equivalents are as under:

Balances with banks		
- In current account	**687**	175
- Deposits with original maturity of upto 3 months	**2**	-
Cash and cash equivalents (Refer Note 8.3)	**689**	**175**

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Date: 10 May 2018
Place: Gurugram

Consolidated Statement of changes in equity

for the year ended 31 March 2018

(a) Equity share capital

All amounts are in millions Indian ₹ unless otherwise stated	Number of Shares	Amount
As at 31 March 2016	46,660,314	467
Changes in equity share capital during 2016-17	-	-
As at 31 March 2017	46,660,314	467
Changes in equity share capital during 2017-18	-	-
As at 31 March 2018	**46,660,314**	**467**

(b) Other equity

	Reserves and surplus					Other Reserves	
Description	**Capital reserve**	**Capital redemption reserve**	**Revaluation reserve**	**General reserve**	**Retained earnings**	**Equity instrument through Other Comprehensive Income**	**Total**
Balance as at 31 March 2016	503	53	15	6,036	4,555	3	11,165
Profit for the year	-	-	-	-	2,470	-	2,470
Other Comprehensive Income	-	-	-	-	(72)	*	(72)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**2,398**	**-**	**2,398**
Transactions with owners in their capacity as owners:							
Dividends paid (including dividend distribution tax)	-	-	-	-	(3,931)	-	(3,931)
Transfer to general reserve	-	-	-	210	(210)	-	-
Reduction on account of sale of underlying asset	-	-	(3)	-	-	-	(3)
Balance as at 31 March 2017	**503**	**53**	**12**	**6,246**	**2,812**	**3**	**9,629**
Balance as at 1 April 2017	503	53	12	6,246	2,812	3	9,629
Profit for the year	-	-	-	-	4,001	-	4,001
Other Comprehensive Income	-	-	-	-	48	-	48
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,049**	**-**	**4,049**
Transactions with owners in their capacity as owners:							
Dividends paid (including dividend distribution tax)	-	-	-	-	(1,236)	-	(1,236)
Transfer to general reserve	-	-	-	250	(250)	-	-
Reduction on account of sale of underlying asset	-	-	-	-	-	-	-
Balance at 31 March 2018	**503**	**53**	**12**	**6,496**	**5,375**	**3**	**12,442**

*Amount is below rounding off norms, adopted by the group

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

Date: 10 May 2018
Place: Gurugram

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

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 is domiciled in India and is limited by shares. The registered office of the Company is situated in Kolkata (West Bengal). The Group (The Company and its subsidiary) is engaged in to the business of manufacturing, trading and selling of paints and related products. The Group also provides research and development services and other services to the holding company and its group companies. The subsidiary Company- ICI India Research & Technology Centre conducts research activity on behalf of the Company and receives contributions to the extent of costs incurred on such research activity.

Note: 1 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost convention on a going concern basis, except for the following :-

- Certain financial assets and financial liabilities are measured at fair value.
- Defined benefit plans- plan assets are measured at fair value

(iii) Current and non-current classification

The group presents assets and liabilities in the balance sheet based on current / non-current classification.

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

- it is expected to be realized in, or is intended for sale or consumption in, the Group's normal operating cycle.
- it is held primarily for the purpose of being traded;
- it is expected to be realized within 12 months of the reporting date;
- 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.

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

- it is expected to be settled in the Group'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;
- the Group 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 assets/liabilities include current portion of non-current financial assets/liabilities respectively.

All other assets/ liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle

Based on the nature of the operations and the time between the acquisition of assets for processing and their realisation in cash or cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current/ non-current classification of assets and liabilities.

b) Principles of consolidation

The consolidated financial statements have been prepared on the following basis:

Subsidiary

Subsidiary is an entity over which group has a control. The Group controls an entity when the group is exposed to, or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its powers to direct the relevant activities of the entity. Subsidiary is fully consolidated from the date on which the control is transferred to the group.

The group combines the financial statements of the parent and its subsidiary line-by-line basis by adding together like items of Assets, Liabilities, income and expenses after eliminating intra-group balances and intra-group transactions and unrealised gains or losses.

c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements have been prepared and presented in Indian Rupees (INR), which is the Group's functional and presentation currency. All financial information presented in the financial statement have been rounded to the nearest million as per Schedule III, unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

d) Property, plant and equipment

Recognition and measurement

Freehold land is carried at historical cost. All other items including Fixed Assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost comprises the purchase price, borrowing costs if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent Costs and disposal

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. Capital work-in-progress excluding capital advances includes property, plant and equipment under construction and not ready for intended use as on Balance Sheet date.

Depreciation

Depreciation on fixed assets is calculated using the straight line method (SLM) 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.

Particulars	**Estimated Useful Life (In years)**
Buildings	10 - 60
Plant and Machinery	15
Plant and Machinery given under operating lease	6
Furniture and Fixtures (at stores)	3
Furniture and Fixtures (others)	10
Motor Vehicles	5-7
Laboratory Equipment	10
Office Equipment	5
Data processing equipment	3 – 6

The above useful lives have been arrived at, based on the technical assessment of the management, and are currently reflective of the estimated useful life of the fixed assets. The assets' residual values and useful lives are reviewed at the end of each reporting period.

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

e) Impairment of assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

f) Intangible assets

(i) Customer relationships and Non-Compete fees

Separately acquired customer relationships and non compete fees are shown at historical cost. They have finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Amortisation

The Group amortises intangible assets with finite useful life using the straight-line method over the following periods:

Particulars	**Estimated useful life (In years)**
Customer relationships	10
Non Compete fees	3

g) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit and loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the statement of profit and loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the asset's cash flows represent solely payments of

principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Investments in Mutual Funds and equity instruments

Investment in mutual funds and equity instruments are classified as fair value through profit or loss as they are not held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of such assets do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Investment in bonds

Investment in bonds are financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as financial assets measured at amortised cost as they fulfill both of the following conditions:

- Such assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of such assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  The Group recognises these assets on the date when they are originated and are initially measured at fair value plus any directly attributable transaction costs.

Trade receivables

Trade receivables are financial assets with determinable payments that are not quoted in an active market. These are recognised initially at fair value and subsequent measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and other short-term highly liquid investments/deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdraft.

Other bank balances

Other bank balances consist of term deposits with banks, which have original maturities of more than three months. Such assets are recognised and measured at amortised cost (including directly attributable transaction cost) using the effective interest method, less impairment losses, if any.

(iii) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109 – Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Derecognition of financial assets

A financial asset is derecognised only when the Group has transferred the rights to receive cash flows from the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Group has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Group has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Group has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

(v) Income recognition

Interest income

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

h) Financial Liabilities

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings (including finance lease payables)

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

i) Borrowing costs

Borrowing cost includes interest expense as per effective interest rate (EIR)

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period they occur.

Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

The Group enters into certain derivative contracts to hedge risks which are not designated as hedges. Such contracts are accounted for at fair value through profit or loss and are included in other income/expenses as the case may be. The related asset/liability are disclosed under other financial assets/other financial liabilities.

j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

k) Inventories

Raw materials, stores and spare parts, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work in progress and finished goods comprises cost of raw materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of inventory on the basis of weighted average. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Excise duty on finished products is included in the value of finished products inventory.

l) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grant relating to the purchase of Property, Plant and equipment are included in current financial assets as accrued receivable and is credited to profit or loss on a straight line basis over the expected lives of the related asset and presented within other income.

m) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The unwinding of the discount is recognised as finance cost. Provisions are reviewed by the management at each reporting date and adjusted to reflect the current best estimates.

n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

o) Employee benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are classified as short-term employee benefits. These benefits include salaries and wages, short-term bonus, pension, incentives etc.. These are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Post-employment benefits

The Group operates the following post-employment schemes:

Defined contribution plan

Defined contribution plans are provident fund scheme, superannuation scheme and part of the pension fund scheme for eligible employees. The Group recognises contribution payable to the respective employee benefit fund scheme as an expenditure, as and when they are due. The Group has no further payment obligations once the contributions have been made.

Defined benefit plans

Provident fund -

The Group makes specified monthly contributions towards employees' provident fund to Trusts administered by the Group for certain employees. The minimum interest payable by the provident fund trusts to the beneficiaries every year is notified by the Government. The Group has an obligation to make good the shortfall of contribution and interest (basis the actuarial valuation), if any, as at the date of the Balance Sheet.

Gratuity & pension–

The liability or asset recognised in the balance sheet in respect of defined benefit pension fund and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of profit and loss as past service cost.

Post employment medical obligations:- The Group provides post-retirement healthcare benefits to certain categories of its employees. The entitlement to these benefits is conditional on the employee retiring from the services of the group, after completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Liability for unfunded post-retirement medical benefit is accrued on the basis of actuarial valuation as at the year end by an actuary using the Projected Unit Credit Method.

(iii) Other long-term employee benefit obligations

The liabilities for annual leave, pension scheme for certain employees and long term service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore accrued using actuarial valuations and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria as per the respective arrangement have been met.

Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to incentives. Revenue related to the award points is deferred and recognized when the points are redeemed.

Service income is recognised on accrual basis in the accounting period in which the services are rendered as per the contractual terms with the customers.

q) Income Taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

` Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. In this case, the tax is also recognised in equity or in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability that at the time of the transaction affects neither accounting profit nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Identification of segments:

Results of the operating segments are reviewed regularly by the country leadership team (Managing Director, Chief Financial Officer, business heads, Head HR) which has been identified as the chief operating decision maker (CODM), to assess the financial performance and position of the Group and make strategic decision.

Refer note 33 for reportable segments determined by the Group.

s) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Arrangements containing a lease have been evaluated as on the date of transition i.e. 1 April 2015 in accordance with Ind-AS 101. Lease arrangements have been separately evaluated for finance or operating lease at the date of transition to Ind AS basis the facts and circumstances existing as at that date. Also, refer note 36 for the related transition provisions to Ind AS.

As a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

t) Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential equity shares and the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

u) Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

v) Exceptional items

Exceptional items are items which are events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to occur frequently or regularly.

w) Discontinued operation

A discontinued operation is a component of an entity that has been disposed off and that represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such line of business area or operations. The results of the discontinued operations are presented separately in the statement of profit and loss.

x) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III, unless otherwise stated

Note 2 : Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policy. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

Critical estimates and judgements

- Estimation of useful life of Fixed Assets (Refer note 3)
- Estimation of useful life of Intangible Assets (Refer note 4)
- Estimation of Employee benefit obligations (Refer note 35)
- Estimation for fair value measurement of financial assets and liabilities (Refer note 31)
- Impairment of Financial assets (Refer note 31)
- Estimation for contingencies (Refer note 27(a)
- Estimation for Government Grant (Refer note 8.6)
- Customer Loyalty Programme (Refer note 19)

Estimates and judgements are continuously evaluated. They are based on historical experience and other factors including expectation of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Notes

to the financial statements for the year ended 31 March 2018

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 3. Property, plant and equipment

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	Up to 31 March 2017	Additions*	Deletions/ Adjustment	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018
Tangible assets										
Land (Refer note 'a', 'b', 'c' and 'g' below)										
- Leasehold taken on finance lease	399	-	(22)	**377**	3	2	(1)	**4**	396	**373**
- Freehold	265	-	-	**265**	-	-	-	**-**	265	**265**
Buildings	1,995	77	(63)	**2,009**	165	88	(8)	**245**	1,830	**1,764**
Plant and Equipment										
-owned	2,341	652	(121)	**2,872**	445	277	(30)	**692**	1,896	**2,180**
- given under operating lease	562	230	(11)	**781**	201	122	(7)	**316**	361	**465**
Motor vehicles	22	6	(26)	**2**	6	5	(10)	**1**	16	**1**
Furniture and fixtures	317	14	(28)	**303**	130	35	(17)	**148**	187	**155**
Office equipment	49	10	(10)	**49**	19	13	(5)	**27**	30	**22**
Leasehold improvements	52	-	-	**52**	20	12	-	**32**	32	**20**
Data processing equipment	123	23	(9)	**137**	60	39	(5)	**94**	63	**43**
Total	**6,125**	**1,012**	**(290)**	**6,847**	**1,049**	**593**	**(83)**	**1,559**	**5,076**	**5,288**

Particulars	As at 31 March 2017	Addition	Deletion	As at 31 March 2018
Capital work-in-progress (Refer note 'd' below)	232	765	(729)	**268**

(a) The Group had received the final possession of leasehold land at Mysore from Karnataka Industrial Area Development Board (KIADB) in March 2016 and accordingly had capitalised the same with effect from 30 March 2016. The registration of lease deed in respect of the said land is pending finalisation with the authorities.

(b) Leasehold land represents land taken on finance lease under long term multi-decade lease term, capitalised at the present value of the aggregate future minimum lease payments (which include annual lease rentals in addition to the initial payment made at the inception of the lease). There are no contingent payments. Also refer note 12.1 and 16.2 for further disclosures.

(c) The Group had acquired revaluation reserve attributable to certain land as part of amalgamation done with various companies in the previous periods.

(d) Capital Work in Progress constitutes certain plant and machinery which is pending installation at customer premises, expenditure for setting up a factory etc.

(e) There are no exchange differences capitalised during the year.

(f) During the year, the Group executed Business Transfer Agreement ('BTA') for transferring its chemicals business to Akzo Nobel Chemicals India Private Limited ('ANCIPL'). The Deletions/Adjustments include ₹ 270 and ₹ 71 for Gross carrying amount and Accumulated Depreciation relating to the discontinued operations transferred to ANCIPL. The transferred assets also include leasehold land at Mahad, which was pending registration in the name of the Group. An intimation regarding the execution of BTA and consequential transfer to ANCIPL has been sent to authorities, refer note 36.

(g) The Group has taken a piece of land on finance lease for 60 years from City and Industrial Development Corporation of Maharashtra Limited. The group paid a lumpsum amount of ₹ 0.36 for the said Land at the beginning of the lease period. There are no further lease payment obligations.

