



**asianpaints**

ANNUAL REPORT 2010 - 2011



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### Board of Directors

ASHWIN CHOKSI  
Chairman

ASHWIN DANI  
Vice Chairman

ABHAY VAKIL

P.M. MURTY  
Managing Director & CEO

MAHENDRA CHOKSI  
AMAR VAKIL  
Mrs. INA 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

DIPANKAR BASU  
MAHENDRA SHAH

### Shareholders / Investors Grievance Committee

MAHENDRA SHAH  
Chairman

ABHAY VAKIL  
P.M. MURTY  
MAHENDRA CHOKSI  
Mrs. INA DANI

### Remuneration Committee

DIPANKAR BASU  
Chairman

Ms. TARJANI VAKIL  
DEEPAK SATWALEKAR

### Share Transfer Committee

ABHAY VAKIL  
Chairman

ASHWIN CHOKSI  
ASHWIN DANI  
JAYESH MERCHANT

### Ad hoc Committee

DEEPAK SATWALEKAR  
Chairman

Ms. TARJANI VAKIL  
DIPANKAR BASU  
MAHENDRA SHAH

### Auditors

SHAH & CO.  
Chartered Accountants

B S R & ASSOCIATES  
Chartered Accountants

\* Appointed as an Additional Director w.e.f. 27<sup>th</sup> July, 2010

## DIRECTORS



ASHWIN CHOKSI



ASHWIN DANI



ABHAY VAKIL



P.M. MURTY



MAHENDRA CHOKSI



