



BERGER PAINTS INDIA LIMITED

93rd Annual General Meeting

4th August, 2017

Address by

Mr. Kuldip Singh Dhingra

Chairman

Dear Shareholders,

I welcome you to the 93rd Annual General Meeting of Berger Paints India Limited.

I trust that all of you have received your copies of the annual report. You may have observed that in the year 2016-17, the Company's profit before tax, on a consolidated basis, has registered a growth of more than 17% to about ₹ 649 crores. This excludes exceptional item of profit on sale of business to the Company's joint venture viz., Berger Nippon Paint Automotive Coatings Limited. Sales, both in terms of value and volume, registered good growth. You will be happy to learn that the Company is now ranked as the 15th largest paint company in the world and the fourth largest in Asia by Coatings World, in its list of top manufacturers of paints and coatings, published in July 2017. The list takes into account all producers including those which mainly deal with industrial paints. The position of your Company would be even better if companies which mainly produce decorative paints, were considered. I am sure that you will join me in congratulating the management for this achievement and provide them all support in the future to take the Company further ahead.

During the year 2016-17, all the Businesses of the Company had performed well. While the Decorative Business continued to be the largest contributor, credit must also be given to the other businesses of the Company viz., the General Industrial and Automotive Coatings, Protective Coatings and Powder Coatings, all of which continued to grow despite being confronted by a lower overall manufacturing growth and subdued infrastructure sector in 2016-17. All these Businesses added new customers, ventured into new areas and, based on the requirements of the end-users, co-ordinated with their respective Research & Development wings to churn out innovative and cost effective products. Innovation has been the key for the Company, not only for development of new products but also for reduction of cost and exploring alternate raw materials, and the Company will accelerate its efforts in this direction.

In the Decorative Business, the established brands such as Silk, EasyClean, Weathercoat AllGuard, Bison, Butterfly, Walmasta, LuxolHiGloss, etc., continued to perform well. The Berger Express Painting solution, launched two years back, is drawing enthusiastic customer support from all over the country, owing to its capability to deliver trouble free, clean painting solution which can be carried out at a much faster rate. The Company is in the process of strengthening its deliverables in this area with introduction of XP range of products, improved service and better supervision. The new product offerings in the Decorative Business include Silk Glamor, WeatherCoat Anti Dustt, WeatherCoat Cool & Seal, Luxol XTRA Super Gloss Enamel, to name a few. In fact, there are a large number of such new and interesting offerings in all the Businesses of the Company. I want to underscore the fact that these are not ordinary, run-of-the-mill paint products. These are carefully crafted coatings, brought to the market after painstaking and collaborative teamwork carried out by the Company's Research & Development, Marketing and Sales teams, taking into account feedback from the ultimate customers. We look forward to many more such innovations in the future.

The paint business in India is growing at a steady rate and the consumption is likely to exceed ₹ 70,000 crores by 2019-20. The Company needs to gear up all its operations and resources including capacities, warehousing, logistics, supply chain, business intelligence, systems and human resources accordingly, in a sustainable manner such that the Company is well placed to secure and improve its position in this expanding market. I am sure that the issue is receiving due attention of the management. During the last financial year, the Company has commenced commercial production of its paint and putty plants at Naltali and Nalbari in Assam. The first one is

for the Berger Division and the second, for the British Paints Division. Both the Divisions are major players in their respective market segments in the North East and the new plants will substantially help the Company to cater to the local market demand in a timely fashion. The new Automotive and General Industrial plant at Jejuri, near Pune, has also started operating. The Jejuri plant will bolster the Company's services to the Industrial Coatings market in the Western region.

The Company continuously upgrades its existing plants, in terms of addition of new products, capacities and facilities. To this extent, a new emulsion plant is being put up at Rishra. The Company's first facility for manufacturing colourants is also being set up at the same location. The Company is in the process of installing Automatic Storage and Retrieval System or ASRS at Jammu and Vallabh Vidyanagar factories. It has made applications to the West Bengal Government for sanction of modernization of storage and warehousing facilities at the 93 year old plant at Howrah, which is still running at full steam. This will enable one of the oldest running paint factories in India to effectively supply to its sophisticated industrial customers for many more years.

