



Akzo Nobel India Limited  
63rd Annual General Meeting  
14 August 2017

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**CHAIRMAN'S ADDRESS**

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## Excerpts from the *address* by Mr Nihal Kaviratne CBE, Chairman

Distinguished Shareholders,

On behalf of the Board of Directors of the company, it is my pleasure to once again welcome each one of you in this distinguished gathering to the 63<sup>rd</sup> Annual General Meeting of your company.

The Annual report of your company has been circulated sometime back. You would have noticed that the financial statements of the Company have been presented in a modified format compared to the previous year – This is on account of the fact that as required under law, your company has adopted the Indian Accounting Standards (IndAS), which are aligned to IFRS, the global standards in financial reporting, with the previous year's comparable figures being re-stated. This shift also marks a major milestone for financial reporting in India.

The year under review was one which saw significant progress in your company's performance, even as we continued to create everyday essentials to make people's lives more liveable and inspiring. The key element of what has been driving your company is the *Passion to Excel*, notwithstanding the challenges posed by the environment and distractions at the operating level.

*Passion to Excel* is the theme we have chosen for this year's AGM.

With your company stepping into the tenth year since it became part of the AkzoNobel Group, I think it is appropriate to take stock of our progress over these 10 years. I would ask you to please recall a couple of thoughts I had shared with you a few years ago:

“In the life of an organization, there are always moments which test its strength and determination to grow. Such occasions call for two attributes:

- One is the fortitude and long-sightedness of those leading the organization.
- And the other equally important element is the faith of those who have invested in the organization and in the vision set out by its management.”

Looking at the performance during the past 10 years, especially after the merger in 2012, one can derive great satisfaction that both the above

attributes have been well-served, as reflected by the following milestones achieved by your company:

1. For the first time in its history, your company has crossed the total revenue mark of Rs 3000 cr in a year, with profit before tax exceeding Rs 300 cr.
2. The composition of the Profit Before Tax has changed over these years, with the Business performance now contributing 85% of the PBT – which is a significant change from where we were 5 years ago, when the contribution was just 55%.
3. The total shareholder return (Dividend + Capital appreciation) for the past 5 years since the merger (May 2012 to May 2017) was an impressive 140%, double the growth of Nifty 500 Index during the same period.

As you would have noticed, your Board has been following a prudent and at the same time liberal Dividend payout policy. During the year under review, the Board has also put in place a formal document defining the policy, as required under the Listing regulations. I am glad to share with you that your Board, with growing confidence, has further raised the normal dividend from 20 rupees to 22 rupees a share. In addition, as you will recall, in three of the last five years, the shareholders have been rewarded with special dividends totalling to 170 rupees per share in addition to the normal dividend.

What this reflects is the company's ability to deploy its resources in a judicious manner to support growth, while at the same time sharing the value created with its shareholders.

With a simplified and customer-centric organization, prudent cost management and emphasis on operational excellence, your company has enhanced its profitability and earned the right to grow. Having earned the 'right to grow' and comfortably placed in terms of resources and access to right type of R&D and technology, and supported by a conducive macro-economic environment, it is now for us to leverage our resources and strengths to consolidate the gains and move forward.

Your company, therefore, is continuing with its investment plans in line with its growth strategy, without getting unduly concerned by near term worries and developments. Our acquisition and integration of the Industrial coatings business from BASF India during the year, commissioning of a small facility in Noida to maintain service level to a key customer, ongoing brown-field investment in the Powder coating capacity at Thane etc are all bearing evidence to such an approach.

Your company has also been a fertile ground for breeding top-notch leadership talent, with several senior leaders moving into larger global roles within AkzoNobel. This has indeed deepened my belief that in times to come your company will be seen even more as an employer of choice, which in turn can help in making the company more prosperous. A good demonstration of the inherent strength of the planning and execution capabilities is your

company's smooth transition to the new Goods & Services Tax – GST- regime, which passed off without any hitch or hold-up.

Your company's environmental and community initiatives have been taken to a higher level to help create a sustainable future.

Looking ahead, India's long-term potential continues to be robust. We expect the positive reforms from the government – e.g., the Goods and Services Tax, the 'make in India' campaign, social sector investment on skill development etc, to name a few- will further propel the country's economic growth. But, as you all know well, the global economy is by no means stabilised – it continues to be vulnerable to economic cycles, geo-political risks and commodity cycles and one needs to be watchful of the macro developments.

You would also have read in the press about AkzoNobel NV's global announcements regarding its decision to separate the Chemicals and the Paints & Coatings businesses. Your Board is keeping track of the developments in this regard and will take necessary steps in the interests of the company's shareholders / stakeholders. As it stands now, the future path of the AkzoNobel India chemicals business has not yet been decided. It may be that the path forward requires your approval for the proposal, but this is not yet clear.

At this juncture, with a great sense of fulfilment and a tinge of sadness, I want to share with you, that I have decided to retire from the Board at the end of this Meeting, having served your company as Chairman for 7 years, and not seeking re-election.

The Board has chosen Mr Amit Jain, who has been a member of the Board since 2009 (including as Managing Director during 2009-2013) to take over as the Chairman post my retirement; Mr Jain's re-election to the Board is being placed for your approval. I am confident that the company is in safe hands with a competent and thoroughly professional Board and management team which can lift it to even greater heights on the platform built over the years with your unflinching encouragement and support.

I would like to thank all those who have been with us on this journey – our valued shareholders, loyal customers, banks, supply chain partners and all other stakeholders –for their support and faith, which made this success possible.

Thank you once again for being here by sparing your valuable time. God bless you all.

Dated : 14 August 2017

Note: These excerpts do not purport to be a record of the proceedings of the 63rd Annual General Meeting of the Company held on 14th August 2017.