

64<sup>th</sup> Annual General Meeting of  
Akzo Nobel India Limited

Address by  
**Mr Amit Jain,**  
Chairman



On behalf of the Board of Directors of the company, it is my pleasure to welcome each one of you to our Annual General Meeting 2018. Your presence is indeed a true testimony of your involvement with, and support for the Company.

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## Your Board

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

Sadly, in this meeting, we bid farewell to some of our distinguished Directors, who have stepped down from the Board recently, due to their other commitments: Mr R Gopalakrishnan, who has been serving on the Board since 1999, Dr Sanjiv Misra since 2011 and Mr Arabinda Ghosh, since 2015. At a personal level, as well as from a corporate point of view, we have always enjoyed the benefit of their acumen, experience and wise counsel. I would like to place on record the Board's appreciation of the contribution made by all of them, and, on behalf of all of us, to wish them well.

I also wish to inform you that Mr Pradip Menon, Wholetime Director and CFO, who joined the Board in 2016, will be retiring by rotation from the Board at this meeting. Mr Menon has expressed his intent to pursue an external opportunity and will be leaving us later this year; until then he will continue as the CFO. I am sure you will all join me in wishing him every success.

Accordingly, as notified earlier through newspapers, the resolution set for this meeting to re-appoint Mr Menon to the Board has become redundant.

As you all know, the Board needs to have at least 50% of its members as Independent Directors. In order to fulfil this requirement and also to strengthen the Board with different skill sets and expertise, I am pleased to share that the Board has appointed Mr Hemant Sahai as an Independent Director of the company with effect from 3rd August, 2018, subject to your approval.

## Business Developments

Dear members, the Paints & Coatings industry is rapidly evolving and your company is adapting to meet the challenges by getting more focused in its line of business. Last year, your company's specialty chemicals business was sold to an affiliate of AkzoNobel Group for a net consideration of ₹ 309 crore with your overwhelming support. I would personally like to thank all of you for your continued trust in the company.

The divestment of Specialty Chemicals business has resulted in the formation of Paints & Coatings business as a single business unit, putting back focus on our core capabilities – making and selling paint and striving for the best efficiency and performance in what we do.

In order to strengthen your company's leading position in powder coatings, a new plant has been commissioned in Thane. This Rs 650 million facility complements the existing plant capacity in Bangalore, adding new product lines in bonded metallic and functional powder coatings.

During the last year your company has:

- forayed into the waterproofing category with Dulux Aquatec.
- introduced Dulux Velvet Touch Colour Motion, a first of its kind signature wall finish that reveals subtle shades each time you view the wall from a different angle.
- launched Dulux Platinum Glo, a premium quality, subtlesheen, environment-friendly washable emulsion paint.
- added more than 2,000 tinting machines to new outlets and are able to reach out to over 15,000 sales outlets.
- In addition, your company also successfully launched ColourFutures 2018 announcing 'Heart Wood' as the Colour of the Year.

Further, we continued our journey with regard to digital innovation – because meeting customer needs is at the heart of whatever we do. Some of the initiatives during the last year were:

- Dulux launched digital shade card which gives an almost life-like experience of selecting colours.
- The Protective Coatings business launched 'Select' application to streamline the sales process.
- Intertrac@Vision is the shipping industry's first enhanced consultancy tool that provides ship operators with predictions of potential fuel and CO2 emission savings.

- 7 ColorMix, a mobile application that helps our customers to get the color formulations online as well as offline for point of sale tinting solutions. In addition, this application also gives the pricing information of the color variants that are sold through retail channel.
- 7 MixIt Cloud has been introduced for our vehicle refinishes customers for color related information for all Sikkens and Lesonal range of products, which work seamlessly online.

## Business Performance

Let us now look into some highlights of the company's performance in 2017-18:

Total revenue for the year at Rs. 29,653 million is 5% ahead of previous year on a comparable basis.

EBITDA from business operations at Rs. 3,165 million declined 9% over the previous year. After considering exceptional income and tax, the net profit for the year at Rs.4,006 million grew 62% over previous year's Rs.2,470 million, mainly on account of exceptional income from sale of Specialty Chemicals business.

