

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

**Address by**



**Mr Amit Jain,**  
Chairman





Dear Shareholders,

On behalf of the Board of Directors of the Company, I would like to welcome each one of you to our Annual General Meeting 2019. Your presence is indeed a true testimony of your involvement with and support for the Company.

## Your Board

Let me take this opportunity to introduce and welcome Mr Oscar Wezenbeek, who has joined the Board of your company on May 04, 2019. He is currently the Managing Director of AkzoNobel Decorative Paints, South East & South Asia (SESA) and has been with AkzoNobel for nearly three decades. I am delighted to share with you that Oscar has, during his long career, run all the businesses of AkzoNobel, be it Automotive Paints, Powder Coatings, Marine & Protective or Decorative Paints, from different parts of the world. I am confident that Oscar's strong global perspective will help generate and sustain the growth momentum for the India business in the years to come.

Sadly, in this meeting, we bid farewell to some of our distinguished Directors:

- Mr Raj Kapur who will be retiring from the Board on 13 August 2019 on completion his five-year tenure as an Independent Director; and
- Ms Kimsuka Narsimhan, Chair of the Audit Committee, who has requested to be relieved from the Directorship of your company due to her other commitments.

At a personal level, as well as from a corporate point of view, we have immensely benefited from their business acumen, experience and wise counsel during their tenure on the Board. I would like to place on record the Board's appreciation of the contribution made by both of them and wish them well.

I also wish to thank Mr R Guha, who stood in as a Director during Sep 2018-Feb 2019, when the search process for appointing the Managing Director and Chief Financial Officer was underway.

The year also saw the entry of Mr Rajiv Rajgopal as the Managing Director of the Company in Nov 2018 and Mr Lakshay Kataria as the Chief Financial Officer in Feb 2019. They bring in a wealth of experience from both within and outside AkzoNobel Group.

Rajiv joined AkzoNobel in 2013 as the Head of Sales and Marketing, Decorative Paints, of your Company and was appointed General Manager Decorative Paints India in 2014 and as Cluster GM- South Asia in 2015. Rajiv's leadership enabled the team to identify customer needs which has further helped in designing innovative products to take brand Dulux to the next level. Rajiv has also served as the Regional Director, Performance Coatings, Middle East & Africa since January 2017, till he moved back to India in Nov 2018.

Lakshay is a rank-holder Chartered Accountant with 17 years of experience with organizations like Unilever, GSK Consumer, Microsoft, 21st Century Fox (Star India). Lakshay's experience ranges across Finance and Commercial roles including business partnering, finance controllership, investor relations, commercial management, treasury and M&A. In his last assignment at ACG Associated Capsules, Lakshay was responsible for India and Global finance.

With their rich and varied experience, I am confident that the management team led by Rajiv will be successful in delivering the growth aspirations of your vibrant company.

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 initiated the appointment of Mr Rahul Bhatnagar and Ms Smriti Rekha Vijay as Independent Directors of the company.

Mr Bhatnagar is a Chartered Accountant and a MBA from Wharton. He has had a long career in Finance and Strategy with reputed organisations like Nestle, Pepsi and Bharti Group. He has also had a global exposure in the finance domain and is a member of a few corporate Boards including Whirlpool of India Limited.

Ms Smriti is also a Chartered Accountant and is an Alumni of SOM, Yale University. She has a long experience of being a CFO of a Norwegian engineering services company, Aker Solutions. Besides her specialisation in finance, she is also passionate about Risk Management and CSR.

Their appointment will be effective from 16th August, 2019, subject to your approval.

## **ECONOMIC ENVIRONMENT**

Let me move on to a brief overview of the economy. Most recent estimates indicate cautious optimism, with significant downside risks in the form of volatile crude prices and effects of climate change. Though the Indian economy is by and large dependent on local consumption, India's growth has a strong correlation with the aforesaid global factors, with added vulnerability to local factors like progress of monsoon, exchange rates etc.

India's economy is expected to grow around 7percent in the medium term. The Union Budget for 2019-20 presented in July 2019, focusses on building social infrastructure, digital India, pollution free India, Make in India, job creation in Micro, Small and Medium Enterprises (MSMEs), etc.

I strongly believe that Digital India will be a big enabler in India's progress in the coming years, with concepts like Artificial Intelligence and other disruptive developments in the digital space re-defining the ways of running business, even if they belong to the brick-and-mortar segment. It is, therefore, important that we are adequately geared and prepared to face up to the digital challenge so that we can leverage the 'first mover' advantage. I am glad to share that your Company has been investing judiciously in the technology over the years in customer facing as well as in the R&D and manufacturing space.

Within the Indian economy, the Paints and Coatings sector seems well positioned to achieve robust growth, given the historical trends and the thrust being placed by the Govt in building housing and physical infrastructure in pursuance of its goal of becoming a USD 5 trillion economy in the next five years. Such encouragement and push from the Govt has also helped the business lines allied to Paints like water-proofing etc. grow in tandem. I am glad to let you know that your Company had anticipated such opportunities and has enhanced its product range to cater to such ancillary segments.

Rationalization of GST rates on Paints around this time last year has led to a shift in consumer preference towards branded products offered by the organized part of the industry. Having said that, we need to factor in the ever-increasing intensity of competition in the Indian market over the years; it is therefore imperative that we carve out our own niche areas for growth by playing to our strength.