Significant Estimates: The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset. The Group reviews the useful life of property, plant and equipment at the end of each reporting period.

* Additions include depreciation charge on fixed assets pertaining to discontinued operations till the date of transfer (Refer note 36).

Notes

to the financial statements for the year ended 31 March 2018

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 3. Property, plant and equipment (contd..)

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	Up to 31 March 2016	Additions*	Deletions/ Adjustment	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Tangible assets										
Land (Refer note 'a', 'b', 'c', 'd' and 'g' below)										
- Leasehold taken on finance lease	383	18	(2)	**399**	2	3	(2)	**3**	381	**396**
- Freehold	266	-	(1)	**265**	-	-	-	**-**	266	**265**
Buildings	1,982	20	(7)	**1,995**	84	85	(4)	**165**	1,898	**1,830**
Plant and Equipment										
-owned	2,237	121	(17)	**2,341**	212	248	(15)	**445**	2,025	**1,896**
- given under operating lease	396	179	(13)	**562**	103	111	(13)	**201**	293	**361**
Motor vehicles	25	4	(7)	**22**	5	5	(4)	**6**	20	**16**
Furniture and fixtures	308	10	(1)	**317**	77	54	(1)	**130**	231	**187**
Office equipment	33	16	-	**49**	10	9	-	**19**	23	**30**
Leasehold improvements	42	10	-	**52**	11	9	-	**20**	31	**32**
Data processing equipment	94	39	(10)	**123**	33	37	(10)	**60**	61	**63**
Total	**5,766**	**417**	**(58)**	**6,125**	**537**	**561**	**(49)**	**1,049**	**5,229**	**5,076**

Particulars	As at 31 March 2016	Addition	Deletion	As at 31 March 2017
Capital work-in-progress (Refer note 'e' below)	89	542	(399)	**232**

(a) The Group had received the final possession of leasehold land at Mysore from Karnataka Industrial Area Development Board (KIADB) in March 2016 and accordingly had capitalised the same with effect from 30 March 2016. The registration of lease deed in respect of the said land is pending finalisation with the authorities

(b) Leasehold land represents land taken on finance lease under long term multi-decade lease term, capitalised at the present value of the aggregate future minimum lease payments (which include annual lease rentals in addition to the initial payment made at the inception of the lease). There are no contingent payments. Also refer, note 12.1 and 16.2 for further disclosures.

(c) The Group has possession of a portion of leasehold land situated in Mahad which is pending registration in the name of the Group.

(d) The Group had acquired revaluation reserve attributable to certain land as part of amalgamation done with various companies in the previous periods.

(e) Capital Work in Progress constitutes certain plant and machinery which is pending installation at customer premises, certain project related expenditure for setting up a factory etc.

(f) There are no exchange differences capitalised during the year.

(g) The Group has taken a piece of land on finance lease for 60 years from City and Industrial Development Corporation of Maharashtra Limited. The group paid a lumpsum amount of ₹ 0.36 for the said Land at the beginning of the lease period. There are no further lease payment obligations.

Significant Estimates: The estimated useful lives of property, plant and equipment are based on a number of factors including the effects of obsolescence, demand, competition, internal assessment of user experience and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditure required to obtain the expected future cash flows from the asset. The Group reviews the useful life of property, plant and equipment at the end of each reporting period.

* Additions include depreciation charge on fixed assets pertaining to discontinued operations till the date of transfer (Refer note 36).

Notes

to the financial statements for the year ended 31 March 2018

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 4. Intangible assets

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	Up to 31 March 2017	Additions	Deletions/ Adjustment	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018
Intangible assets (Acquired)										
Customer Relationships	110	-	-	**110**	3	11	-	**14**	107	**96**
Non Compete Fees	9	-	-	**9**	1	3	-	**4**	8	**5**
Total	**119**	-	-	**119**	**4**	**14**	**-**	**18**	**115**	**101**

Particulars	Gross Carrying Amount				Accumulated Depreciation				Net Carrying Amount	
	As at 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	Up to 31 March 2016	Additions	Deletions/ Adjustment	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017
Intangible assets (Acquired)										
Customer Relationships	-	110	-	**110**	-	3	-	**3**	-	**107**
Non Compete Fees	-	9	-	**9**	-	1	-	**1**	-	**8**
Total	**-**	119	-	**119**	-	**4**	**-**	**4**	**-**	**115**

Significant Estimates: Useful life of Intangible assets - Customer relationships and non compete fees

Pursuant to business transfer agreement with BASF India Private Limited, the Group had acquired Intangible assets with respect to customer relationships and non-compete fees during the year ended 31 March 2017. The estimate for the useful life of the customer relationships is based on the expected economic benefits from such assets, however, which may be shorter or longer than 10 years, depending upon the customer attrition rate and competition. If it were only 5 years, the carrying amount would be ₹ 82 (₹ 104 as at 31 March 2017). If the useful life were estimated to be 15 years, the carrying amount would be ₹ 101 (₹ 108 as at 31 March 2017).

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 5.1. Non current financial assets- Investments

	Number as at 31 March 2018	Number as at 31 March 2017	Face value ₹ per unit	As at 31 March 2018	As at 31 March 2017
(a) Investment in equity instruments (at FVTPL)					
Unquoted*					
Adyar Property Holding Company Limited (paid up ₹ 65 per share)	**105**	105	100	**-**	-
Kohinoor Mills Limited (fully paid up)	**5**	5	100	**-**	-
Maneck-Chowk & Ahmedabad Manufacturing Co. Limited (fully paid up)	**144**	144	250	**-**	-
Paints and Coatings Skill Council (fully paid up)	**10**	10	25,000	**-**	-
(b) Investment in equity instruments (at FVOCI)					
Unquoted (fully paid up)					
Woodlands Multispecialty Hospital Limited (Refer note 'a' below)	**10,810**	10,810	10	**4**	4
(c) Investment in debentures and bonds (at Amortised Costs)					
Quoted					
Non-convertible redeemable bonds					
Rural Electrification Corporation Limited (zero coupon) (Refer note 'b' below)	**29,450**	29,450	13,580	**713**	659
Unquoted*					
6.5% Bengal Chamber of Commerce and Industry	**19**	19	1,000	**-**	-
6% Sholapur Spinning & Weaving Co. Limited (in Liquidation)	**523**	523	100	**-**	-
				717	**663**

	As at 31 March 2018	As at 31 March 2017
Aggregate amount of quoted investments and market value thereof	**713**	659
Aggregate value of unquoted investments	**4**	4
Aggregate amount of impairment in value of investments	**-**	-
	717	**663**

(a). Equity shares designated at fair value through other comprehensive income

The Group designated the investments shown below as equity shares at fair value through other comprehensive income.

	Fair value at 31 March 2018	Dividend income recognised during 2017-18	Fair value at 31 March 2017	Dividend income recognised during 2016-17	Fair value at 31 March 2016
Woodlands Multispecialty Hospital Limited	**4**	-	4	-	4

No investments measured at FVOCI were disposed off during the year and there were no transfers of any cumulative gain or loss within equity relating to such investments

(b). The non-convertible redeemable bonds carry a maturity 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 the value of investments. These have been considered as quoted based on their readily available resale prices.

(c). Information about the Group's exposure to credit and market risk and fair value measurement is included in note 31.

*Amount is below rounding off norms, adopted by the group

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 5.2. Non current financial assets - Other bank balances

	As at 31 March 2018	As at 31 March 2017
Fixed deposits	6	6
	6	6

The above fixed deposits are held as margin money against various guarantees issued by banks on behalf of the Group in favour of Government authorities.

Note 5.3. Non current financial assets - Loans

	As at 31 March 2018	As at 31 March 2017
Secured, considered good		
Loan given to employees (Refer note 'a' and 'b' below)	4	6
	4	6

(a). Loan given to employees include dues from a key managerial person ₹ 0.8 (31 March 2017 – ₹ 0.8)

(b). Loan given to employees include housing loan against which the employees have submitted property title papers or other assets/ documents as envisaged under the housing loan scheme.

Note 5.4. Non current financial assets - Others

	As at 31 March 2018	As at 31 March 2017
Unsecured, considered good		
Security deposits	78	91
Unsecured, considered doubtful		
Security deposits	8	8
Provision for doubtful deposits	(8)	(8)
	78	91

Note 6. Other non-current assets

	As at 31 March 2018	As at 31 March 2017
Capital Advances	66	121
Advances other than capital advances:		
Indirect taxes recoverable		
- Considered good	58	52
- Considered doubtful	31	31
Less: Provision for doubtful indirect taxes recoverable	(31)	(31)
Retirement benefit trusts surplus (Refer note 35)	59	78
Advances to customers	358	357
Deferred payroll cost	4	6
Prepaid rent	13	15
Miscellaneous advances	2	4
	560	633

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 7. Inventories

	As at 31 March 2018	As at 31 March 2017
Raw Material (Refer note 'a' below)	**1,200**	1,374
Work in progress	**78**	63
Finished products (Refer note 'b' below)	**2,004**	2,062
Stock in trade (traded goods) (Refer note 'a' below)	**222**	549
Stores and spares parts	**4**	6
	3,508	**4,054**
(a) Includes in-transit inventory:		
Raw materials	**31**	**181**
Stock in trade	**202**	**151**

(b) Finished products are written down by ₹ 6 (31 March 2017- ₹ 8), on account of cost or net realisable value, whichever is lower. These were recognised as an expense during the year and included in 'changes in inventories of finished products, work-in-progress and stock-in-trade' in the statement of profit and loss.

Note 8.1. Current financial assets - Investments

	Number as at 31 March 2018	Number as at 31 March 2017	Face value ₹ per unit	As at 31 March 2018	As at 31 March 2017
Investment in mutual funds (At FVTPL)					
(Quoted)					
(i) Fixed maturity plans of mutual funds					
HDFC FMP - March 2018 (39) - 1 - 92D - Direct - Growth	**15,000,000**	-	10	**151**	-
Aditya Birla Sun Life Interval Income Fund Quarterly Plan - Series I - Direct - Growth	**6,715,526**	-	10	**151**	-
DWS FMP Series 62 - Growth	**-**	833,005	10	**-**	11
				302	**11**
(ii) Liquid/Floater Schemes of Mutual Funds					
Aditya Birla Sun Life Banking & PSU Debt Fund - Reg - Growth	**3,978,713**	-	10	**202**	-
Aditya Birla Sun Life Floating Rate - Short Term - Growth - Direct Plan	**1,516,321**	-	100	**352**	-
Aditya Birla Sun Life Cash Plus - Regular - Growth	**-**	632,370	100	**-**	202
Aditya Birla Sun Life Cash Plus - Direct - Growth	**426,291**	426,291	100	**119**	111
Aditya Birla Sun Life Floating Rate - Short Term - Growth - Direct Plan	**-**	931,642	100	**-**	202
DSP BlackRock Low Duration Fund - Direct - Growth	**27,609,709**	-	10	**352**	-
DSP BlackRock Ultra Short Term Fund - Direct Plan - Growth	**-**	10,118,726	10	**-**	120
ICICI Prudential Liquid - Direct Plan - Growth	**-**	208,292	100	**-**	50
DHFL Pramerica Banking & PSU Debt Fund - Direct Plan - Growth	**-**	7,128,803	10	**-**	103
HDFC Liquid Fund - Direct Plan - Growth	**-**	130,960	10	**-**	420
HDFC Liquid Fund - Regular Plan - Growth	**137,675**	-	1,000	**469**	-
IDFC Money Manager Fund - Treasury Plan - Growth	**3,438,701**	3,438,701	10	**96**	90
IDFC Cash Fund - Direct - Growth	**166,626**	-	1,000	**352**	-
Invesco Ultra Short Term Fund - Direct - Growth	**143,868**	-	1,000	**352**	-
Invesco Ultra Short Term Fund - Regular - Growth	**42,278**	-	1,000	**101**	-
Invesco Ultra Short Term Fund - Direct - Bonus	**44,819**	44,819	1,000	**61**	57
Kotak Corporate Bond Fund - Std - Growth	**88,813**	-	1,000	**203**	-
Kotak Floater - ST - Direct - Growth	**105,662**	-	1,000	**301**	-
Reliance Money Manager - Direct - Growth	**61,716**	-	1,000	**151**	-
Reliance Banking & PSU Debt Fund - Direct - Growth	**16,140,488**	23,500,658	10	**203**	278
SBI Ultra Short Term Debt Fund - Regular - Growth	**-**	145,372	1,000	**-**	306
SBI Premier Liquid Fund - Direct - Growth	**143,818**	-	1,000	**392**	-
Sundaram Select Debt ST Asset -Direct - Bonus	**-**	4,793,726	10	**-**	69
Sundaram Flexi Fund ST Plan - Bonus	**-**	10,081,961	10	**-**	130
UTI Banking & PSU Debt Fund - Direct - Growth	**28,462,333**	-	10	**407**	-
UTI Liquid Cash Plan - Inst. - Direct - Growth	**123,615**	115,150	1,000	**352**	307
				4,465	**2,445**
(iii) Short Term Income Schemes of Mutual Funds					
IDFC Money Manager Fund - Investment Plan Growth	**9,277,471**	9,277,471	10	**249**	237
				249	237
				5,016	**2,693**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 8.1. Current financial assets - Investments (contd..)

	As at 31 March 2018	As at 31 March 2017
Aggregate amount of quoted investments and market value thereof	5,016	2,693
Aggregate value of unquoted investments	-	-
Aggregate amount of impairment in value of investments	-	-
	5,016	**2,693**

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

(b). Information about the Group's exposure to credit and market risk and fair value measurement is included in note 31.

