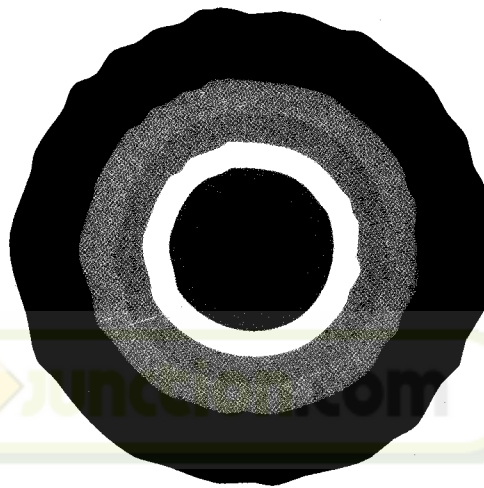


asianpaints

C O L O U R S



Report




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Asian Paints (India) Ltd. annual report 2003-2004

Asian Paints (India) Ltd.
annual report 2003-2004

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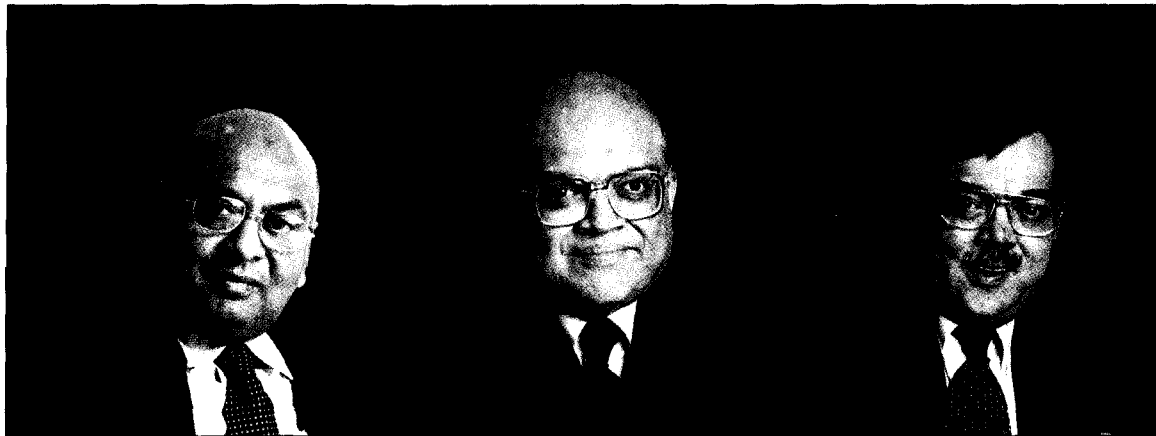
The seven colours across the spectrum. Each a solid entity in itself yet merging seamlessly into each other to form the unique rainbow. Violet, Indigo, Blue, Green, Yellow, Orange and Red each exude an energy, an *inspiration*. And we are quick on the take. We, at Asian Paints are in the business of colour and what better muse than the solid colours of the rainbow. Each colour invokes in us its singular speciality and inspires us to imbibe its strength in our area of business.

U R S

As India's largest paint company and one of the world's top ten decorative coatings companies, we are poised for a quantum leap. We have invested in talent and technology to offer quality products and services. Our products match exacting international standards even in the most sophisticated product categories. Our R&D centre, one of the finest in Asia has enhanced our core competence by enabling us to offer innovative ideas in paints. With our value chain in place, our sharp customer focus and a global perspective, we are all set to stretch our strengths to create value for all our stakeholders.

