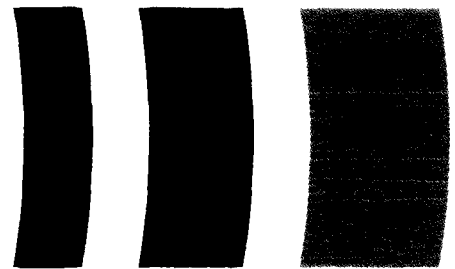


asianpaints

expanding horizons

REPORT JUNCTION.COM

Asian Paints (India) Ltd. **annual report 2002-2003**



**asianpaints**

Report



Junction

*We are proud to announce to our shareholders, that we have unveiled a new visual identity for Asian Paints. This is with the objective of creating a more contemporary image for the company and for bringing the 'Asian Paints' brand to the centre-stage.*

*The combination of red and yellow in the logo represent a dynamic and vibrant company. Packaging has been redesigned to align to this change.*

*We are happy to inform you that consumers have welcomed the new visual identity and the new packaging.*

## BOARD OF DIRECTORS

Ashwin C Choksi	<i>Chairman</i>
Ashwin S Dani	<i>Vice Chairman &amp; Managing Director</i>
Abhay A Vakil	<i>Managing Director</i>
K Rajagopalachari	
Mahendra C Choksi	
Manubhai G Patel	
Amar A Vakil	
Ms. Tarjani Vakil	
Dipankar Basu	
Deepak M Satwalekar	
R A Shah	
Dr S Sivaram	
Mahendra M Shah	
Hasit Dani	

## COMPANY SECRETARY

Jayesh Merchant

## AUDITORS

Shah & Co.  
Chartered Accountants

## SOLICITORS

Crawford Bayley & Co.

## BANKERS

State Bank of India

6

8

10

32

36

40

CASH FLOW STATEMENT

CONSOLIDATED BALANCE SHEET

66

72

SCHEDULES FOR CONSOLIDATED ACCOUNTS

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# EXPANDING HORIZONS

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

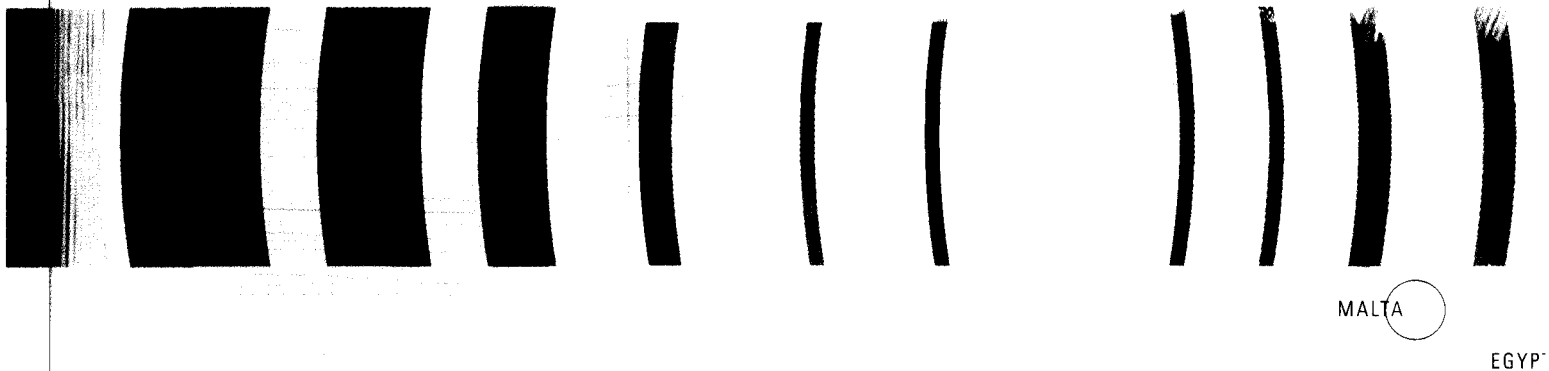
73

## CONSOLIDATED CASH FLOW STATEMENT

91

## EXPANDING PRESENCE

Asian Paints is now one of the top **10** decorative coatings companies in the world. Along with its