Note 8.2. Current financial assets - Trade receivables

	As at 31 March 2018	As at 31 March 2017
Secured		
- considered good	184	86
Unsecured:		
- considered good	3,534	3,853
- receivable from related parties (Refer note 34)	235	182
- considered doubtful	197	174
Less: Provision for doubtful debts	(197)	(174)
	3,769	4,035
	3,953	**4,121**

Note 8.3. Current financial assets - Cash and cash equivalents

	As at 31 March 2018	As at 31 March 2017
Balance with banks:		
- In current accounts	687	175
Deposits with maturity of less than three months	2	-
	689	**175**

Note 8.4. Current financial assets - Other bank balances

	As at 31 March 2018	As at 31 March 2017
Fixed deposits held as margin money (Refer note 'a' below)	6	2
Unpaid dividend accounts (Refer note 'b' below)	173	171
	179	**173**

(a). Fixed deposits held as margin money is against various guarantees issued by banks on behalf of the Group in favour of Government authorities.

(b). The Group can utilise these balances only towards settlement of unclaimed dividend.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 8.5. Current financial assets - Loans

	As at 31 March 2018	As at 31 March 2017
Secured, considered good		
Loan given to employees (Refer 'a' and 'b' below)	7	13
	7	**13**

(a). Loan given to employees include housing loan against which the employees have submitted property title papers or other assets/ documents as envisaged under the housing loan scheme.

(b). Dues from a Key managerial person include Re 0.1 (31 March 2017- Re 0.1)

Note 8.6. Current financial assets - Others

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good unless otherwise stated)		
Amount recoverable from related parties (Refer note 34)	74	52
Security deposits	4	10
Government grant receivable	67	41
Others	11	10
	156	**113**

(a) The carrying value of loans and advances may be affected by changes in the credit risk of the counterparties. Refer note 31 for the credit risk exposure.

(b) Government grant relates to tax incentives receivable from the State Government of Madhya Pradesh in respect of the operations of the Group's factory at Gwalior. Refer note 20 for details.

Significant Estimates : Grants relating to assets are initially measured based on estimated grant receivable under the scheme. Grant receivables are based on sales estimates within State of Madhya Pradesh which involves gathering and evaluating sales estimates for future periods as well as analysing actual outcomes on a regular basis and compliance with stipulated conditions. Changes in estimates or non-compliance of stipulated conditions could lead to significant changes in grant income and are accounted for prospectively over the balance life of the asset.

Note 9. Other current assets

	As at 31 March 2018	As at 31 March 2017
(Unsecured, considered good unless otherwise stated)		
Advances to suppliers		
- Considered good	45	61
- Considered doubtful	12	4
Less: Provision for doubtful advances	(12)	(4)
Advances to employees		
- Considered good	6	8
- Considered doubtful	3	3
Less: Provision for doubtful advances	(3)	(3)
Advances to customers		
- Considered good	394	196
- Considered doubtful	6	6
Less: Provision for doubtful advances	(6)	(6)
Prepaid expenses	89	90
Indirect tax recoverable	763	279
Deferred payroll cost	1	1
Prepaid rent	4	4
Related party receivable (Refer note 34)	-	33
Other advances	27	9
	1,329	**681**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 9.1. Current tax assets (net)

	As at 31 March 2018	As at 31 March 2017
Income tax (net of provision ₹ 12,309)	**467**	-
	467	**-**

10. Equity share capital

	As at 31 March 2018	As at 31 March 2017
Authorised:		
126,690,000 (31 March 2017 - 126,690,000) equity shares of ₹ 10 each	**1,267**	1,267
Issued, subscribed & fully paid up:		
46,660,314 (31 March 2017 - 46,660,314) equity shares of ₹ 10 each	**467**	467
	467	**467**

a. Reconciliation of equity shares outstanding at the beginning and at the end of the year:

	As at 31 March 2018		As at 31 March 2017	
	Number of Shares	Amount	Number of Shares	Amount
Opening balance	**46,660,314**	**467**	46,660,314	467
Add: Equity shares issued during the year	**-**	**-**	-	-
Closing balance	**46,660,314**	**467**	**46,660,314**	**467**

b. Terms and rights attached to equity shares

The Group 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 Group declares and pays dividend in Indian Rupees. The dividend proposed, if any, by the Board of Directors is subject to approval of shareholders in the ensuing Annual General Meeting. The repayment of equity share capital in the event of liquidation and buy back of shares are possible subject to prevalent regulations. In the event of liquidation, normally, the equity shareholders are eligible to receive the remaining assets of the Group, after distribution of all preferential amounts, if any, in proportion to their shareholding.

c. Shares of the Group held by holding/ultimate holding company or their subsidiary/ associates

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

	As at 31 March 2018 No. of Shares	As at 31 March 2017 No. of Shares
Imperial Chemical Industries Limited, England	**22,977,544**	22,977,544
Akzo Nobel Coatings International B.V., Netherlands*	**11,066,495**	8,626,648
Akzo Nobel Chemicals International B.V., Netherlands*	**-**	2,439,847
Akzo Nobel Coatings Holdings B.V.	**291**	291
Panter B.V.	**5**	**5**

*Consequent to inter se transfer of shares from Akzo Nobel Chemicals International B.V. to Akzo Nobel Coatings International B.V. during the year.

d. Shareholders holding more than 5% shares in the Group

	As at 31 March 2018		As at 31 March 2017	
	Number of Shares	% holding	Number of Shares	% holding
Imperial Chemical Industries Limited, England	**22,977,544**	**49.24%**	22,977,544	49.24%
Akzo Nobel Coatings International B.V., Netherlands	**11,066,495**	**23.72%**	8,626,648	18.49%
Akzo Nobel Chemicals International B.V., Netherlands	**-**	**-**	2,439,847	5.23%

As per records of the Group, including its register of shareholders/ members, the above shareholding represents legal ownership of shares.

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 10. Equity share capital (contd..)

e. The Board of Directors of the Group at its meeting held on 6 April 2018 has recommended for approval by the shareholders, through postal ballot, a proposal to buy back its own shares by the Group from public shareholders through tender offer as per details below:

Maximum Number of Shares to be bought back 11,20,000 at a tender price of ₹ 2,100 each and a total buyback size of ₹ 2,352.

On receipt of shareholders' approval, further steps will be initiated in this regard.

Note 11. Other equity

	As at 31 March 2018	As at 31 March 2017
Capital reserve	503	503
Capital redemption reserve	53	53
Revaluation reserve	12	12
General reserve	6,496	6,246
Retained earnings	5,375	2,812
Other reserves		
- Equity instruments through OCI	3	3
	12,442	**9,629**

	As at 31 March 2018	As at 31 March 2017
(a) Capital reserve	503	503
Pursuant to various amalgamation schemes executed in the previous years as per the requirement of Companies Act, 1956 and Court orders, the Group had created a capital reserve based on the differential between the net assets and liability acquired from the other party.		
(b) Capital redemption reserve	53	53
Pursuant to the buy back scheme for purchase of equity shares offered by the Group during the period 2006-2013, the Group had created a capital redemption reserve in those years as per the regulatory requirements.		
(c) Revaluation reserve	12	12
It represents revaluation of certain land acquired as part of amalgamation done with various companies in the previous periods.		
(d) General reserve		
Balance at the beginning of the year	6,246	6,036
Add: Amount transferred from surplus balance	250	210
Balance at the end of the year	6,496	6,246

The General reserve is used from time to time to transfer profit from retained earnings for appropriation purposes. As the General reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserves will not be reclassified subsequently to profit and loss.

(e) Retained earnings		
Balance at the beginning of the year	2,812	4,555
Net profit for the period	4,001	2,470
Items of other comprehensive income recognised directly in retained earnings		
- Remeasurements of post-employment benefit obligation, net of tax	48	(72)
Dividends	(1,236)	(3,931)
Amount transferred to general reserve	(250)	(210)
Balance at the end of the year	5,375	2,812

Remeasurements of defined benefit liability (asset) comprises actuarial gains and losses and return on plan assets (excluding interest income).

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 11. Other equity (contd..)

	As at 31 March 2018	As at 31 March 2017
Other reserves		
(f) Equity instruments through OCI		
Balance at the beginning of the year	3	3
Add: Fair value gain on equity instruments for the year	-	-
Balance at the end of the year	3	3

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the equity investments through OCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Note 12.1. Non current financial liabilities - Borrowings

	As at 31 March 2018	As at 31 March 2017
Non - current maturities of finance lease obligations (unsecured)		
Obligations under finance leases (Refer note 'a' & 'b' below)	29	29
	29	**29**

(a) In respect of leasehold land capitalised as property, plant and equipment, refer note 3 (b). Refer below for minimum lease payments.

	As at 31 March 2018	As at 31 March 2017
Not later than one year	3	3
Later than one year and not later than five years	13	13
Later than five years	280	284
	296	**300**
Present value of minimum lease payments payable		
Not later than one year	*	*
Later than one year and not later than five years	*	*
Later than five years	29	29
Total minimum lease payments payable	29	**29**
Current (Refer note 16.2)	*	*
Non-current	29	29
	29	**29**

*Amount is below rounding off norms, adopted by the group

(b) The lease period of the finance lease obligation is 99 years which is discounted at the rate of 11%. The lease term is expected to end by March 2110.

The lease has various terms with no escalation clause and no renewal rights.

Note 12.2. Non current financial liabilities - Others

	As at 31 March 2018	As at 31 March 2017
Security Deposits (Refer note 'a' below)	126	114
Deferred Government Grant (Refer note 'b' below)	18	*
	144	**114**

(a) Represents deposits received from customers under operating lease arrangement, as explained in note 30.

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 12.2. Non current financial liabilities - Others (contd..)

	As at 31 March 2018	As at 31 March 2017
(b) Opening balance of (Deferred) /Accrued Government grant	*	8
Add : Government grant accrued during the year	9	21
Less: Government grant receivable	(27)	(29)
Closing balance of (Deferred) /Accrued Government grant	(18)	*

*Amount is below rounding off norms, adopted by the group

Note 13. Provisions

	Non- current		Current	
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Employee benefits (Refer note 35)				
Pension	19	28	-	-
Gratuity	60	153	-	-
Leave obligations	106	146	23	26
Post retirement medical and others	224	228	20	19
Long service award	10	14	1	1
Indirect taxes	-	-	212	136
Divested businesses	20	40	42	37
Asset retirement obligation	3	3	-	-
Others	6	8	25	-
	448	**620**	**323**	**219**

Additional disclosure relating to provisions

(a) Movement in provisions:

For the year ended 31 March 2018	**Class of provisions**			
	Indirect taxes	**Divested business**	**Asset retirement obligation**	**Others**
Opening balance	136	77	3	8
Provision created during the year	76	5	*	23
Provision written back	*	(20)	-	-
Closing balance	**212**	**62**	**3**	**31**

For the year ended 31 March 2017	**Class of provisions**			
	Indirect taxes	**Divested business**	**Asset retirement obligation**	**Others**
Opening balance	149	119	2	15
Provision created during the year	-	-	1	-
Payments against provision	-	(3)	-	-
Provision written back	(13)	(39)	-	(7)
Closing balance	**136**	**77**	**3**	**8**

*Amount is below rounding off norms, adopted by the group

(All amounts are in millions Indian ₹ unless otherwise stated)

(b) Nature of provisions:

(i) Indirect taxes

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

(ii) Divested businesses

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. Outflows in these cases will depend upon settlement of claims, if any for which timing and amount of outflow is not certain.

(iii) Asset retirement obligation

Asset retirement obligation has been created for dismantling cost to be incurred at the time of vacation of the office premises taken on lease by the Group.

(iv) Others

Others relate to various claims arising during the due course of business. Outflows in these cases will depend upon settlement of claims, if any for which timing and amount of outflow is not certain.

Note 14. Income tax

	For the year ended 31 March 2018	For the year ended 31 March 2017
A. Income tax expense		
Current tax expense		
Current tax on profit for the year	1,562	1,183
Adjustments relating to prior periods	(166)	(96)
Total current tax expense	**1,396**	**1,087**
Deferred tax		
Decrease (increase) in deferred tax assets	(1)	(42)
(Decrease) increase in deferred tax liabilities	22	(92)
Total deferred tax expense/(benefit)	**21**	**(134)**
Income tax expense	**1,417**	953
Income tax expense is attributable to:		
Profit from continuing operations	775	896
Profit from discontinued operation	642	57
	1,417	**953**

	For the year ended 31 March 2018	For the year ended 31 March 2017
B. Reconciliation of effective tax rate		
Profit from continuing operations before tax	2,827	3,237
Profit from discontinued operation before tax	2,591	186
Tax at the Indian tax rate of 34.608% (2016-17 - 34.608%)	1,875	1,185
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Long term capital gains not taxed due to brought forward long term capital losses	(21)	(49)
Slump sale of chemical business taxed at lower rate as per Income Tax Act, 1961	(289)	-
Corporate social responsibility expenditure	18	11
Income Tax Provision of prior year written back	(166)	(96)
Non-taxable Interest Income on REC Bond	(4)	(17)
Others	4	(81)
Income tax expense	**1,417**	**953**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 14. Income tax (contd..)