AMAR VAKIL



Mrs. INA DANI



Ms. TARJANI VAKIL



DIPANKAR BASU



MAHENDRA SHAH



DEEPAK SATWALEKAR



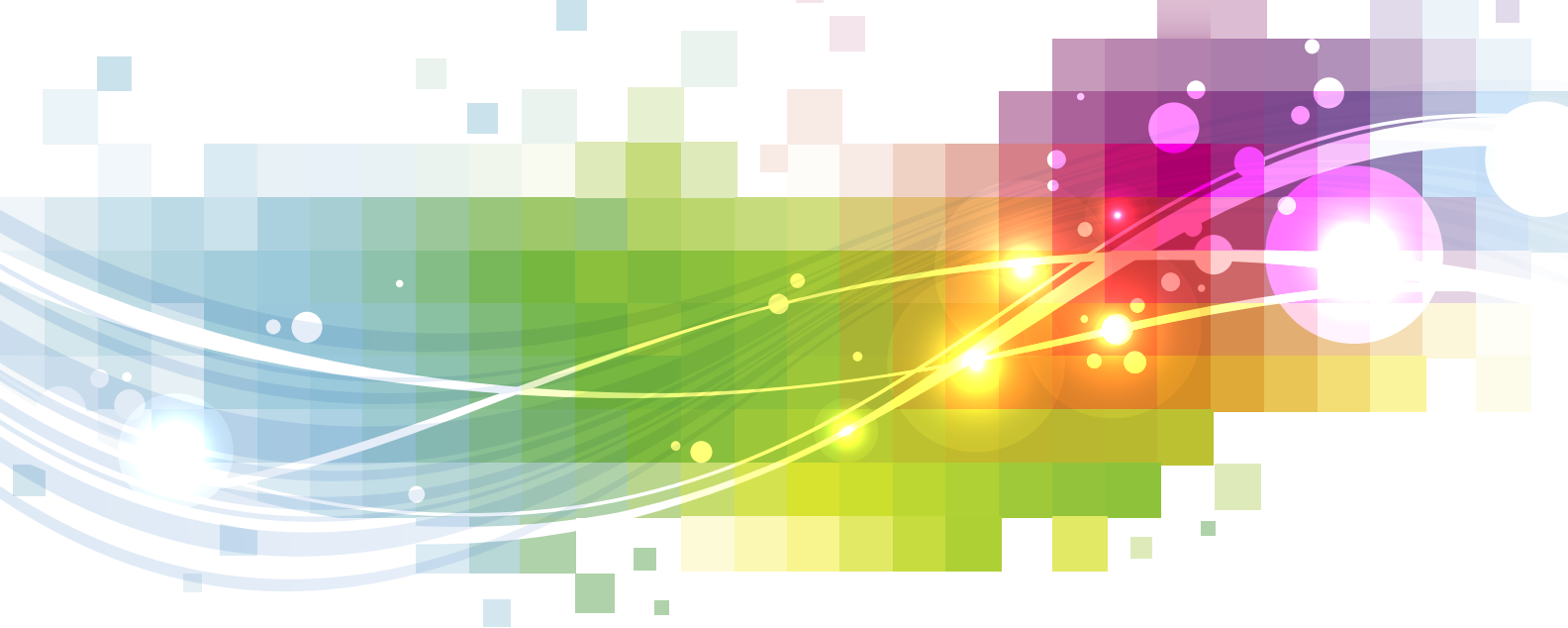
R.A. SHAH



DR. S. SIVARAM

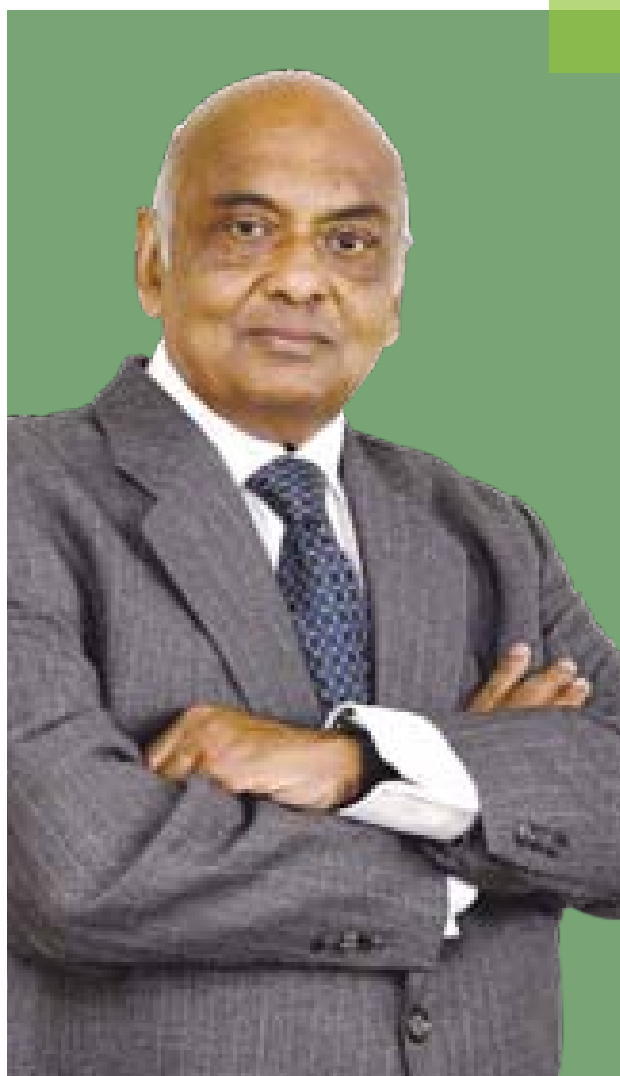


S. RAMADORAI



## CHAIRMAN'S LETTER

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### *Dear Shareholders,*


It is my privilege to communicate with you at the end of another successful year for Asian Paints.

The financial year 2010-11 was one in which both the world as well as the Indian economy showed resilience. While the global economy rebounded amidst fears of a double-dip recession, the Indian economy surged ahead on the back of its strong fundamentals. There were and are concerns that cannot be ignored: high inflation and shortage of liquidity in India; the aftermath of the dreadful earthquake and tsunami in Japan; sovereign debt crisis in several countries in the EU; and uprisings in the Middle East and the impact on oil prices. These have had and continue to have an impact on the business environment.

