



YEARS OF EXCELLENCE

**75 Years of Partnering
Beautiful Homes**

Annual Report 2016-17

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Board of Directors



Ashwin Choksi
Chairman



Ashwin Dani
Vice Chairman



Abhay Vakil
Non-Executive Director



K.B.S. Anand
Managing Director & CEO



Mahendra Choksi
Non-Executive Director



Malav Dani
Non-Executive Director



Amrita Vakil
Non-Executive Director



Dipankar Basu
Independent Director
(upto 1st January, 2017)



Deepak Satwalekar
Independent Director



Dr. S. Sivaram
Independent Director



Mahendra Shah
Independent Director



S. Ramadorai
Independent Director



M.K. Sharma
Independent Director



Vibha Paul Rishi
Independent Director



R Seshasayee
Additional Director
(Independent)
(w.e.f. 23rd January, 2017)

Company Secretary

Jayesh Merchant

Executive Council Members

K.B.S. Anand
Managing Director & CEO

Amit Syngle
President - Sales & Marketing,
R&T and Home Improvement

Manish Choksi
President - International Business Unit,
IT, Supply Chain and Chemicals

Jayesh Merchant
CFO & Company Secretary,
President - Industrial JVs

Auditors

B S R & Co. LLP
Chartered Accountants

Deloitte Haskins & Sells LLP
Chartered Accountants



Chairman's Letter



**The Company
leads with the
vision of being the
forerunner of inspiring
décor & partnering
with consumers in
transforming their
living spaces**

Dear Shareholders,

The one characteristic that has defined the global economy over the last decade or so, is “uncertainty” – uncertainty that has brought its share of challenges and opportunities. The year 2016-17 had its share of uncertainty which affected the performance of the Company, both domestically as well as in the international markets where the Company operates. Let me take this opportunity to take you through the key highlights of the Company's performance during the financial year 2016-17.

The single biggest event that left its mark on each and every sector of the domestic economy was “demonetisation”. Coming at a time when the economy was just beginning to look up, the Central Government's decision to demonetise almost 86% of the currency notes in circulation, caused severe cash shortage in the domestic economy, which prefers cash as the mode of payments, even today. This cash shortage led to a strain on the consumption demand and business activity for a greater part of

the second half of the year. Stressed loans plaguing the banking sector and the stretched corporate balance sheets continued to be a drag on capital investments, which have remained much below the trends over the past few years. Low inflation and a largely accommodative monetary policy, though, provided support in an otherwise difficult growth environment. On the global front, the Brexit vote and the surprise election outcome in US, further underlined the uncertainty that persists across the markets. While such events might appear to have limited direct consequences for our domestic economy, the inter-linkages of global trade and financial markets mean that no economy is totally insulated. The large capital flight away from emerging markets, including India, in the aftermath of the US election results on the hopes of strong pro-US growth policy rollouts by the new US dispensation and the subsequent swift and massive reversal back into the emerging markets towards the close of the financial year, highlight the fickleness of today's uncertain times.

Against this uncertain backdrop and the demonetisation move right after the festive season, the Company has managed to register good growth in the domestic market. The Company had a strong focus on consumer upgradation thereby improving the product mix and also continued to work on expanding its product portfolio. The Company leads with the vision of being the forerunner of inspiring décor & partnering with consumers in transforming their living spaces. The Company is looking at scaling up its flagship AP Homes store concept which was launched at Coimbatore last year. AP Homes is a multi-category décor store where a consumer can avail an integrated décor consultancy across categories ranging from paints, bath fittings, kitchen, sanitary ware, wallpapers, furniture, etc. The Company also launched www.beautifulhomes.com – an online décor magazine that will feature inspirational Indian homes and workspaces, practical décor tips, accessible design ideas and Do It Yourself (DIY) guides to further support the décor needs of the consumers. These initiatives would help drive differentiation and enhance the leadership position of the Company in the domestic market.

With the vision of being a complete décor solutions provider, the Company had forayed in the Home Improvement segment with investments in the Kitchen and Bath business. While demand conditions in both these businesses were impacted due to demonetisation and slowdown in real estate and construction arena, the Company has taken steps to improve its capability to drive these businesses over the coming years.

