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asian paints
(India) Limited

annual report 1999-2000

Dear Shareholder,

Asian Paints has by far been the leader in the decoratives segment of the Indian paints business for decades now. As a Company, we conduct our business in a wide variety of social and business cultures across the country and abroad. We have over the years evolved a few key business principles and a critical pathway that has led us to success. These have found expression in the many earlier letters of the Chairman but can bear reiteration :

1. **Make a common cause with the customer to provide the Company an edge and secure foundation of sustained growth;**
2. **Ploughback substantial amounts out of the distributable surplus to augment growth of the Company;**
3. **Sustain a symbiotic agenda between entrepreneurs and professional managers for value generation and good governance;**
4. **Integrate individual creativity in the process of collective action;**
5. **Initiate change and manage the transition with wisdom, vision and flair;**
6. **Man the top with men possessing the inspiring gift that enables them to choose the right from amongst the alternatives and give others the faith that it is right;**
7. **Inculcate and sustain transparency and openness in management.**

The cover pages of the Annual Reports of the past have sought to portray these themes. This cover reflects the summary as our chosen pathway of seven steps to success.

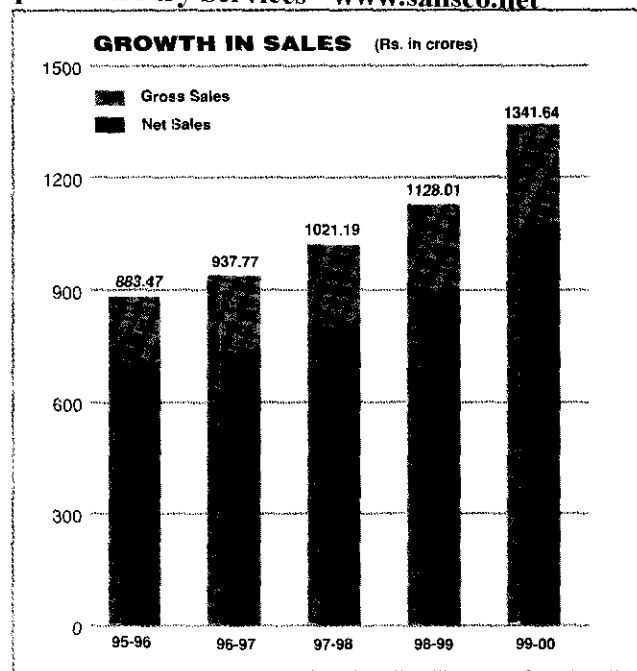
Herein I may emphasise that what limits our performance is our limiting perception of our capabilities - 'giants who believe they are dwarfs' - as suggested by someone. These safe limiting beliefs need to be challenged to enhance performance by hundreds of per cent.

