

asianpaints

Asian Paints Limited | Annual Report 2007-2008

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Board of Directors

Ashwin Choksi

Chairman

Ashwin Dani

Vice Chairman & Managing Director

Abhay Vakil

Managing Director

Mahendra Choksi

Amar Vakil

Hasit Dani

Ms. Tarjani Vakil

Dipankar Basu

Mahendra Shah

Deepak Satwalekar

R.A. Shah

Dr. S. Sivaram

Company Secretary

Jayesh Merchant

Auditors

Shah & Co., Chartered Accountants

BSR & Associates, Chartered Accountants

Audit Committee

Ms. Tarjani Vakil

Chairperson

Mahendra Shah

Dipankar Basu

Shareholders Grievance/

Investors Grievance Committee

Mahendra Shah

Chairman

Abhay Vakil

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

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Chairman's Letter

Dear Shareholders,

The last year was indeed, a remarkable year for India as well as your Company. The Indian economy is now on the fulcrum of an increasing growth curve, with the real GDP to be estimated to have grown at 8.7% with all three sectors – agriculture, industry and services doing well. The high growth rate since 2003 clearly represents structural increase rather than cyclical upturn, driven by favorable demographics, high investment and productivity growth. In spite of the sharp appreciation in Rupee from Rs. 43.4 per USD at the beginning of the year to Rs. 39.9 by the end of the year; surprisingly, exports showed resilience in growth. Inflation was under control for most part of the year, but interest rates continued to be high.

In this environment, the Indian paint industry also continued to do well, especially in the consumer segments. While some slowdown in construction activity was reported, growth was good in most parts of the country.

Backed by good growth registered by all business units and specially the

Paints-India business and the Middle East region, the group sales grew by 20.0% and crossed the USD 1 billion mark with a turnover of Rs. 4,404 crores. The profit after tax grew by 45.6% to Rs. 409 crores. Demand for the decorative products was good throughout the year and the interior and exterior emulsions continued their impressive growth. To meet the growing demand in future, your Company has decided to enhance its manufacturing capacity and for this purpose secured land at Rohtak, Haryana and it is expected to commence commercial production in the early part of the calendar year 2010.

Last year, the prices of raw materials were soft, especially during the first half of the last financial year largely due to appreciating rupee and good supply situation. The strategy of reducing prices whenever possible by sharing the benefits with the consumers was effective and resulted in good growth for the Company. However, towards the later part of the year your Company was exposed to the vagaries of a globalised economic environment. The increases in global crude oil and commodity prices have started impacting inflation. It went up sharply in the fourth quarter of the financial year and is expected to remain high.

The overall outlook for 2008-2009 seems positive but challenging, with factors like inflation and global financial turmoil being the key concerns. On the consumption side, the fiscal stimulus is positive on account of the recent budgetary proposals and increasing income levels coupled with the Pay Commission

recommendations which are likely to offset the impact of the extended pause on rates. In an election year, when the political tolerance for even supply side inflationary pressures would be low, near term growth could get sacrificed to contain inflation. This has increased the downside risk for the economy and consequently could squeeze the margins and impact the growth of your Company.

The remarkable growth of your Company has been the outcome of the immense contribution of its people at all levels, their efforts to adapt to ever-changing environment and to seek out innovation in every sphere of activity. The core values of your Company which include identifying the need of the consumers, delivering value-for-money products and services, responsible use of resources, contribution to the good of the society and maximizing long-term value for the stakeholders, continue to strengthen the foundation of your Company. These values are deeply etched in the culture of your Company, its management and people, which will stand the test of time, notwithstanding, the ever-changing outside world. Your Company will always remain a transparent Company, the key principle being "Growth with Humility".

The future holds immense potential and opportunities for growth and I assure you that we will do our best to capitalise on them.