	As at 31 March 2017	Recognised in P&L *	Recognised in OCI *	As at 31 March 2018
C. Movement in deferred tax balances				
Deferred tax liabilities				
Property, plant and equipment	379	18	-	**397**
Surplus payments to retirement trusts	27	(2)	-	**25**
Investments at fair value through profit or loss	42	(8)	-	**34**
Investments at fair value through OCI	1	-	-	**1**
Others	28	14	-	**42**
Sub- total (a)	**477**	**22**	**-**	**499**
Deferred tax assets				
Provision for doubtful debts and advances	78	20	-	**98**
Expenditure disallowed u/s 43B of Income Tax Act, 1961	213	(29)	(23)	**161**
Provisions relating to divested businesses	26	7	-	**33**
Other disallowances under the Income Tax Act, 1961	146	3	-	**149**
Sub- total (b)	**463**	**1**	**(23)**	**441**
Net deferred tax liabilities (a)-(b)	**14**	**21**	**23**	**58**

* Recognised in statement of profit and loss as a part of continuing and discontinued operation

	As at 31 March 2016	Recognised in P&L *	Recognised in OCI *	As at 31 March 2017
D. Movement in deferred tax balances				
Deferred tax liabilities				
Property, plant and equipment	436	(57)	-	**379**
Surplus payments to retirement trusts	36	(9)	-	**27**
Investments at fair value through profit or loss	87	(45)	-	**42**
Investments at fair value through OCI	1	-	-	**1**
Others	9	19	-	**28**
Sub- total (a)	**569**	**(92)**	**-**	**477**
Deferred tax assets				
Provision for doubtful debts and advances	74	4	-	**78**
Expenditure disallowed u/s 43b of Income tax Act, 1961	153	22	38	**213**
Provisions relating to divested businesses	25	1	-	**26**
Other disallowances under the Income Tax Act, 1961	131	15	-	**146**
Sub- total (b)	**383**	**42**	**38**	**463**
Net deferred tax liabilities (a)-(b)	**186**	**(134)**	**(38)**	**14**

* Recognised in statement of profit and loss as a part of continuing and discontinued operation

Note 15. Other non-current liabilities

	As at 31 March 2018	As at 31 March 2017
Deferred lease rentals *	**31**	35
Others	**16**	11
	47	**46**

*Represents fair valuation of security deposits received from customers, as explained in note 31.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 16.1. Current financial liabilities - Trade payables

	As at 31 March 2018	As at 31 March 2017
Total outstanding dues of micro enterprises and small enterprises (Refer note 'b' below)	67	97
Total outstanding dues of creditors other than micro enterprises and small enterprises		
- Related Party Payables to various entities (Refer note 34)	1,256	1,648
- Acceptances	291	273
- Others	4,991	4,214
	6,605	6,232

(a). Refer note 31 for explanations on the Group's liquidity risk management process.

(b). **Additional disclosure as per Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**

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 Group:

	As at 31 March 2018	As at 31 March 2017
(i) the principal amount due thereon remaining unpaid to any supplier as at the end of the accounting year	61	94
(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	435	465
(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)	3	3
(v) the amount of interest accrued and remaining unpaid at the end of the accounting year	6	3
(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	6	3

*Amount is below rounding off norms, adopted by the group

Note 16.2. Current financial liabilities - Others

	As at 31 March 2018	As at 31 March 2017
Current maturities of finance lease obligations	*	*
Security Deposits	320	221
Others		
Unpaid dividends (Refer note 'a' below)	173	171
Payable to employees	219	156
Capital creditors	82	83
Derivatives not designated as hedges- forward contracts (Refer note 31)	-	7
Related Party Payables to various entities (Refer note 34)	40	29
Retention money payable	26	6
	860	673

*Amount is below rounding off norms, adopted by the group

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

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 17. Other current liabilities

	As at 31 March 2018	As at 31 March 2017
Statutory liabilities	524	345
Advance from customers	14	24
Deferred revenue	272	291
Deferred lease rental*	32	19
Liability towards dealer incentive	43	38
Others	18	3
	903	720

* It includes fair valuation of security deposits received from customers, as explained in note 31.

Note 18. Current tax liabilities (net)

	As at 31 March 2018	As at 31 March 2017
Income tax (net of advance tax as at 31 March 2017- ₹ 10,624)	-	82
	-	82

Note 19. Revenue from operations

	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale of products (including excise duty) *	27,241	28,216
Sale of services	330	314
Other operating revenues	357	172
	27,928	28,702

* Sale of products are net of incentive to customers ₹ 4,004 (31 March 2017: ₹ 4,059)

(a) The customer incentive is recognised based on purchases made by the customer in line with customer schemes and incentive programmes rolled out by the Group. Provision is recorded at the end of reporting period for customer incentives as per purchases made by the customer. Judgments include considerations of inputs i.e. past history of incentive, other variable inputs etc. Changes in assumptions about these factors could affect the reported accrual of customer incentive.

	For the year ended 31 March 2018	For the year ended 31 March 2017
Breakup of other operating revenues		
Duty drawback on exports	10	15
Lease rentals	122	103
Scrap sales	33	37
Business auxiliary services	167	-
Miscellaneous income	25	17
	357	172

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 20. Other income

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest income from financial assets at amortised cost - Bonds	54	50
Net fair value gain/(loss) on investments measured at FVTPL	(30)	(161)
Gain on sale of investments	183	419
Net foreign exchange gain	-	12
Government grants (Refer note 'a' below)	9	21
Interest income:		
- on income tax refund	166	78
- on others	52	32
Miscellaneous income (Refer note 'b' below)	4	38
	438	489

(a) Government grants are related to investments of the Group in property, plant and equipment of the manufacturing plant set up in a backward area at Malanpur, Gwalior, India. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit directly from any other forms of government assistance. Also refer note 8.6 and 12.2.

(b) Miscellaneous income includes sale of beneficial interest in residential flat ₹ Nil (31 March 2017 - ₹ 35).

Note 21. Cost of materials consumed

	For the year ended 31 March 2018	For the year ended 31 March 2017
Raw material as at the beginning of the year	1,217	1,067
Add: Purchases	13,191	12,245
Less: Raw material as at the end of the year	1,200	1,217
Total cost of materials consumed	13,208	12,095

Note 22. Changes in inventories of finished products, work-in-progress and stock-in-trade

	For the year ended 31 March 2018	For the year ended 31 March 2017
Inventory at the beginning of the year		
- Finished products	2,033	1,996
- Stock-in-trade	453	343
- Work-in-progress	63	44
	2,549	2,383
Inventory at the end of the year		
- Finished products	2,004	2,033
- Stock-in-trade	222	453
- Work-in-progress	78	63
	2,304	2,549
(Increase)/ decrease in inventory	245	(166)

Note 23. Employee benefits expense

	For the year ended 31 March 2018	For the year ended 31 March 2017
Salaries, wages and bonus	2,545	2,263
Contribution to provident and other funds (Refer note 35)	131	133
Other retirement benefits	19	23
Staff welfare expenses	107	67
	2,802	2,486

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 24. Finance cost

	For the year ended 31 March 2018	For the year ended 31 March 2017
Interest and finance charges on financial liabilities not at FVTPL	20	21
Unwinding of interest on security deposit and finance lease obligations	13	8
Others	2	3
	35	32

Note 25. Other expenses

	For the year ended 31 March 2018	For the year ended 31 March 2017
Stores and spare parts consumed	30	32
Repairs and maintenance		
- Plant and Machinery	176	181
- Others	22	26
Power and fuel****	157	145
Travelling	350	407
Rates and taxes*	41	74
Rent	222	224
Insurance	56	55
Freight and transport	1,513	1,454
Advertisement and publicity**	1,079	1,196
Royalty	818	737
Consultancy charges	553	429
Net foreign exchange loss	17	-
Payments to the auditor (Refer note 'a' below)	14	12
Corporate Social responsibility expenditure (Refer note 'b' below)	48	41
IT Support and Maintenance	157	163
External service charges	266	222
Provision for doubtful debts and advances***	31	10
Loss on sale of property, plant and equipment (net)	5	4
Miscellaneous expenses	589	656
	6,144	6,068

* net of refund and provision written back ₹ Nil (31 March 2017 - ₹ 23)
** net of provision written back of ₹ Nil (31 March 2017 -₹ 68)
*** net of bad debts written off during the year amounting to ₹ 10 (31 March 2017 - ₹ 35)
**** net of provision written back ₹ Nil (31 March 2017 -₹ 6)

	For the year ended 31 March 2018	For the year ended 31 March 2017
(a) Details of payments to auditors*		
Statutory audit for the year	6	5
Limited reviews	2	1
Other audit related services	4	3
Reimbursement of expenses	2	3
	14	12

* Excluding Service Tax or Goods and Service Tax, as applicable

	For the year ended 31 March 2018	For the year ended 31 March 2017
(b) Corporate social responsibility expenditure		
Amount required to be spent as per section 135 of the Act from combined operations	52	43
Amount spent during the year on		
i) Construction/acquisition of an asset	-	-
ii) On purposes other than (i) above*	52	44

*₹ 4 (31 March 2017 - ₹ 3) is considered as part of expenses pertaining to discontinued operation (Refer note 36

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 26. Exceptional Items (Income)

	For the year ended 31 March 2018	For the year ended 31 March 2017
Divestment provision no longer required written back*	20	38
	20	38

*This relates to write back of provisions with respect to divested businesses (Refer note 13)

Note 27(a) Contingent liabilities :

	As at 31 March 2018	As at 31 March 2017
Claims against the Group not acknowledged as debts	116	61
Sales tax/VAT matters under appeal	118	212
Excise and Service Tax matters in dispute / under appeal	74	113
Income tax matters in dispute / under appeal *	1,450	854
	1,758	1,240

* The Income tax assessments for the Group has been completed up to the financial year ended 31 March 2013 and demands aggregating from such assessments and appellate orders amount to ₹ 1,450 (31 March 2017- ₹ 854). The Group as well as the Income tax department have filed appeals on various matters arising from these assessments. Based on the available documentation and tax experts view, the Group has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

The Group is contesting certain claims raised by authorities towards excise, service tax and sales tax/VAT dues at various forums. Based on the available documentation and expert view, the Group has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

The Group is contesting certain claims filed against the Group by past employees and external parties in various forums. Based on the available documentation and expert view, the Group has created provisions wherever required and for the balance matters, it believes that the amount more likely than not, these disputes would not result in additional outflow of resources.

Significant Estimates:The assessments undertaken in recognising provisions and contingencies have been made in accordance with Ind AS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’. The evaluation of the likelihood of the contingent events requires best judgement by management considering the probability of exposure to potential loss. Judgement includes consideration of experts opinion, facts of the matter, underlying documentation and historical experience. Changes in assumptions about these factors could affect the reported value of contingencies and provisions.

Note 27(b)

There are no contingent assets as at 31 March 2018 and as at 31 March 2017.

Note 28. Capital and other commitments

	As at 31 March 2018	As at 31 March 2017
Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	48	311
Liability on partly paid investment: Adyar Property Holding Company Limited	*	*

*Amount is below rounding off norms, adopted by the group

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 29. Earnings per share

	As at 31 March 2018	As at 31 March 2017
Weighted average number of shares outstanding during the year	**46,660,314**	**46,660,314**
Net profit after tax available for equity shareholders from continuing operations	**2,052**	2,341
Basic earning per share (in ₹) [Face value of ₹ 10 each]	**43.98**	50.17
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	**43.98**	50.17
Net profit after tax available for equity shareholders from discontinued operations	**1,949**	129
Basic earning per share (in ₹) [Face value of ₹ 10 each]	**41.77**	2.76
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	**41.77**	2.76
Net profit after tax available for equity shareholders from combined operations	**4,001**	2,470
Basic earning per share (in ₹) [Face value of ₹ 10 each]	**85.75**	52.93
Diluted earning per share (in ₹) [Face value of ₹ 10 each]	**85.75**	52.93

Note 30. Operating lease

(a) The Group has given colour solution machines under operating leases to various dealers and customer. These have been disclosed under 'Plant and machinery -given under operating lease' in note 3 (Property, plant and equipment). The leases have varying terms with no escalation clause and no renewable rights. The leases are cancellable at the option of Group. The future lease rentals receivable in respect of these assets, based on the agreements in place, are as under :

Amounts receivable	**Total future minimum lease rentals receivable as on 31 March 2018**	**Total future minimum lease rentals receivable as on 31 March 2017**
Within one year	**163**	109
Later than one year and not later than five years	**130**	121
Later than five years	*	*
	293	**230**

*Amount is below rounding off norms, adopted by the group

Note 31. Fair value measurements

a) Financial instruments by category

	31 March 2018			31 March 2017		
	FVTPL	**FVOCI**	**Amortised cost**	**FVTPL**	**FVOCI**	**Amortised cost**
Financial Assets						
Investments in Equity shares	*	4	-	*	4	-
Investments in Mutual funds	5,016	-	-	2,693	-	-
Investments in Bonds	-	-	713	-	-	659
Loans	-	-	11	-	-	19
Security deposits	-	-	82	-	-	101
Other financial assets	-	-	152	-	-	103
Trade receivables	-	-	3,953	-	-	4,121
Cash and cash equivalents	-	-	689	-	-	175
Other bank balances	-	-	185	-	-	179
Total Financial Assets	**5,016**	**4**	**5,785**	**2,693**	**4**	**5,357**
Financial Liabilities						
Borrowings	-	-	29	-	-	29
Trade payables	-	-	6,605	-	-	6,232
Other financial liabilities	-	-	1,004	-	-	780
" Other financial liabilities - Foreign exchange forward contracts "	-	-	-	7	-	-
Total Financial Liabilities	**-**	**-**	**7,638**	**7**	**-**	**7,041**

Note 31. Fair value measurements (contd..)

b) Fair value measurement hierarchy for assets and liabilities

The following explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard.

Financial assets and liabilities measured at fair value at 31 March 2018

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial instruments at FVTPL				
- Mutual funds	5,016	-	-	5,016
Financial instruments at FVOCI				
- Unquoted Equity shares	-	-	4	4
Financial Liabilities				
Derivative not designated as hedges				
- Foreign exchange forward contracts	-	*	-	-

Financial assets and liabilities measured at fair value at 31 March 2017

	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial instruments at FVTPL				
- Mutual funds	2,693	-	-	2,693
Financial instruments at FVOCI				
- Unquoted Equity shares	-	-	4	4
Financial Liabilities				
Derivative not designated as hedges				
- Foreign exchange forward contracts	-	7	-	7

*Amount is below rounding off norms, adopted by the Group

Notes:

Level 1 hierarchy includes financial instruments measured using quoted prices. This includes mutual funds that have quoted price and are valued using the closing Net Assets Value (NAV).