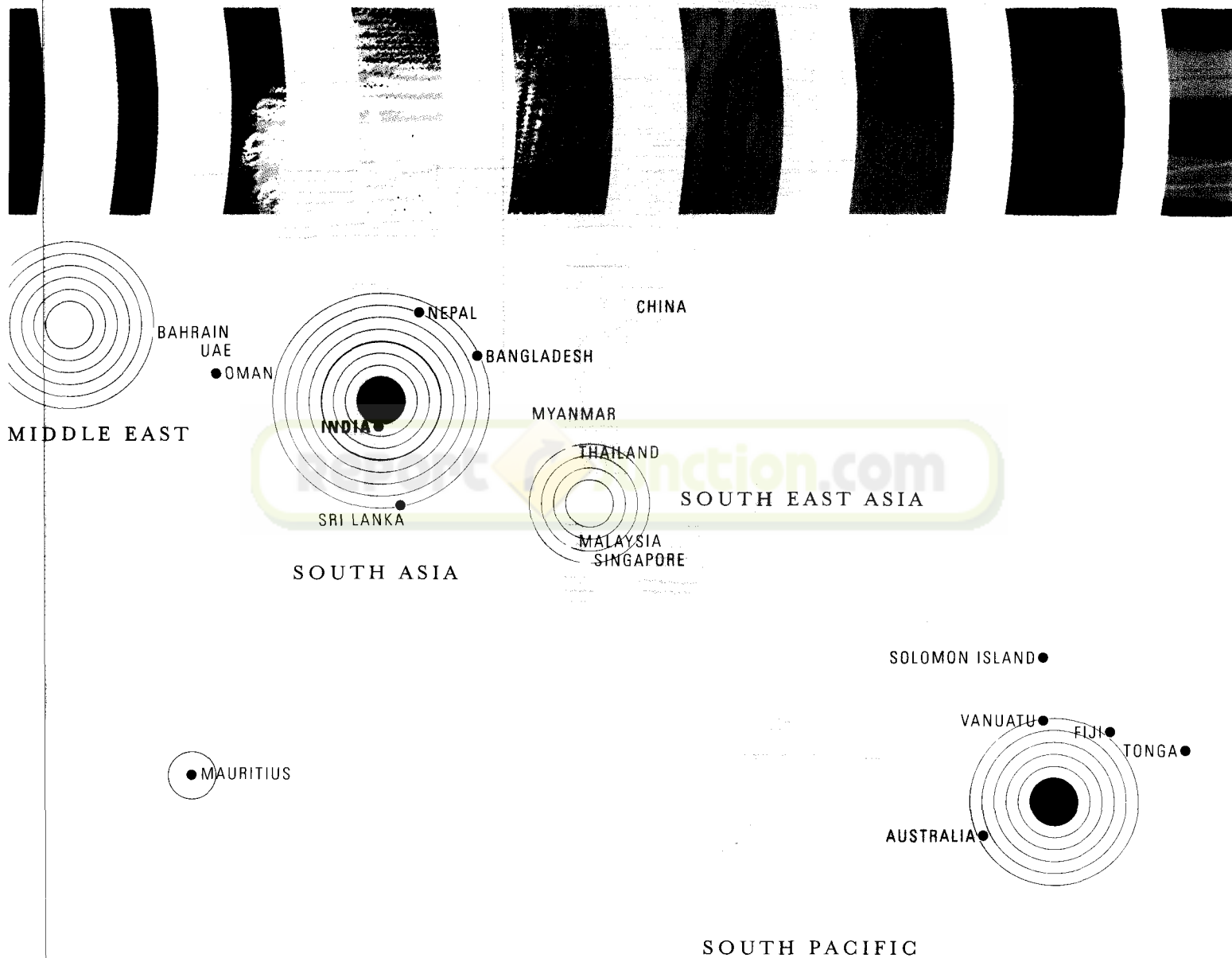


## MANUFACTURING LOCATIONS

We have substantially expanded our global footprint through two international acquisitions. In a short span of time, international operations of our company have attained critical mass. From being a minor part of the total business of Asian Paints, it is poised to propel your company into an important player in the global decorative paints market, with particular emphasis on emerging markets.

- *includes Asian Paints and its subsidiaries*
- *includes Berger International and its subsidiaries*
- *SCIB*
- *Berger International has no operations in India*

subsidiaries, it now has paint manufacturing facilities in **23** countries, spread across the world. )



## EXPANDING ACHIEVEMENTS

2002-2003  
highlights

**ASIAN PAINTS RANKS** among the top ten decorative coatings companies in the world.

**TWO OVERSEAS ACQUISITIONS** expands Asian Paints presence to 23 countries across the globe.

**ASIAN PAINTS UNVEILED** a new visual identity and logo for the company.

**THE BOARD OF DIRECTORS** have recommended a bonus issue to the shareholders in the ratio of 1 share for every 2 shares.

**NET SALES AND OPERATING INCOME** from Indian operations grew by 12.7 per cent from Rs.13,965 million (US \$ 294.0 million\*) in 2001-02 to Rs.15,738 million (US \$ 331.3 million) in 2002-03.