With regards,

Ashwin Choksi

Ashwin Choksi

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PRODUCT PORTFOLIO

Interior Wall
Paints



Exterior Wall
Paints

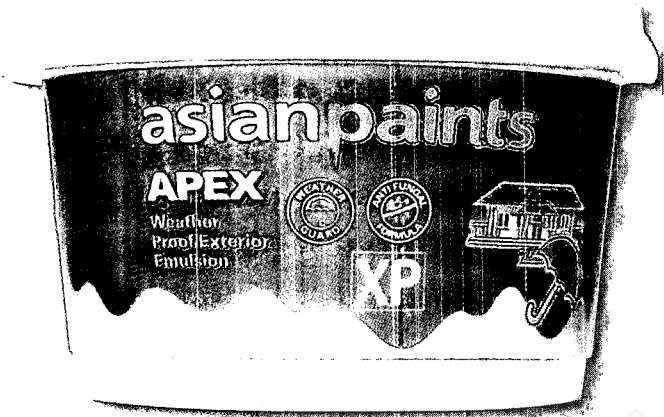


Wood &
Metal Paints

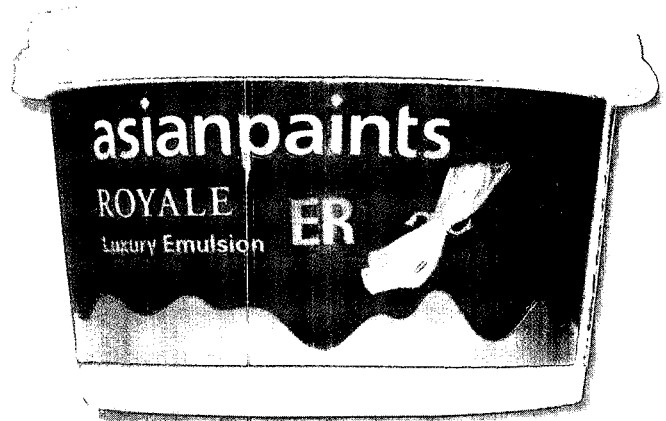


