asianpaints

Reinforcing *our resolve to* transform

Annual Report 2014-15

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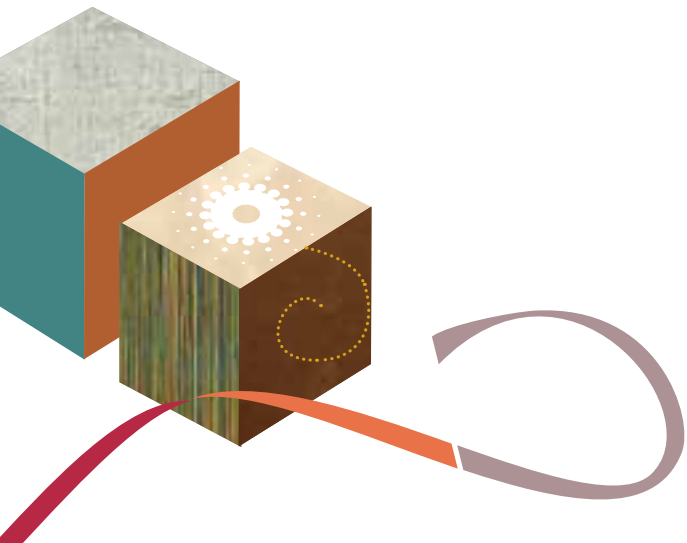


