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Annual Report 2009-2010



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Asian Paints Limited, 6A, Shantinagar, Santacruz (East), Mumbai - 400 055.

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At Asian Paints, colours are a lot more than reds, blues and greens. Colours can create a mood either by their absence or by their abundance. Colours can invigorate people's homes and their lives itself. At Asian Paints, we celebrate colour.



Board of Directors

ASHWIN CHOKSI
Chairman

ASHWIN DANI
Vice Chairman

ABHAY VAKIL

P. M. MURTY
Managing Director & CEO

MAHENDRA CHOKSI
AMAR VAKIL
HASIT DANI*
Ms. TARJANI VAKIL
DIPANKAR BASU
MAHENDRA SHAH
DEEPAK SATWALEKAR
R.A. SHAH
DR. S. SIVARAM
S. RAMADORAI**

Company Secretary

JAYESH MERCHANT

Audit Committee

Ms. TARJANI VAKIL
Chairperson

MAHENDRA SHAH
DIPANKAR BASU

Shareholders / Investors Grievance Committee

MAHENDRA SHAH
Chairman

ABHAY VAKIL
P. M. MURTY
MAHENDRA CHOKSI
HASIT DANI*

Remuneration Committee

DIPANKAR BASU
Chairman

Ms. TARJANI VAKIL
DEEPAK SATWALEKAR

Share Transfer Committee

ABHAY VAKIL
Chairman

ASHWIN CHOKSI
ASHWIN DANI
JAYESH MERCHANT

Auditors

SHAH & CO.
Chartered Accountants

B S R & ASSOCIATES
Chartered Accountants

* Resigned w.e.f. 3rd June, 2010

** Appointed as an Additional Director w.e.f. 16th September, 2009

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Directors


ASHWIN CHOKSI


ASHWIN DANI


ABHAY VAKIL


P.M. MURTY


MAHENDRA CHOKSI


AMAR VAKIL


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DIPANKAR BASU


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DEEPAK SATWALEKAR


R.A. SHAH


DR. S. SIVARAM


S. RAMADORAI

Chairman's Letter



Dear Shareholders,

'True success can be defined by one's ability to adapt to changing circumstances.'

The events during the past financial year have once again underlined the fact that the environment is very unpredictable and the challenge for the Company's management is to adapt to this reality. We have to develop the capability to manage the ever changing environment and have the flexibility to take advantage of the opportunities as they emerge and deal effectively with new risks. The year 2009-10 began on a somber note with the prospects for most economies looking very bleak; however, the series of aggressive measures by Governments and Central Banks across the globe led to improved financial conditions and fears of a large scale global depression abated. Although, the extent of improvement has varied across the globe, emerging economies like India saw a smart bounce back with a surge in optimism and confidence.

Your Company has been able to respond to the challenges of this dynamic business environment, seize every opportunity and come out trumps – this is clearly reflected in our financial performance during the year.

Our Decorative business achieved remarkable growth due to strong demand witnessed across segments and geographies in the country. As demand for our products boomed especially in smaller towns, we responded effectively by gearing up the organization. During the year, we continued to focus on building strengths and capabilities for the future with renewed emphasis on customer satisfaction, product mix improvement and dealer network expansion. A lot of our energies in the recent past have been directed towards aligning our processes and people towards customer centricity and continuously upgrading our products. The emphasis has been to build a culture within the organization that strives to create an emotional connect with the consumers by understanding their ever changing needs and delivering a superior painting and decor experience.

Anticipating continued buoyancy in demand, your Company commissioned its new paint manufacturing facility at Rohtak, Haryana in April 2010, with an initial capacity of 150,000 KL per annum. Further, the capacity of the Sriperumbudur Plant in Tamil Nadu has been increased to 140,000 KL per annum. Your company has acquired land for setting up its next paint plant at Kesurdi in the Satara District of Maharashtra; the first phase of which will be commissioned by the end of 2012-13.

The business had margin expansion during the last year; indeed, margins were at an all time high. This was largely due to benign raw material prices and the appreciating Rupee. However, I must bring to your attention that since the beginning of the financial year 2010-11, we have already been witnessing a spurt in raw material prices and volatility in exchange rates. Availability of some key raw materials is also a cause of worry. Hence, our assessment is that the high margins seen in financial year 2009-10 are not sustainable going forward.

