



# 95<sup>TH</sup> ANNUAL GENERAL MEETING

**5th August, 2019**

*Address by*

**Mr. Kuldip Singh Dhingra**

**Chairman**

**BERGER PAINTS INDIA LIMITED**

Dear Shareholders,

I welcome you to the 95th Annual General Meeting of Berger Paints India Limited.

I trust that you have received your copies of the Annual Report. During the year 2018-19, the consolidated revenue from operations, excluding GST, was ₹ 6,062 crores – registering an increase of almost 18% over that of the previous year. The Company's profit before exceptional items, depreciation, interest and tax or EBITDA, which was about ₹ 942 crores on a consolidated basis, grew by more than 10%. Consolidated net profit also grew by about 8%.

I am happy to inform you that during the year 2018-19, all the Businesses of the Company had performed well. Decorative paints continued to be the largest business segment for the Company and its contributions in terms of sales and EBITDA – were the highest. Construction chemicals business grew at a rapid pace and the Company hopes to achieve major breakthroughs in this Business. While the General Industrial Business prospered, there were signs of sluggishness in the Automotive paints business. The Business counters this through innovative products and forays into new accounts. The Company continues to be the leader in the Protective Coatings segment and the Business continues to add innovative offerings to its product portfolio. The Powder Coatings business also registered growth.

The Members will be aware that in the previous year, the Company had acquired Saboo Coatings Private Limited (“SCPL”). Saboo Coatings has now been renamed SBL Specialty Coatings Private Limited and is engaged in the business of manufacturing specialty liquid coatings including glass coatings in a large number of applications. I am happy to report that in 2018-19, the revenue of SBL Specialty Coatings crossed ₹ 100 crore mark for the first time and it posted a net profit of ₹ 9.3 crores.

During 2018-19, the Company, along with Rock Paint Co., Ltd. of Japan, incorporated Berger Rock Paints Private Limited. It is a subsidiary of the Company and has just begun selling superior automotive refinish paints. The Company also acquired majority shares of Saboo Hesse Wood Coatings Private Limited, which has now been renamed Berger Hesse Wood Coatings Private Limited. The other shareholder is Hesse Shares GmbH of Germany, a leading international wood coatings manufacturer. This is expected to considerably supplement the Company's wood coatings business.

Earlier, the Company had one emulsion manufacturing facility in Gujarat. Emulsions are vital raw materials for water based coatings. Now the Company has started its second emulsion manufacturing plant at Rishra in West Bengal. During this year, the

Rishra plant will also commission another raw material manufacturing facility – that of colorants. Work is in progress at a fast pace for expansion of the automotive and protective coatings manufacturing facility at Jejuri in Maharashtra. Once completed, it will be able to produce 33,600 KL per annum of paints and 24,000 MT per annum of resin. One of the major developments during the year was commissioning of a CED manufacturing facility at Hindupur, in collaboration with Nippon Paint Automotive Coatings Co., Ltd of Japan. CED has got two components – resin and paste and they constitute the undercoat for the automotive top coat, applied through electrolytic process. The CED plant will substantially enhance the capabilities of the respective automotive businesses of the Company and its joint venture, Berger Nippon Paint Automotive Coatings Private Limited. I am happy to report that the Company's new factories in Assam, at Naltoli and Nalbari, are performing well. Work is on for establishment of water and solvent based decorative, industrial and protective coatings, resin, putty, emulsion and construction chemicals manufacturing facility at Sandila Industrial Area, near Lucknow, in Uttar Pradesh.

The Company has consistently made efforts to provide the maximum value to its shareholders. This has been achieved through focused and long term creation of wealth through maximum leveraging of core competences, under stewardship of its professional management and a responsible promoter group. The promoter group has stayed committed to the Company and has stood steadfastly beside all the stakeholders at all times. Since 2000, in the last 19 years, Berger share value has increased by more than 115 times.

The Hon'ble Finance Minister, in her maiden budget speech, has reiterated the Government's focus on providing affordable housing and better road and rail connectivity. This, coupled with the affirmation that Government intends to spend ₹ 100 lakh crore on infrastructure over a five year period, augurs well for the paint industry and therefore, for your Company. Yes – there are difficulties and roadblocks – but let us remember that the global economy itself is riding through a tough time and the Indian growth rate, amidst all the crisis, is not a mean achievement.

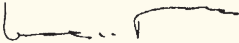
One laudable reform in the recent past has been the promulgation of The Insolvency and Bankruptcy Code or IBC and subsequent amendments.

Yet there is a danger if secured Financial Creditors (FCs) are still willy nilly given authority and/or tools which primarily favour FCs. In such case, FCs will take almost all of the bid amount proceeds for themselves leaving almost nothing for Operational

Creditors (OCs). Consequently, hundreds of Operational Creditors (OCs) would be so extremely and badly damaged that many silent bankruptcies of OCs will occur. OCs are relatively very weak in all pertinent resources as compared to FCs. Yet OCs are the backbone of 'Make in India'.

Some fine-tuning is perhaps needed to ensure balance and fairness for OCs akin to Homebuyers in Real Estate Sector who have been granted equality to secured FCs. Yet, I find the Government to be responsive to some issues of concern. These are positive signals and augurs well for the industry and the economy.

Thank you.



Kuldip Singh Dhingra

Chairman

Place : Kolkata

Date : 5<sup>th</sup> August, 2019

**BERGER PAINTS INDIA LIMITED**

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