

Akzo Nobel India Limited

Chairman's Speech at 66TH AGM held on 28 August 2020

Dear Shareholders,

I have great pleasure in welcoming you to the 66th Annual General Meeting of your Company. This also happens to be our first virtual AGM. It is unfortunate that we are unable to meet in person this year because of the pandemic. However, it is the responsibility of each one of us to maintain physical distancing to limit the spread of COVID-19. On the brighter side, technology has been a great enabler especially in these times to keep all of us connected and in fact even ensure business continuity.

The COVID-19 crisis has taught us to work virtually yet be effective. This situation has made us to think out of the box, be agile and bring simplicity in every process for it to work efficiently.

Your company has been on the digital journey since the past few years. However, the current situation has accelerated our drive towards digitization in the way we work. We now have a focused approach to our digital strategy with clear linkage to productivity, performance and experience for customers and employees.

I would like to welcome Ms. Harshi Rastogi as the Company Secretary having taken over from Mr. R. Guha who retired recently. I would like to thank Guha for his outstanding contribution and being a pillar of strength for more than three decades.

Economic Environment

I would like to share a brief overview of the economic environment, business performance and recent developments.

As the tussle with the coronavirus continues, the measures taken to contain the spread of the pandemic has triggered an economic downturn. The International Monetary Fund (IMF) says that the global economy will shrink by 5% this year. The IMF described the decline as the worst since the Great Depression of the 1930s.

According to the World Bank, the GDP growth in India is expected to shrink to 3.2% in the fiscal year 2020-21. This has been a Black Swan event even for India, causing a widespread slowdown across industries. Core sector, a good indicator of industrial activity, dipped to -15% in June, while consumers remained cautious.

Within the economy, discretionary and labour-intensive sectors have been the hardest hit. Paints & Coatings industry, with interface to both discretionary spends and infrastructure growth, faces a challenging business environment. As key markets remain Covid-19 hotspots, intermittent lockdowns continue to impede revival for the industry.

The Indian Government announced the Atma Nirbhar Abhiyaan to push business activity and make the economy self-reliant. The 5 pillars of this initiative focus on Economy, Infrastructure, Technology, Demography and Demand. Economy is showing initial signs of normalizing. Rural economy continues to recover faster than Urban India. Fitch Ratings expects India's economy to bounce back with a sharp growth rate of 9.5 per cent next year, provided it avoids further deterioration in financial sector. And I too believe that this adversity is an opportunity for India to emerge as an economic powerhouse.

Business Performance

As I reflect on AkzoNobel's journey in India this past decade, I am glad to share the achievements and milestones covered. From being a Decorative Paints company, we expanded our portfolio to include Coatings with solutions for many end-industries. Today, we have the expertise to coat every surface! Our products have found application on some of the major icons – a testimony of the faith the Nation places on our excellence.

We have been pioneers in innovation, launching many firsts in the industry. While our offerings are global, we are truly at heart Indian, with a thrust on local for more than 60 years. More than 90% of our products are manufactured across our 5 factories in India, a perfect blend of our global expertise and local preferences.

Our two rounds of share buybacks and three Special Dividends in the past decade have been our humble token of appreciation for the faith and support of our shareholders. We have strived to deepen our relationship through regular investor interactions in which our Senior Management are personally involved.

We continued to build on our solid foundation of operational excellence to create long-term value for our people and our customers. Our revenues from operations for the year stood at ₹2,666 crore, a decline of 9% over the previous year as we focused on delivering Value over Volume. At 46%, we achieved our highest ever GM% in recent years, improving ~400 bps since last year. We achieved a double-digit ROS% for the very first time which stood at 11.4%. Profit after Tax at ₹237 crore grew by 13% over the previous year.

In the recent years, we have also transformed as an Organization by way of integrations across business, a single ERP platform, setting up of Shared services, and have emerged resilient and agile. All this culminated in not only achieving our highest profitability in 2019-20, but also kept us in good stead when the pandemic hit.