Level 2 hierarchy includes the fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This includes foreign exchange forward contracts.

Level 3 - If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.This is the case for unlisted equity securities included in level 3.There are no transfers between levels 1 and 2 during the year.The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

c) Valuation techniques used to determine fair value

The fair value of the financial assets and liabilities are included at the amount that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants. The following methods were used to estimate the fair values:

- Unquoted equity shares – The valuation model is based on market multiples derived from quoted prices and PE Multiples of companies comparable to the investee and the NAV and PE multiple of the investee. The estimate is adjusted for the effect of the non-marketability of the relevant equity securities.

- Other non-current financial assets and liabilities: Fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate the fair value.
- Derivative financial assets/liabilities: The Group enters into derivative contracts with various counterparties, principally financial institutions with investment grade credit ratings. Forward foreign currency contracts are determined using forward exchange rates at the balance sheet date.
- Trade receivables, cash and cash equivalents, other bank balances, loans, other current financial assets, current borrowings, trade payables and other current financial liabilities: Approximate their carrying amounts largely due to the short-term maturities of these instruments.

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

d) Valuation processes

External valuers are involved for valuation of significant assets.The finance department of the Group assists the external valuers in the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values.
The valuation processes and results are reviewed by CFO and finance team once every three months, in line with the Group's quarterly reporting periods.

The main level 3 inputs for unlisted equity securities, used by the Group are derived and evaluated as follows:

- The use of quoted market prices / dealer quotes / profit earning (PE) for similar instruments

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by the Group's internal credit risk management group.

- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

e) Financial assets and liabilities measured at amortised cost

Fair value of financial assets and liabilities measured at amortised cost

	31 March 2018		31 March 2017		
	Carrying amount	Fair value	Carrying amount	Fair value	Level
Financial Assets					
Investments in Bonds	713	713	659	659	3
Loans	11	11	19	19	3
Security deposits	82	84	101	103	3
Other financial assets	152	152	103	103	3
Trade receivables	3,953	3,953	4,121	4,121	Refer note 'a'
Cash and cash equivalents	689	689	175	175	Refer note 'a'
Other bank balances	185	185	179	179	Refer note 'a'
Total Financial Assets	**5,785**	**5,787**	**5,357**	**5,359**	
Financial Liabilities					
Borrowings	29	34	29	34	3
Trade payables	6,605	6,605	6,232	6,232	Refer note 'a'
Other financial liabilities	1,004	1,011	780	787	3
Total Financial Liabilities	**7,638**	**7,650**	**7,041**	**7,053**	

a) The carrying amounts of investments in bonds, loans, trade receivables, other financial assets,trade payables, other bank balances and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

b) The fair values for security deposits are calculated based on cash flows discounted using a current lending rate. The fair values of non-current borrowings are based on discounted cash flows using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

c) The fair values of financial assets and financial liabilities recorded in the balance sheet in respect of which quoted prices in active markets are available are measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Note 31. Fair value measurements (contd..)

The Group's activities expose it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments, financial assets measured at amortised cost.	Aging analysis Credit ratings	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Indian rupee	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk – net asset value	Investments in mutual funds	Sensitivity analysis	Portfolio diversification

The Group's exposure to mutual funds prices/NAV risk arises from investments held by the Group and classified in the balance sheet as fair value through profit or loss. To manage its price/NAV risk arising from investments in mutual funds, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

In order to minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are entered to hedge certain foreign currency risk exposures on account of expenditure in foreign currencies and earnings in foreign exchange (export of goods, service income,etc.).The Group does not enter into any derivative instruments for trading or speculative purposes or for highly probable forecast transactions.

The Group follows a forex Risk Management policy under which all material foreign currency exposures are hedged through forward covers to protect against swings in exchange rates.

The Group's risk management is carried out by a central treasury department / finance team under policies approved by the board of directors.

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.The carrying amounts of financial assets represent the maximum credit risk exposure.

A default on a financial asset is when the counterparty fails to make contractual payments as per agreed terms.This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Trade and other receivables

Credit risk refers to the risk of default on its obligation by the counterparty resulting in financial loss. The maximum exposure to the credit risk at the reporting date is primarily from Trade Receivable amounting to ₹ 3,953 and ₹ 4,121 as at 31 March 2018 and 31 March 2017 respectively. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group has a credit risk management policy in place to limit credit losses due to non-performance of financial counterparties and customers.The Group monitors its exposure to credit risk on an ongoing basis at various levels. The group only deals with financial counterparties that have a sufficiently high credit rating. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. The Group closely monitors the acceptable financial counterparty credit ratings and credit limits and revise where required in line with the market circumstances. Due to the geographical spread and the diversity of the Group's customers, the Group is not subject to any significant concentration of credit risks at balance sheet date.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous companies and assessed for impairment collectively. The calculation is based on credit losses historical data. The Group has evaluated that the concentration of risk with respect to trade receivables to be low.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

Trade and other receivables are written off when there is no reasonable expectation of recovery post identification on case to case basis.

On account of adoption of Ind AS 109, the Group uses a simplified approach (lifetime expected credit loss model) for the purpose of computation of expected credit loss for trade receivables.

Reconciliation of loss allowance provision – Trade receivables

	31 March 2018	31 March 2017
Opening balance	174	161
Changes in loss allowance	23	13
Closing balance	**197**	**174**

Reconciliation of loss allowance provision – Other receivables

	31 March 2018	31 March 2017
Opening balance	52	55
Changes in loss allowance	8	(3)
Closing balance	**60**	**52**

Significant Estimates: The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For trade receivables only, the Group applies the simplified approach permitted by Ind AS 109, "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Effects of offsetting on balance sheet

The following table represents financial instruments that are offset, or subject to enforceable netting arrangements and other similar agreements but not offset, as at 31 March 2018 and 31 March 2017. The column "gross amount set off in balance sheet" represents rebate accruals which are netted off as per customary business practice.The column "net amount" shows the impact on the Group's balance sheet if all set-off rights were exercised:

Financial Assets	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance shee
31 March, 2018			
Trade receivable	4,451	(498)	3,953
31 March, 2017			
Trade receivable	4,467	(346)	4,121

Cash and cash equivalents, short term investments and derivatives

For short-term investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the Group attempts to limit the credit risk by only dealing with reputable banks and financial institutions having high credit-ratings assigned by international credit-rating agencies.

ii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors the Group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

	Contractual cash flows					
	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
31 March 2018						
Non-derivative financial liabilities						
Finance lease obligations (including interest)	296	3	-	3	10	280
Trade and other payables	6,605	6,605	-	-	-	-
Other financial liabilities	1,004	656	204	26	60	58
Derivative financial liabilities						
Forward exchange contracts	*	*	-	-	-	-

*Amount is below rounding off norms, adopted by the group

	Contractual cash flows					
	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
31 March 2017						
Non-derivative financial liabilities						
Finance lease obligations (including interest)	300	3	-	3	10	284
Trade and other payables	6,232	6,222	10	-	-	-
Other financial liabilities	780	285	381	9	51	54
Derivative financial liabilities						
Forward exchange contracts	7	7	-	-	-	-

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Borrowing facilities	31 March 2018	31 March 2017
- Expiring within one year (bank overdraft facilities)	**1,051**	980

iii. Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, NAV of mutual funds will affect the Group's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and investments in mutual funds. The Group is exposed to market risk primarily related to foreign exchange rate risk and the market value of the investments. Thus, the Group's exposure to market risk is a function of investing and revenue generating and operating activities. The objective of market risk management is to avoid excessive exposure in financial assets and unhedged foreign currency, revenues and costs.

Currency risk

The Group is exposed to currency risk on account of its receivables and payables in foreign currency. The functional currency of the Group is Indian Rupee. The Group uses forward exchange contracts to limit its exposure of currency risk, most with a maturity of less than one year from the reporting date. The Group does not use derivative financial instruments for trading or speculative purposes.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

Exposure to currency risk

The currency profile of financial assets and financial liabilities (other than Indian Rupees) as at 31 March 2018 and 31 March 2017 are reinstated in millions Indian Rupees which is stated below :

	USD	Euro	Other
31 March 2018			
Financial assets			
Trade and other receivables	342	26	-
Derivative Assets			
Foreign Exchange Forward Contracts-Sell Foreign Currency	-	-	-
Net Exposure to Foreign Currency Risk (Assets)	342	26	-
Financial liabilities			
Trade and other payables	689	72	73
Derivative liabilities			
Foreign Exchange Forward Contracts-Buy Foreign Currency	(249)	(9)	-
Net Exposure to Foreign Currency Risk (Liabilities)	440	63	73
31 March 2017			
Financial assets			
Trade and other receivables	240	95	1
Derivative Assets			
Foreign Exchange Forward Contracts-Sell Foreign Currency	-	-	-
Net Exposure to Foreign Currency Risk (Assets)	240	95	1
Financial liabilities			
Trade and other payables	685	321	72
Derivative liabilities			
Foreign Exchange Forward Contracts-Buy Foreign Currency	(261)	(11)	(2)
Net Exposure to Foreign Currency Risk (Liabilities)	424	310	70

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against US dollars/EURO as at year end would have affected the measurement of financial instruments denominated in US dollars /EURO or other currencies and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Impact on Profit after tax	
Effect INR	**Increase**	**Decrease**
31 March 2018		
10% movement		
USD	(6)	6
Euro	(2)	2
Others	(5)	5
	(13)	**13**
31 March 2017		
10% movement		
USD	(12)	12
Euro	(14)	14
Others	(5)	5
	(31)	**31**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 31. Fair value measurements (contd..)

iv. Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss .To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
The Group considers factors such as long term credit rating, tenor of investment, minimum assured return, monetary limits,etc. while investing.

Sensitivity analysis

The table below summarises the impact of increases/decreases of the index on the Group's profit for the period. The analysis is based on the assumption that the equity index had increased by 10% or decreased by 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the index

	Impact on Profit after tax	
Effect INR	**31 March 2018**	**31 March 2017**
Increase 10%	**328**	176
Decrease 10%	**(328)**	(176)

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Note 32. Capital management

For the purpose of the Group's capital management, capital includes issued equity share capital and all other equity reserves attributable to the equity holders of the Group. The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2018

	For the year ended 31 March 2018	For the year ended 31 March 2017
The following dividends were declared and paid by the Group during the year:		
31 March 2017 - ₹ 22 per equity share (31 March 2016- ₹ 70 per equity share)	**1,027**	3,266
Dividend distribution tax on dividend to equity shareholders	**209**	665
Dividend not recognised at the end of the Reporting period	**1,236**	**3,931**

In addition to the above dividend, directors have recommended the payment of dividend of ₹ 22 per equity share (31 Mar 2017- ₹ 22 per equity share). The proposed dividend is subject to the approval of shareholders in the ensuing Annual General Meeting

	For the year ended 31 March 2018	For the year ended 31 March 2017
31 March 2018 - ₹ 22 per equity share (31 March 2017- ₹ 22 per equity share)	**1,027**	1,027
Dividend distribution tax on dividend to equity shareholders	**211**	209
	1,238	**1,236**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 33. Segment information

A. General Information

The chief operating decision maker (CODM) (i.e. the country leadership team comprising Managing Director, Chief Financial Officer, business unit heads, head HR) examines the Company's performance from a product perspective and has identified the below mentioned segments of its business, which are the Company's strategic business units.The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CODM reviews internal management reports based on profit or loss to assess the performance of the operating segments, which is disclosed below.

For management purposes, the Group is organised into following two reportable segments:

i) Coatings : consisting of decorative, automotive and industrial paints and related activities
ii) Others : consisting of chemicals business which has been discontinued during the year (Refer note 36).

B. Information about reportable segments and reconciliations to amounts reflected in the financial statements

	Coatings		Others (Discontinued Operations)		Total	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
1. Revenue						
External revenue	27,571	28,530	2,387	2,569	29,958	31,099
Inter-segment revenue	139	101	48	17	187	118
Inter-segment eliminations	(139)	(101)	(48)	(17)	(187)	(118)
Other operating income	357	172	102	73	459	245
Total Revenue	27,928	28,702	2,489	2,642	30,417	31,344
2. Results						
Segment profit before income tax and exceptional items	2,493	2,860	196	214	2,689	3,074
3. Results reconciled to Profit after tax as follows					2,689	3,074
Less: Finance cost					(35)	(32)
Add:Unallocated income (net of unallocated expense)					302	342
Add:Profit on sale of chemicals business					2,442	-
Profit before exceptional items					5,398	3,384
Exceptional items					20	39
Profit before taxation					5,418	3,423
Income taxes						
-Current tax (net)					(1,396)	(1,087)
-Deferred tax					(21)	134
Profit after taxation					4,001	2,470

C. Other Information

	Coatings		Others (Discontinued Operations)		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
a. Assets						
Segment assets	16,188	14,087	-	1,279	16,188	15,366
Unallocated Assets					6,138	3,479
Total assets	16,188	14,087	-	1,279	22,326	18,845
b. Liabilities/ Shareholders' funds						
Segment Liabilities	8,475	7,059	-	871	8,475	7,930
Unallocated Other liabilities					942	819
Share Capital					467	467
Reserves and surplus					12,442	9,629
Total liabilities/ shareholders' funds	8,475	7,059	-	871	22,326	18,845

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 33. Segment information (contd..)

	Coatings		Others (Discontinued Operations)		Total	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
C. Revenue from external customers						
India	**26,165**	27,545	**2,361**	2,525	**28,526**	30,070
Outside India	**1,406**	985	**26**	44	**1,432**	1,029
Total Revenue from external customers	**27,571**	28,530	**2,387**	2,569	**29,958**	31,099

i) 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 Group.

ii) 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 Group and corporate expenses. Unallocable assets include un-allocable property, plant and equipment and other assets. Unallocable liabilities include un-allocable current liabilities and net deferred tax liability.