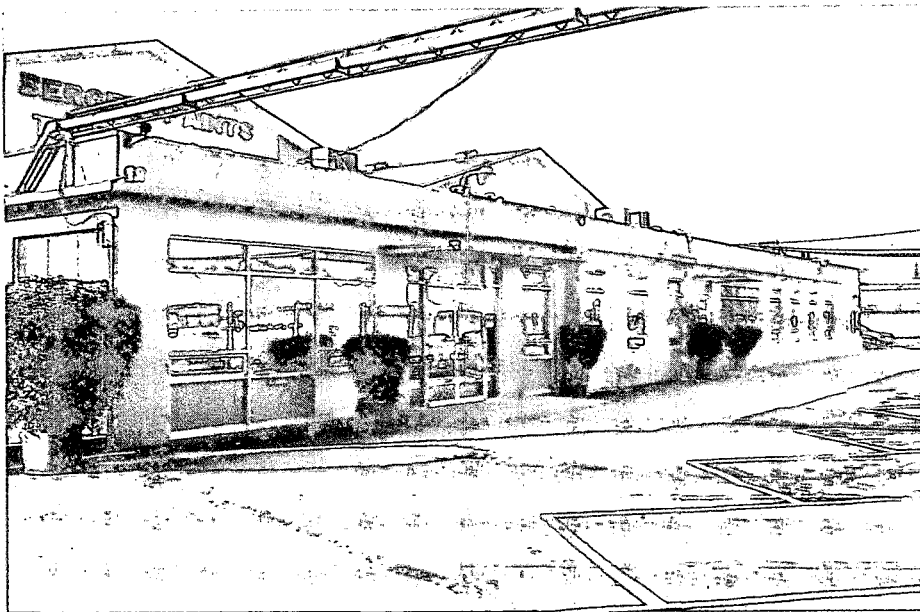
Wood
Finishes

Shade selection made easy through Sampler packs

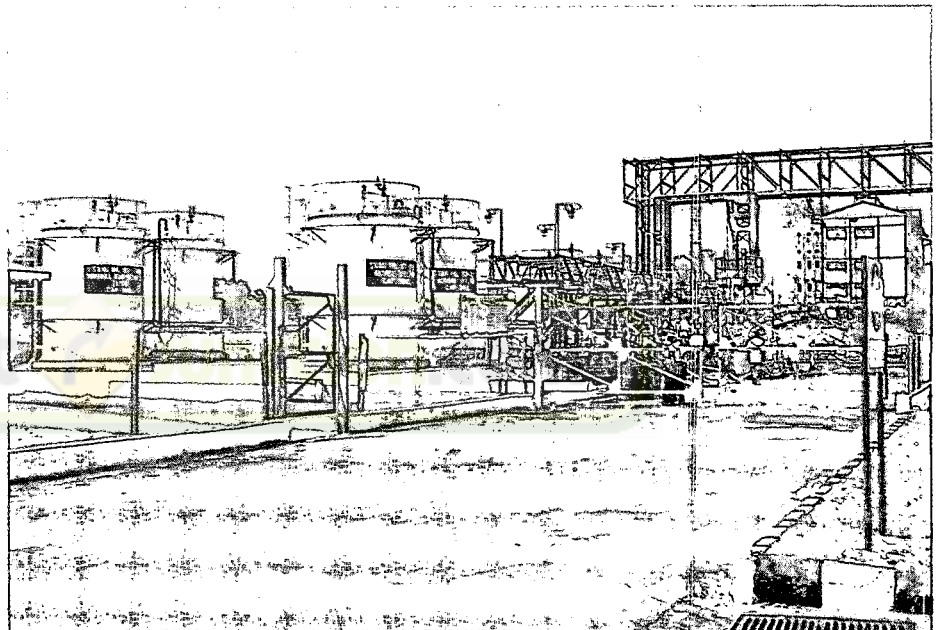


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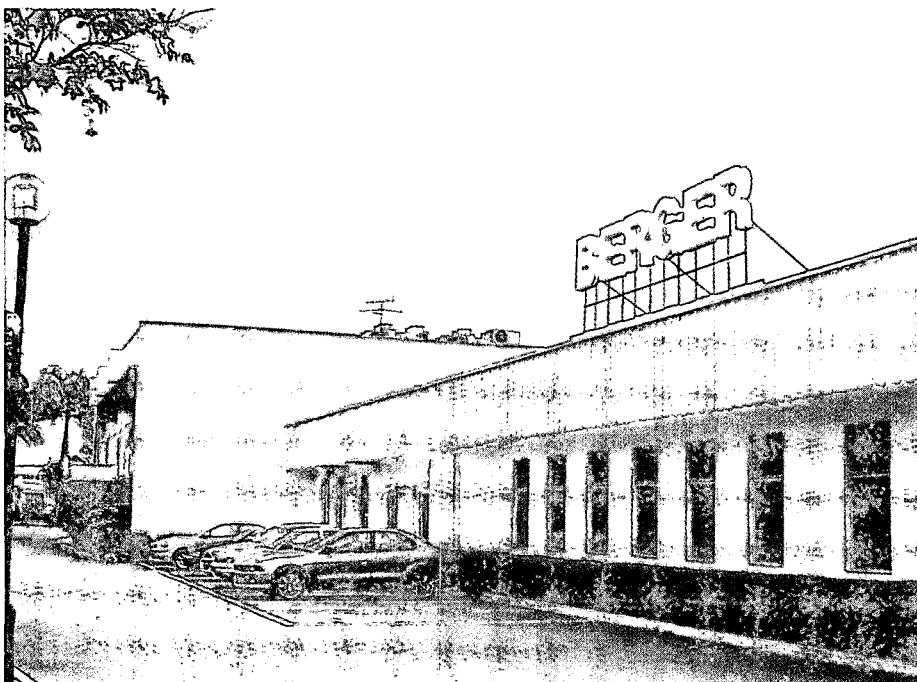