Navigating through 2017-18 has not been without challenges posed by the external environment. In the past one year, crude oil prices have jumped by more than 40%. Not just that, prices of pigments and extenders like titanium dioxide, iron oxide and zinc oxide have also remained at elevated levels due to global demand-supply situation. However, we were able to safeguard margins partially through value creation initiatives. We have also implemented price increases across our businesses to compensate for cost inflation. The after-effects of demonetization and GST rollout also impacted the pace of growth in the first and the second quarter.

However, as you may have seen from the unaudited financial results for the Apr-June 2018 quarter released earlier today, the current financial year has started well with robust revenue growth.

Now let me highlight you the development on the GST front.

As you would have read in the media, GST rate for Paints and Varnishes has been brought down from 28% to 18%, effective 27 July 2018. The rate reduction as above has been extended to cover several consumer durable and semi durable products as well.

In the near term, the Company is taking steps to pass on the benefits of the drop in GST rates to the consumers.

The impact of this change is expected to be favourable in the long term because:

- The demand could increase by shift of consumer preference to branded products
- With more disposable income in consumer's hands, painting frequency can shorten

Now, let me turn to some pointers to the future prospects of your company.

## Way Forward/ Outlook

Moving forward we will be driving our performance through clear targets.

The global targets set by the parent company Akzo Nobel NV are:

15% Return on Sales (ROS) and a Return on Investment of over 25% by 2020.

Your company is making changes to the way it operates to deliver these targets. As part of this transformation journey, your company has embraced a new organizational structure to create a lean and agile organization ready to adapt to new industry challenges. This will aid in improving our profitability by selling more, increasing margins, reducing costs and standardizing while getting closer to our customers.

On the other side, India's economy has a lot going for it over medium and long-term. The country's GDP growth showed sign of improvement in the middle of 2017 after slowing for five consecutive quarters, with impetus carrying over into 2018. India is expected to witness its GDP grow at over 7% in 2018-19. This is a positive indicator for the industry.

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

The per capita paint consumption in India at a little over 4 kgs is still very low and as more development takes place in the country, the per capita paint consumption is bound to increase.

The Management and the Board commit to you to further accelerate our efforts to navigate the Company through these changes and deliver performance, worthy of its proud heritage. As we aim to strike the right balance between the strategic and operational needs of the Company, we are also committed to enhancing shareholder return.

Dear members, we are undertaking transformation in your Company to build a sustainable and secure future. I believe that we are in a good place with a sound strategy, a solid business and above all a great team.

## CSR

Your company has also been conscious of its social responsibilities and has been steering its efforts to train the youth in different parts of the country in Painting skills through AkzoNobel Paint Academy. The programme has been rolled out in several states and over 2,500 people have been trained so far. You would have seen a glimpse of some of the programmes run by your company under its CSR banner in the Reception area.

It is also gratifying to learn that most of the trainees passing out of the Academy have also secured gainful employment. More details on your company's CSR programme have been given in the Annual report.

## Shareholder Reward

We have always believed in sharing the fruits of your company's prosperity with all of you in a transparent and timely manner, and this time was no different. In line with the company's policy of enhancing shareholder return, a share buyback programme at a premium of about 15% to the prevailing market price was also completed with overwhelming participation from across investor segments (Institutional, Retail, etc.). You will be happy to know that the number of shares tendered for Buyback was nearly 3 times the offer size – and hence, could be accepted only on pro rata basis. The shares which could not be accommodated in the Buyback have been returned to the respective shareholders. You will also note that the promoters have not participated in this Buyback in order to make more shares available for public shareholders.

Further, a dividend of ₹ 22 per share has been recommended – which will be paid out post your approval at this meeting.

## Acknowledgement

I also wish to place on record my sincere appreciation and thanks to our shareholders, board members, loyal customers, financial institutions, and all other stakeholders for their unstinted support, guidance and co-operation. It will certainly be our endeavour to put in our best efforts for sustained growth, expansion and prosperity of your Company benefitting all stakeholders.

Your Company is committed to the pursuit of value creation through profitable growth of its businesses and we reaffirm our commitment to uphold highest standards of governance.

Once again, I am grateful to all our shareholders for your consistent support, and I can assure you that your company will continue to strive very hard to be worthy of your trust.

Thank you all once again.

Dated: 2 August, 2018

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Note: These excerpts do not purport to be a record of the proceedings of the 64th Annual General Meeting of the Company held on 2nd August 2018