Industrial activity in the country, gripped by the slowdown in the first half, witnessed a revival in the latter part of the year and sales of our industrial coatings business also picked up. Leading this revival were the automotive and consumer durable segments which witnessed good demand. Your Company is well poised to capture the emerging opportunities that lies ahead in this segment, given the large spend on infrastructure and industrial activity that is bound to ensue in India in the coming years.

While the Indian economy fared well and quickly resumed its growth trajectory, it was a mixed bag for countries where our international subsidiaries operate. Some of those economies were still

grappling with the after-effects of the global meltdown. Defying the odds were our units in Egypt, Bangladesh and Nepal, which did exceedingly well in spite of the challenging circumstances. Some other subsidiaries faced very challenging times – notably our units in UAE and the Caribbean region. For the first time, the International Business Unit recorded a Profit Before Tax (PBT) of more than Rs. 100 crores in a calendar year. The business unit is now well positioned to capitalize on the future, having consolidated its operations after divesting its loss making units in Thailand, Malaysia, Hong Kong and China.

India is in the process of an economic transformation. It may not be a continuous and smooth surge forward, but the direction is unmistakable. The focus on infrastructure, education and healthcare would be critical in meeting the objective of equitable distribution of growth and would provide an impetus to a sustained growth trajectory. It is imperative that as a nation we recognize that we need to deal imaginatively with this as well as issues around water, energy and environmental degradation. In many parts of the country these have already reached crisis proportions.

In this regard, the role of corporates in shouldering social responsibility is also critical. Asian Paints has been committed towards undertaking initiatives in the areas of Health Care, Environment and Education as a part of its Corporate Social Responsibility (CSR) programme. We will continue to raise the bar of our CSR initiatives in an effort to give back to the society a part of what we have received in terms of support and goodwill.

As I stated earlier, today the business environment is becoming more and more complex, dynamic and uncertain. Just when the fears of global recession were receding, the fragility of the South European economies has again started raising concerns about the sustainability of the recovery process.

But these are developments that we have little control over. What we can control, are our actions. Like all well managed companies, we need to anticipate change and be flexible enough to adapt ourselves to the dynamic environment. What gives us confidence is the support of all our stakeholders, specially the ability of our immensely talented pool of people, who have time and again proved their mettle to provide us the competitive edge.

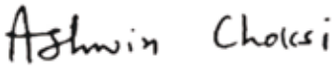
The goodwill that Asian Paints enjoys with all its stakeholders is a result of the enduring relationships that it has been able to build on the bedrock of strong values and trust. The Company's essential character revolves around values based on transparency, integrity, professionalism and accountability. Asian Paints has always followed the highest standards of corporate governance by benchmarking its practices with the best in the world. For us good governance goes beyond mere compliance to law of the land to proactively taking measures to raise existing standards. As we strive to keep pace with growth opportunities in India and abroad, you can be sure that we shall continually update and strengthen our governance structures and systems and pay particular attention to Risk Management Systems.

Asian Paints today stands in an enviable position because of its strengths built up over the decades. We will build on these strengths and continue to sustain the growth momentum by being innovative and agile, without compromising on our ethical values and social responsibilities. We are well placed to take advantage of the opportunities that the growth in the country will provide.

I conclude by thanking my colleagues on the Board for their continued support and guidance. Last but not the least, I thank you all for your continued support.

Warm regards,

Yours sincerely,



Ashwin Choksi

Ten Year Review (Standalone)

(Rs. in Crores except for per share data, number of employees and ratios)

