

Chairman's Communique

When I look back and reflect on last year, I realise that a number of changes were experienced by your company both internally and externally. I would like to begin by thanking Mr Nihal Kaviratne CBE, your outgoing Chairman, for his immense contribution, in particular his leadership in guiding your Company through the merger of different AkzoNobel verticals in 2012 to make it an integrated coating solutions provider with unique advantages. He has also been instrumental in helping harness the power of 'One AkzoNobel' in India which proved its mettle in taking forward our mission to create everyday essentials for our customers.

India's economy has a lot going for it over medium and long-term. The country's GDP growth showed sign of improvement since mid - 2017, with the impetus carrying over into 2018. India is expected to witness its GDP grow at over 7% in 2018-19.

With the economy poised to grow, consumer spending is expected to get a huge boost, resulting inter alia in higher demand for paints. India's young population represents a huge opportunity as more and more young

Indians join the workforce and will have disposable income available. The trend toward nuclear family augurs well for the paint industry.

The Government's increased emphasis on infrastructure development through a number of programmes has been widely welcomed. Infrastructure spends have a multiplier effect, enabling pan-industry growth, while contributing to an improved quality of life.

The per capita paint consumption in India of about 4 kgs is still very low and as more development takes place in the country, this figure is anticipated to increase.

In FY 17-18, the industry grew at a moderate rate. However, due to the demonetization and GST rollout, pace of growth was impacted in both paints and coatings markets in the early part of the year. Growth picked up pace during the second half of the year, owing to a good monsoon and a positive investment climate in the country. Consumer demand also picked up, signalling stabilization of the economy.

On the flip side, crude oil as well as commodity prices have been rising since

last year. Higher oil prices mean higher inflation. It also means higher input costs for paints and coatings companies.

I believe that the medium term prospects in India are favourable and that the structural reform process will continue over the next few years, with policy reforms to come in sectors like infrastructure and power. These reforms would provide great impetus to the economy as well as to the paint industry.

Last year, your company's specialty chemicals business was sold to an affiliate of AkzoNobel Group for ₹320 crore with your overwhelming support. I would personally like to thank all of you for your continued trust in the company. We have always believed in sharing wealth with all of you in a transparent manner, and this time is no different: a share buyback programme has been launched and a dividend of ₹22 per share has been recommended.

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customers. Our go-to market strategy is crystal clear now: our 2020 financial promise is to realize a Return on Sales of 15% and a Return on Investments of >25%. And we can only achieve this by working together as one AkzoNobel.

I would also take this opportunity to welcome Mr Jeremy Rowe, who has been appointed to the Board of your company on April 06, 2018. He is currently the Managing Director AkzoNobel Paints, South East & South Asia, Middle East (SESAME) and has been with AkzoNobel since 2009. Mr Rowe is also a board member of several AkzoNobel Group companies in the Asia Pacific Region.

The year that has gone by has been a period of transformation. I warmly acknowledge the trust reposed on us by each one of our valued shareholders through our journey.

Amit Jain
Chairman