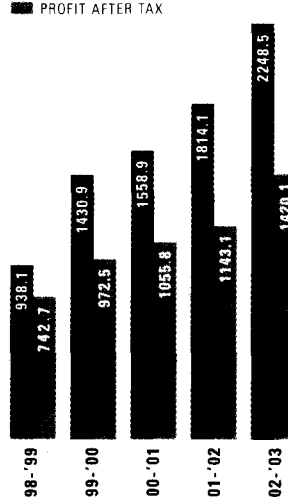
## SALES

RS IN MILLIONS  
■ GROSS SALES  
■ NET SALES



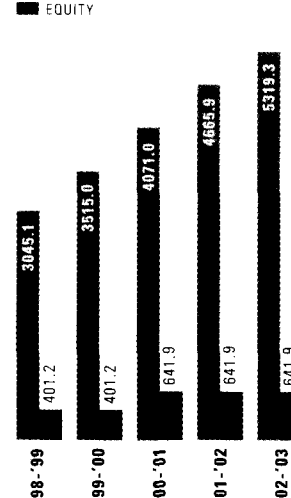
## PROFITS

RS IN MILLIONS  
■ PROFIT BEFORE TAX  
■ PROFIT AFTER TAX



## SHAREHOLDERS FUND

RS IN MILLIONS  
■ NET WORTH  
■ EQUITY



**PROFIT BEFORE TAX INCREASES** by 23.9 percent from Rs. 1814.1 million (US \$ 38.2 million) in 2001-02 to Rs. 2248.5 (US \$ 47.3 million) in 2002-03.

**NET PROFIT INCREASES** by 24.2 per cent from Rs. 1143 million (US \$ 24.1 million) in 2001-02 to Rs. 1420 million (US \$ 29.9 million) in 2002-03.

**RETURN ON CAPITAL EMPLOYED (ROCE)** grew from 33.6 per cent in 2001-02 to 36.5 per cent in 2002-03.

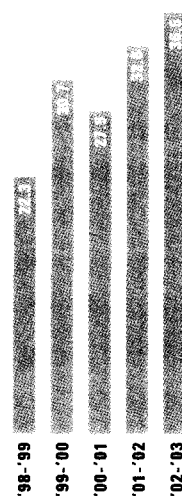
**INTEREST OUTGO REDUCED** by 43.2 per cent from Rs. 146 million (US \$ 3.1 million) in 2001-02 to Rs. 83 million (US \$ 1.7 million) in 2002-03.

**OPERATING CASH FLOW** generated from the business was Rs. 1735.7 million (US \$ 36.5 million) in 2002-03.

1\$ US = Rs. 47.50 as on March 31, 2003

### RETURN ON CAPITAL EMPLOYED

IN %



### REVENUE TO EXCHEQUER

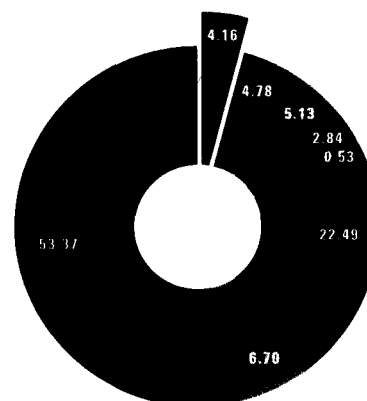
RS IN MILLIONS



### DISTRIBUTION OF INCOME

IN %

■ RETAINED EARNINGS  
 ■ DIVIDEND & DIVIDEND TAX  
 ■ CURRENT & DEFERRED TAX  
 ■ DEPRECIATION  
 ■ INTEREST  
 ■ OTHER EXPENSES  
 ■ EMPLOYEE REMUNERATION  
 ■ MATERIAL COST

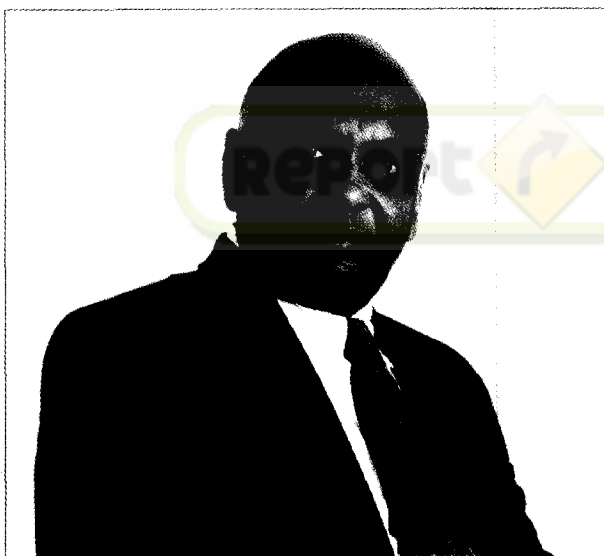




# CHAIRMAN'S LETTER

*Dear Shareholders*

*In the Director's Report of 1998-99, Asian Paints outlined a major corporate objective and that was being one of the top ten global players in Decorative paints. I am happy to inform you that with the sustained good performance of our Indian operations over past few years and the international acquisitions in the second half of the year under review, your company has attained this objective.*