Berger Paints Trinidad Limited
Plant in Trinidad



A view of Industrial Paint
Plant at Taloja, Maharashtra



Berger International Limited,
Singapore

Ten Year Review

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

RESULTS FOR THE FINANCIAL YEAR

REVENUE ACCOUNT

	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-99
Gross Sales	4,059.9	3,360.7	2,777.4	2,338.8	2,025.9	1,806.7	1,598.5	1,469.5	1,262.4	1,069.6
Net Sales and Operating Income	3,416.2	2,821.3	2,319.2	1,954.6	1,696.1	1,535.0	1,371.4	1,233.3	1,089.7	937.4
Growth Rates (%)	21.09	21.65	18.65	15.24	10.49	11.93	11.20	13.18	16.25	11.29
Material Cost	1,956.1	1,660.7	1,351.7	1,128.4	943.6	807.1	727.5	661.2	599.5	548.8
% to Net Sales	57.26	58.86	58.29	57.73	55.63	52.58	53.04	53.61	55.02	58.54
Overheads	906.0	738.8	615.5	532.3	483.0	458.8	417.7	369.9	310.6	264.6
% to Net sales	26.52	26.19	26.54	27.24	28.47	29.89	30.46	29.99	28.50	28.23
Operating Profit	616.6	462.2	387.9	325.4	291.2	281.7	240.8	211.5	193.2	138.8
Interest Charges	8.3	6.9	3.8	2.8	5.3	8.4	14.6	22.1	20.3	22.3
Depreciation	43.8	45.4	45.5	47.6	48.0	48.5	44.8	33.5	29.8	22.7
Profit Before Tax and Extraordinary item	564.5	409.9	338.5	275.0	237.9	224.9	181.4	155.9	143.1	93.8
% to Net Sales	16.52	14.53	14.60	14.07	14.02	14.65	13.23	12.64	13.13	10.01
Growth Rate (%)	37.72	21.10	23.07	15.59	5.78	23.98	16.37	8.95	52.53	-0.20
Extraordinary item	-	-	(33.6)	(4.2)	(6.8)	-	-	-	-	7.07
Profit Before Tax and after Extraordinary item	564.5	409.9	304.9	270.8	231.1	224.9	181.4	155.9	143.1	100.9
% to Net Sales	16.52	14.53	13.15	13.85	13.62	14.65	13.23	12.64	13.13	10.76
Profit After Tax	376.6	269.9	187.8	173.8	147.6	143.4	115.3	106.4	97.3	76.9
Prior period items (net)	(1.4)	2.1	(1.0)	(0.3)	0.2	(1.4)	(1.0)	(0.8)	(0.1)	2.6
Profit After Tax and prior period items	375.2	272.0	186.8	173.5	147.8	142.0	114.3	105.6	97.3	74.3
Return on average net worth (RONW) (%)*	44.86	39.82	31.27	31.43	29.32	32.01	27.82	27.47	29.38	26.3

CAPITAL ACCOUNT

Share Capital	95.9	95.9	95.9	95.9	95.9	64.2	64.2	64.2	40.1	40.1
Reserves and Surplus	832.6	648.2	526.4	476.3	435.6	412.4	346.4	347.0	317.3	264.4
Deferred Tax Liability (Net)	31.5	22.1	28.5	30.5	48.7	58.2	61.2	-	-	-
Loan Funds	94.7	125.7	91.1	88.2	70.5	103.6	110.8	226.8	174.4	216.9
Fixed Assets	539.2	346.5	324.7	319.5	344.4	366.2	389.5	380.5	335.2	301.1
Investments	422.9	334.4	274.6	258.4	242.5	147.7	63.3	44.1	40.5	49.8
Net Current Assets	92.6	211.0	142.6	113.1	63.8	124.46	129.7	213.5	156.1	170.5
Debt-Equity Ratio	0.09: 1	0.17: 1	0.15: 1	0.15: 1	0.13: 1	0.22: 1	0.27: 1	0.55: 1	0.49: 1	0.70: 1
Market Capitalisation	11,509.9	7,335.9	6,177.7	3,751.4	2,913.6	2,118.8	2,105.6	1,580.3	1,704.9	1,014.9

PER SHARE DATA

Earnings Per Share (Rs.)	39.1	28.4	**19.5	**18.1	**#15.4	#14.8	#11.9	#11.0	#10.1	**#7.7
Proposed Dividend (%)	170.0	130.0	@ 125.0	95.0	\$ 85.0	110.0	90.0	\$ 70.0	100.0	80.0
Book Value (Rs.)	96.8	77.6	64.9	59.7	\$ 55.4	74.3	64.0	\$ 64.1	89.1	75.9