RESULTS FOR THE FINANCIAL YEAR	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Revenue Account										
Gross Sales	5,753.5	5,003.4	4,062.8	3,360.7	2,777.4	2,338.8	2,025.9	1,806.7	1,598.5	1,469.5
Net Sales and Operating Income	5,125.1	4,270.1	3,419.1	2,821.3	2,319.2	1,954.6	1,696.1	1,535.0	1,371.4	1,233.3
Growth Rates (%)	20.02	24.89	21.19	21.65	18.65	15.24	10.49	11.93	11.20	13.18
Materials Cost	2,840.2	2,606.9	1,956.1	1,660.7	1,351.7	1,128.4	943.6	807.1	727.5	661.2
% to Net Sales	55.42	61.05	57.21	58.86	58.29	57.73	55.63	52.58	53.04	53.61
Overheads	1,274.8	1,101.8	906.0	738.8	615.5	532.3	483.0	458.8	417.7	369.9
% to Net sales	24.87	25.80	26.52	26.19	26.54	27.24	28.47	29.89	30.46	29.99
Operating Profit	1,153.8	621.3	616.6	462.2	387.9	325.4	291.2	281.7	240.8	211.5
Interest Charges	13.8	10.4	8.3	6.9	3.8	2.8	5.3	8.4	14.6	22.1
Depreciation	60.7	57.2	43.8	45.4	45.5	47.6	48.0	48.5	44.8	33.5
Profit Before Tax and Exceptional items	1,079.4	553.8	564.5	409.9	338.5	275.0	237.9	224.9	181.4	155.9
% to Net Sales	21.06	12.97	16.53	14.53	14.60	14.07	14.02	14.65	13.23	12.64
Growth Rates (%)	94.90	(1.91)	37.72	21.10	23.07	15.59	5.82	23.95	16.37	8.95
Exceptional items	25.46	(5.90)	-	-	(33.6)	(4.2)	(6.8)	-	-	-
Profit Before Tax and after Exceptional items	1104.8	547.9	564.5	409.9	304.9	270.8	231.1	224.9	181.4	155.9
% to Net Sales	21.56	12.83	16.53	14.53	13.15	13.85	13.62	14.65	13.23	12.64
Profit After Tax	774.5	362.4	375.2	272.0	186.8	173.5	147.8	142.0	114.3	105.6
Return on average net worth (RONW) (%)	56.38	35.82	44.86	39.82	31.27	31.43	29.32	32.01	27.82	27.47
Capital Account										
Share Capital	95.9	95.9	95.9	95.9	95.9	95.9	95.9	64.2	64.2	64.2
Reserves and Surplus	1,461.3	998.6	832.6	648.2	526.4	476.3	435.6	412.4	346.4	347.0
Deferred Tax Liability (Net)	47.9	47.9	31.5	22.1	28.5	30.5	48.7	58.2	61.2	-
Loan Funds	68.6	74.5	94.7	125.7	91.1	88.2	70.5	103.6	110.8	226.8
Fixed Assets	1,088.2	711.8	539.2	346.5	324.7	319.5	344.4	366.2	389.5	380.5
Investments	703.7	234.8	422.9	334.4	274.6	258.4	242.5	147.7	63.3	44.1
Net Current Assets	(118.2)	270.4	92.6	211.0	142.6	113.1	63.8	124.46	129.7	213.5
Debt-Equity Ratio	0.04: 1	0.07: 1	0.09: 1	0.17: 1	0.15:1	0.15: 1	0.13: 1	0.22:1	0.27:1	0.55:1
Market Capitalisation	19,592.6	7,539.3	11,509.9	7,335.9	6,177.7	3,751.4	2,913.6	2,118.8	2,105.6	1,580.3
Per Share Data										
Earnings Per Share (EPS) (Rs.)	* 80.74	* 37.78	39.1	28.4	* 19.5	* 18.1	* #15.4	#14.8	# 11.9	# 11.0
Dividend (%)	270.0	175.0	170.0	130.0	@ 125.0	95.0	$ 85.0	110.0	90.0	$ 70.0
Book Value (Rs.)	162.34	114.1	96.8	77.6	64.9	59.7	$ 55.4	74.3	64.0	$ 64.1
Other Information										
Number of Employees	4,382	4,260	3,924	3,868	3,681	3,550	3,356	3,327	3,188	3,197

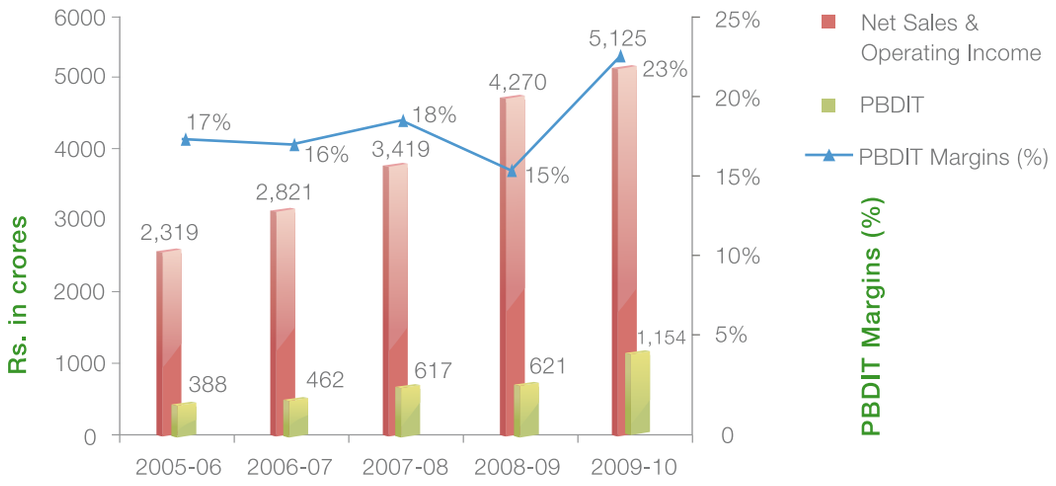
* EPS calculated on Net Profit after exceptional items