We adopted the 3 Rings of Protection as an operating framework during the pandemic. These comprise

Self & Family, which prioritizes safety of our People,

Team & Site, which focuses on operational continuity and de-risking supply chain, while adhering to government guidelines, and

Company, which aims to maintain our financial health through a razor-sharp focus on Cash and Cost.

Over the years we have been continuously investing in the digital sphere. However, lockdowns accelerated the drive towards our digital journey. Overnight more than 1,400 employees of our Company started working from home. Virtual learning, engagement and communication processes are being increasingly used to upskill as well as keep employees abreast of the latest company update. We are leveraging a wellness app to cater to the emotional and physical wellbeing of the employees.

Recent Development

Last year, we introduced our global brand Ambiance in India in the super premium interior range with its best in class specially crafted design finishes with a new advertising campaign. Continuing the theme of unmatched aesthetics, we launched the Weathershield Signature – Ultra Premium Stone Finishes for Exteriors.

I am proud to share that our Sikkens BT coatings drives the fastest train in the Indian Railways- Vande Bharat Express.

We are also delighted to be a trusted supplier of vehicle refinish products and services to BMW. This means that our premium brands viz. Sikkens and Lesonal are now approved for paint repairs of BMW and Mini passenger cars.

Well before Health & Well-being became a norm this year, we introduced 'Antibacterial Coatings' for local coil coaters.

We were honored with Excellence in Supply Chain Planning in an event organised by The Alden Global, the 7th Inflection Conference & Awards in India.

Our sustainability agenda was brought into sharper focus as we stepped up our activities into the renewable energy space. Energy saving measures continued across all offices and sites through technological upgradation and optimization of processes to reduce carbon footprint. We continue to drive resource productivity to make the most of valuable raw materials and reduce environmental impact, while strengthening our business.

"United we stand, divided we fall"- perfectly describes the importance of coming together to face the unprecedented situation that has come up due to the pandemic. Rising to the challenge, AkzoNobel India launched several initiatives to help communities deal with the outbreak of the health pandemic. We provided essential food items to 6,000 migrant workers. Most recently, we launched the Dulux Protect programme, which aims to support painters and contractors through financial support, dry ration kits, insurance and safe return to workplace by providing PPE kits, and Arogya Sakha project in five states of India, a tele medicine project exclusively meant for AkzoNobel contractors and painters. Our contribution to the Society was recognized through the Golden Globe Tiger Award 2019 in Kuala Lumpur.

Way forward

We're experts in the proud craft of making paints and coatings. In fact, there's a good chance you're rarely more than a few meters away from one of our products. Our world class portfolio of brands is trusted by customers. We just don't make paint. We use our passion for paint to make a difference... both big and small.

Although the environment remains challenging, it has not diminished our enthusiasm and energy towards adding colour and value for our customers. Paraphrasing Albert Einstein's words, "In the midst of every crisis lies great opportunity", we, at Akzo Nobel India, are working on expanding both our offerings and reach. Our focus remains on strengthening our core portfolio, building reach in smaller towns and growing in adjacent categories – in tandem with maintaining the right cost structure. We are confident that this approach would enable us to continue on a long-term profitable growth journey.

Conclusion

Almost a decade ago, we rechristened ourselves as AkzoNobel India after acquiring ICI. We have been a partner in India's growth story for over six decades years. We're the pioneers in providing world class paints and coatings to homes and businesses in India that is manufactured in five manufacturing locations. #vocalforlocal

On the behalf of all the Board Members, I would like to thank you, our shareholders for your continuing support, loyalty and above all for your trust.

I would like to express my gratitude to the team who are on ground to make the last might execution possible in these challenging times. We've never stopped pushing the boundaries of what we can collectively achieve. And all this would not have been possible without the dedicated, resilient and diverse team whose passion for paint helps to deliver sustained performance.

I hope that this time next year we will be able to gather for our AGM in the usual way. Meanwhile I hope all of you, and your families, stay well and safe.