OTHER INFORMATION

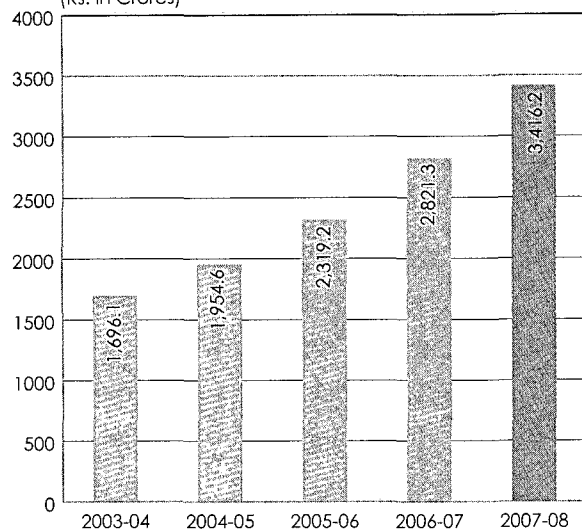
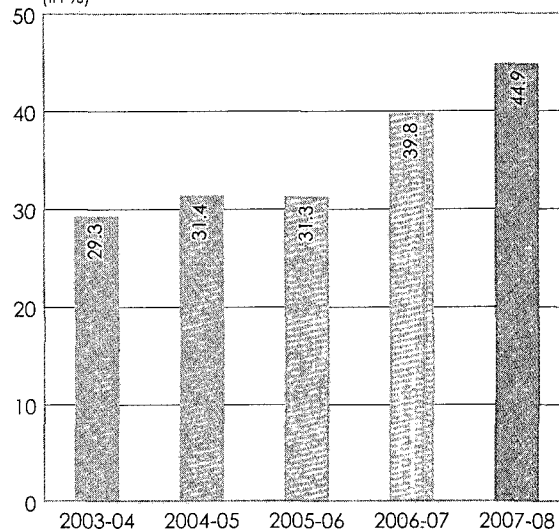
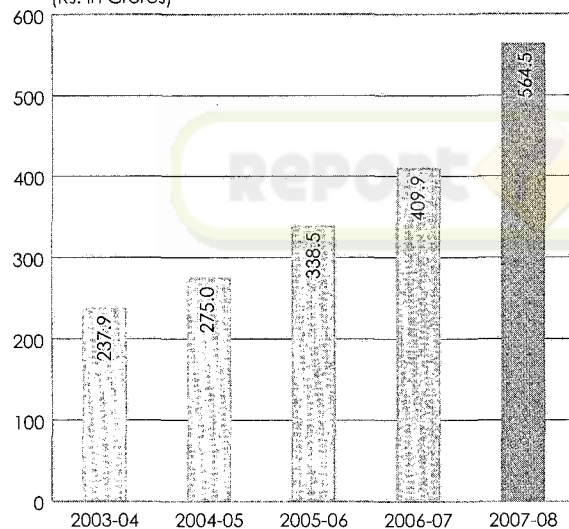
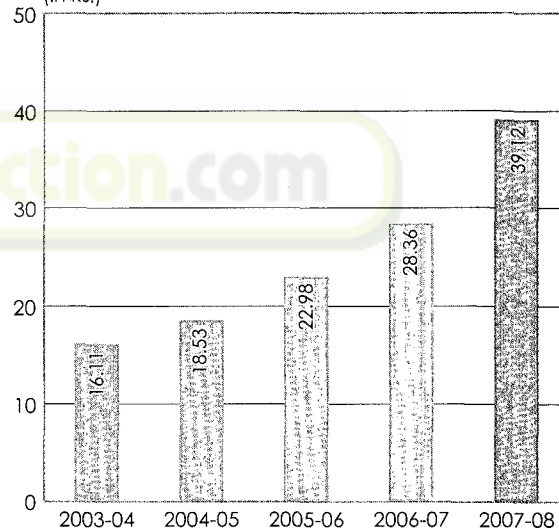
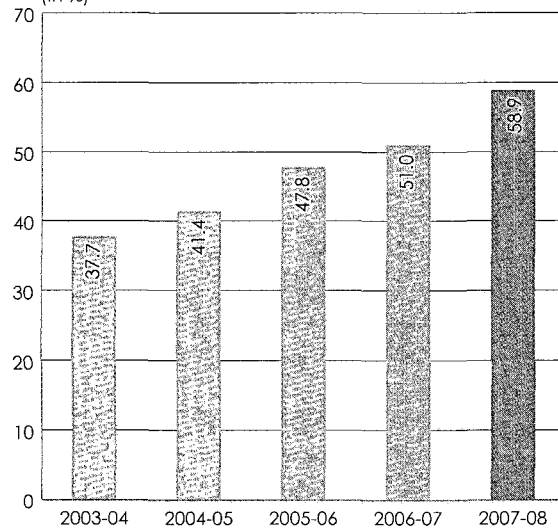
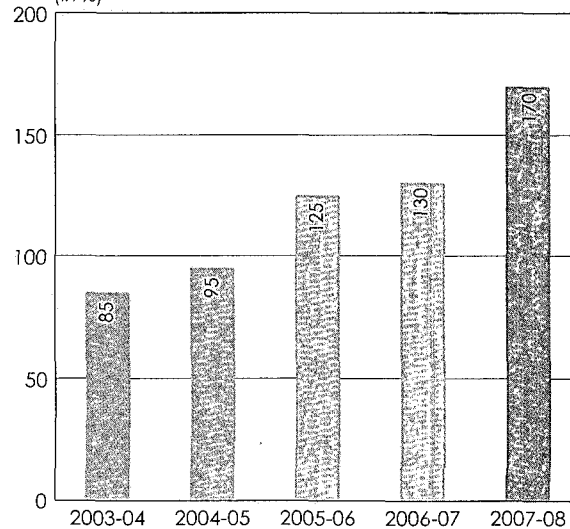
Number of Employees	3,924	3,868	3,681	3,550	3,356	3,327	3,188	3,197	2,984	2,869
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* RONW is calculated after provision for impairment on fixed assets in 2004-2005. ** EPS calculated on Net Profit after extraordinary item.