The Company's two joint ventures with PPG Industries Inc, USA in the Industrial and Automotive coatings segments fared well during the year. Profitability of these businesses improved on the back of favourable raw material prices and aided by better sourcing and localisation strategies.

In the international operations, some of the key markets faced challenging business conditions due to the subdued economic environment in those countries. However, most of our units in those countries managed to tide over the challenges and delivered strong performance. The Company started commercial operations in Indonesia through tie-ups with business partners and is also working on completing the setting up of its own manufacturing facility with an initial capacity of 5,000 KL per annum. The Company has recently acquired 100% stake in Causeway Paints Lanka (Pvt) Ltd., Sri Lanka – a leading player in the Sri Lankan coatings market and this would help it further strengthen its international footprint.

While the Company weathered its way through the uncertain environment, it continued to drive its commitment on social responsibility agenda in areas like Education, Health & Hygiene

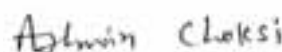
and Water Management. Lot of work has been undertaken at the manufacturing facilities in the area of environmental sustainability like achieving water-neutrality by investing in community rainwater harvesting structures, reducing non-process fresh water consumption and reducing trade-effluent and waste generation. During the year, the Company made further investments in renewable energy to reduce its carbon footprint and drive sustainability. Almost 22% of the power requirement at the manufacturing facilities is being met through renewable energy sources.

The new accounting standards – Ind AS, have become effective from 1st April, 2016 and the financial statements presented in this Annual Report comply with these new accounting standards. The Company has further strengthened its internal controls and governance framework by rolling out a comprehensive compliance requirement guideline to its international subsidiaries. As always, the Company strives to enhance its internal controls and governance standards as a matter of ethical responsibility to all its stakeholders and not merely as a regulatory requirement.

The new financial year has started on an encouraging note with the Government seen keenly pushing the implementation of the Goods and Services Tax (GST) from the second quarter of the financial year. GST is being looked at as the single biggest indirect tax reform and is poised to push India's economic growth forward by creating a single national market and enhancing the efficiency of inter-state movement of goods and services. However, given the wide scale of implementation, it is likely to cause some disruptions in the initial period and the Company will have to face this hurdle as it adapts to this new landscape. The initial forecasts on monsoon are also encouraging and this gives hope for a strong consumption demand from the rural segment. On the other hand, raw material prices have moved up significantly over the last few quarters putting pressure on margins. In the International markets, political stability in key markets of Egypt, Bangladesh and Nepal would be the key for sustained performance.

As we move forward, the vagaries of uncertain environment would continue to confront all the businesses. The Company is confident of navigating these uncertainties and would continue to invest in its capabilities to understand and deliver offerings to satisfy the consumer needs in our quest to deliver sustainable long-term performance. I take this opportunity to thank all our stakeholders for the faith reposed in the Company and look forward to your continued support in this journey.

Yours truly,



Ashwin Choksi



75 Years of Partnering Beautiful Homes



1942

Four Visionaries

Shri Arvind Vakil, Shri Champaklal Choksey, Shri Suryakant Dani & Shri Chimanlal Choksi begin paint manufacturing in a garage in Mumbai (Maharashtra).



1945

Company Formation

Formation of Asian Oil and Paint Co. (India) Ltd.



1954

Friendly Mascot

R K Laxman creates 'Gattu' who went on to become one of the nation's favourite mascots.



1958

First of the lot

First paint manufacturing facility commissioned at Bhandup (Mumbai, Maharashtra).



1970

Goes Digital

Introduction of MIS.



1967

Market Leader

Emerges as India's leading paint company.



1978

Passport Time

Lays foundation for its first overseas venture in Fiji.



1981

Expanding Manufacturing Footprint

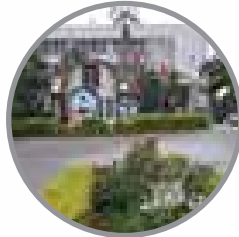
Second paint manufacturing facility commissioned at Ankleshwar (Gujarat).



1982

IPO

The Company went Public in India.