\# EPS is calculated after adjusting for Bonus issue and the reduction of capital on account of merger of Pentasia Investments Limited

$ On increased capital

Performance Highlights

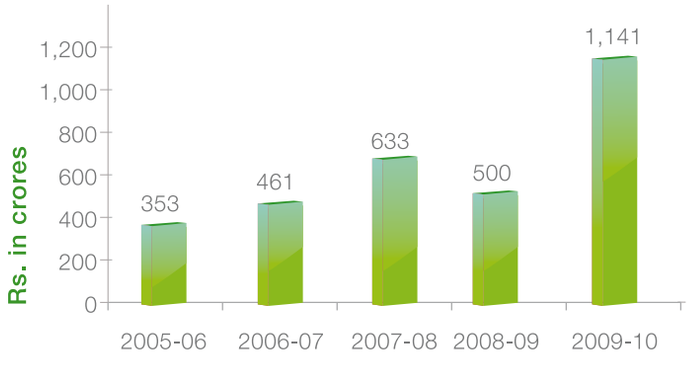
Net Sales & Operating Income, PBDIT & PBDIT Margins (%)



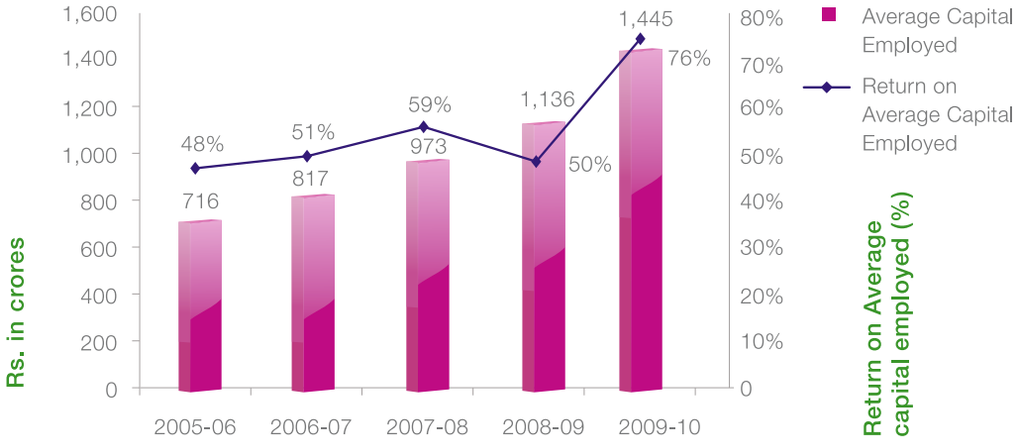
Profit Before Tax & Profit After Tax



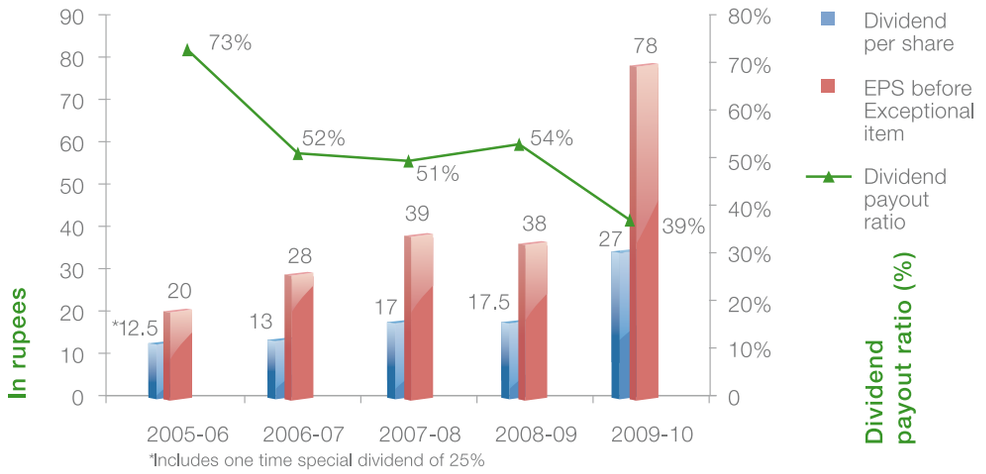
Net Cash Generated from Operations