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Board of Directors



Ashwin C Choksi
Chairman

Ashwin S Dani
*Vice Chairman &
Managing Director*

Abhay A Vakil
Managing Director



K Rajagopalachari

Mahendra C Choksi


Manubhai G Patel



Amar A Vakil

Ms. Tarjani Vakil

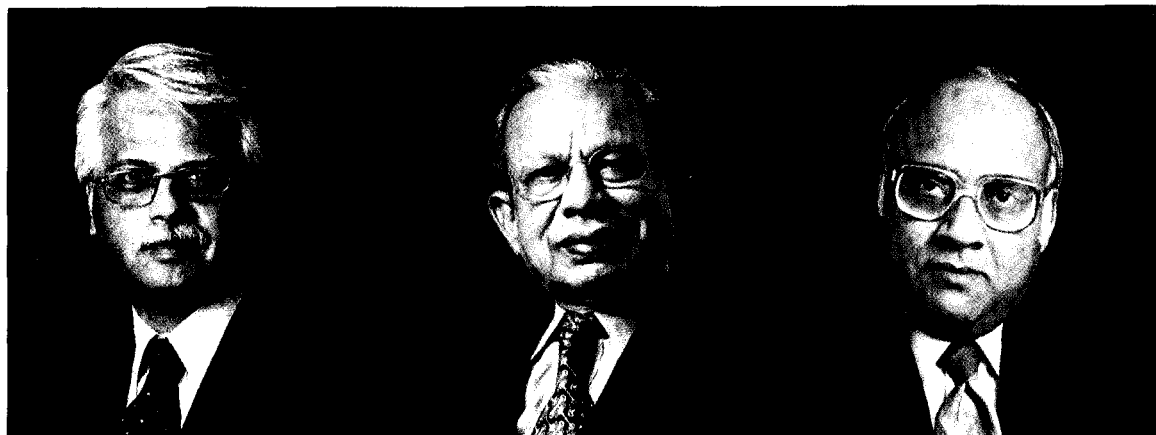
Dipankar Basu



The seven colours across the spectrum. Each a solid entity in itself yet merging seamlessly into each other to form the unique rainbow. Violet, Indigo, Blue, Green, Yellow, Orange and Red each exude an energy, an inspiration. And we are quick on the take. We, at Asian Paints are in the business of colour and what better muse than the solid colours of the rainbow. Each colour invokes in us its singular speciality and inspires us to imbibe its strength in our area of business.

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Deepak M Satwalekar

R A Shah

Dr. S Sivaram



Mahendra M Shah

Hasit Dani

Company Secretary
Jayesh Merchant

Solicitors
Crawford Bayley & Co.

Auditors
Shah & Co.
Chartered Accountants

Bankers
State Bank of India

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Chairman's Letter

We have always believed in 'sweating' existing assets; in **stability and consistency** of manufacturing processes; in processes that ensure **zero-defects**; in quick introduction of new products; in building flexible manufacturing lines; and in **reducing conversion costs at all levels.**



Dear Shareholders,

When I dwell on the year gone by, the only word I can think of is — challenging.

For years, your Company has considered double-digit sales as well as profit growth to be normal. This year too, we have achieved 10.6 per cent growth in net sales and operating income, which increased from Rs.15,754 million in 2002-03 to Rs.17,425 million in 2003-04. However, our profit after tax and extraordinary item increased by 4 per cent — from Rs.1,420 million in 2002-03 to Rs.1,478 million in 2003-04. It is important to explain to you why profits have grown less than before, and what we propose to do about it.

Simply put, it was a combination of —

- less than usual overall sales growth,
- higher raw material costs of main inputs like titanium dioxide, petrochemical based products and vegetable oils,
- higher packing material costs,

- increased level of domestic competition, largely from small paint companies in economy products,

- cyclical downswing in chemical business; and
- extended monsoon and an early festival season which shortened the critical post-monsoon selling period.

As a Company, we have analysed the environment and have put corrective mechanisms in motion. These involve an attractive pricing structure, still greater efficiencies in production and distribution, stronger brand presence and introduction of new products. The focus therefore, is growth through a more proactive and aggressive Asian Paints.

It may be asked: Is this the beginning of greater competition and lower profitability? I have no doubts that the domestic paints markets — decorative as well as industrial — will be more competitive as we go ahead. However, that does not immediately imply a long term reduction in profitability. Your Company

has perhaps the most efficient supply chain in the industry, which is used in every possible way to squeeze out costs. We have always believed in 'sweating' existing assets; in stability and consistency of manufacturing processes; in processes that ensure zero-defects; in quick introduction of new products; in building flexible manufacturing lines; and in reducing conversion costs at all levels. Going forward, you will see us further intensify our efforts in these areas. Thus, while competitive pressures will continue, we do not expect it to seriously impact our margins.

Industrial paints — especially automotive coatings produced by Asian PPG Industries Limited — have been a growth area. Net sales of Asian PPG had increased by 27 per cent from Rs.1,235 million in 2002-03 to Rs.1,570 million in 2003-04. We see automotive coatings, powder coatings, road markings and floor coatings as future growth areas for the industrial coatings business.

Let me now move to international operations which, if you recall, got a fillip with our acquisition of Berger International Limited in November 2002 and SCIB Chemical of Egypt in December 2002. In the last one year, your Company has succeeded in creating a common vision and a shared business culture with the new units. We have provided key inputs to these companies. During the year we have integrated the supply chain, introduced new marketing initiatives and rationalised the cost structure and in short, we have created a scalable model for our international business. The turnaround of Berger International Limited, which for the first time in six financial years has reported profits, has been the greatest achievement of the year.

Today, the international business unit accounts for approximately a fifth of total sales of the Asian Paints group as a whole. Our international business is here to stay and to grow. The Company will review its international investments periodically and will not hesitate to restructure its portfolio where required.

Let me end by reiterating that your Company will be a more competitive force to reckon with in the future. The reduction in the growth rate of profits has strengthened our resolve to more aggressively leverage our brands, distribution skills, manufacturing efficiencies and leadership position to gain higher growth.

Your Company has truly dedicated employees at all levels and in various parts of the globe. With your good wishes, they will continue to deliver long term shareholder value.