1985

Expanding Manufacturing Footprint

Third paint manufacturing facility commissioned at Patancheru (Andhra Pradesh - now Telangana).



1987

Backward integration

Phthalic Anhydride plant at Ankleshwar (Gujarat).



1990

Expanding Manufacturing Footprint

Fourth paint manufacturing facility commissioned at Kasna (Uttar Pradesh).



1997

A Solid Venture

50:50 JV with PPG Industries Inc., USA for automotive coatings in India.



1998

Choice of Colours

Launch of Colour World in the Indian market.



1999

Sri Lanka Calling

First overseas acquisition - Delmege Paints Lanka (now known as Asian Paints Lanka).



1984

Backward integration

Pentaerythritol plant at Cuddalore (Tamil Nadu).



2001

ERP & SCM

Integration of ERP from SAP and SCM from i2 solutions.



2002

New Look

Unveils new visual identity.



2007

Expanding Manufacturing Footprint

Commissioned Industrial coatings manufacturing facility at Taloja (Maharashtra).



2010

Expanding Manufacturing Footprint

Sixth paint manufacturing facility commissioned at Rohtak (Haryana).



2008

It's all about Colour

First signature store 'Colour with Asian Paints' at Mumbai (Maharashtra).



2008

Renewing R&D Focus

New Research & Technology Centre at Turbhe (Navi Mumbai, Maharashtra).



2000

Expert Solutions

Launch of 'Home Solutions' - the painting service brand.



2002

Spreading Wings

Acquires Berger International Limited, Singapore with operations in Middle East, Asia and the Caribbean Islands.

&

Acquires SCIB Chemicals S.A.E in Egypt.



2005

Expanding Manufacturing Footprint

Fifth paint manufacturing facility commissioned at Sriperumbudur (Tamil Nadu).

**2012****Strengthening Ties**

Second 50:50 JV with PPG Industries Inc., USA for Industrial Coatings in India.

**2013****Expanding Manufacturing Footprint**

Seventh paint manufacturing facility commissioned at Khandala (Maharashtra).

**2013****Enters Kitchen space**

Acquires 51% stake in Sleek International Pvt Ltd.

**2016****Décor Solutions**

Opens "AP Homes" in Coimbatore - a one stop solution for integrated décor consultation and products.

**2015****Overseas Expansion**

Acquires 51% stake in Kadisco Paint and Adhesive Industry Share Company, Ethiopia.

**2014****Enters Bath fittings space**

Acquires the front end sales business of Ess Ess Bathroom Products Pvt. Ltd.

**2012****New Look**

Unveils new brand identity.

**2017****Overseas Expansion**

Acquires 100% stake in Causeway Paints Lanka (Pvt) Ltd. in Sri Lanka.





Ten Year Review - Standalone

(₹ in Crores except per share data, numbers of employees, numbers of shareholders and ratios)