In November 2002, Asian Paints successfully completed the acquisition of 50.1 per cent stake in Berger International Limited that is listed on the Singapore stock exchange. Berger International has manufacturing facilities in 11 locations spread across the globe, and registered sales revenue of about

and was financed entirely from the free cash flows of your company.

These acquisitions, especially of Berger International, is expected to have a profound impact on the organisational, strategic, operational, and financial dynamics of Asian Paints, considering some of the following facts:

- Asian Paints, through its subsidiaries, now has 23 manufacturing facilities in 22 foreign countries spread across 13 time zones, and a marketing footprint that covers over 50 overseas markets.
- International business is expected to contribute over 21 per cent of the consolidated sales of Asian Paints.
- Overseas manpower would account for over 25 per cent of the employees of Asian Paints and its subsidiaries.

Thus, from being a relatively minor part of the total business of Asian Paints, its international operations have attained critical mass and are expected to drive your company to becoming a global player in decorative paints, particularly in fast growing emerging markets.

Rs.3,251 million for 2002.

Thereafter, in December 2002, your company purchased 60 per cent of the shares of SCIB Chemical SAE, Egypt, the fifth largest paint company in that country, with a strong presence in project sales.

The combined cost of these acquisitions was US\$16.9 million (approximately Rs. 819 million),

To me, this enhanced global presence brings with it huge challenges of integration. There are several key areas that need to be integrated, of which I may list three.

First, there is the HR challenge. Your company now has over 1,300 employees overseas. Asian Paints has to learn from their customs, work cultures and best practices; they have to

*We are now in the process of becoming a global company, looking for significant presence in the international paints market. For that we need to create and foster global managers; plan every aspect of our strategy on a global basis; deal with global economic and political risks; and to adopt global best practices.*

do likewise; and together we have to create integrated business practices and shared value systems of a global Asian Paints.

Second, we have to learn how to use a unified organisational framework to market and sell diverse products of Asian Paints, Berger and SCIB. This is also going to be a major integration challenge. Until recently, your company sold its products under the Asian Paints and APCO Coatings brands. That has to change because Berger has a strong brand presence in the Caribbean Islands and the Middle East, while SCIB is one of the top five players in Egypt.

Third, we have to turn around parts of our international operations. Some units of Berger International are making losses. Your company will have to strengthen their manufacturing processes, optimise the supply chain, and improve sales through more coherent marketing and pricing strategies. While this is not going to be an easy task, we hope that the turnaround process will be completed in the next two to three years.

We are now in the process of becoming a

global company, looking for significant presence in the international paints market. For that we need to create and foster global managers; plan every aspect of our strategy on a global basis; deal with global economic and political risks; and to adopt global best practices.

If you recall, Asian Paints had started restructuring its business after 1997-98. Since then, the results speak its all round performance. Net sales and operating income have grown by a compounded annual rate of 13.8 per cent to Rs.15,738 million in 2002-03. Profits before tax have increased by a compounded growth rate of 24.4 per cent per annum over last five years to touch Rs.2,248 million. Post-tax profits have grown by 17.6 per cent per year over the five-year period to Rs.1,420 million in 2002-03.

Always healthy, our financials are better than ever before. Even after these two acquisitions, our reserves and surplus are at an all time high. Our debt-equity ratio has steadily fallen from 0.7:1 in 1997-98 to 0.2:1 in 2002-03. Interest payments have reduced from Rs.196 million in 1997-98 to Rs.83 million in 2002-03.

Further, due to the consistent improved performance of your company, the Board of Directors has recommended payment of bonus shares in the ratio of one share for every two shares held.

Since 1997-98, we have succeeded in streamlining production, reducing working capital, increasing productivity, steadily pruning costs, introducing state-of-the-art IT across the organisation, and creating an efficient, IT-enabled supply chain process.

We, therefore, have the quiet confidence that Asian Paints has the bandwidth to rise to the many challenges of being an international corporation.

With regards

Yours sincerely

*Ashwin Choksi*  
ASHWIN C. CHOKSI