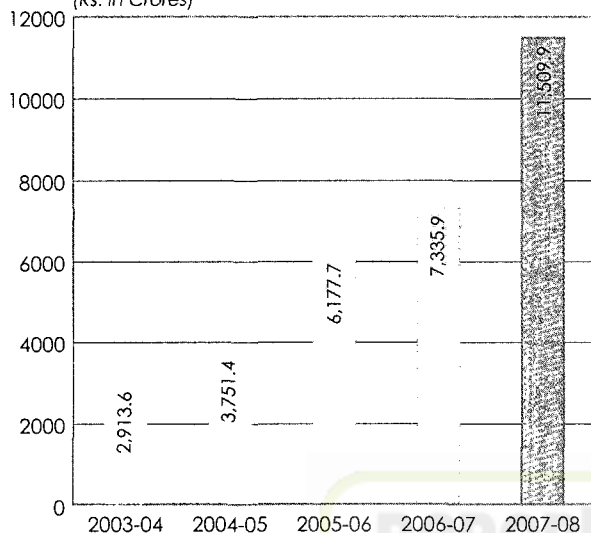
EPS is calculated after adjusting for Bonus issue and the reduction of capital on account of merger of Pentasia Investments Limited in accordance with Accounting Standard (AS 20) - Earnings Per Share.

@ Includes one-time special dividend of 25%. \$ On increased capital.

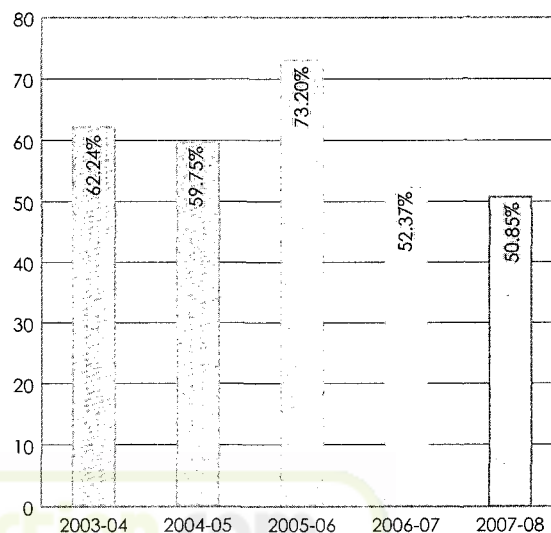
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Net Sales and Operating Income
(Rs. in Crores)Return on Net Worth
(In %)Profit Before Tax and Extraordinary Items
(Rs. in Crores)Earnings Per Share Before EOJ
(In Rs.)Return on Capital Employed
(In %)Dividend
(In %)