RESULTS FOR THE FINANCIAL YEAR	2016-2017**	2015-2016**	2014-2015^	2013-2014^	2012-2013^	2011-2012^	2010-2011^	2009-2010	2008-2009	2007-2008
INCOME STATEMENT										
Gross Revenue	15,997.5	14,774.4	13,483.8	12,042.6	10,405.0	9,064.3	7,202.0	5,753.5	5,003.4	4,062.8
Revenue from Operations	14,360.4	13,332.2	11,648.8	10,418.8	8,960.1	7,964.2	6,336.1	5,134.1	4,278.7	3,426.5
Growth Rates (%)	7.7	14.5	11.8	16.3	12.5	25.7	23.4	20.0	24.9	21.2
Materials Cost	8,581.7	8,086.7	6,439.8	5,940.0	5,163.4	4,746.3	3,646.9	2,840.2	2,606.9	1,956.1
% to Revenue from Operations	59.8	60.7	55.3	57.0	57.6	59.6	57.6	55.3	60.9	57.1
Overheads	3,107.3	2,768.5	3,198.5	2,701.6	2,249.4	1,866.1	1,532.0	1,275.0	1,103.8	908.0
% to Revenue from Operations	21.6	20.8	27.5	25.9	25.1	23.4	24.2	24.8	25.8	26.5
Operating Profit (EBITDA)	2,972.3	2,726.4	2,197.3	1,950.9	1,673.4	1,493.2	1,232.2	1,153.7	619.4	615.2
Finance Costs	18.9	23.4	27.1	26.1	30.6	30.8	15.4	13.8	10.4	8.3
Depreciation	295.4	234.5	223.1	212.3	127.0	99.5	94.5	60.7	57.2	43.8
Profit Before Tax and Exceptional Items	2,658.1	2,468.5	1,947.1	1,712.5	1,515.9	1,362.9	1,122.3	1,079.2	551.8	563.2
% to Revenue from Operations	18.5	18.5	16.7	16.4	16.9	17.1	17.7	21.0	12.9	16.4
Growth Rates (%)	7.7	26.8	13.7	13.0	11.2	21.4	4.0	95.6	(2.0)	36.7
Exceptional Item	-	(65.4)	(13.5)	(9.9)	-	-	-	25.5	(5.9)	-
Profit Before Tax and after Exceptional Items	2,658.1	2,403.1	1,933.6	1,702.6	1,515.9	1,362.9	1,122.3	1,104.7	545.9	563.2
% to Revenue from Operations	18.5	18.0	16.6	16.3	16.9	17.1	17.7	21.5	12.8	16.4
Profit After Tax	1,803.1	1,622.8	1,327.4	1,169.1	1,050.0	958.4	775.2	774.5	362.4	375.2
Return on average capital employed (ROCE) (%)	41.4	45.0	49.9	51.7	54.0	59.3	62.1	78.2	51.3	60.5
Return on average net worth (RONW) (%)	28.0	29.5	33.9	35.3	38.1	42.9	43.9	58.4	35.8	44.9
BALANCE SHEET										
Share Capital	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9
Other Equity	6,855.1	5,829.8	4,134.3	3,505.0	2,926.3	2,391.9	1,879.4	1,461.3	998.6	832.6
Deferred Tax Liability (Net)	261.2	217.2	167.8	177.1	143.3	80.8	75.5	47.9	47.9	31.5
Borrowings	17.08	37.99	39.6	47.7	54.1	168.2	65.7	68.6	74.5	94.7
Property, Plant and Equipment, Goodwill & Other Intangible Assets	2,824.4	2,721.8	2,105.0	2,050.2	2,154.4	1,611.9	1,096.9	1,088.2	711.8	539.2
Investments	2,770.0	2,796.6	1,893.8	1,671.2	872.5	913.8	1,034.8	703.7	234.8	422.9
Debt-Equity Ratio	0.002:1	0.01:1	0.01:1	0.01:1	0.02:1	0.07:1	0.03:1	0.04:1	0.07:1	0.09:1
Market Capitalisation	1,02,970	83,297	77,820	52,559	47,139	31,056	24,238	19,593	7,539	11,510
PER SHARE DATA										
Earnings Per Share (EPS) (₹) #	18.8	*16.9	*13.8	*12.2	10.9	10.0	8.1	*8.1	*3.8	3.9
Dividend (%)	1,030	750.0	610.0	530.0	460.0	400.0	320.0	270.0	175.0	170.0
Book Value (₹)	72.5	61.8	44.1	37.5	31.5	25.9	20.6	16.2	11.4	9.7
OTHER INFORMATION										
Number of Employees	6,156	6,067	5,897	5,555	5,236	4,937	4,640	4,382	4,260	3,924
Number of Shareholders	2,02,988	1,65,986	1,47,143	87,997	54,813	60,537	59,280	48,290	49,074	47,573

* EPS calculated on Net Profit after Exceptional Items.

With effect from 1st August, 2013, face value of the Company's equity share has been subdivided from ₹ 10 per equity share to ₹ 1 per equity share and accordingly the EPS and book value for all comparative periods have been restated.

^ Figures have been regrouped as per Revised Schedule VI to the Companies Act, 1956. Hence these numbers are not comparable with previous years.

** Figures for these years are as per new accounting standards (Ind AS) and Schedule III of Companies Act, 2013. ROCE and RONW for these years are computed on the basis of figures as per Ind AS. Hence these numbers are not comparable with previous years.