The growth drivers for Paints and Coatings sector are multifarious: let me briefly touch upon some of these:

### **Urban Development**

India has been witnessing the fastest growth in urbanization (~416 million households to be added by 2050), with 'Housing for All' set to become a reality by 2022. At least 20 smart city projects are under implementation, with an estimated investment of ₹ 25,000 cr.

An urban revival project called Atal Mission for Rejuvenation and Urban Transformation (AMRUT), for providing basic civic amenities like water supply, sewerage, urban transport, parks etc. has been initiated in 500 cities pan India.

## Infrastructure

Focus on growth in cargo, power generation and highway/road construction across the country has been well recognized and appreciated. A tail wind for this sector has been provided with higher Foreign Direct Investment (FDI) limits in these sectors.

You will get to hear more from the Managing Director in his presentation on how these developments will translate into business opportunities.

## BUSINESS DEVELOPMENTS

While the above factors provide a positive outlook in the medium to long term, there are quite a few challenges faced in the near term, particularly the slow-down seen in Real Estate, Automobile and Iron & Steel sectors. Plans are being made to tide over the impact of these developments by fine-tuning the sales mix, value creation, innovation and cost management.

As we speed up with implementation of creating a fit-for-purpose organization post separation of the Specialty Chemicals business last year, we have been able to channelize our energies on our core competency of making and marketing paints and coatings. Your company's strategic ambition is to deliver leadership in innovation and a rich product portfolio. Therefore, our strategy is focused on delivering a combination of innovations that provide differentiated performance and value-driven benefits for our customers.

This focus means we can work on game-changing breakthroughs that transform our customers' lives. For us, innovation isn't limited to just products – it also incorporates process innovation, service innovation and innovative ways of thinking, particularly in the digital sphere.

## BUSINESS PERFORMANCE

Total revenue for the financial year 2018-19 stood at ₹ 29,184 million which is an 8% increase over previous year on a comparable basis.

Profit from business operations was ₹ 2,772 million, an increase of 15% over the previous year. After considering exceptional income and tax, the net profit for the year at ₹ 2,110 million grew ~3% over previous year's ₹ 2,057 million.

Sale of premium and value-added products across all segments saw robust growth. Marine & Protective Coating performance stood out with buoyancy in Power, Oil & Gas and New construction sub-segments. Auto Paints and some part of Powder Coating faced stiff challenge on the back of continued weakness in the automobile industry. However, metallic bonding products

manufactured out of the new facility in Thane site, which was commissioned last year, were well received in the market. Metal Coating segment was adversely impacted by its dependency on the Iron & Steel sector, with several companies struggling under heavy debt burden.

The financial year 2019-20 has started on a positive note with strong profit performance.

## WAY FORWARD

Your company's progress as a focused paints and coatings company is driven by a clear strategy to step up its profitability. Many processes are being redesigned to deliver a more standard, simplified result and leverage the strengths of the global enterprise.

The short-term economic outlook is challenging with continued weakness in real estate and auto sectors. Lack of investment and credit growth has been a dampener to business performance and adding to the uncertainty in the environment.

Owing to uncertainties, your company's strategy is designed to enhance profitability while staying agile in these changing times. We are organized to develop globally and deliver locally with customer-facing research and development teams focused on the creation of technology and application platforms to come up with breakthroughs that offer value-driven benefits to our customers.

## CSR

AkzoNobel cares about people and their communities. Over the years, we have supported and encouraged social development initiatives, which includes improving and enhancing infrastructure facilities in the healthcare, education, economic development, road safety and environment sectors. A key initiative taken during the year is the setting up of E-Health clinics in Bengaluru that has benefitted over 1,500 residents. Actions are on hand to scale this up to few other locations as well.

During the year, we launched the India chapter of our global partnership with SOS Children's Villages of India. This association supports the youth under the care of SOS India to enhance their employability by means of improving their communication skills through training. More than 300 youth are expected to benefit from this association.

As a testimony of our consistent good work, AkzoNobel India won three awards by CMO Asia for best CSR Practice, Education and Skill Development.

## CREATING VALUE FOR SHAREHOLDERS

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 dividend of ₹ 24 per share has been recommended, which will be paid out post your approval at this meeting. During the past 8 years, i.e. since the merger of AkzoNobel group companies in India, the Total Shareholder Return (TSR) is 12%, out-performing the NSE 500 index which grew 10% during the same period. In absolute terms, your company's value grew 2.4 times.

## CONCLUSION

All our achievements were made possible by our dedicated teams and your continued support. The progress we've made, the improvements we've introduced and the innovations we've delivered, are all important in terms of accelerating growth. We are now a stronger, more agile company, with excellent brands, having a bright future ahead of us.

We must traverse the journey ahead with unwavering faith in our strategy, remain resilient in the face of every adversity and continue to innovate with vigour and passion. We are committed to increasing returns to shareholders while investing in innovation, sustainable solutions, organic growth, creating long-term value for all our stakeholders and becoming the reference in paints and coatings.

As always, I would like to convey my deepest appreciation of the relentless efforts put in by Team AkzoNobel. On behalf of the Akzo Nobel India Board, I would like to thank you, our valued shareholders, once again, for your continued support and encouragement.

Dated: 8 August, 2019