With regards,

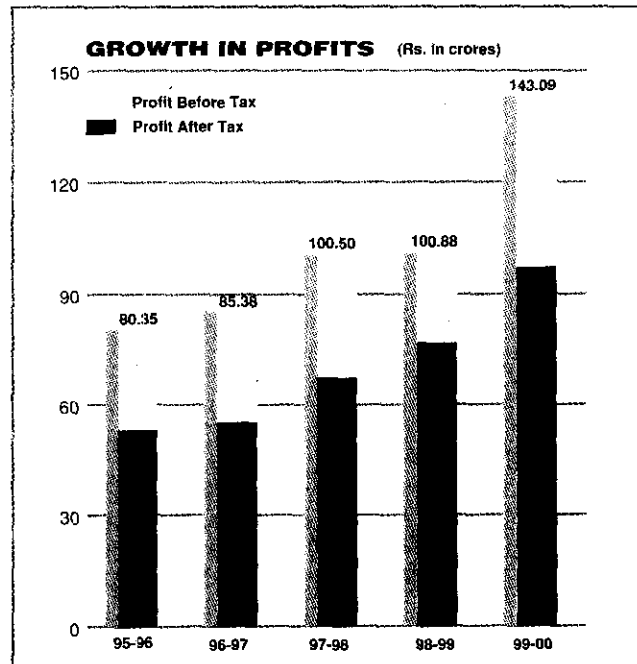
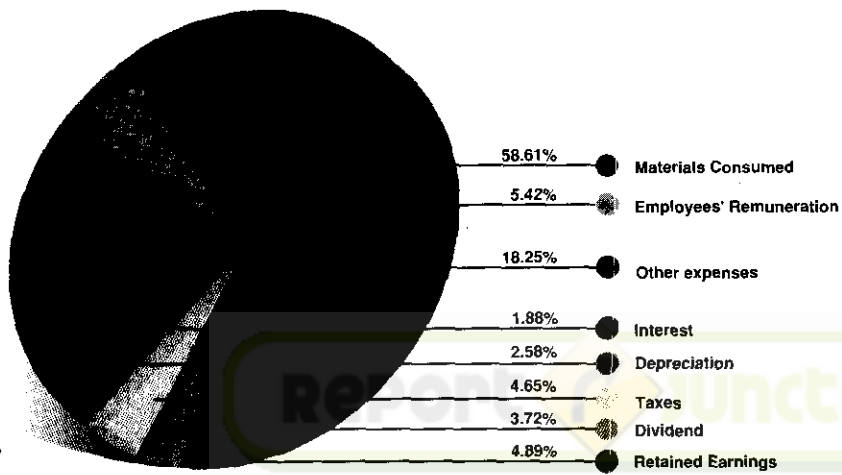
Yours Sincerely