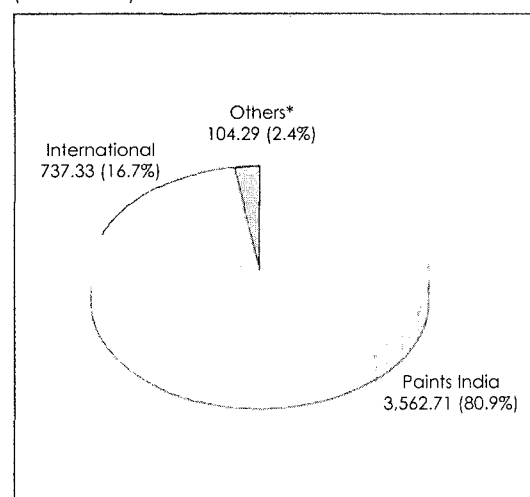
Market Capitalisation
(Rs. in Crores)



Pay-out with dividend tax in %

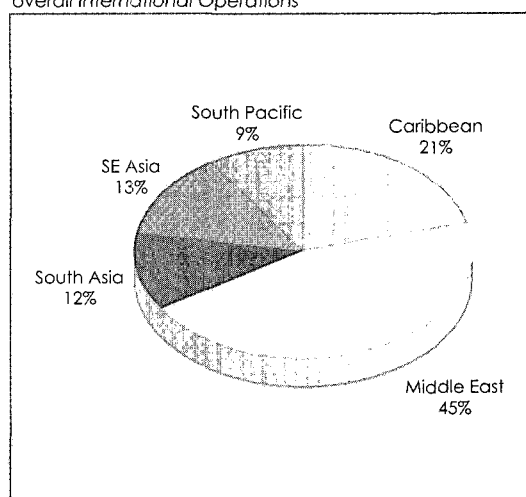


APL Group Net Sales
(Rs. in Crores)



* Others include Company's business units manufacturing Phthalic Anhydride and Pentaerythritol.

Percentage sales contribution of each region to overall International Operations



Directors' Report and Management Discussion & Analysis

Dear Members,

Your Directors have pleasure in presenting the 62nd Annual Report of your Company and the Audited Accounts for the financial year ended 31st March, 2008.

FINANCIAL RESULTS

(Rs. in Crores)

	Asian Paints Limited			Asian Paints Group Consolidated		
	2007-08	2006-07	Growth (%)	2007-08	2006-07	Growth (%)
Sales and Operating Income (Net)	3,416	2,821	21.1	4,404	3,670	20.0
Operating Profit	617	462	33.5	720	515	39.8
Less: Interest	8	7		21	19	
Less: Depreciation	44	45		59	61	
Profit Before EOI and Tax	565	410	37.7	640	435	47.1
Less: Extraordinary item (EOI)				7	8	
Profit Before Tax	565	410	37.7	633	427	48.2
Less: Provision for current, fringe benefit and deferred Tax	188	140		203	147	
Profit After Tax	377	270	39.6	430	280	53.6
Add/(Less): Prior period items	(2)	2		(2)	3	
Net Profit after prior period items	375	272	37.9	428	283	51.2
Less: Minority interest				19	2	
Net Profit attributable to shareholders of the Company	375	272	37.9	409	281	45.6
Add: Balance brought forward from the previous year	150	110		150	110	
DISPOSABLE PROFIT	525	382		559	391	
Dividend - 1st Interim	62	53		62	53	
- 2nd interim	-	62		-	62	
- Final	101	10		101	10	
Tax on Dividend	28	18		28	18	
Transfer to General Reserve	134	89		168	98	
Balance carried forward to Balance Sheet	200	150		200	150	

RESULTS OF OPERATIONS

Net sales and operating income for the standalone entity increased to Rs. 3,416 crores from Rs. 2,821 crores in the previous year – a growth of 21.1%. The operating profit (PBDIT) increased by 33.5%, from Rs. 462 crores to Rs. 617 crores. The profit after tax increased to Rs. 375 crores from Rs. 272 crores, representing a growth of 37.9%.

The consolidated sales and operating income net of discounts and excise duty increased to Rs. 4,404 crores from Rs. 3,670 crores – a growth of 20%. Net profit after minority interest for the group increased to Rs. 409 crores from Rs. 281 crores, representing a growth of 45.6%.

The analysis on the performance of your Company is discussed in the Management's Discussion and Analysis report.