The biggest impact on your Company was high increase in material costs. This was primarily due to spiraling cost of key items like titanium dioxide, monomers, crude-based derivatives, etc.

In spite of this, your Company achieved a revenue growth of 23.4% while net profit remained flat in its standalone operations. This makes it a 5 year CAGR of 22.2% in revenue and 32.9% in net profits.

Our Decorative business achieved good growth aided by buoyant demand across geographies. It's interesting to note that demand from rural and smaller towns were significantly better than large cities and towns of the country.



Due to high inflation in material prices, five price increases aggregating 12% were implemented during the year.

We persisted with our mission of building strengths and capabilities for the future which will help us achieve long term market growth to further consolidate our leadership position. The focus continued to be on initiatives to increase customer satisfaction, improving our product mix, expanding the dealer network and enhancing our manufacturing and supply chain capabilities. We feel that our stress on customer centricity will go a long way in creating a sustainable and competitive advantage for your Company.

To keep pace with the increasing demand for our decorative coatings year-on-year, your Company is continually investing in augmenting its manufacturing capabilities. In April 2010, the state-of-the-art manufacturing facility at Rohtak in Haryana was commissioned with an initial capacity of 150,000 Kilo Liters (KL) per annum. Your Company plans to increase the installed capacity at this plant to 200,000 KL per annum by fourth quarter of FY 2011-12. You will be also happy to learn that construction work for your Company's proposed seventh decorative paint plant in Khandala, Maharashtra has commenced after obtaining the requisite permissions. Your Company expects to commission this plant by end of FY 2012-13 with an initial capacity of 300,000 KL per annum.

Your Company's Joint Venture with PPG Industries Inc., Asian PPG Industries Limited performed well aided by good demand for automotive coatings. Although demand environment for non-automotive industrial coatings was challenging in FY 2010-11, we are optimistic about the growth opportunities that exist in this segment going ahead. A testimony to this optimism is the announcement of our plans to enhance the fourteen year old relationship with PPG by forming a new 50:50 joint venture for servicing the protective, powder coatings, industrial containers and light industrial coatings markets. This new joint venture will leverage PPG's technology and global customer relationships while continuing to build on Asian Paints' customer base, manufacturing footprint, distribution channels and local relationships.

FY 2010-11 was a challenging year for our International Business Unit with many of our overseas subsidiaries still impacted by global economic slowdown. The recent uprisings in Egypt and Bahrain, which were markets that were performing well, have added to the uncertainty; normalcy is yet to return to those two markets. Our South Asian units in Nepal, Sri Lanka and Bangladesh, however, proved to be the silver lining as they registered good growth during the period. The International Business Unit is now well positioned to capitalize on growth opportunities that may emerge,

after having divested its loss making subsidiaries in South East Asian market in the financial year 2009-10.

While there is still some nervousness about the global economy, India seems firmly set on the growth path. Consumer demand is strong, exports are rising and investment is picking up. Most important, the macro-fundamentals of our economy are sound despite factors like high inflation.

The road ahead for FY 2011-12 is not devoid of obstacles; some immediate ones being the surging inflation in raw material prices which is putting pressure on margins, suppressed demand conditions in the Middle East and Caribbean regions and the uncertainties prevailing in the global economy specifically with respect to sovereign debt crisis in some of the European Union countries which could have global repercussions on demand conditions. But your Company has always risen above challenges; driven by its resilience, foresight and strategic direction and I am sure this year will be no different.

Your Company has always followed the highest standards of Corporate Governance and considers it as more of an ethical requisite than a regulatory necessity. It's a matter of great pride that our success over the years, have come without ever compromising on integrity, our environmental and social obligations or regulatory compliance. Moreover, going ahead we commit to continually update and strengthen your Company's governance structures.