With regards,

Yours sincerely,

Ashwin Choksi

Ashwin C. Choksi

Asian Paints (India) Ltd.
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The passion to seek
perfection. A unique
sense of purpose.
The undying courage
of conviction. The
acumen to convert
potential
into reality.

Net Sales and operating income for Asian Paints (India) Ltd. grew by 10.6 % from Rs.15,754.2 million (US \$ 357 million) in 2002-03 to Rs.17,424.6 million (US \$ 395 million) in 2003-04.

Net Profit increased by 2.9% from Rs. 1,433.7 million (US \$ 32.5 million) in 2002-03 to Rs.1,475.8 million (US \$ 33.4 million) in 2003-04.

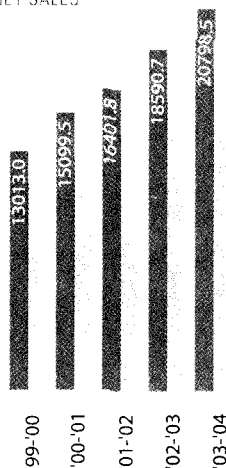
- **Free cash flows** increased from Rs. 743.5 million in 02-03 to Rs. 1,364.4 million in 2003-04.
- **Net working capital turnover** improves from 9.5 in 2002-03 to 13.3 in 2003-04.
- The Board of Directors have recommended payment of total dividend of **Rs. 8.5 per share (85%)** in 2003-04 on the enhanced equity capital of the company. The dividend payout ratio has increased from 53 per cent in 2002-03 to 62 per cent in 2003-04.
- **Return on capital employed (ROCE)** has increased from 36.5 per cent in 2002-03 to 37.4 per cent in 2003-04.
- **Interest outgo** reduced by 36.9% from Rs. 83.5 in 2002-03 to Rs. 52.7 million in 2003-04.
- Three paint plants of Asian Paints (India) Limited in their first year of audit were awarded the **'Sword of Honour'**, the highest recognition of safety standards by the British Safety Council.
- **Group sales** of Asian Paints crossed USD 500 million at Rs. 22,637.2 million (US \$ 513 million*).
- **Berger International Limited reported profits** for the first time in the last six financial years.

* 1 US \$ = Rs. 44.13 as on March 31, 2004

GROSS SALES & NET SALES

RS IN MILLIONS

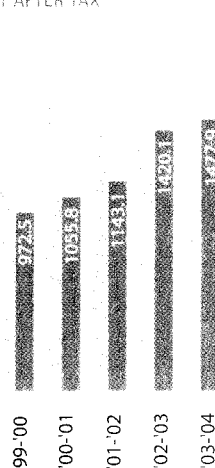
GROSS SALES
NET SALES



PROFIT BEFORE TAX & PROFIT AFTER TAX

RS IN MILLIONS

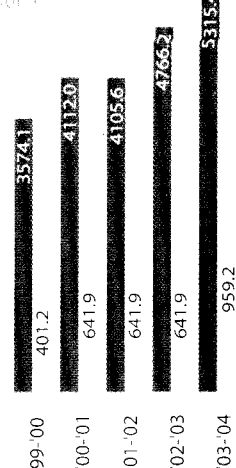
PROFIT BEFORE TAX
PROFIT AFTER TAX



NET WORTH & EQUITY

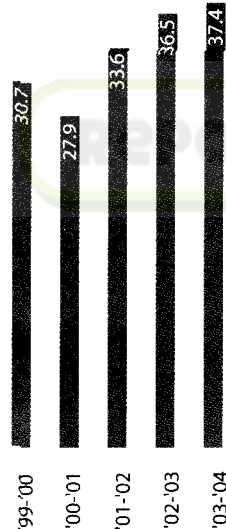
RS IN MILLIONS

NET WORTH
EQUITY



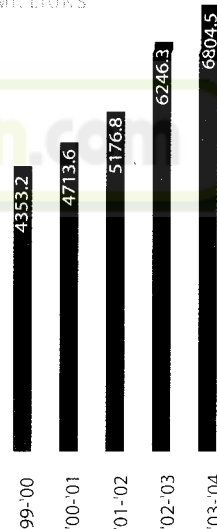
RETURN ON CAPITAL EMPLOYED

IN %



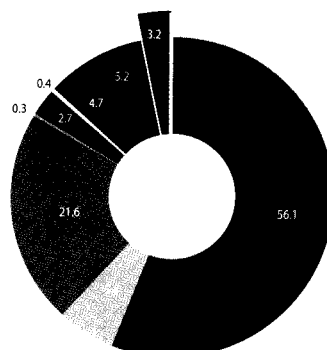
REVENUE TO EXCHEQUER

RS IN MILLIONS



DISTRIBUTION OF INCOME

IN %



- MATERIAL COST
- EMPLOYEE REMUNERATION
- OTHER EXPENDITURE
- INTEREST
- DEPRECIATION
- EXTRAORDINARY ITEM
- CORP. TAX & DEL. TAX
- DIVIDEND & DIV. TAX
- RETAINED EARNINGS