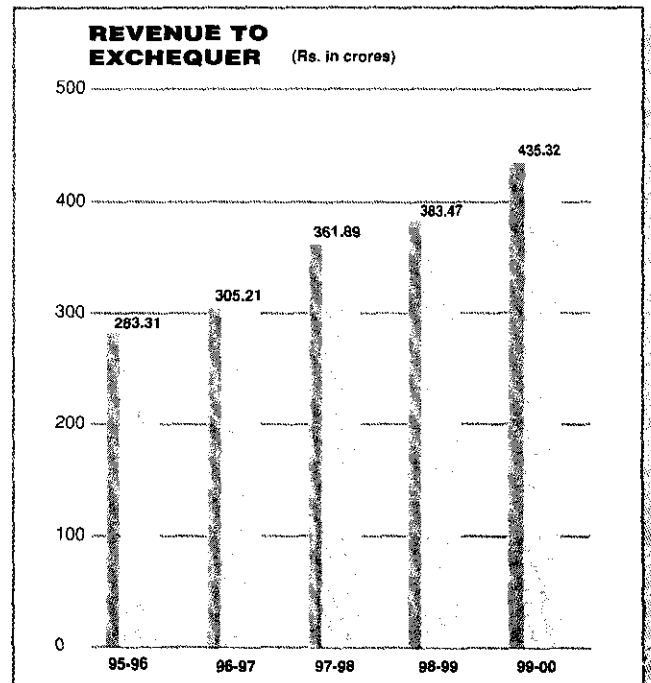
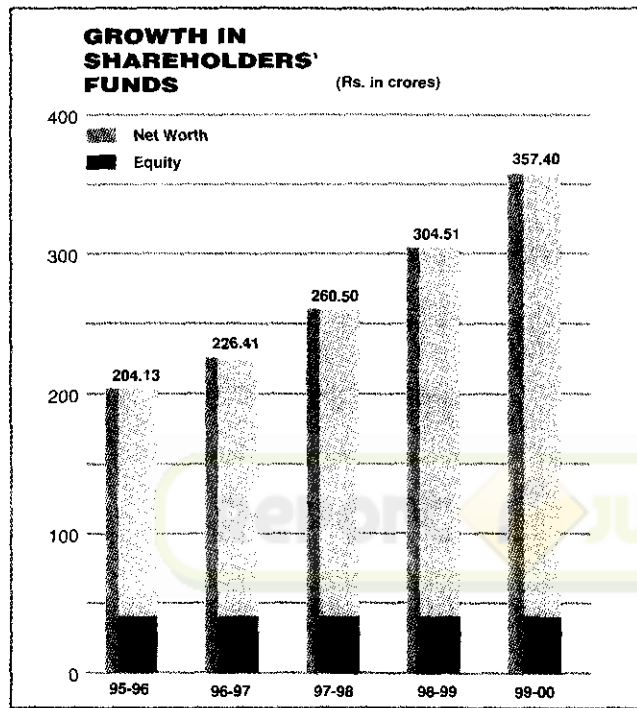
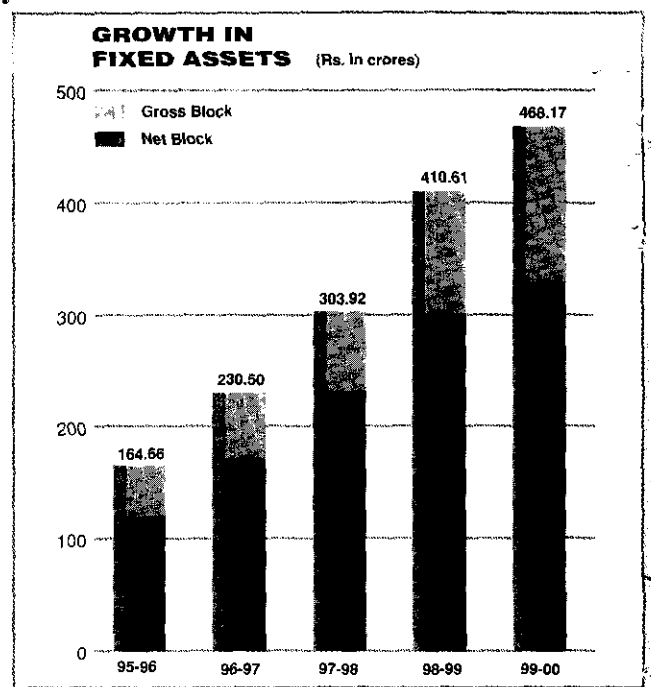
Ashwin Choksi

Mumbai : 6th June, 2000



DISTRIBUTION OF INCOME





BOARD OF DIRECTORS

ASHWIN C. CHOKSI	<i>Chairman</i>
ASHWIN S. DANI	<i>Vice Chairman & Managing Director</i>
ABHAY A. VAKIL	<i>Managing Director</i>
K. RAJAGOPALACHARI	
MAHENDRA C. CHOKSI	
M.G. PATEL	
I.C. JAIN	
AMAR A. VAKIL	
TARJANI VAKIL	
INA A. DANI	
DIPANKAR BASU	<i>Additional Director (w.e.f. 15th April, 2000)</i>
DEEPAK M. SATWALEKAR	<i>Additional Director (w.e.f. 30th May, 2000)</i>

COMMITTEES OF DIRECTORS

AUDIT COMMITTEE	
M.G. PATEL	<i>Chairman</i>
MAHENDRA C. CHOKSI	
TARJANI VAKIL	
SHARE TRANSFER COMMITTEE	
ABHAY A. VAKIL	<i>Chairman</i>
ASHWIN C. CHOKSI	
ASHWIN S. DANI	
MAHENDRA C. CHOKSI	

COMPANY SECRETARY

M.L. BANSAL

AUDITORS

SHAH & CO., CHARTERED ACCOUNTANTS

SOLICITORS

CRAWFORD BAYLEY & CO.

BANKERS

STATE BANK OF INDIA

54th ANNUAL GENERAL MEETING

- 12th JULY, 2000 • 3.30 P.M.
- PATKAR HALL, NATHIBAI THACKERSEY ROAD, NEW MARINE LINES, MUMBAI 400 020.

