

- ❖ Lewis Berger Design Stories offering ready-made design room themes have been launched. These will offer premium designer and texture paint concepts to customers and are known as Sussanne Roshan Collection.
- ❖ New Illusion designs are available under the banner of the Company's premium brand – Silk. These have been received well by the market.
- ❖ The Company introduced a series of waterproofing solutions for walls and roofs under the brand name of Homeshield. These have been received well by the market.
- ❖ The three advertised products namely Easy Clean, Silk and Weather Coat All Guard continue to register robust growth.
- ❖ The Company acquired the architectural coating business in India of Sherwin Williams, USA, through its wholly owned subsidiary, Brushworks Paints Limited. The acquisition brings new markets and customers, some well established and strong brands in coatings and experienced staff in the Company's fold.

You will observe further initiatives unfolding in the near future in terms of product development, technology, creation of efficiencies in logistics and distribution and in procuring. The Company is looking at several new products with unique properties for future launch.

To you, my fellow shareholders, I extend my thanks for your continued support and faith in the Company and invite you to continue sharing the excitement.

Thanking you.

With warm regards.



Kuldip Singh Dhingra  
Chairman

Kolkata

August : 2<sup>nd</sup> August, 2013

## Chairman's Speech

# 89<sup>th</sup> Annual General Meeting



Dear Shareholders,

I welcome you all to this 89<sup>th</sup> Annual General Meeting of your Company.

In 2012-13, Indian economy, Asia's third-largest, slowed sharply from the impressive growth notched a few years ago due to a string of factors, including high inflation, interest rates, slowing global economy, delay in implementation of projects, policy logjam, slowing industrial growth and declining business sentiments. Industrial output growth was a mere 1%, posing a threat to job creation and demand. Farm sector rose 1.9% in the year compared to 3.6% in 2011-12, while the crucial manufacturing sector grew 1% compared with 2.7% expansion in 2011-12.

It therefore goes to the credit of the paint industry that it continues to create new markets, develop, educate and upgrade consumers, generate new products with better attributes and evoke interest among home owners for using better quality branded paints for the purpose of visual attractiveness and, more importantly, for the sake of long term protection of buildings.

I am happy that in 2012-13, your Company contributed to this effort in a significant manner. It posted the highest growth among all paint companies both in terms of sales, which grew by 13.6% and PBDIT – at 21.2%. While Decorative Business did well, Industrial Business had to contend with lack of demands. You are aware that the Company has two independently managed divisions addressing different segments of markets – the Berger Division and the British Paints Division. Both the Divisions performed well and, as recognition of its accomplishment, the Board has recommended a dividend of 90% for your approval.

Though there has been a lot of concern about the current account deficit, I do not think that this is the only area which needs attention. Neither do I think that a flash flood of reforms in foreign direct investments is cure-all for the country's current economic woes. It is well known that current account deficit narrowed sharply to \$18.1 billion or 3.6% of GDP in the quarter ending March 31, 2013, as trade deficit narrowed. Rupee may have fallen to current levels rather drastically in the last few months but seen over a longer term, it has dropped by 25% from the 2011 levels. The recent phenomenon is just a reflection of announcements about possible winding down of quantitative easing in the United States. India has been a voracious consumer of the money that has sloshed around the world in recent years, using it to plug its balance-of-payments gap but it has not been the only country which has been affected. Ripples have been felt all over the world. We need a long term view of what is happening. India's borrowing has been more or less controlled. There is moderation in inflation though the consumer price index, one which affects consumption, has been stubborn at 9.3%. And India continues to grow.

Long term stability needs assurance to agriculture and industry as regards

implementation of policies and easy availability of basic facilities to all. In the recent years, the quality of capital investment has fallen, with almost half now spent by households, mainly on construction. The most productive kind of capital investment, by private firms that build factories and buy machinery, has dropped from 14% of GDP in 2008 to below 10% today. One may argue that the paint industry remains largely unaffected, but this does not augur well for the overall economic scenario. It is unlikely that major reforms will come about till the next parliament elections are over. But once they are, India will look forward to stable and balanced policy in regard to land, mines, power and infrastructure, among others, and clean and effective implementation of the same at grass-root levels. At this time, the rupee rates hurt all importers and the Company will also need adjustments in paint prices. However, the Company always takes an over the horizon view of the situation and has always believed that temporary indicators are not a true reflection of capabilities and weaknesses. One of the indicators of the success of this view is the share price of the Company – hovering around ₹ 200 plus levels - which was ₹ 40, five years back. I hasten to add that it is not the only indicator and there are many others and that is why I feel more comfortable with a five year term than a shorter period. Many of our retail shareholders have been with us for a very long time and we shall do our best to provide even better returns to them in the future.

I am happy to report some of the developments in the recent past which reflect the Company's policies and excite me:

- ❖ The total of water based paint capacity at Rishra and Goa has been augmented to 80,000 tonnes per annum from 42,000 tonnes. Both the Goa and Rishra facilities will now have the advantage of automatic filling line and robotic palletisation system. Based on demand, the capacities of just these two plants can be augmented to over 150,000 tonnes per annum.
- ❖ The Company's largest and fully automatic water based paint plant in Hindupur with an initial capacity of 80,000 tonnes per annum is going to be operational in a month's time. All the work in this regard is now over and appropriate people are in place for managing the plant. The capacity of this plant will be gradually enhanced to 320,000 tonnes per annum for paints and 100,000 tonnes per annum for emulsions – which are vital raw materials for water based paints.
- ❖ The Company's own emulsion making plant at Gujarat is now capable of churning out all the grades for in-house requirements.
- ❖ An integrated Customer Relationships Management or CRM with two large call centres and software from IBM and Microsoft, which provides real time solutions to dealers and minimizes transaction processing time for sales staff, is now fully operational.