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 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).

(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**

(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**

Notes

to the financial statements for the year ended 31 March 2018
(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

Notes

to the financial statements for the year ended 31 March 2018
(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.

(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.

(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**

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 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**

(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

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

Note 33. Segment information (contd..)

Particulars	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 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:

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 2017-18 (2016-17)	Imperial Chemical Industries Limited, England 2017-18 (2016-17)	Fellow Subsidiaries of the Company 2017-18 (2016-17)	Key Management Personnel 2017-18 (2016-17)	Employee Benefit Trusts 2017-18 (2016-17)	ICI India Research & Technology Centre 2017-18 (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

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..)

	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.

(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)**	**-**	**-**

(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)

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
(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.

Notes

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

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