Success of any business enterprise like your Company can only be possible because of its employees and people who put in unrelenting efforts to rise to excellence. I would like to reiterate that your Company's employees are its greatest asset and it is entirely due to their hard work, perseverance, commitment and dedication that your Company has been able to deliver superior growth and value creation with every passing year. I sincerely thank all our shareholders, business partners and our customers for the continued support and faith reposed in your Company. I would like to assure you that your Company would continue to remain committed to deliver strong growth and enhance shareholder and customer value in every possible way we can.

Warm regards,

Yours sincerely,



**Ashwin Choksi**



# HIGHLIGHTS

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## Standalone

Net Sales & Operating Income  
increased by 23.4% to ₹ 6,322.2 crores

PBDIT  
increased by 6.8% to ₹ 1,232.7 crores

State-of-the-art paint manufacturing facility  
commissioned at Rohtak in Haryana with an initial capacity of 150,000 KL  
per annum scalable to 400,000 KL per annum

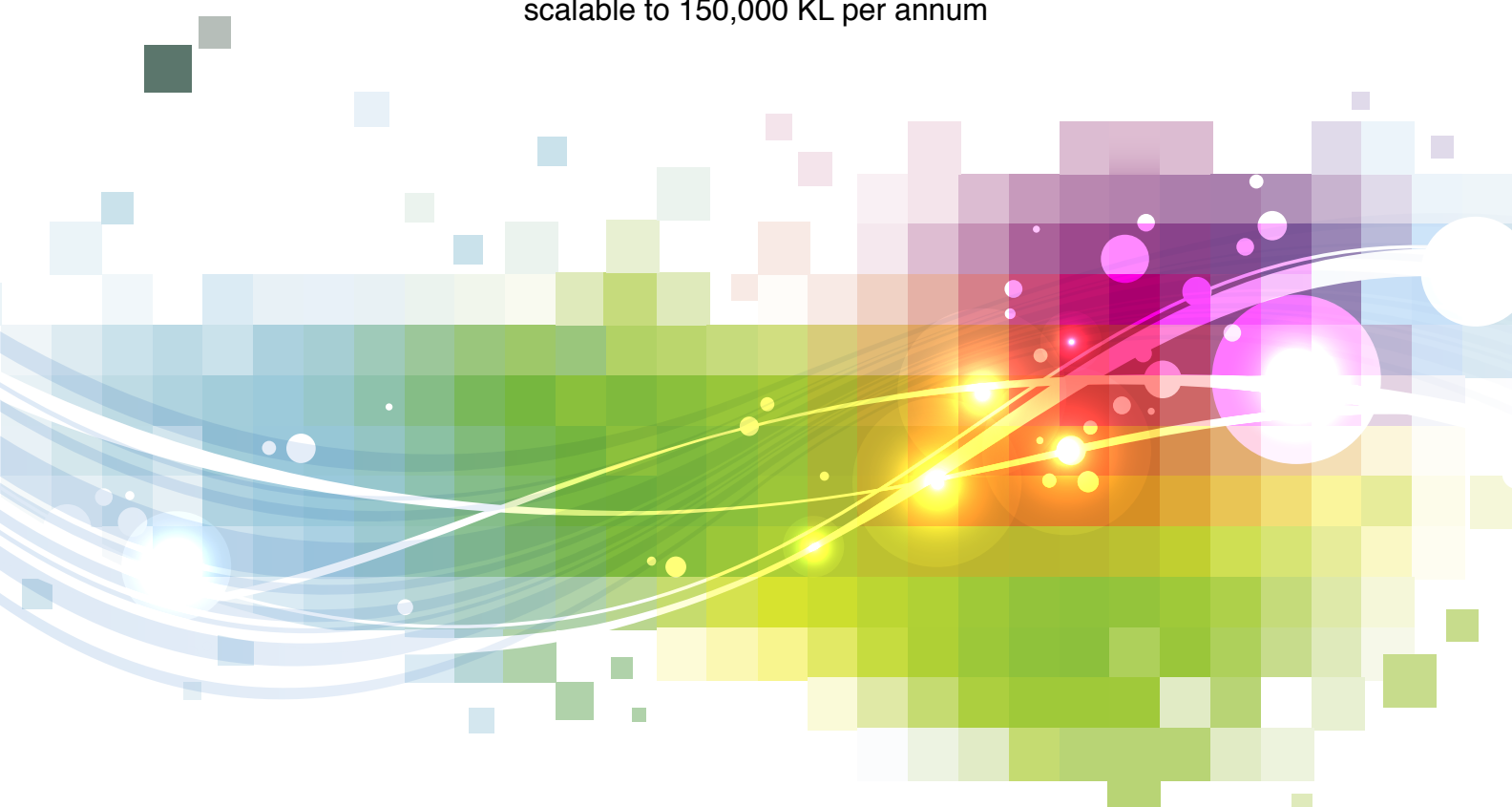
The Board of Directors  
have recommended a final Dividend of ₹ 23.5 (Total Dividend for the year is ₹ 32)