You may have seen in the newspapers that after the close of business hours on 5th June, 2017, the Company acquired Saboo Coatings Private Limited or SCPL. SCPL is engaged in carrying out the business of manufacturing specialty liquid coatings, classified as 'Industrial Coatings' by the paint industry in the segments of agriculture and construction equipment (ACE), automotive components, fans, electronics, general industrial, elevators, handicrafts and home furnishing, hardware and those used by industries for substrates – metal, plastics, glass and Fibre Reinforced Plastic, i.e. FRP. The gross turnover of SCPL in the year 2016-17 was ₹ 89.43 crores. SCPL is a well-managed, professional run company with niche products. The business and the expertise of SCPL will gainfully supplement the industrial coatings business of the Company. The Company has also entered into an understanding with the concerned parties for purchase of 51% of equity shares of Saboo Hesse Wood Coatings Private Limited. The balance 49% is held by Hesse Shares GmbH of Germany. The transaction is subject to limited due diligence and necessary approvals, if any. It is expected that both the companies will mutually benefit from this transaction and combine their strengths in the areas of manufacturing, selling, distribution, procurement and technology in wood coatings, where your Company is already a large player.

You have recently approved amendment in the Object Clause of the Memorandum of Association of the Company. The amendment will enable the Company to venture into areas which offer growth potential based on multiple initiatives announced by the Government such as Housing For All, Smart cities, etc., utilizing the Company's existing strengths in the market. The Company has recently entered into memoranda of understanding with ROCK PAINT CO., LTD of Japan for automotive refinish paints, Promat International Limited NV of Belgium ("Promat") for cooperation in the field of passive fire protection and high performance insulation coatings and Chugoku Marine Paints Ltd. of Japan for cooperation in the field of marine and related industrial paints.

My fellow shareholders, I find it most heartening that the Government is implementing decisions which will have far reaching effect on the economy. Demonetization, and implementation of GST are just a couple of these. In my view, the promulgation of the new Insolvency and Bankruptcy Code, functioning of National Company Law Tribunals all across the country, focus on NPA's in banks, the Real Estate (Regulation and Development) Act and crackdown on black money, among other steps, will push the economy to act in much more transparent and organized manner. At the same time, various initiatives such as affordable housing, curbing of black money, digitalization of

economy, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Scheme, the Urban Development strategy for the next 20 years, aimed at development of rural and urban areas, with housing for the poor as an objective, development of 100 smart cities, Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for 500 cities, etc., will provide enormous opportunities to those who are able to conduct their business in a sound and fair manner. Weeding out of non-productive and unsustainable outfits, which in my view is essential, together with automation of routine jobs may seem to pose a threat to employment opportunities to some. However, I consider this as an opportunity for the youth with varying degree of skills to gainfully associate with the economic progress of the country in collaboration with organizations and processes that are enduring in the long run. The real answer lies in skilling people. To this extent, the Company has opened iTrain Centres all over India for training the people with painting aptitude. There are 24 such iTrain Centres now, which have already provided training to more than 11,000 people. The Company is now proposing to launch mobile iTrain Centres which will be basically touring vans with all necessary training equipment and trainers. These will move round in areas where there are no permanent iTrain Centres, imparting training to unskilled and semi-skilled people and thus offering them a chance to find meaningful employment.

On 19th July 2016, the Company allotted bonus shares in the proportion of 2 bonus shares for every 5 equity shares held by the members. Just before such allotment, the share price of the Company was hovering around ₹ 300. At the time of this writing, the share prices are around ₹ 250. A person buying 5 shares for ₹ 1500 in early July 2016 would have had shares worth ₹ 1,750 now – a gain of 17% in a year. There has been an almost 9 times increase in share prices compared to those prevailing five years back in July 2012. The point that I want to make is that the Company has grown at a rate which is higher than the GDP growth. Share price is just one of the measures of its performance. But we all know that the relationship of the performance of the Company with the country's economic growth is symbiotic. The Company will continue to serve its shareholders well only if it gets a fillip from the economy. Skill development through its iTrain Centres is just a small and humble attempt on the part of the Company to make a contribution to the country in return of all the support that it has received from its people.

Thank you.



Kuldeep Singh Dhingra
Chairman

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