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ESTABLISHMENTS OF THE COMPANY

REGISTERED/HEAD OFFICE	'Nirmal', 5th floor, Nariman Point, Mumbai 400 021.		
INVESTOR SERVICE CENTRE	Das Chambers, 25, Dalal Street, Mumbai 400 023.		
ACCOUNTS, MATERIALS & PHTHALIC DIVISION	Plot No. 5, Gaiwadi Industrial Estate, S.V. Road, Goregaon (West), Mumbai 400 062.		
PENTA DIVISION	Warehouse No. E, 89, GNT Road, Ponniammamnedu (P.O.), Madhavaram, Chennai 600 010.		
PAINT PLANTS	<p>Lal Bahadur Shastri Marg, Bhandup, Mumbai 400 078, Maharashtra.</p> <p>Plot No. 2602, GIDC Industrial Area, Ankleshwar 393 002, Gujarat.</p> <p>Plot Nos. 50-55, Industrial Development Area, Phase II, Patancheru 502 319, Dist. Medak, Andhra Pradesh.</p> <p>A-1 UPSIDC Industrial Area, Kasna-II, Kasna Village, Tehsil Sikandarabad, Dist. Bulandshahr 203 207, Uttar Pradesh.</p>		
PHTHALIC PLANT	Plot No. 2702, GIDC Industrial Area, Ankleshwar 393 002, Gujarat.		
PENTA PLANT	B5-B10 Sipcot Industrial Complex, Cuddalore 607 005, Tamil Nadu.		
SALES OFFICES	Agartala Agra Akola Ahmedabad * Narol * Sarkhej Bangalore * Peenya * Bilekahalli Bareilly Baroda Bhopal Calcutta * Howrah * Hyde Road (Calcutta South) * Madhyamgram Chandigarh Chennai * Madhavram * Guindy Coimbatore Cuttack Faridabad Ghaziabad Goa Gurgaon Guwahati	Gwalior Halol Hubli Indore Jabalpur Jaipur Jalandhar Jamru Jamshedpur Jodhpur Kanpur Kochi Kolhapur Kozhikode Lucknow Ludhiana Madurai Mangalore Mumbai * Dadar (Mumbai South) * Kandivli (Mumbai West) * Mulund (Mumbai East) * Vashi (Navi Mumbai) Mysore Nagpur Nashik	New Delhi * Badarpur (Delhi South) * Mayapuri (Delhi West) * Patparganj (Delhi East) * Wazirpur (Delhi North) Panchkula Patna Pimpri Pune Raipur Rajkot Ranchi Saharanpur Salem Secunderabad Siliguri Surat Thiruvananthapuram Tiruchirapalli Tirupathi Udaipur Varanasi Vijayawada Visakhapatnam Zirakpur
REGIONAL DISTRIBUTION CENTRES	Ahmedabad Bangalore	Ghaziabad Hyderabad	Mumbai Raipur