D. Information about major customers

No external customer individually accounted for more than 10% of the revenues during the year ended 31 March 2018 and 31 March 2017.

Note 34. Related party disclosures

1. (a) The Company is controlled by:

Akzo Nobel N.V., Netherlands (Ultimate Holding Company

Imperial Chemical Industries Limited, England, which is wholly owned by Akzo Nobel N.V.

(b) Fellow subsidiaries:

Akzo Nobel Chemicals (Boxing) Co. Ltd.	Akzo Nobel Paints Singapore Pte Ltd.
Akzo Nobel Chemicals (Ningbo) Co. Ltd.	Akzo Nobel Projects & Engineering B.V.
Akzo Nobel Decorative Coatings B.V.	Akzo Nobel Packaging Coatings S.A.
Akzo Nobel Industrial Coatings Korea Ltd.	Akzo Nobel Paints (Malaysia) Sdn. Bhd.
Akzo Nobel Industrial Paints, S.L	Akzo Nobel Paints (Thailand) Ltd.
Akzo Nobel Middle East FZE	Akzo Nobel Paints Lanka (Pvt) Ltd.
Akzo Nobel Paints Pakistan Ltd.	Akzo Nobel Paints Taiwan Ltd.
Akzo Nobel Performance Coatings (Shanghai) Co. Ltd.	Akzo Nobel Paints Vietnam Ltd.
Akzo Nobel Powder Coatings (Vietnam) Co. Ltd.	Akzo Nobel Powder Coatings (Ningbo) Co., Ltd.
Akzo Nobel Powder Coatings GmbH	Akzo Nobel Powder Coatings B.V.
Akzo Nobel Pulp and Performance Chemicals Inc	Akzo Nobel Powder Coatings Korea Co., Ltd.
Akzo Nobel Surface Chemistry Pte. Ltd.	Akzo Nobel Pty. Ltd.
Akzo Nobel Swire Paints (Shanghai) Ltd.	Akzo Nobel Surface Chemistry AB
Akzo Nobel (Shanghai) Co. Ltd.	Akzo Nobel Surface Chemistry LLC
Akzo Nobel Boya Sanayi ve Ticaret A.S.	Akzo Nobel UAE Paints L.L.C.
Akzo Nobel Car Refinishes (Singapore) Pte Ltd.	ICI Dulux (Pty) Ltd.
Akzo Nobel Car Refinishes B.V.	International Paint Ltd.
Akzo Nobel Car Refinishes SL	International Paint (Akzo Nobel Chile) Ltd.a
Akzo Nobel Chang Cheng Ltd.	International Paint (Korea) Ltd.
Akzo Nobel Chemicals AG	International Paint (Nederland) B.V.
Akzo Nobel Chemicals International B.V.	International Paint (Panama) Inc.
Akzo Nobel Chemicals India Pvt. Ltd.	International Paint (Taiwan) Ltd.
Akzo Nobel Coatings (Dongguan) Co. Ltd.	International Paint LLC
Akzo Nobel Coatings (Jiaxing) Co. Ltd.	International Paint of Shanghai Co Ltd.
Akzo Nobel Coatings Inc.	International Paint Pazarlama Ltd. Sirketi
Akzo Nobel Coatings International B.V.	International Paint Singapore Pte Ltd.
Akzo Nobel Coatings Ltd.	International Peinture
Akzo Nobel Coatings S.P.A.	Keum Jung Akzo Nobel Peroxides Ltd.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

(b) Fellow subsidiaries:

Akzo Nobel Ltd.a	PT ICI Paints Indonesia
Akzo Nobel Packaging Coatings Ltd.	PT International Paint Indonesia
Akzo Nobel Saudi Arabia Ltd.	Schramm SSCP Hanoi Company Ltd.
Akzo Nobel Global Business Services LLP	Tianjin Akzo Nobel Peroxides Co. Ltd.
Akzo Nobel Oman SAOC	PT. Akzo Nobel Car Refinishes Indonesia
Akzo Nobel Asia Pte Ltd.	International Paint (East Russia) Ltd.
Akzo Nobel Adhesives (Asia) Pte Ltd.	Akzo Nobel Surface Chemistry AB
Akzo Nobel Coatings AS	Akzo Nobel Surface Chemistry LLC
Akzo Nobel Coatings Vietnam Ltd.	International Farbenwerke GmbH
Akzo Nobel Cross-Linking Peroxides (Ningbo) Co. Ltd.	International Farvefabrik AS
Akzo Nobel Functional Chemicals AB	International Paint (Hong Kong) Ltd.
Akzo Nobel Functional Chemicals B.V.	International Paint Sdn Bhd
Akzo Nobel Functional Chemicals LLC	Oy International Paint (Finland) AB
Akzo Nobel Hilden GmbH	Schramm Coatings GmbH
Akzo Nobel KK	Akzo Nobel Powder Coatings (Suzhou) Co Ltd.
Akzo Nobel LLC	Akzo Nobel Powder Coatings SAS
Akzo Nobel Performance Coatings (Changzhou) Co Ltd.	Akzo Nobel Pulp and Performance Chemicals AB
Akzo Nobel Polymer Chemicals (Ningbo) Co Ltd.	ICI South Africa (Pty) Ltd.

(c) Key management personnel

Mr Nihal Kaviratne CBE - Chairman (upto 14 August 2017)
Mr Amit Jain - Chairman (from 15 August 2017)
Mr Jayakumar Krishnaswamy - Managing Director
Mr Pradip Menon - Wholetime Director and CFO
Mr Arabinda Ghosh - Non-Executive Director
Mr Jeremy Rowe - Non-Executive Director (from 6 April 2018)
Mr R Gopalakrishnan - Independent Director
Mr Raj S Kapur - Independent Director
Dr Sanjiv Misra - Independent Director
Ms Kimsuka Narsimhan - Independent Director
Mr Arvind Uppal - Independent Director
Mr R Guha - Company Secretary

(d) Employee benefit trusts

Pension trusts

ICI's Associated Companies in India Employees Pension Fund
ICI India Management Staff Pension Fund
Akzo Nobel India Employees Pension Scheme
Akzo Nobel Coatings Employees Superannuation Fund

Gratuity trusts

ICI India Limited Employees' Gratuity Fund
ICI India Management Staff Gratuity Fund
Akzo Nobel India Employees Gratuity Trust 2016
Akzo Nobel Coatings India P Ltd Employees Group Gratuity Cum Life Assurance Scheme

Provident fund trusts

The Alkali and Chemical Corporation of India Limited Provident Fund
ICI India Staff Provident Fund
ICI's Associated Companies in India Staff Provident Fund

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

2. The following transactions were carried out with related parties in the ordinary course of business (Continuing and discontinued operations) :

	Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Management Personnel	Employee Benefit Trusts
	2017-18	2017-18	2017-18	2017-18	2017-18
	(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)
a) Transactions during the year					
Purchase of materials / finished goods	-	-	2,615	-	-
	-	-	(2,742)	-	-
Purchase of Fixed Assets	-	-	2	-	-
	-	-	-	-	-
Sale of finished goods	-	-	448	-	-
	-	-	(402)	-	-
Sales proceeds from divestment of Chemicals Business	-	-	3,098	-	-
	-	-	-	-	-
Interest income	-	-	39	-	-
	-	-	-	-	-
Expenses incurred and recovered/ recoverable from other Companies (Income)	176	*	99	-	7
	(167)	(2)	(98)	-	-
Expenses reimbursed to other Companies (Expense)	230	-	11	-	-
	(116)	-	(89)	-	-
Royalty	-	-	843	-	-
	-	-	(758)	-	-
Dividend paid	-	506	243	-	-
	-	(1,608)	(775)	-	-
Services provided (Income)	2	-	433	-	-
	-	-	(380)	-	-
Services received (expenses)	27	-	14	-	-
	-	-	(34)	-	-
Advances given during the year	-	-	-	-	-
	-	-	-	-	(45)
Managerial remuneration					
Short-term employee benefits	-	-	-	46	-
	-	-	-	(43)	-
Post employment benefits	-	-	-	4	-
	-	-	-	(2)	-
Other long - term benefits	-	-	-	6	-
	-	-	-	(7)	-
Contributions made to trust	-	-	-	-	-
	-	-	-	-	(28)
Guarantee issued on behalf of the Company for credit facilities from banks	1,051	-	-	-	-
	(980)	-	-	-	-

*Amount is below rounding off norms, adopted by the group

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

		Akzo Nobel N.V., Netherlands	Imperial Chemical Industries Limited, England	Fellow Subsidiaries of the Company	Key Management Personnel	Employee Benefit Trusts
		2017-18	2017-18	2017-18	2017-18	2017-18
		(2016-17)	(2016-17)	(2016-17)	(2016-17)	(2016-17)
b)	**Balances as at the end of the year**					
	Dues to related parties	35	33	1,228	21	-
		(6)	(29)	(1,641)	(22)	-
	Dues from related parties	46	-	263	-	-
		(43)	-	(224)	-	-
c)	**Share Capital outstanding as at end of the year**	-	230	111	-	-
		-	(230)	(111)	-	-

Terms and conditions of transactions with related parties

- The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in casH
- There have been no guarantees provided or received for any related party receivables or payables.
- For the year ended 31 March 2018 (and any of the previous years) the Group has not recorded any impairment of receivables relating to amounts owed by related parties.
- Figures in bracket indicate transactions/balances relating to financial year 2016-17

d) 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.

	2017-18	2016-17
Purchase of materials / finished goods		
PT Akzo Nobel Car Refinishes Indonesia	286	287
Akzo Nobel Surface Chemistry AB	527	310
Akzo Nobel Surface Chemistry LLC	322	646
Akzo Nobel Functional Chemicals BV	318	179
Others	1,162	1,320
	2,615	2,742
Purchase of fixed assets		
Akzo Nobel Functional Chemicals B.V.	2	-
	2	-
Sales of finished goods		
International Paint Singapore Pte Ltd	4	51
Akzo Nobel Paints Vietnam Ltd	58	49
PT ICI Paints Indonesia	116	100
Akzo Nobel Paints (Malaysia) Sdn. Bhd.	55	67
Akzo Nobel Saudi Arabia Ltd.	9	48
Akzo Nobel Paints (Thailand) Ltd.	59	-
Akzo Nobel Paints LLC	49	-
Other	98	87
	448	402
Sales proceeds from divestment of Chemicals Business (Refer note 36)		
Akzo Nobel Chemicals India Pvt. Ltd.	3,098	-
	3,098	-
Interest Income		
Akzo Nobel Chemicals India Pvt. Ltd.	39	-
	39	-

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

	2017-18	2016-17
Expenses incurred and recovered/recoverable from other companies (Income)		
Akzo Nobel Lanka (Pvt.) Limited	*	22
Akzo Nobel N.V. Netherlands	176	167
Akzo Nobel Decorative Coatings B.V.	25	40
Akzo Nobel Car Refinishes B.V.	10	22
International Paint Limited	*	*
Others	71	16
	282	**267**
Expenses reimbursed to other companies (Expense)		
Akzo Nobel N.V. Netherlands	230	116
Akzo Nobel Functional Chemicals B.V.	-	21
AkzoNobel Paints (Singapore) Pte	2	29
International Paint Limited	-	22
Others	8	17
	240	**205**
Royalty		
Akzo Nobel Coatings International B.V.	818	737
Others	25	21
	843	**758**
Dividend paid		
Imperial Chemical Industries Limited, England	506	1,608
Akzo Nobel Coatings International B.V.	190	604
Others	54	171
	750	**2,383**
Services provided (Income)		
Akzo Nobel Car Refinishes B.V.	334	312
Other	102	68
	436	**380**
Services received (Expense)		
Akzo Nobel Car Refinishes B.V.	-	33
Akzo Nobel N.V. Netherlands	27	-
Akzo Nobel Projects & Engineering B.V.	14	-
Others	*	1
	41	**34**
Advances given during the year		
ICI Associated Companies in India Employee Pension Fund	-	15
ICI India Limited Employee Gratuity Fund	-	19
ICI India Management Staff Pension Fund	-	5
ICI Associated companies in India Staff Provident Fund	-	4
ICI India Management Staff Gratuity Fund	-	1
The Alkali & Chemicals Corporation India Limited PF	-	1
	-	**45**
Contributions made to trust		
The Alkali & Chemical Corporation of India Ltd. Provident Fund	-	28
	-	**28**
Managerial remuneration		
Mr. Jayakumar Krishnaswamy	24	25
Mr. Pradip Menon	18	20
Others	8	7
	50	**52**

*Amount is below rounding off norms, adopted by the group

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 34. Related party disclosures (contd..)

	2017-18	2016-17
Dues to related parties		
Akzo Nobel Coatings International B.V.	720	430
Akzo Nobel Surface Chemistry AB	-	150
Akzo Nobel Surface Chemistry LLC	-	266
Akzo Nobel Chemicals AG	-	12
PT. Akzo Nobel Car Refinishes Indonesia	110	723
Others	487	118
	1,317	1,699
Dues from related parties		
Akzo Nobel Car Refinishes B.V.	65	89
Akzo Nobel Decorative Coatings B.V.	12	22
PT ICI Paints Indonesia	38	11
Akzo Nobel N.V. Netherlands	46	43
Akzo Nobel LLC	36	-
Others	128	102
	325	267
Share capital outstanding		
Imperial Chemical Industries Limited, England	230	230
Akzo Nobel Coatings International B.V.	111	86
Others	*	25
	341	341

*Amount is below rounding off norms, adopted by the group

3. The Group 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 to be contemporaneous in nature, the Group is in process of updating the documentation of international transactions with the Associated Enterprises 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.

Note 35. Employee benefits

Other long-term employee benefit obligations

The liabilities for annual leave, pension scheme for certain employees and long term service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore accrued using actuarial valuations and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Defined benefit plans

The Group makes specified monthly contributions towards employees' provident fund to the trusts administered by the Group for certain employees. The minimum interest payable by the provident fund trusts to the beneficiaries every year is notified by the Government. The Group has an obligation to make good the shortfall of contribution and interest (basis the actuarial valuation), if any, as at the date of the Balance Sheet.

