

Akzo Nobel India Limited

Chairman's Speech at 69th AGM held on 3 August 2023

Dear Shareholders... Namaste and good afternoon!

It is my honour to welcome you to the 69th Annual General Meeting of your Company.

Global economic scenario

The year gone by has shown that the world's transformation into a 'global village' continues to accelerate. The impact of uncertainties, and developments elsewhere are impacting business across the world faster than ever before. If we look at the big picture of 2023, global economic growth is expected to further taper down to 2.8%.

In this dynamic backdrop, only those companies that are resilient, agile, strategic, innovative and sustainable in their ways of working, will grow today and also be relevant in tomorrow's marketplace.

AkzoNobel – Global power

At AkzoNobel, we pride ourselves on supplying sustainable and innovative paints and coatings that our customers, communities – and the environment – are increasingly relying on. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe.

AkzoNobel – Global priorities of 2023

From a global perspective, Mr. Gregoire Poux Guillaume took charge as our new CEO in November 2022 and launched four strategic priorities for 2023. These include –

1. Margin management
2. Operating expense
3. Working capital management
4. Integrated supply chain

Together, these steer AkzoNobel's ambitions to balance growth and profitability worldwide.

Indian economy – the bright star

Talking of India specifically, I firmly believe that this is India's age of coming in a new global order.

The Indian economy is emerging as a global engine of growth. With a projected GDP growth of over 7% for the current financial year 2023-24, India is the world's fastest growing major economy.

Indian paint and coatings industry scenario

In the medium term, tailwinds such as :

- Favourable demographic dividend,
- Strong domestic consumption,
- Government & private investment in infrastructure and manufacturing,
- Increasing digitalization and
- Rapid urbanization

are expected to continue to drive the Indian economy and inter alia the prospects of the paint and coatings industry. The industry is estimated to grow from ₹ 62,000 crore today to ₹ 100,000 crore within the next five years.

Akzo Nobel India – Here to win!

So, where does your Company fit in the larger picture?

Our commitment to innovation, industry-leading sustainability focus, cross-continental experience in 150 plus countries worldwide, over two centuries of expertise in paints and coatings industry and most importantly our proud people who are in sync with the pulse of the market – put AkzoNobel in a unique position.

As a leading global player and a well-known international brand in India, your Company's ambition is clear – to grow faster than industry while growing profitability too. In his presentation shortly, your Company's Managing Director will share more details on our strategy that brings alive our India ambitions.

FY23 performance highlights

Esteemed shareholders, your Company's Annual Report for the financial year 2022-23 has already been circulated.

For the year ending March 31, 2023, we delivered a record performance across multiple financial metrics:

1. Our revenue from operations – which stood at ₹ 38,021 million - was a new high. With an accelerated 21% topline growth, we cemented our position as the Top 2 incremental share gainers in the Indian paints and coatings industry for the second year in a row.
2. Our EBIT surpassed ₹ 4,000 million mark for the first time and was a significant 24% increase over last year.
3. Calibrated pricing actions, better mix and enhanced operating efficiencies translated into a record EBIT of 11.6%.
4. At ₹ 3351 million, our Profit after Tax before exceptional items too was highest ever.

While growing faster, we continued to deliver double-digit profitability for the fourth straight year. Our operating cash too was strongest ever.

Overall, we are a stronger AkzoNobel today.

A sustainable approach to business – Ambitions & progress

At the same time, we remain steadfast to contribute meaningfully to a sustainable future.

Three key 2030 sustainability ambitions drive our India business. These are:

1. Reducing our carbon emissions by 50%,
2. Utilizing 100% renewable energy, and
3. Moving towards zero waste.

We continue to act on these ambitions. For example, nearly 75% of the energy requirements at our Bengaluru site are met by renewable energy. Likewise, nearly 60% of raw materials purchased during FY23 were sustainably sourced.

Innovation also has a key role to play here. We continue to offer our customers solutions that enable them to reduce their own emissions and material use. Currently, nearly 30% of our revenue is coming from sustainable solutions.

Corporate Social Responsibility

Our societal initiatives in three focus areas of - Economic development through skill building, Education and Community healthcare – continue to benefit local communities. In FY2022-23,

- AkzoNobel Paint Academy provided sustainable livelihood opportunities to 3,800 underprivileged youth.
- Our education initiative benefitted more than 6,700 children.
- 25,000 tele-consultations were provided to painter families and communities around our sites.
- Your Company also contributed to NITI Aayog's Aspirational Districts Programme.

Our committed efforts to drive a more diverse, inclusive and empowered future for local communities continue to be recognized with prestigious Corporate Social Responsibility awards by the CII-ITC Center of Excellence, Institute of Company Secretaries of India and leading industry body FICCI.

Corporate Governance

While growing profitably and sustainably, doing business with Integrity continues to be our core driver. My heartfelt gratitude to the dynamic, diverse and experienced Board members of your Company who augment our robust corporate governance framework.

Managing Director re-appointment:

I am happy to announce that, at today's meeting, the Board of Directors has recommended re-appointment of Mr. Rajiv Rajgopal as Managing Director of the Company for a further period of five years, with effect from November 1, 2023, subject to your approval, which will be sought through a postal ballot.

Dividend and thanks to shareholders

With FY23 behind us and FY24 – a year of opportunities ahead, I take this opportunity on behalf of all the Board Members to thank you - our valued shareholders - for your continued support, loyalty and above all ... for your trust in Akzo Nobel India.

Reciprocating your faith in us, the Board has recommended a final dividend of ₹40 per share, over and above the interim dividend of ₹25 per share, taking the total dividend for the year to ₹65 per share. This takes our company's total shareholder return to over 20 per cent year on year.

Looking ahead and Conclusion

Looking ahead the market will be more competitive.

Notwithstanding the many variables – be it entry of new competition, evolving consumer needs, new marketplaces, brand spends and shifts in the industry – we are cautious yet optimistic.

This optimism stems from my confidence in our solid foundation and robust strategic initiatives across both paints and coatings. The future looks promising indeed as we are geared up to unleash new excitement in the market and further build on our growth momentum in India.

Dhanyawad and thank you once again!