Average Capital Employed and Return on Average Capital Employed

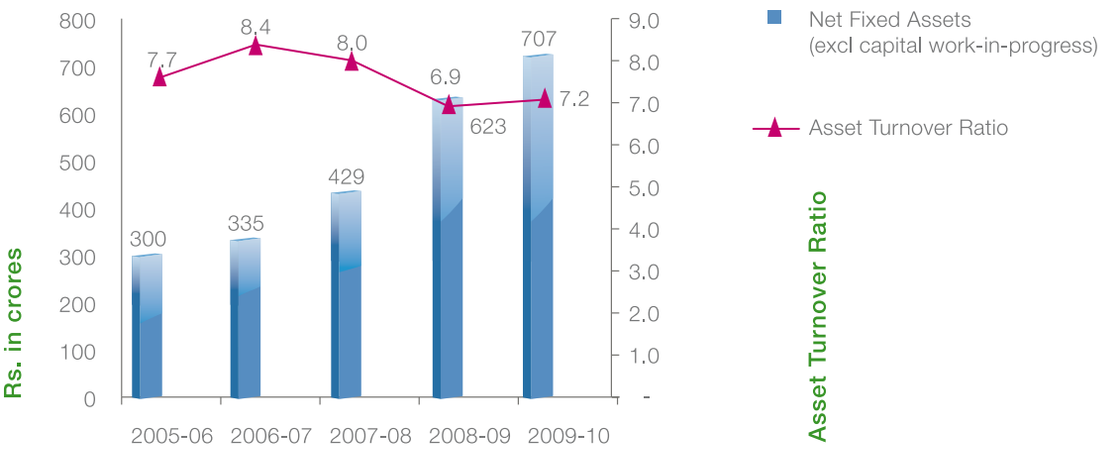


Dividend per share, Earnings per share and Dividend pay-out ratio

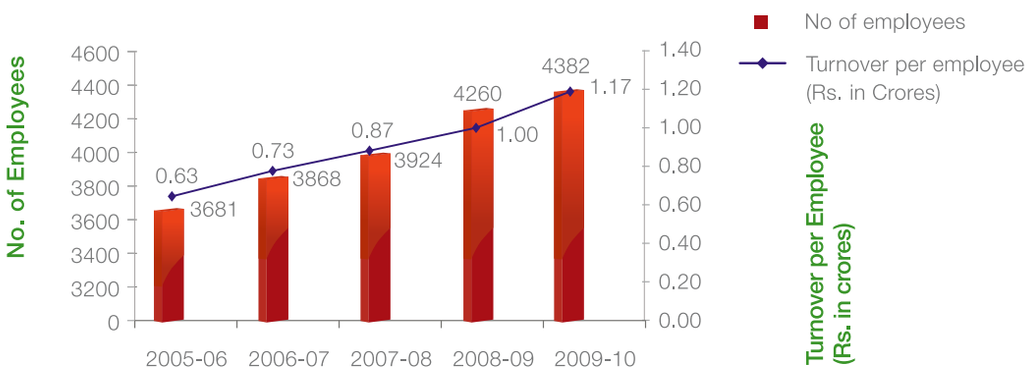


*Includes one time special dividend of 25%

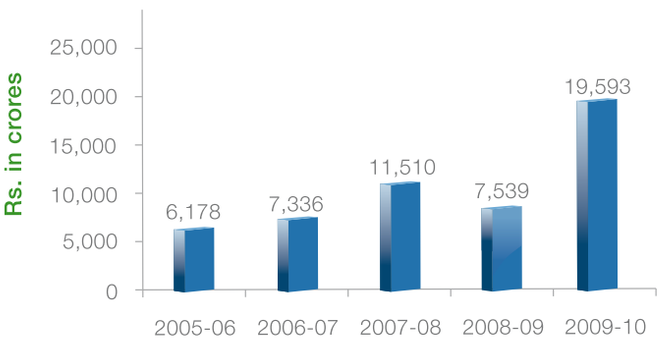
Fixed Assets and Asset Turnover Ratio



Employees at the year end and Turnover per Employee



Market Capitalisation



Percentage sales contribution of each region to overall international operations