Board of Directors

Ashwin Choksi
Chairman

Ashwin Dani
Vice Chairman

Abhay Vakil
Additional Director

K.B.S. Anand
Managing Director & CEO

Mahendra Choksi
Non-Executive Director

Malav Dani
Non-Executive Director

Ms. Amrita Vakil
Non-Executive Director

Dipankar Basu
Independent Director

Deepak Satwalekar
Independent Director

Dr. S. Sivaram
Independent Director

Mahendra Shah
Independent Director

S. Ramadorai
Independent Director

M.K. Sharma
Independent Director

Mrs. Vibha Paul Rishi
Independent Director

Company Secretary

JAYESH MERCHANT

Executive Council Members

JALAJ DANI
President - HR,
International & Chemicals

MANISH CHOKSI
President - Home Improvement,
Supply Chain & IT

JAYESH MERCHANT
CFO & Company Secretary,
President - Industrial JVs

AMIT SYNGLE
President - Technology,
Sales & Marketing

Auditors

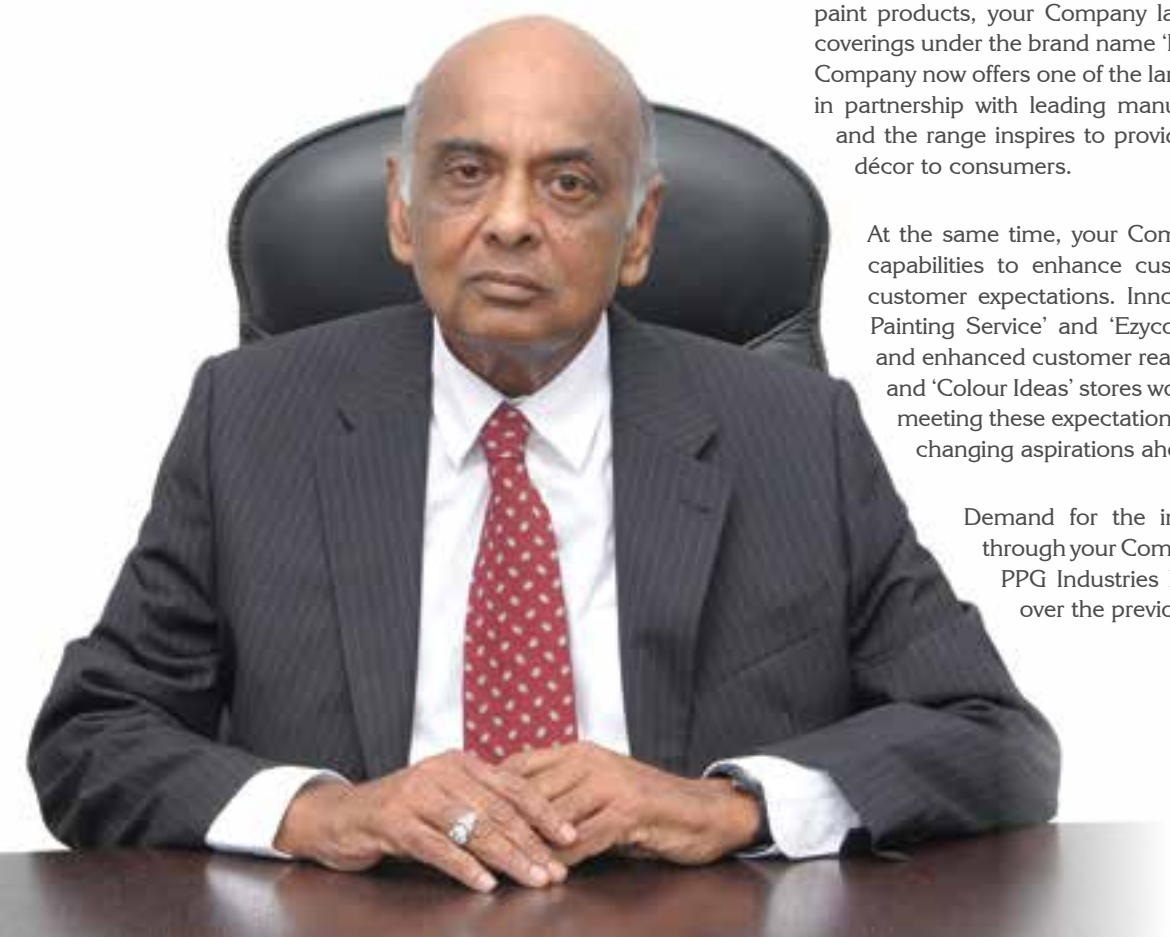
B S R & Co. LLP
Chartered Accountants

Chairman's Letter

Dear Shareholders,

It gives me immense pleasure to write to you at the end of an exciting year – a year that had its share of opportunities and challenges. The year began with sky-high expectations of economic recovery resulting from the decisive political mandate but as the year progressed, it was increasingly evident that the pace of recovery would be much more gradual. Many domestic growth indicators improved during the year helped by the Government's intent to push reforms and promote investments. The lower crude oil and commodity prices also helped reigning in inflation and set the stage for easing of monetary policy. While the headline indicators improved during the year, ground realities have been challenging and growth slow to come by.

> "The year began with sky-high expectations of economic recovery resulting from the decisive political mandate but as the year progressed, it was increasingly evident that the pace of recovery would be much more gradual"



The overall weak sentiments impacted the demand conditions in the domestic market for decorative paints. Factors like a short Diwali festival season, unseasonal rains and prolonged winter in Northern India added to the pressures on the demand. However, despite the challenging environment, your Company did well to manage and grow its business in most parts of the country. Though the growth was not as good as expected, your Company benefited from the benign raw material prices, especially brought about by the drop in crude oil prices.

Your Company launched a number of new and innovative products which helped support the growth in these challenging times. In the premium segment, your Company launched 'Royale Matt' with excellent washability and burnish resistance. A complete range of products to offer full solution in the tile segment was also introduced.

In our bid to expand our offerings beyond the traditional paint products, your Company launched a full range of wall coverings under the brand name 'Nilaya – by Royale Play'. Your Company now offers one of the largest variety of wall coverings in partnership with leading manufacturers around the world and the range inspires to provide cutting edge inspirational décor to consumers.

At the same time, your Company continues to invest in capabilities to enhance customer experience and fulfil customer expectations. Innovative services like 'Express Painting Service' and 'Ezycolour Consultancy at Home' and enhanced customer reach-outs through the 'Colour' and 'Colour Ideas' stores would go a long way in not only meeting these expectations but also in comprehending changing aspirations ahead of competition.

Demand for the industrial products, serviced through your Company's two joint ventures with PPG Industries Inc, USA, saw improvement over the previous year.

