The world is changing

- The US is expected to steadily yield ground to China and India.

Share of world GDP (PPPs) from 2016 to 2050...

Sources: IMF for 2016 estimates, PwC analysis for projections to 2050
The old order changes

- Global economic power will gradually shift to the E7 countries

In...
- 1995 E7 were half the size of G7

By...
- 2015 E7 were around the same size as G7

And in just 25 years...
- 2040 E7 could be double the size of G7

G7: US, UK, France, Germany, Japan, Canada and Italy
E7: China, India, Indonesia, Brazil, Russia, Mexico and Turkey

Sources: IMF for historical GDP, PwC analysis for projections to 2050
India is also changing, for the better

- The country has been outpacing World GDP growth by a wide margin
- One big difference from the past: greater transparency in the economy (Demo, GST, RERA, Banking Reforms), therefore growth more sustainable

Source: http://www.worldbank.org/
Paint grows with the country and sometimes in spite of it

- The paint industry growth tends to be between 1.5 to 2 times GDP growth

Source: http://www.worldbank.org/
Paint industry is resilient as well!

- YTD Q3 16-17: Even FMCG crawled, when hit by Demon & GST, but Paint held its own
Segments in Paint Industry

- Decorative Paints contributes to 75% of industry turnover.

- Industrial Paints comprises:
  - Automotive & General Industrial
  - Protective Coatings
  - Powder Coatings

- Expected to grow at 14% + CAGR
Growth Drivers

DECORATIVE SEGMENT
Urbanization is rapid

- 91 Mn people added to Urban popn. VS 90 Mn to Rural popn in last 10Y
- Projected to add 404 mn to urban population between 2014 and 2050
- 41%+ of Indian popn. will live in cities by 2030, up from 32% currently
- Affordable Housing & Housing For All drive by GoI in successive budgets.
- Pradhan Mantri Awaas Yojana to support 3.70Mn homes in urban areas

Source: Census of India
Distribution is underpenetrated, but expanding

- Paint distribution is hugely underpenetrated (<0.1 Mn outlets) vis a vis relatively saturated categories like
  - FMCG (Nearly 10 Mn outlets in 2016)
  - Telecom (estm. 10 Mn outlets Dec-17)

- Distribution is growing steadily and creating new opportunities
Consumers are upgrading

- Growing disposable incomes are seeing customers upgrade to higher value products
  - Distemper to Emulsion
  - Cement Paint to Exterior Emulsions
  - Regular to Premium Emulsion
  - Polish to Polyurethane (PU)
  - Floor Oxides to Floor Paint
  - and so on.....
Growth Drivers

NON-DECORATIVE SEGMENT

AUTOMOTIVE, INDUSTRIAL & PROTECTIVE COATINGS
Infrastructure

- Witnessing a buildup that is fuelling demand
  - Highways – 83,000km planned
  - Ports – 6 new mega ports
  - Airports – 45 new locations under the Udan scheme
  - Metros – Kolkata 1984 & Delhi 2002 now 7 new cities and a few more to start

- More investment needed and expected

- Augurs well for the Protective Coating Business
Automotive

- World’s largest 2-Wheeler market. Women, 1st time owners and exports driving demand; 11% CAGR projected.

- India soon to be the top-4 automobile markets in the world.

#Source: Automotive Mission Plan 2016-26/SIAM & GoI
General Industrial & Powder Coating

- *Made in India* initiative, lower labour cost and good engineering skills likely to drive demand in this segment

- GST has brought unorganized players into formal economy; negated price advantage and created a level playing field
Indian Paint Market
Split of the Rs 50,000 Cr pie

- India paint market is consolidated unlike Russia and China that are heavily splintered.
- The Top-4, Asian, Kansai, Akzo & Berger Paints have major market share @54%.
- Advantages of market growth accrue to larger players whose share has been growing YoY.

<table>
<thead>
<tr>
<th>Category</th>
<th>Companies</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Large Players</td>
<td>4</td>
<td>53.5%</td>
</tr>
<tr>
<td>&gt; INR 2000 crore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large / Mid-size Players</td>
<td>175</td>
<td>33.9%</td>
</tr>
<tr>
<td>INR 10 - 2000 crore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Players</td>
<td>2250</td>
<td>12.7%</td>
</tr>
<tr>
<td>Upto INR 10 crore</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IPA
International Players in Indian Market

- All paint majors of the world are here but have relatively small presence compared to the existing 4 big players. Reasons:

  - **In Industrial** – Price quality equation is key; Value proposition of intl. players not able to make impact. Berger leads in Protective and Coil Coatings, Kansai in Powder Coatings and Auto Coatings

  - **In Decorative** – Distribution and Brand are key; requires patience and sustained investment. Asian and Berger lead the race.

- Berger bought out the decorative business of Sherwin Williams in 2013.
Berger Paints India Limited
Accolades
Coatings WorldRanking

- in 2017, Berger Paints Group ranked 15 in the Global Rankings of the TOP manufacturers of paints, coatings, adhesives and sealants

- First entered the global rankings list in 2011

- Rapidly climbed the ranks to No. 15.