The liability or asset recognised in the balance sheet in respect of defined benefit pension, provident fund and gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuary using the projected unit credit method. The Gratuity Plan provides a lump sum payment to vested employees as per payment of Gratuity Act, 1972 at retirement, disability or termination of employment being an amount based on the respective employee's last drawn salary and the number of years of employment with the Group.

Post-employment medical benefits

The Group provides post-retirement healthcare benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

Defined contribution plans

Defined contribution plans are provident fund scheme, superannuation scheme and part of the pension fund scheme for eligible employees. The Group recognises contribution payable to the respective employee benefit fund scheme as an expenditure, as and when they are due. The Group has no further payment obligations once the contributions have been made.

Significant Estimates : Employee benefit obligations are determined using actuarial valuations. An actuarial valuation involves making appropriate assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

		Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(A)	**Employee benefit expense recognised in profit or loss**								
	(a) Current service cost	56	48	2	3	1	6	39	29
	(b) Interest cost (net)	8	2	(22)	(6)	16	18	(2)	(2)
	(c) Writeback on account of assets recognition	*	-	-	-	*	-	2	1
	(d) Past service cost - plan amendments	2	-	-	-	-	-	-	-
	Total expense / (gain)	66	50	(20)	(3)	17	24	39	28
	Remeasurements recognised directly in other comprehensive income								
	(a) Return on plan assets (greater)/less than discount rate	2	13	15	26	-	-	(13)	(2)
	(b) Actuarial (gains) / losses								
	- from changes in demographic assumptions	*	(12)	*	(11)	*	(9)	-	(1)
	- from changes in financial assumptions	(121)	81	(8)	6	(11)	-	-	-
	- Experience adjustments	22	4	59	13	25	23	-	(2)
	(c) Adjustment for limit on net asset	-	-	(52)	(24)	-	-	13	5
	Total expense / (gain)	(97)	86	13	10	14	14	-	-

		Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(B)	**Net Asset / (Liability) as at year end**								
	(a) Present value of obligations as at year end	362	452	125	80	243	247	843	734
	(b) Fair value of plan assets as at year end	303	309	250	258	-	-	843	779
	(c) Fair value of plan assets, limited to present value of future contributions	303	309	182	148	-	-	843	734
	Net Asset / (Liability) (b)-(a)	(58)	(143)	124	178	(243)	(247)	-	45
	Net Asset / (Liability) recognised in Balance Sheet (c)-(a)	(58)	(143)	57	68	(243)	(247)	-	-
	(Refer below details for amount recognised in balance sheet)								
	Provision in Balance Sheet (Refer Note 13)								
	Current	-	-	-	-	(20)	(19)	-	-
	Non-Current	(59)	(153)	-	-	(223)	(228)	-	-
		(59)	(153)	-	-	(243)	(247)	-	-
	Retirement Benefit Trust Surplus (Refer Note 6)								
	Current	-	-	-	-	-	-	-	-
	Non-Current	1	10	57	68	-	-	-	-
		1	10	57	68	-	-	-	-
	Net Asset / (Liability) recognised in Balance Sheet								
	Current	-	-	-	-	(20)	(19)	-	-
	Non-Current	(58)	(143)	57	68	(223)	(228)	-	-
		(58)	(143)	57	68	(243)	(247)	-	-

*Amount is below rounding off norms, adopted by the group

The Group administers benefits through different trusts, which do not allow set off of asset and obligation inter-se. Accordingly, the net balance for each trust is disclosed for each benefit.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

		Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(C)	**Change in defined benefit obligations during the year**								
	Present value of obligations at beginning of the year	452	360	80	83	247	241	734	600
	(a) Current service cost	56	48	2	3	1	6	39	29
	(b) Interest cost	30	27	5	6	16	18	65	54
	(c) Benefits paid	(47)	(36)	(13)	(20)	(31)	(32)	(52)	(40)
	(d) Actuarial (gains) / losses	(99)	73	51	8	14	14	*	(4)
	(e) Liabilities extinguished on settlements	-	(20)	-	-	-	-	*	-
	(f) Employee Contributions	-	-	-	-	-	-	57	52
	(g) Transfer In/(Out) - Other Provident Funds	-	-	-	-	-	-	1	43
	(h) Other Adjustments	*	-	*	-	*	-	(1)	-
	(i) Past service cost - plan amendments	2	-	-	-	(4)	-	-	-
	(j) Liability for discontinued operations	(32)	-	-	-	-	-	-	-
	Present value of obligations at end of the year	**362**	**452**	**125**	**80**	**243**	**247**	**843**	**734**

*Amount is below rounding off norms, adopted by the group

		Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
(D)	**Change in fair value of plan assets during the year**								
	Fair value of plan assets as at beginning of the year	309	329	258	284	-	-	779	585
	(a) Return on plan assets (greater)/less than discount rate	(2)	(13)	(15)	(26)	-	-	-	44
	(b) Interest income on plan assets	22	25	20	21			67	53
	(c) Company contributions	1	-	-	-	-	-	38	28
	(d) Employee Contributions	-	-		(20)			57	52
	(e) Benefits paid	(19)	(12)	(13)	(1)	-	-	(52)	(40)
	(f) Adjustment of defined contribution	-	(20)	-	-	-	-	(46)	58
	(g) Actuarial gains / (losses)	-	-	-	-	-	-	-	-
	(h) Transfer In/(Out) - Other Provident Funds	-	-	-	-	-	-	-	(1)
	(i) Assets for discontinued operations	(8)	-	-	-	-	-	-	-
	Fair value of plan assets	**303**	**309**	**250**	**258**	**-**	**-**	**843**	**779**
(E)	**Change in Irrevocable Surplus**								
	Irrevocable Surplus as at the beginning of the year	-	-	110	125	-	-	45	-
	(a) Interest in Irrevocable Surplus	-	-	7	9	-	-	-	(3)
	(b) Change in Irrevocable Surplus in excess of interest	-	-	(50)	(24)	-	-	(45)	48
	Irrevocable Surplus as at the end of the year	**-**	**-**	**67**	**110**	**-**	**-**	**-**	**45**
(F)	**Expected benefit payments for the year ending**								
	Less than a year	58	53	16	11	21	20	1	1
	Between 1-2 years	63	52	16	10	21	20	1	1
	Between 2-5 years	191	189	42	36	65	61	3	6
	Over 5 years	309	371	52	53	109	104	7	25
	Total	**621**	**665**	**126**	**110**	**216**	**205**	**12**	**33**
(G)	Weighted Average Duration	6	6	9 to 10	9 to 10	10	11	6	6
(H)	**Sensitivity Analysis**								
	Discount Rate (%age)								
	Effect of DBO due to 0.5% increase in Discount Rate	-2.6%	-3.3%	-4.0%	-3.7%	-4.1%	-4.5%	-	-
	Effect of DBO due to 0.5% decrease in Discount Rate	2.8%	3.5%	4.0%	3.7%	4.5%	4.9%	-	-
	Salary Escalation Rate (%age)								
	Effect of DBO due to 0.5% increase in Salary Escalation Rate	2.8%	3.3%	-	-	-	-	-	-
	Effect of DBO due to 0.5% decrease in Salary Escalation Rate	-2.8%	-3.1%	-	-	-	-	-	-
	Medical Inflation Rate (%)								
	Effect on DBO due to 0.5% increase in Medical Inflation	-	-	-	-	3.7%	3.6%	-	-
	Effect on DBO due to 0.5% decrease in Medical Inflation	-	-	-	-	-3.7%	-3.6%	-	-

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

	Gratuity		Pension		Post Retirement Medical Benefit		Provident Fund	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Mortality Rate (%)								
Effect on DBO if Post Retirement Mortality Rates are scaled up by one year	-	-	-	-	-4.5%	-2.8%	-	-
Effect on DBO if Post Retirement Mortality Rates are scaled down by one year	-	-	-	-	4.5%	2.8%	-	-

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The method and type of assumptions used in preparing the sensitivity analysis did not change as compared to previous year.

(I) Other long-term employee benefit obligations out of which the current portion of obligations is the expected amount to be settled in next twelve months.

	2017-18	2016-17
Long service award obligation		
Current	(1)	(1)
Non-Current	(10)	(14)
Total	**(11)**	**(15)**
Leave obligation		
Current	(23)	(26)
Non-Current	(107)	(146)
Total	**(130)**	**(172)**
Pension obligation		
Current	-	-
Non-Current	(19)	(28)
Total	**(19)**	**(28)**

(J) Expected contributions to post-employment benefit plans for the year ending 31 March 2019 is ₹ 88.

(K) Major category of plan assets

	Gratuity				Pension			
	2017-18		2016-17		2017-18		2016-17	
	%	Amount	%	Amount	%	Amount	%	Amount
Government of India Securities (Central & State)	13%	38	16%	49	20%	51	29%	74
High Quality Corporate Bonds (including Public sector bonds)	12%	38	14%	44	41%	103	44%	113
Cash (including special deposits)	4%	11	4%	11	6%	15	3%	9
Scheme of Insurance-conventional products	2%	7	2%	6	0%	-	0%	-
Scheme of Insurance-ULIP products	37%	112	37%	116	0%	-	0%	-
Others	32%	96	27%	83	33%	81	24%	62
	100%	**303**	**100%**	**309**	**100%**	**250**	**100%**	**258**

Major category of plan assets

	Provident Fund			
	2017-18		2016-17	
	%	Amount	%	Amount
Government of India Securities (Central & State)	31%	265	24%	189
High Quality Corporate Bonds (including Public sector bonds)	56%	474	62%	477
Cash (including special deposits)	3%	24	7%	56
Others	10%	80	7%	57
	100%	**843**	**100%**	**779**

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 35. Employee benefits (contd..)

Actuarial Assumptions

	2017-18	2016-17
	%	%
Discount Rate (annual)	**7.50%**	7.00%
Salary growth rate	**8.00%**	10.50%
Expected rate of return (Annualised)	**8.00%**	8.00%
Medical Inflation Rate	**8.00%**	8.00%

(L) Risk exposure

Through its defined benefit plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility:- The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a return lesser than the yield. Most of the plan asset investments are in fixed income securities with high grades and in government securities. These are subject to interest rate risk and the fund manages interest rate risk to minimise risk to an acceptable level.

Changes in bond yields: The defined benefit obligation calculated uses a discount rate based on government bonds. If bond yields fall, the defined benefit obligation will tend to increase

Inflation risks: In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life expectancy: The pension and medical plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary conditions result in higher sensitivity to changes in life expectancy.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the employee benefit plans. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due.

(M) During the year ended 31 March 2018, the Group has made certain changes in the assumptions relating to actuarial valuation to reflect changes in macro-economic and other relevant factors. Other comprehensive income for the year ended 31 March 2018 reflect the impact of this change. The impact, if any, for the future period is not determinable at this stage.

Note 36. Discontinued operations

(a) Description

Pursuant to the Board of Directors decision on 7 November 2017 and subsequent shareholders' approval on 18 December 2017, the Company entered into a Business Transfer Agreement ("BTA") on 30 March 2018 and addendums thereto to sell by way of slump sale its Specialty Chemicals Business ("the Business") as a going concern to Akzo Nobel Chemicals India Private Limited ('ANCIPL'), an affiliate of the ultimate holding company.

In accordance with the BTA the following major categories of assets and liabilities have been transferred to ANCIPL with effect from the close of business on 31 March 2018, being the date of transfer of control.

Particulars	As at 31 March 2018
Property, plant and equipment	**199**
Capital work in progress	**37**
Inventories	**330**
Trade receivables	**559**
Other assets	**23**
Total Assets	**1,148**

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 36. Discontinued operation (contd..)

Particulars	As at 31 March 2018
Trade payables	511
Provisions	40
Others	17
Total Liabilities	**568**
Net Assets	**580**

(b) Financial Performance and cash flow information

The following results of operations and cash flows for the year ended 31 March 2018 and corresponding previous year ended 31 March 2017, have been presented as discontinued operations in the financial statement.

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Revenue from operations	2,489	2,642
Expenses	2,340	2,456
Profit before tax	149	186
Tax expense	62	57
Profit after income tax	87	129
Profit on sale of chemicals business after income tax (see (c) below)	1,862	-
Profit from discontinued operations	1,949	129
Remeasurement of defined benefit plans arising from discontinued operations	3	(3)
Income tax relating to Other comprehensive income/(loss) arising from discontinued operations	(1)	1
Other Comprehensive Income from discontinued operations	2	(2)
Total Comprehensive Income from discontinued operations	**1,951**	**127**
Cash Flow Statement		
Net cash inflow from operating activities	30	(181)
Net cash inflow/(outflow) from investing activities	3,031	(45)
Net increase in cash generated from discontinued operations	**3,061**	**(226)**

(c) Details of the sale of the Business

The profit on sale of the Business is computed as follows -

Particulars	For the year ended 31 March 2018	For the year ended 31 March 2017
Sale consideration adjusted for working capital movement and taxes as per the BTA	3,098	-
Less: Net assets transferred (Refer note 'a' above)	(580)	-
Less: Transaction cost in relation to the transfer	(76)	-
Profit on sale	**2,442**	**-**
Less : Income tax expense	(580)	-
Profit on sale after tax	**1,862**	**-**

(All amounts are in millions Indian ₹ unless otherwise stated)

Note 37. Statutory Group Information

a) Additional information to consolidated financial statements (Pursuant to Schedule III to the Companies Act, 2013):

Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income	
	As % of consolidated net assets	₹	As % of consolidated profit and loss	₹	As % of consolidated other comprehensive income	₹	As % of total comprehensive income	₹
Parent								
Akzo Nobel India Limited								
Balance as at 31st March, 2018	99.95%	12,902	100.12%	4,006	89.58%	43	99.99%	4,049
Balance as at 31st March, 2017	99.93%	10,089	100.00%	2,470	100.00%	(72)	100.00%	2,398
Indian Subsidiary								
ICI India Research & Technology Centre								
Balance as at 31st March, 2018	0.05%	7	-0.12%	(5)	10.42%	5	0.01%	*
Balance as at 31st March, 2017	0.07%	7	0.00%	-	0.00%	-	0.00%	-
Total								
Balance as at 31st March, 2018	**100.00%**	**12,909**	**100.00%**	**4,001**	**100.00%**	**48**	**100.00%**	**4,049**
Balance as at 31st March, 2017	**100.00%**	**10,096**	**100.00%**	**2,470**	**100.00%**	**(72)**	**100.00%**	**2,398**

*Amount is below rounding off norms, adopted by the group

b) The Company's subsidiary – 'ICI India Research & Technology Centre' is limited by guarantee and does not have a share capital. Based on undertaking given by the members of the Company, they will contribute a maximum of ₹100/-(Rupees hundred) in the event the Company is wound up.The Subsidiary conducts research activity on behalf of Akzo Nobel India Limited and receives contributions from the Company to the extent of costs incurred on such research activity.