## Group

Net Sales & Operating Income  
for FY 2010-11 increased to ₹ 7,706.2 crores

PBDIT  
for FY 2010-11 stood at ₹ 1,395.6 crores

New paint manufacturing facility  
set up at Egypt with an initial capacity of 50,000 KL per annum  
scalable to 150,000 KL per annum





# TEN YEAR REVIEW (STANDALONE)

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

RESULTS FOR THE FINANCIAL YEAR	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
<b>REVENUE ACCOUNT</b>										
Gross Sales	7,202.0	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
Net Sales and Operating Income	6,322.2	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
Growth Rates (%)	23.4	20.0	24.9	21.2	21.7	18.7	15.2	10.5	11.9	11.2
Materials Cost	3,646.9	2,840.2	2,606.9	1,956.1	1,660.7	1,351.7	1,128.4	943.6	807.1	727.5
% to Net Sales	57.7	55.4	61.1	57.2	58.9	58.3	57.7	55.6	52.6	53.0
Overheads	1,530.9	1,275.0	1,103.8	908.0	736.7	616.5	532.7	482.8	460.1	421.7
% to Net sales	24.2	24.9	25.9	26.6	26.1	26.6	27.3	28.5	30.0	30.7
Operating Profit	1,232.7	1,153.7	619.4	615.2	464.3	386.8	325.1	291.4	280.4	236.8
Interest Charges	15.4	13.8	10.4	8.3	6.9	3.8	2.8	5.3	8.4	14.6
Depreciation	94.5	60.7	57.2	43.8	45.4	45.5	47.6	48.0	48.5	41.8
Profit Before Tax and Exceptional item	1,122.8	1,079.2	551.8	563.2	412.0	337.5	274.7	238.1	223.5	180.4
% to Net Sales	17.8	21.1	13.0	16.5	14.6	14.6	14.1	14.0	14.6	13.2
Growth Rates (%)	4.0	95.6	(2.0)	36.7	22.1	22.9	15.4	6.6	23.9	15.7
Exceptional item	-	25.5	(5.9)	-	-	(33.6)	(4.2)	(6.8)	-	-
Profit Before Tax and after Exceptional item	1,122.8	1,104.7	545.9	563.2	412.0	303.9	270.5	231.3	223.5	180.4
% to Net Sales	17.8	21.6	12.8	16.5	14.6	13.1	13.8	13.6	14.6	13.2
Profit After Tax	775.2	774.5	362.4	375.2	272.0	186.8	173.5	147.8	142.0	114.3
Return on average capital employed (ROCE) (%)	62.1	78.2	51.3	60.5	52.9	49.7	44.0	41.2	42.1	33.6
Return on average net worth (RONW) (%)	43.9	58.4	35.8	44.9	39.8	31.3	31.4	29.3	32.0	27.8
<b>CAPITAL ACCOUNT</b>										
Share Capital	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	64.2	64.2
Reserves and Surplus	1,879.4	1,461.3	998.6	832.6	648.2	526.4	476.3	435.6	412.4	346.4
Deferred Tax Liability (Net)	75.5	47.9	47.9	31.5	22.1	28.5	30.5	48.7	58.2	61.2
Loan Funds	64.9	68.6	74.5	94.7	125.7	91.1	88.2	70.5	103.6	110.8
Fixed Assets	1,096.9	1,088.2	711.8	539.2	346.5	324.7	319.5	344.4	366.2	384.4
Investments	1,034.8	703.7	234.8	422.9	334.4	274.6	258.4	242.5	147.7	63.3
Net Current Assets	(15.9)	(118.2)	270.4	92.6	211.0	142.6	113.1	63.8	124.5	129.7
Debt-Equity Ratio	0.03:1	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
Market Capitalisation as at 31 <sup>st</sup> March	24,238	19,593	7,539	11,510	7,336	6,178	3,751	2,914	2,119	2,106
<b>PER SHARE DATA</b>										
Earnings Per Share (₹)	80.8	* 80.7	* 37.8	39.1	28.4	* 19.5	* 18.1	* #15.4	#14.8	# 11.9
Dividend (%)	320.0	270.0	175.0	170.0	130.0	125.0	95.0	** 85.0	110.0	90.0
Book Value (₹)	205.9	162.3	114.1	96.8	77.6	64.9	59.7	** 55.4	74.3	64.0
<b>OTHER INFORMATION</b>										
Number of Employees	4,640	4,382	4,260	3,924	3,868	3,681	3,550	3,356	3,327	3,188
Number of Shareholders	59,280	48,290	49,074	47,573	49,032	48,820	49,739	53,797	51,457	53,398