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FIVE YEAR REVIEW

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

RESULTS FOR THE ACCOUNTING YEAR	1999-00	1998-99	1997-98	1996-97	1995-96
Revenue Account					
Gross Sales	134,164	112,801	102,119	93,777	88,347
Net Sales	106,617	89,474	80,245	73,720	70,459
Growth Rate (%)	19.16	11.50	8.85	4.63	37.73
Materials Consumed	63,288 *	54,876	48,764	45,847	46,382
% to Net Sales	59.36	61.33	60.77	62.19	65.83
Overheads	25,565	22,203	19,476	16,711 **	14,699
% to Net Sales	23.98	24.82	24.27	22.67	20.86
Operating Profit (PBITD & Extra-ordinary item)	19,122	13,883	13,058	12,409	10,354
Interest Charges	2,029	2,233	1,959	2,168	1,417
Depreciation	2,784	2,269	1,699	1,211	902
Profit Before EOI and Tax	14,309	9,381	9,400	9,030	8,035
Profit After EOI but Before Tax	14,309	10,088	10,050	8,538	8,035
% to Net Sales	13.42	11.27	12.52	11.58	11.40
Profit After EOI and Tax	9,734	7,688	6,750	5,538	5,335
Return on average net worth (%)	29.41	27.21	27.73	25.73	28.70
Capital Account					
Share Capital	4,012	4,012	4,012	4,012	4,012
Reserves and Surplus	31,729	26,439	22,038	18,629	16,401
Loan Funds	17,444	21,686	19,285	14,168	13,938
Fixed Assets	32,934	30,111	23,146	17,107	11,979
Investments	4,054	4,978	4,607	2,855	2,654
Net Current Assets	15,605	17,047	17,570	16,817	19,666
Debt - Equity Ratio	0.49:1	0.70:1	0.74:1	0.63:1	0.68:1
Market Capitalisation	170,494	1,01,494	1,25,163	1,12,125	1,37,398
Per Share Data					
Cash Earnings Per Share (Rs.)	31.20	24.82	21.06	16.82	15.55 #
Earnings Per Share (Rs.)	24.26	19.16	16.83	13.80	13.30 #
Dividend (%)	100	80	75	75	65 @
Book Value (Rs.)	89.09	75.90	64.94	56.44	50.88 #
Other Information					
Number of Employees	2,984	2,869	2,806	2,632	2,642

* Material consumption to be read together with Note No. B-20 in Schedule 'M'.

** Includes Compensation under VRS Rs. 492 lacs.

On increased capital.

@ Pro-rata on the bonus shares issued during 1995-96 and on the shares issued to shareholders of the erstwhile Pentasia Chemicals Ltd.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fiftyfourth Annual Report of the Company and the audited accounts for the financial year ended 31st March, 2000.

1. 1999-2000 IN RETROSPECT

The financial year 2000 put behind the economic uncertainties caused by a series of events such as political instability, South East Asian economic crisis, economic sanctions following the nuclear tests and the fiscal impact of the Kargil conflict and moved forward for a recovery. The growth in the Gross Domestic Product (GDP) for the year is likely to be around 6% as against the estimated near 7% for the previous year. This growth is achieved inspite of virtual stagnation in the agricultural production which saw a record growth of over 7% in the previous year.

The manufacturing sector witnessed relatively healthy growth rate of over 7% for the year as compared to half of that for the previous year. Automobile sector showed record growths with passenger car sales being up by 56%, sale of two wheelers growing by 11% and sale of commercial vehicles growing by over 5%. Consumer durables grew by about 12%. Cement industry recorded pick up with around 16% increase in despatches. Exports increased by near 12% as against the non-performance of the previous year.

Credit was easy, interest rates softened and the inflation year on year basis was as low as 3%. Fiscal deficit is estimated at over 5% of GDP as against 4% of GDP budgeted for the year. The rupee witnessed volatility on account of the Kargil conflict but stabilised later. The overall depreciation of the rupee against the dollar managed to hold at 3% in the year with the backing of growing exchange reserves.

In the given encouraging market conditions, the demand for paints was good and is estimated to have grown between 14 to 15%.

2. COMPANY PERFORMANCE

A. Financial Highlights

	(Rs. in Crores)	
	1999-2000	1998-1999
GROSS SALES	1341.64	1128.01
Profit Before Interest, Depreciation and Taxes	191.22	138.83
Less: Interest	20.29	22.33
Depreciation	27.84	22.69
Add: Extra-ordinary item (insurance claims)	—	7.07
PROFIT BEFORE TAX	143.09	100.88
Less: Provision for Taxation	45.75	24.00
PROFIT AFTER TAX	97.34	76.88
Add: Balance brought forward		
from the previous year	30.00	25.00
Prior year adjustments (Net)	0.09	2.61
DISPOSABLE PROFIT	127.43	104.49
That the Directors recommend for appropriation as under:		
Dividend - Interim I	16.05	14.04
Interim II	24.07	—
Final	—	18.05
Tax on Dividend	4.41	3.39
Transfer to Debenture Redemption Reserve	10.00	12.50
Transfer to General Reserve	30.90	26.51
Balance carried to Balance Sheet	42.00	30.00
TOTAL DISPOSAL	127.43	104.49