- Ranked No. 9 on the basis of Decorative paints business only
Berger Paints has been steadily bettering its ranking and broke into the Top-100 last year.
Millward Brown Brandz Top 50

- Consistently on the list of top Indian brands since 2014
CII Green Pro Certification

- The 1st paint company in India to get all its products and factories Green Certified
- Low VOC
- No added Lead & Mercury
- Conforms to Green Building Specification
Financials
Decadal Track Record (from 2010)
- BPIL Consolidated Sales: $2.8 \times 7$

FY 10: 18,913
FY 11: 23,407
FY 12: 29,477
FY 13: 33,464
FY 14: 38,697
FY 15: 43,221
FY 16: 46,839
FY 17: 50,505

FY 16 and FY 17 Figures are in compliance with IND AS
BPIIL Consolidated Operating Profit 3.4 x 7

FY 16 and FY 17 Figures are in compliance with IND AS
Growth Drivers
Organic Growth Drivers

Network Expansion
- YOY growth in distribution; Innovative new channel creation

Brand Building
- Sustained investment behind key brands based on research driven insights

Product Innovations
- Early spotting of opportunities in various product segments

Service Innovations
- Addressing key consumer pain-points in services has led to great results

People – Hiring & Training practices
- Revamped and enriched led to surge in retention, hiring and performance

Supply Side enhancements
- Regular investments made in ramping up capacity

Research & Development
- Manpower and tech. investments leading to breakthroughs products
Innovative Products – all winners!

Omnipresent Dust bothered customers for years
Till we asked and listened

Anti DUST

Dirty, grimy walls was something consumers assumed they had to live with.
Till we told them, no, use Easy Clean!

Heat is a concern
Paint is not the typical solution
Says who?

Kool & Seal
Service Innovation

Regular Painting
◦ Information Asymmetry
◦ + Unclear Pricing
◦ + Manual Processes
◦ + Untrained Labor
◦ + Dust & Dirt
◦ + Time Delays
◦ = Dissatisfied Customers

Express Painting
◦ Academy Trained Labor
◦ + Automatic Machines
◦ + Scientific Processes
◦ + Site Supervision
◦ – 80% Dust*
◦ – 40% Time*
◦ = Delighted Customers
Training Initiatives

- 25 iTrain locations across India
- In excess of 50,000+ training sessions hosted for painters
- NSDC recognized
- Being extended to rural hinterland with Mobile iTrains
Silk Glamor
Luxury Interior Emulsion
Deewaain Nahin Yaadein Hai

www.bergerpaints.com
Protective Coatings Outlook

- Berger is the category leader in India
- Clients include Railways, Highways, Bridges, Fly-over, Coach Factory, Power Plants, Oil and Gas Installations, Airports etc.
- Govt. spending in sector has increased. Improvement expected in pvt. sector investments in coming years
- New product categories like Speciality Floor Coatings, Road Marking Paints, Construction Chemicals will further improve growth
- GST has helped by leveling the playing field with local players
Auto & GI Outlook

- We have built a strong presence in 2-Wheeler and Commercial vehicle categories.

- Growth in 2-W and CV’s expected to be rapid next year- we will ride on the growth. Expansion in capacity underway at Jejuri

- JV with Nippon will help build presence in 3W and 4 W categories and CED

- JV with Rock Paints for auto refinish
Inorganic Growth thru Acquisitions

- **ICI’s Motors and Industries** business acquired in 2006
- **Bolix, Poland** acquired in 2008
- **Sherwin Williams** decorative business acquired in 2013 (0.15 Million USD)
- **Saboo Coatings**, acquired in 2017
## Inorganic Growth thru Partnerships

### Joint Ventures in Industrial Paints

<table>
<thead>
<tr>
<th>Market Opportunity</th>
<th>Partner</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coil Coatings</td>
<td>BECKER</td>
<td>1997</td>
</tr>
<tr>
<td>Automotive Paints</td>
<td>NIPPON AUTOMOTIVE PAINTS</td>
<td>2007</td>
</tr>
</tbody>
</table>
Inorganic Growth thru Partnerships

*Cooperation through MoUs*

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<tr>
<th>Market Opportunity</th>
<th>Partner</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Refinish</td>
<td>ROCK PAINTS</td>
<td>2017</td>
</tr>
<tr>
<td>Powder Coatings</td>
<td>TIGERWERKE</td>
<td>2004</td>
</tr>
<tr>
<td>Wood Coatings</td>
<td>SHERWIN WILLIAMS</td>
<td>2013</td>
</tr>
<tr>
<td>Fire Proof</td>
<td>PROMAT</td>
<td>2017</td>
</tr>
<tr>
<td>Marine Coatings</td>
<td>CHUGOKU</td>
<td>2017</td>
</tr>
</tbody>
</table>
Thank You