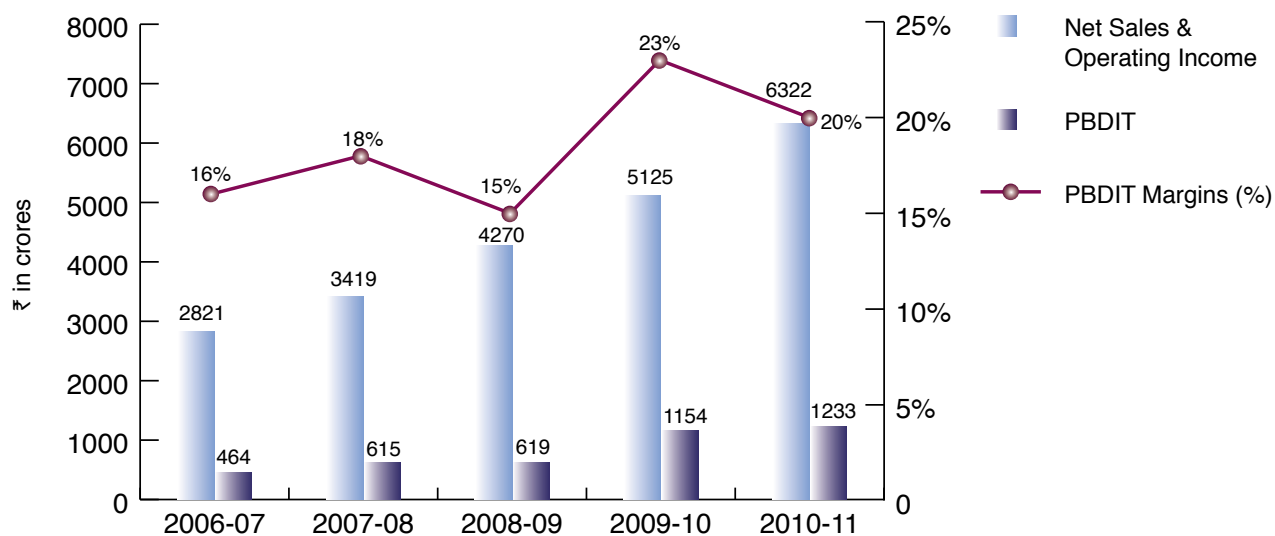
\* EPS calculated on Net Profit after exceptional item.

# 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 - STANDALONE

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



### Profit Before Tax & Profit After Tax