Note 38. Recent accounting pronouncements

Standards issued but not yet effective

The Ministry of Corporate Affairs (MCA), on 28 March 2018, notified Ind AS 115, Revenue from Contracts with Customers as part of the Companies (Indian Accounting Standards) Amendment Rules, 2018. The new standard is effective for accounting periods beginning on or after 1 April 2018 and requires an entity to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Amendment to Ind AS 40: Investment Property

The amendment lays down the principle regarding when a company should transfer an asset to, or from, an investment property.

Amendment to Ind AS 21: The Effects of Changes in Foreign Exchange Rates

This amendment brings clarity on the date of transaction when foreign currency consideration is paid or received in advance of the item

Amendment to Ind AS 28: Investments in Associates and Joint Ventures

The amendment brings clarity on whether an entity needs to choose between application of equity method or measuring the investment at fair value for each instrument whenever an investment in an associate or a joint venture is held by directly or indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Amendment to Ind AS 112 : Disclosure of Interests in Other Entities

Disclosure requirements for interests in other entities also apply to interests that are classified (on included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations.

Notes

to the financial statements for the year ended 31 March 2018
(All amounts are in millions Indian ₹ unless otherwise stated)

Note 38. Recent accounting pronouncements (contd..)

Ind AS 12 Income Taxes

The amendment clarifies the accounting for deferred taxes on unrealised losses.

The Company is evaluating the requirements of the above amendments and their effect on the financial statements.

Note 39.

Managerial remuneration paid by erstwhile Akzo Nobel Coatings India Private Limited ("AN Coatings"), since amalgamated with the Company, for the years ended 31 March 1999 and 31 March 2000 was in excess of limits prescribed under the Companies Act,1956 by an amount of ₹ 10 million. AN Coatings had, therefore, made applications with the Central Government for approval of the excess remuneration paid, for which response is awaited.

Note 40.

In accordance with Ind AS 18 on Revenue and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, revenue for year ended 31 March 2017 and period ended 30 June 2017 are reported inclusive of Excise Duty. Consequent to the implementation of the Goods and Service Tax ("GST") w.e.f. 1 July 2017, Excise Duty, VAT, Service Tax and various other Indirect Taxes have been subsumed into GST. As per Ind AS 18, revenue for the period 1 July 2017 to 31 March 2018 is reported net of GST.

Note 41.

Previous year figures have been regrouped and reclassified where ever necessary to confirm with the current year classifications.

As per our report of even date attached.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016
Chartered Accountants

Anurag Khandelwal
Partner
Membership No. : 078571

Date: 10 May 2018
Place: Gurugram

For and on behalf of the **Board of Directors of Akzo Nobel India Limited**
CIN : L24292WB1954PLC021516

Amit Jain
Chairman
DIN : 01770475

Jayakumar Krishnaswamy
Managing Director
DIN : 02099219

Pradip Menon
Wholetime Director and CFO
DIN : 07417530

Rajasekaran Guha
Company Secretary

Date: 10 May 2018
Place: Gurugram

Notice of Annual General Meeting

Notice is hereby given that the 64th Annual General Meeting of the members of Akzo Nobel India Limited will be held on Thursday, 2nd August 2018 at 1400 hours at Bharatiyam, IB-201, Sector III, Salt Lake City, Kolkata 700 106, to transact the following business:

Ordinary Business

1. To consider and adopt the audited financial statements for the year ended 31 March 2018 and the reports of the Directors and Auditors thereon.

2. To declare a Dividend on equity shares for the year ended 31 March 2018.

3. To appoint a Director in place of Mr Pradip Menon 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 Pradip Menon (DIN 07417530) be and is hereby re-appointed a Director of the Company, liable to retire by rotation."

4. In continuation of the resolution passed in the previous Annual General Meeting held on August 14, 2017, to consider and, if thought fit, pass the following as an ordinary resolution:

   "Resolved that the Auditors, M/s Price Waterhouse Chartered Accountants LLP, (ICAI Firm Registration No: 012754N/ N500016), shall continue to hold the office as Auditors of the Company from the conclusion of the 64th Annual General Meeting ('AGM') (i.e. this AGM) until the conclusion of the 67th AGM (i.e. the third AGM of the Company following this AGM), at such remuneration to be agreed between the Auditors and the Board of Directors of the Company, subject to the Auditors complying with the legal and regulatory provisions and the eligibilty criteria laid down under Section 139 of the Companies Act, 2013."

   In addition, reasonable out-of-pocket expenses and taxes as applicable may 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 Board of Directors of the Company."

Special Business

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

   "Resolved that Mr Jeremy Paul Rowe, (DIN 08099126) be appointed as a Director of the Company, liable to retire by rotation."

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

   "Resolved that the remuneration of Rs 0.60 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 2018-19 by the Board of Directors, be and is hereby ratified."

By order of the Board

Gurugram
10 May 2018

Rajasekaran Guha
Company Secretary

Registered office:
8-B, Middleton Street
Kolkata 700 071

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 27 July 2018 to 2 August 2018 both days inclusive.

iii) Dividend, if approved at the Meeting, will be paid on or around 16 August 2018 by means of direct bank credit or dividend warrants:

a. In respect of shares held in electronic form, to the beneficial owners of shares as on 26 July 2018 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 26 July 2018.

iv) As per current SEBI Regulations, dividend is required to be credited to shareholders using any of the electronic modes of payment approved by the Reserve Bank of India, wherever 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 (account number, bank name, bank address, MICR Code and IFS 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 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.

vi) 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.

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

viii) 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. Shareholders who have not encashed the dividend warrants so far, for the financial year ended 31st March 2011 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 warrants remain outstanding as on 31 March 2018.

Further, pursuant to Investor Education & Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, all shares in respect of which dividend has remained unpaid or unclaimed for 7 consecutive years are liable to be transferred to the IEPF Authority.

Once the aforesaid shares/dividend are transferred to IEPF, the concerned shareholders can claim the same by making an application in the prescribed form and manner to the IEPF Authority.

ix) 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 e-voting facility.

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

Brief profile of Directors to be appointed/ re-appointed

Item No. 3

Mr Pradip Menon

Mr Pradip Menon joined the Board in 2016 and was appointed as the Wholetime Director and Chief Financial Officer with effect from February 1, 2016.

Born in 1968, Mr Menon is a Chartered Accountant and a Cost & Management Accountant by qualification, with over 25 years of excellent track record and diverse experience in Finance across geographies within and outside India.

Prior to his joining the Company, he was 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.

As required under the Companies Act, Mr Menon retires by rotation at the forthcoming Annual General meeting and has offered himself for re-appointment.

Mr Menon is not related to any Director of the Company, nor does he hold any shares of the Company.

The Board recommends the resolution for approval by the shareholders. Except Mr Pradip Menon, no other Director or KMPs has any interest or concern in this resolution.

Item No. 4

Auditors

Section 139 of the Companies Act 2013 requires auditor's appointment for a period 5 years. The present Auditors were appointed in the 62nd AGM of the company held in 2016 and re-appointed at the 63rd AGM. The first term of 5 years as Auditors shall accordingly be reckoned from conclusion of 62nd AGM to the conclusion of the sixth AGM from the said 62nd AGM (i.e. 67th AGM).

The requirement to place the matter relating to the appointment of Auditors for ratification by members at every Annual General Meeting has been dispensed with vide notification dated May 7, 2018 issued by the Ministry of Corporate Affairs, New Delhi.

The Board recommends the resolution for approval by the shareholders. None of the Directors or KMPs have any concern or interest in this resolution.

Explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of 'Special Business'

Item No. 5

Mr Jeremy Rowe

Mr Jeremy Rowe joined the Company's Board on 6 April 2018 as a non executive additional director. He will hold office upto the date of the forthcoming Annual General Meeting.

Born in 1965, Mr Rowe has an MBA with Distinction from the London Business School specialized in Strategy, Marketing and Finance, and a B Sc. (Hons) in Physics from the University of Southampton in the United Kingdom.

Mr Rowe is the Managing Director of AkzoNobel Decorative Paints, South East & South Asia, Middle East (SESAME). He has been with AkzoNobel since 2009 and is currently a board member of several AkzoNobel Group companies in the Asia Pacific Region.

Prior to AkzoNobel Mr Rowe had a long career in Management Consulting, working at Accenture from 1994-2003 in their Strategy and Business Transformation division in London, Kuala Lumpur, Manila and Singapore. From 2003-2005 he worked in a project position for ICI Paints Asia Pacific as Business Transformation Director, and between 2005-2009 worked as a freelance Consultant and Management Development Partner where he worked across many industries as one-on-one, partner to CEO's and Leaders in Asia to help them develop and implement their business strategies and align and shape their organization.

Mr Rowe is not related to any Director of the Company, nor does he hold any shares of the Company.

The Board recommends the resolution for approval by the shareholders. Except Mr Jeremy Rowe, none of the Directors or KMPs has any concern or interest in this resolution.

Item No. 6

Payment of remuneration to Cost Auditors

The Board, at its meeting held on 10 May 2018, 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 section148 of the Companies Act 2013.

Taking into account the divestment of Specialty Chemicals business, the Board had fixed a sum of Rs 0.60 million as remuneration payable, for the financial year 2018-19, subject to ratification by the shareholders of the Company, as required under the Companies (Audit and Auditors) Rules 2014, read with Section 148(3) of the Companies Act, 2013.

The Board recommends the resolution for ratification by the shareholders. None of the Directors or KMPs has any concern or interest in this resolution.

E-Voting Instructions

1. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the Annual General Meeting by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the Annual General Meeting ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

2. The facility for voting through ballot paper shall be made available at the Annual General Meeting and the members attending the meeting who have not cast their vote by remote e-voting will be able to exercise their right at the meeting through ballot paper.

3. The members who have cast their vote by remote e-voting prior to the Annual General Meeting may also attend the Annual General Meeting but shall not be entitled to cast their vote again.

4. The remote e-voting period commences on 30.07.2018 (9:00 am) and ends on 01.08.2018 (5:00 pm). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 26.07.2018 may cast their vote by remote e-voting. The remote evoting module shall be disabled by NSDL for voting thereafter.

5. The process and manner for remote e-voting are as under:

   How do I vote electronically using NSDL e-Voting system?

   The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

   Step 1 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

   Step 2 : Cast your vote electronically on NSDL e-Voting system.

   ### Details on Step 1 are mentioned below:

   How to Log-in to NSDL e-Voting website?

   1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: **https://www.evoting.nsdl.com/** either on a Personal Computer or on a mobile.

   2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

   3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

      Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at **https://eservices.nsdl.com/** with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

   4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL	16 Digit Beneficiary ID For example if your Beneficiary ID is 12************** then your user ID is 12**************
c) For Members holding shares in Physical Form	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your password details are given below:

   a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

   b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

   c) How to retrieve your 'initial password'?

      (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

      (ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

   a) Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

   b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

   c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN,your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 are given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

3. Select "EVEN" of company for which you wish to cast your vote.

4. Now you are ready for e-Voting as the Voting page opens.

5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

6. Upon confirmation, the message "Vote cast successfully" will be displayed.

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

a. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to **aklabhcs@gmail.com** with a copy marked to **evoting@nsdl.co.in.**

b. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.

c. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of **www.evoting.nsdl.com** or call on toll free no.: 1800-222-990 or send a request at **evoting@nsdl.co.in**

6. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 26.07.2018.

7. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e 26.07.2018 may obtain the login ID and password by sending a request to evoting@nsdl.co.in or rta@cbmsl.com.

8. A member may participate in the Annual General Meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the Meeting.

9. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the Annual General Meeting through ballot paper.

10. Mr A K Labh, Practising Company Secretary (Membership No. FCS4848, C.P. No. 3238) and sole proprietor M/s A K Labh & Co. Company Secretaries, 40 Weston Street, 3rd Floor, Kolkata 700 013 has been appointed as the Scrutinizer to conduct the voting process in a fair and transparent manner.

11. The Chairman shall, at the Annual General Meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of the Scrutinizer, by use of “ballot paper” for all those members who are present at the Meeting but have not cast their votes by availing the remote e-voting facility.

12. The Scrutinizer shall after the conclusion of voting at the Annual General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the Annual General Meeting, a consolidated Scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

13. The results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.akzonobel.co.in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to BSE Limited and National Stock Exchange of India Limited.

NOTES

NOTES

Design
Kalolwala & Associates Private Limited
(www.kalolwala.co.in)

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

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

AkzoNobel

www.akzonobel.co.in

About AkzoNobel:

AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we operate in over 80 countries and employ around 35,000 talented people who are passionate about delivering the high performance products and services our customers expect.

About AkzoNobel India:

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. With an employee strength of around 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.

AN_204095_290618