



**paints**

Asian Paints (India) Ltd.

annual report 2004-2005

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## *board of directors*

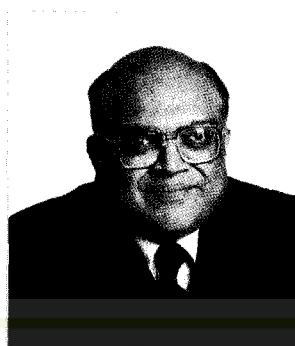
### *in remembrance*



Shri K. Rajagopalachari  
(10.1.1935 - 14.3.2005)  
*Leader, Philosopher and Mentor*



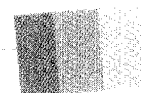
Ashwin C Choksi  
*Chairman*



Ashwin S Dani  
*Vice Chairman &  
Managing Director*



Abhay A Vakil  
*Managing Director*



Mahendra Choksi



Amar A Vakil



Hasit Dani

Report Junction.com



Ms. Tarjani Vakil



Dipankar Basu



Deepak M Satwalekar



R A Shah



Dr. S Sivaram



Mahendra M Shah

## *chairman's letter*

Dear Shareholders,

In the last year's annual report, I had spoken of our focus to become more proactive and aggressive in our efforts to gain market share, while steadily improving profits. The success of our efforts is reflected in the results for the year. While sales for the group grew by 15.4 per cent to Rs. 25,605 million, profit after tax and extraordinary item grew by 20.2 per cent to Rs. 1,741 million.

All the business units have performed well. The decorative business in India, which is the largest contributor to the group's revenue, has accomplished significant growth in the topline over the satisfactory performance seen in the previous year. The emphasis in the decorative business has been on sales growth and market share. Changing market dynamics and a keener competitive environment is fostering a transformation of the price-value equation across industries. Consumers benefit from such a shift; the reward for suppliers who move in step with this trend is access to a bigger market. Our strategy of striking a better alignment with the market on pricing and of coming out with new offerings in the economy segment is clearly paying off. Sale of distemper has moved up smartly after a long time, even as the performance of interior and exterior emulsions has remained strong.

Rising input costs, uncertainties in the implementation of the Value Added Tax system and ambiguities in the interpretation of rules and procedures associated with it have, to an extent impacted our performance. I see this as a passing phase. The introduction of VAT which was long overdue, is a step in the right direction and the economy will see its benefits as we move ahead. I hardly need to emphasise the advantages of such a unified system of taxation for a company like Asian Paints with a manufacturing and customer network spread across different states.



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Every adversity brings with it an opportunity. To off-set the impact of rising costs, economies were brought about in overhead expenses. The steps taken have helped reduce the pressure on margins and drive volume growth in the decorative business; they have also rendered us stronger and more competitive for the future.

A measure of our confidence in the emerging future is the investment that we are committing to new green field sites. For many years now, our philosophy has been to get more out of investments already made in our existing facilities in the country before looking at fresh expansion at new locations. The time is now ripe to make such investments that will, over time, alter our manufacturing footprint and enhance our capability in many ways.

Industrial coatings continue to be our fastest growing business: last year has seen yet another big stride with the business expanding by more than a third in size. Accelerating pace of industrialisation and rising investments in infrastructural projects will only increase the demand for quality industrial coatings. Dovetailing our organisational capability to mesh in with this emerging future is a strategic imperative that your Company is focused on. The Directors' Report speaks of the steps initiated in this direction.

The process of integration of our international acquisitions continues and we are beginning to feel the beneficial impact arising out of it. Sales of the international business crossed the 100 million US Dollar mark during the year. The task ahead is to improve profitability. International units will now be managed on a regional basis, with focus on building scale in the Middle East and South East Asia. The objective is to place Asian Paints amongst

the top three players in each market that it is present in, by harnessing the combined strengths of the group. The units in Malta and Mauritius which did not fit in our strategy matrix were divested during the year. We will continue to review our investments in other countries on an ongoing basis.

Though input costs remain a cause for concern in the near term, I am optimistic on the outlook for the current year. As always, our effort will be to realize the potential that our people and the resources at our command represent and stay focused on growing shareholder value.

I conclude by thanking my colleagues on the Board for their guidance, the employees for their dedication and other stakeholders for their continued support. I would also like to make a special mention of Mr. K. Rajagopalachari, whose demise in March this year ended a forty-six year long association with the Company. Well read in history and law, Mr. Rajagopalachari brought to bear his immense knowledge of both to shape strategy. His sense of professionalism, fair play, equity and personal values inspired colleagues and associates. Asian Paints will miss him.

With regards,

Yours sincerely,

Ashwin Choksi

Ashwin C. Choksi

# highlights

- Net Sales and Operating Income of Asian Paints (India) Ltd. grew by 14.4% from Rs. 16,966 million (US \$ 388 million\*) in 2003-04 to Rs. 19,415 million (US \$ 444 million) in 2004-05.
- Net Profit increased by 17.4% from Rs. 1,478 million (US \$ 34 million) in 2003-04 to Rs. 1,735 million (US \$ 40 million) in 2004-05.
- The Board of Directors have recommended dividend of 95% for the year 2004-05 with a payout ratio of 60%.
- Return on Average Net Worth has increased from 29.3% in 2003-04 to 31.4 % in 2004-05.
- State of the art emulsion paint manufacturing facility commissioned at Sriperumbudur near Chennai.

