



clarifications are still being issued. Your Company will fulfill the new regulatory norms in so far as they are applicable.

As I have mentioned earlier, there are signs of improvement in the economy already. Exports rose 10.2% in June from the same period last year, industrial production rose to a 19-month high of 4.7% in May, services activity clocked a 17 month high and retail inflation dropped to 7.31%. Your Directors have underlined the importance of manufacturing activities in the economy in this year's Annual Report and I am happy to note that the Government also recognizes its significance in this year's budget. Inflation and deficits are just indicators which will rise and fall but the main purpose is to fulfill the aspirations of the populace of a nation, a majority of which are going to be young, provide them gainful employment and channelize their energy and work for fruitful uses.

I believe that your Company will play a part in this growth story. India's urban sector constitutes 63% of India's GDP (up from 45% in 1990) and has been the key engine of growth in the past decade. With only 31% of the country's population currently urbanized, the urban sector is poised for a significant leap as the Government focuses on establishing new urban areas, improving the existing ones, upgrading infrastructure and providing more attention to organized sector employment. Key themes of urban development include demand for consumer staples, urban services such as consumer banking, healthcare, telecom data services and internet and infrastructure and real estate. Shifting of funds to urban areas will further help the Company provided the management is ready with all the products, services and answers which the consumer demands. At the same time, I must hasten to add that the country needs to pay attention to agriculture as well. The recent Economic Survey pointed out that the share of agriculture and allied sectors in the national GDP declined from 15.2% during the eleventh Plan to 13.9% in 2013-14. And yet it still accounts for 55% of total employment in the country. The country must ensure that agriculture remains a sustainable livelihood option such that we are never short of food and there is demand from the villages as well.

Thanking you.

Kuldip Singh Dhingra  
Chairman

Place: Kolkata

Date: 1<sup>st</sup> August, 2014

**BERGER PAINTS INDIA LIMITED**

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## Chairman's Speech

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



**BERGER PAINTS INDIA LIMITED**

Dear Shareholders,

I welcome you to the 90<sup>th</sup> Annual General Meeting of Berger Paints India Limited. As one attends this meeting, one cannot help realizing that a centenary is looming close in the future. It puts an obligation on all of us to accelerate a little more to make it a memorable occasion for all stakeholders.

I trust all of you have received your copies of the annual report. You have observed that this year, the Company's sales have grown by 16% to touch ₹ 3,870 crores. The Company's net profit has reached almost ₹ 250 crores - growing by 14%. Your Company had the strongest growth in the decorative paint business and it was one of the best among all paint producers. While looking at the results, we have to keep in mind that the year gone by had its own challenges. The below 5% growth in GDP was lower than expected, inflation and interest rates were high and the money market was tight. Rupee, at one point in time, touched ₹ 68 and there were fears that it would go down even further. Apart from its dampening effects on the economy as a whole, it contributed to increase in raw material prices – both imported and domestic. There was gloom all around and industry was looking for short term gains and cost reduction measures. Your Company – I am proud to say – never faltered. The Company took the opportunity to further entrench itself in established markets and expand in others. The Company's three premium advertised products namely, Silk, Easy Clean and WeatherCoat All Guard performed well. The Company actually improved the formulation of these products to enhance their look and feel and to increase their durability. BreatheEasy Enamel, which is actually a water based paint, is an exciting product. Indian households are used to applying enamel paints on doors, windows, kitchen and bathroom walls. The glossy finish that enamel paint gives is perceived to impart better washability for oil deposition. The same finish is available in BreatheEasy enamel, which is actually an environmentally superior option.

In terms of bottom line growth, your Company's achievement was undoubtedly the best among all producers. This was a result of years of careful planning through focus on higher sales of value added products, expansion of network and strategic distribution, better productivity, both in sales and production, improved capacity utilization, a number of new initiatives in material procurement and intelligent manning tactics. This is easier said than done because in the last few years, the economic events changed for the worse than expected and the plans and actions had to be sufficiently flexible and the reactions to market changes had to be very fast to quickly counter any adverse effect.

The Industrial Business – comprising automotive and general industrial, protective coatings and powder coatings – witnessed slower growth on account of dwindling demand from the user industries. Also, the industrial

customers themselves faced a cash crunch. However, the Company continued to introduce newer products and explore fresh areas of business. The situation is showing signs of improvement – as I have stated in the last year too that I do not believe that there is room for pessimism in the long term. The present enthusiasm in industry confirms the Company's belief that these business lines will continue to flourish and therefore must be nurtured and prepared for the future opportunities.

One of the most important aspects of business today is efficient service. To this extent, the Company has taken a number of steps which would streamline the flow of raw materials to the Company's factories and that of finished goods to the customers, via the Company's stock points. In the end, the objective is to manufacture and stock goods which the market demands and to supply at a fast pace. This also means that the Company should not fritter away its resources and energy in manufacturing and storing materials which are not required and delaying supply. The initiatives include Customer Relationship Management or CRM, Vendor Management Services, Warehouse Management, better logistics, etc. The benefits show up in the form of lower working capital and higher customer satisfaction. These are measurable, have recorded improvement and must continue to improve. The process of invention and implementing best practices in the Company encompasses all areas and is continuous and I am confident that they will yield even better results in the future.

The performance of the Company's subsidiary Berger Jenson & Nicholson (Nepal) Private Limited in Nepal, continues to be impressive. Its turnover was ₹ 78.7 crores and profit before tax, ₹ 12.2 crores. The Company's 100% Polish subsidiary Bolix S.A., continues to do well in the face of a difficult economic situation in Europe with a turnover of ₹ 156 crores and a profit after tax of ₹ 5.78 crores. It has almost paid off on its own, the entire long term debt, through its own internal accruals. Performances of the Company's joint ventures – the Indo-Swedish JV, Berger Becker Coatings Limited and the Indo-Japanese JV, BNB Coatings Limited, have been above expectations.

You will recall that two years back, at the time of Annual General Meeting of the Company in the year 2012, the Company's share price was hovering around ₹ 130 with BSE sensex at 17,300. At the time of writing, the Company's share price is ruling around ₹ 290. Thus, for a 50% rise in Sensex, the Company's share price has more than doubled in two years. The basic earnings per share in the same period have improved from ₹ 5.13 to ₹ 7.20. The Company has paid a consistent dividend and for 2013-14, the Board has recommended a dividend of ₹ 2.20 i.e. 110% on each equity share. I am sure that you, like me, will feel happy about the returns that the Company has given to its shareholders on all fronts.

In this year, there have been many changes in the field of Company law and in corporate governance norms. There are many questions, and