



its affairs. I thank all the Directors and specifically, the Chairman of the Audit Committee, its members and the non-whole-time Directors for all their efforts. I count on their support in the future also.

There are discussions all round about performance of the Indian economy in the recent past. There are worries about deficient rainfall. International Monetary Fund has lowered India's 2012 growth forecast to 6.1 per cent. Rupee has fallen to a record low compared to US Dollar. I am not so worried about these macro-economic indicators. I strongly believe that India, as a nation, will continue to move ahead as one of the fastest growing countries in the world propelled by its people who hold the strongest values supported by an ancient culture and quest for knowledge and wealth.

In order to support this ambition, we need proper infrastructure. I had mentioned about the issues of logistics a year back. It pains me when I again find this year that an index published by the World Bank shows that India has slipped to 46th position compared to 39th, five years ago in terms of logistics performance. One must remember that logistics essentially has not been affected by policy delays. The Government has allowed 100 per cent foreign direct investment in this sector, value added tax has been introduced and public private partnership is encouraged. We need more investment in the sector, simpler procedures for acquisition of land for public purpose and development, improvement in roads, simplification of procedures at State borders and at ports, identification of lands for warehouses and building of new ports. On top of everything, we need professionals who are aware of the systems and procedures prevailing in India and abroad and those who can take this forward. In India, maximum domestic cargo movement takes place through roads. This, apart from blocking of the roads, leaves more carbon footprint. This can be largely eliminated by adoption of sea routes for coastal areas and inland water transport for others. I trust that your Company is paying due attention to these issues such that, despite the roadblocks, we have an efficient and seamless supply chain working all across India.

Thank you, Ladies and Gentlemen.

Kuldip Singh Dhingra
Chairman

Place : Kolkata
Date : 2nd August, 2012.

Chairman's Speech

88th Annual General Meeting



BERGER PAINTS INDIA LIMITED

Berger House, 129 Park Street, Kolkata - 700 017

Dear Shareholders,

I welcome you to the 88th Annual General Meeting of Berger Paints India Limited.

At the outset, please join me in welcoming Mr. Abhijit Roy as the Managing Director of the Company. Mr. Roy is a mechanical engineer from Jadavpur University and has done Business Management from IIM, Bangalore. He has been with the Company for 17 years and, prior to taking over as a Director of the Company, he was the Head of Sales and Marketing. I am confident that, with your support, the Company will scale even greater heights under his young and energetic leadership. Mr. Subir Bose continues to be closely involved with the Company as Director. He is not present today as he is enjoying a well deserved holiday.

I trust all of you have received your copies of the annual report. You have seen that this year, the Company's sales have grown by 26% to touch ₹ 2,948 crores. The Company's net profit has reached ₹ 180 crores - growing by 18%. The Company has achieved this despite unprecedented rise in prices of key raw materials including those of titanium dioxide. While the Company has been able to compensate the effect of raw material price rises partially through increase of prices of finished products, the results reflect work on control of costs at all levels, improved product mix, intelligent buying and better utilisation of capacities at all plants. This year too, the Company has had the best growth in sales among all paint producers and the second highest growth in net profit. I am sure that you will join me in congratulating the management for this performance.

Your Company's share prices peaked in the month of June 2012 to ₹ 153 and, at the time of writing, is hovering around ₹ 130, ex dividend. The earnings per share have improved to ₹ 5.13 by 20%. The Company has paid a consistent dividend and for 2011-12, the proposal of payment of a dividend of ₹ 1.40 i.e. 70% on each equity share, is for you to approve. I feel happy as a shareholder of this Company that considering the returns in terms of dividends, capitalization of reserves and market value, the Company has never let down its most important stakeholders.

The performance of the Company's subsidiary Berger Jenson & Nicholson (Nepal) Private Limited in Nepal, has been outstanding both in terms of top-line and profit growth. Its turnover was ₹ 64 crores and profit before tax, ₹ 11 crores – registering a growth of about 42% in both. Your company's 100% Polish subsidiary Bolix S.A., continues to do well. Under the guidance of the Company, it has been able to reduce its high interest long term debt by ₹ 52 crores. It is actively helping the Company to develop External Insulation Finishing Systems for India – which is a challenge given India's tropical weather. The Company is also getting support from Bolix for manufacture of mineral and acrylic

plasters. Performance of the Company's joint ventures – the Indo-Swedish JV, Berger Becker Coatings Private Limited and the Indo-Japanese JV, BNB Coatings India Limited, have been satisfactory.

The journey from the fifth largest paint company from the 1990's to the second largest in India till date, required very hard work and detailed planning. It will be useful to remember that till the late 1980's, the Company was primarily an industrial coating producing company with focus on solvent based paints. With the change in ownership, the Company made a choice to become one of the best known brands in the decorative paint market. In the process, the Company had to set up and acquire new factories and develop processing centres all across India. It had to add depots in order to cater to the burgeoning demand all across the country. Today, the Company operates one hundred and thirty-five depots. The Company had to rapidly change its product profile and technology to suit the changing market demand and customer profile. This was associated with strengthening of sales and marketing teams. Brand Berger is now a household name. It is identified with reliable and good quality paints in premium, middle and economy segments. I am proud to find that as per a recent study conducted by Fortune India in collaboration with the Hay Group, Berger ranks as one of the top twenty among consumer goods companies. The list includes majors like Hindustan Unilever, Colgate-Palmolive, Cadbury India and ITC. The evaluation criteria correctly comprised endurance, corporate governance, performance and investment value, financial soundness, innovation, product and service quality, leadership, talent management and corporate social responsibility. It will not be an exaggeration if I state that each of these activities receive special attention in the Company.

While on the subject of corporate governance, I must make a special mention of the audit committee meetings held in the Company and the contribution of the non-wholetime Directors. There is a code of corporate governance in the form of Clause 49 of the listing agreement with stock exchanges. In many companies, this is seen as a list of to do's which needs to be ticked off once in every year. Your Company takes the issue of corporate governance seriously and you will find from your copy of the annual report that the audit committee met eight times in the year 2011-12. While four of them were held just before Board meetings, primarily for the purpose of recommending quarterly financial results, the other four were held, all through the days, for looking into every operational and financial aspects of the Company in great depth, exhaustively covering all the terms of reference. At these meetings, every action item is noted and monitored and progress is reported at subsequent meetings with detailed report to the Board. The Board itself spends better part of two full days dealing with the budget. In addition, the non-wholetime Directors advise on all aspects of the Company even outside the Board meetings. I personally do not know of many companies where the entire Board participates so actively in