B. Domestic Sales

The Company's gross turnover was Rs. 1342 crores as against Rs. 1128 crores for the previous year showing a healthy growth of 19%.

Paints Business

The gross turnover of the Paints business was Rs. 1240 crores as against Rs. 1050 crores for the previous year recording an appreciable growth of 18% as against the growth of 13.04% for the previous year.

Products introduced in the last three years like APEX and Utsav have shown good growth and products introduced in March/April 1999 like ACE Exterior Emulsion, Asian Wall Putty and N.C. Range of Wood Finishes have shown promising results.

DIRECTORS' REPORT (Contd..)

Indian paints market is a growing market. Even when the entire manufacturing sector has seen depressing market conditions in the past, paint industry grew. The competition, which is already severe, can become more intense as this growing market can signal invitation to new entrants, technical tie-ups and consolidation. Your Company being aware of the opportunities and the threats, is taking necessary steps to sustain its leadership position. Apart from holding on to our strengths in the present market, the Company is adding segments of markets to the turnover by introducing new products. The rural market is huge and yet largely untapped. The good growth in moderately priced Utsav distemper indicates this. Our efforts to introduce and promote new wood finishes as a substitute to French Polish, a large market segment, and the initial success of the economy exterior emulsion will help to add new and expanding market segments to the Company's turnover. Other steps being taken are, direct interface with customers through modern communication technology, expansion of Colourworld to provide greater choice to more number of customers, improved service level to dealers and research and development harnessed to introduce new products on a continuous basis.

Phthalic Anhydride Business

The gross turnover for the year, excluding transfers for captive consumption, was Rs. 46.15 crores as against Rs. 33.07 crores during the previous year. The value of transfers at market price for captive consumption was Rs. 23.37 crores as against Rs. 15.50 crores during the previous year. Thus, the overall turnover of the business was higher by 43%, partly due to higher realisation and partly due to higher volumes sold and transferred for captive consumption.

The average realisation per ton was higher by 25% while the increase in material prices was 23.50%. The gross margin thereby increased appreciably. The

overall contribution of this segment to the business performance of the Company was satisfactory due to improved margins, higher volume turnover and tight control on overhead costs.

The upgradation of the plant undertaken during the previous year to achieve better output levels has been largely completed during the year and the capacity has increased from 18,000 tons per annum to 22,000 tons per annum. When the remaining work is completed the output level can be raised to around 24,000 tons per annum. The augmented capacity during the year helped to increase the production to 19,185 tons as against 16,370 tons during the previous year.

Pentaerythritol Business

This business segment largely catering to captive consumption more or less maintained its production at about the same level as last year. The value sales and transfers for captive consumption was Rs. 23.78 crores as against Rs. 26.53 crores during the previous year. There is no material change in the contribution of this segment to the performance of the Company.

C. Exports

Export turnover was Rs. 13.48 crores as against Rs. 8.31 crores during the previous year. Export of paints, resins and related materials was Rs. 7.37 crores as against Rs. 6.21 crores during the previous year. Export of Penta products was Rs. 3.40 crores as against Rs. 2.10 crores during the previous year. The Company also exported plant and machinery amounting to Rs. 2.71 crores towards its contribution to the share capital of Joint Ventures abroad. Penta Division continued to remain a net exporter. The international prices for Phthalic Anhydride being unremunerative, no export was undertaken by this division.

Particulars regarding export promotion are provided in the annexure.