In the international markets where your Company operates, the business environment was challenging for varied reasons in many of the key markets. While the situation in Egypt improved after three successive years of instability, declining crude oil prices impacted growth in markets of Oman, Bahrain and Trinidad. Political instability continued to pose challenges in Bangladesh. Against the backdrop of less than ideal market conditions, the international operations have delivered good performance driven by continued focus on improving operational efficiencies and prudent fiscal management.

During the year, your Company took steps to expand its international footprint. Kadisco, a leading paint company in Ethiopia, was acquired by Berger International Ltd, Singapore; an indirect wholly-owned subsidiary of your Company. Your Company also initiated steps for setting up a paint manufacturing facility and operations as part of the greenfield foray into Indonesia. Both these steps, further reconfirm your Company's intent to be a significant coatings player in the high growth, emerging markets.

Going forward, the recent forecasts for below normal monsoon coupled with the slow pick-up in industrial activity, could lead to challenging demand conditions in the domestic market. However, over the long term, your Company is confident of the growth prospects of the paint industry, both in the domestic and the international markets. It's a sign of this confidence that your Company is looking for setting up new manufacturing facilities in the states of Karnataka and Andhra Pradesh. At the same time, your Company is augmenting capacities in some of the existing plants in the domestic and international markets.

During the year, the Government changed the governance landscape by notifying majority of the provisions of the Companies Act, 2013 and Rules thereunder. Some of the concepts like evaluation of the performance of Directors and the Board, rotation of auditors, increased responsibility of the Nomination and Remuneration Committee and the Audit Committee ensure higher standards of transparency and accountability and seek to align the corporate governance practices in India with global best practices. Your Company's governance standards have only strengthened over the period of years and your Company will continue to imbibe best practices to enhance stakeholders' value.

Your Company continued to focus on its Corporate Social Responsibility agenda and undertook various initiatives to touch and improve lives by contributing to communities that your Company operates in. There is a conscious endeavour around various manufacturing facilities to invest in areas of Education, Health & Hygiene and Water Management to create measurable and lasting value for neighboring communities. Vocational training programs conducted across cities was a major focus area and has benefited thousands of painters and contractors. Your Company has also made investments in the area of renewable energy. A rooftop solar power plant was commissioned at the Sriperumbudur factory which has led to substantial reduction in energy consumption from traditional fossil sources. Similar projects would be commissioned in the other manufacturing plants as well.

At Asian Paints, we truly believe that if there's one thing that's certain in business, it's uncertainty. And the only way to handle this uncertainty is to be on a continual journey of transformation. Few years back, your Company embarked on a new journey to transform itself from a paint company to a home décor company by expanding its offerings to cater to the changing perspectives of home aesthetics and help customers create their dream home. This quest for transformation led to your Company's acquisition of Sleek group in 2013 which caters to the organized modern kitchen space. The year gone by saw another step being taken in this journey with foray in the Bath space by acquiring the front end business of Ess Ess, a quality player in the bath fittings segment. During the year, your Company took several initiatives to streamline the operations at these acquired businesses and improve the scale of respective businesses.

As we look ahead to this journey of transformation, I look forward to your continued support. I am sure that with your unwavering support, guidance from the Board members and the passion and commitment of the entire team, your Company would take great strides in making Asian Paints the most preferred Home Décor partner.

Yours truly,

Ashwin Choksi

Ashwin Choksi

Reinforcing *our resolve to* ***transform***

Few years back, your Company started on a new journey to transform itself from a paint company to a home décor company. Today, your Company is reinforcing that resolve to transform. Your Company has forayed into home décor with acquisition of Sleek, launching of wall coverings and has now acquired the front end sales business of Ess Ess – a quality player in the bath fittings segment.

Your Company intends to connect with consumers through various touchpoints and inspire them by its home décor ideas

Innovation - *Doing things* ***differently***

Innovation seldom means doing different things, it means doing things differently

That in essence is what your Company is doing. Paint is just one element of home décor. Apart from paints, your Company has made inroads into wall coverings, waterproofing solutions, kitchen and bath fittings. Innovation will drive your Company's transformation from being a single segment company to a company that partners with its consumers on home décor.

People + *Passion* = *Possibilities*