## Group :

- Net Sales and Operating Income for the group grew by 15.4% from Rs. 22,179 million (US \$ 507 million) in 2003-04 to Rs. 25,605 million (US \$ 585 million) in 2004-05.
- Net Profit to shareholders after minority share grew by 20.2% from Rs. 1,449 million (US \$ 33 million) in 2003-04 to Rs. 1,741 million (US \$ 40 million) in 2004-05.
- The revenue of Berger International Limited has increased by 10.9%. SCIB Chemical, Egypt has reported a profit for the first time after its acquisition in 2002.
- International business sales crossed US \$ 100 million.

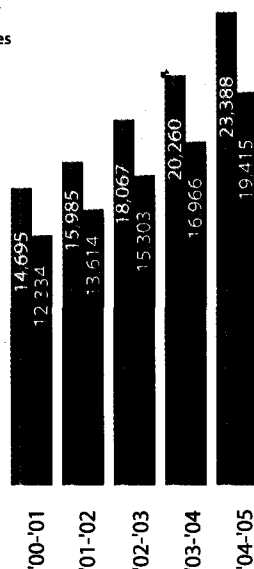
\*1 US \$ = Rs. 43.75 as on March 31, 2005



## GROSS SALES &amp; NET SALES

Rs. in Millions

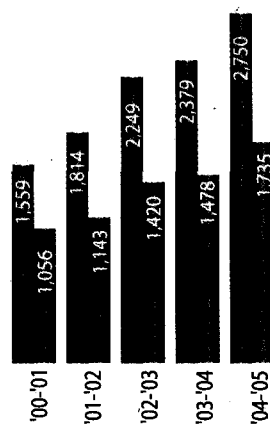
■ Gross Sales  
■ Net Sales



## PROFIT BEFORE TAX &amp; PROFIT AFTER TAX

Rs. in Millions

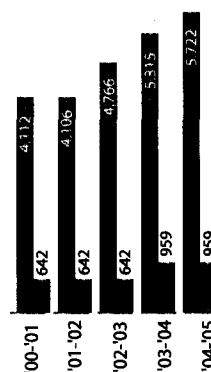
■ Profit Before Tax Before EOI  
■ Profit After Tax



## NET WORTH &amp; SHARE CAPITAL

Rs. in Millions

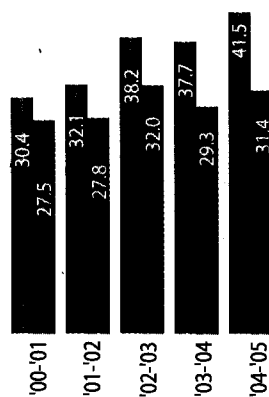
■ Net Worth  
■ Share Capital



## RETURN ON CAPITAL EMPLOYED &amp; RETURN ON NET WORTH

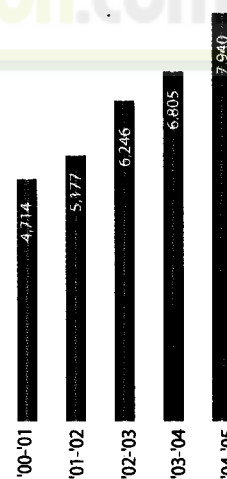
In %

■ Return on Capital Employed  
■ Return on Net Worth



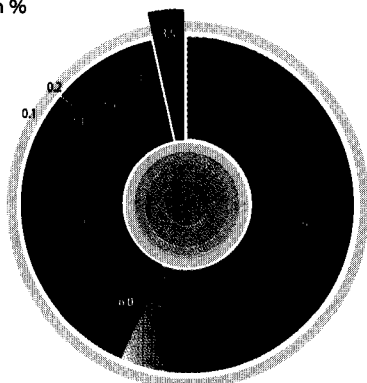
## REVENUE TO EXCHEQUER

Rs. in Millions



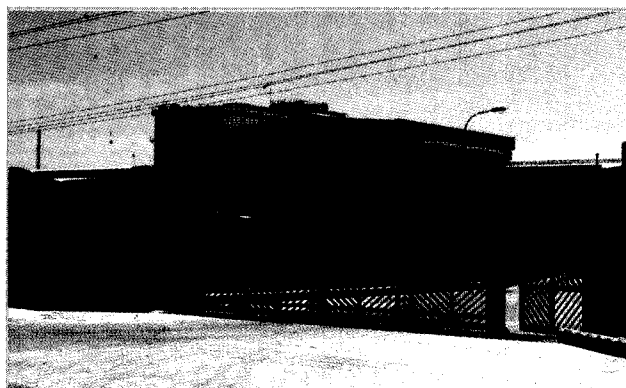
## DISTRIBUTION OF INCOME

In %



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

## *new capacity*



Report

Asian Paints' new paint plant at Sriperumbudur, near Chennai in the State of Tamil Nadu commenced production on January 20, 2005. It is located at SIPCOT (State Industrial Promotion Corporation of Tamil Nadu) Industrial Park, Sriperumbudur. This state-of-the-art plant, erected in record time, has been established to manufacture emulsion paints alone with an initial capacity of 30,000 KL per annum. This is Asian Paints' fifth paint plant in India.

The capacity will be raised to 1,00,000 KL per annum making it a world scale facility. A rapid ramp-up of production is planned to keep up with the increased demand for emulsion paints.

