

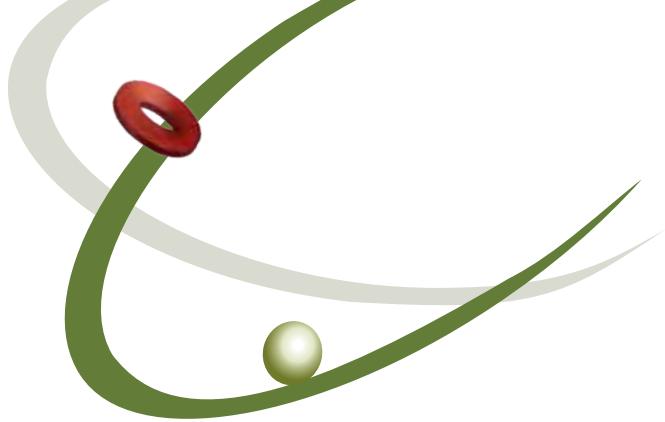


Innovate
to inspire



asianpaints

Annual Report 2015-16



CONTENTS

B usiness Overview

01-32

- 01 Board of Directors
- 02-03 Chairman's Letter
- 10-11 Ten Year Review
- 12-13 Performance Highlights
- 14-27 Management Discussion and Analysis
- 28-29 Key Product Portfolio
- 30-32 Painting Happiness in Communities

S tatutory Reports

33-101

- 33-70 Board's Report
- 71-83 Report on Corporate Governance
- 84-91 General Shareholder Information
- 92-101 Business Responsibility Report

Financial Statements

102-218

- 102-158 Standalone Financial Statements
- 159-218 Consolidated Financial Statements

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



Ms. Amrita Vakil
Non-Executive Director



Dipankar Basu
Independent Director



Deepak Satwalekar
Independent Director



Dr. S. Sivaram
Independent Director



Company Secretary

Jayesh Merchant



Executive Council Members

K.B.S. Anand
MD & CEO

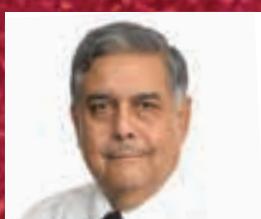


Jalaj Dani
President - Supply Chain,
HR & Chemicals

Mahendra Shah
Independent Director

S. Ramadorai
Independent Director

Manish Choksi
President - Home Improvement,
International & IT



Jayesh Merchant
CFO & Company Secretary,
President - Industrial JVs



Amit Syngle
President - Technology,
Sales & Marketing

M.K. Sharma
Independent Director

Mrs. Vibha Paul Rishi
Independent Director

Auditors
B S R & Co. LLP
Chartered Accountants



CHAIRMAN'S LETTER

Dear Shareholders,

Year 2015-16 has been another challenging and fulfilling year for your Company and it gives me great pleasure to apprise you of the key highlights of your Company's performance in this period.

The domestic economy started the year in an enviable sweet spot with favorable sentiments buoyed by the strong political mandate at the Centre as well as by the favorable external environment. On the political front, while much of the expected big reforms didn't materialize, the incremental reform agenda of the Government seems to be pushing the economy forward. On the external front, India gained the maximum out of the declining crude oil prices and this helped reign in the inflation trend in the economy. The external position of the country also improved and this was visible in the improving fiscal and current account deficit numbers for the year. The volatile global economic conditions, though, highlighted the strong inter-linkage of the domestic economy with the external world. This was reflected in the drop in trade exports on the back of below-normal growth conditions prevalent in most part of the world thereby keeping the manufacturing activity subdued for most part of the year. As a result, while at an overall level, the domestic economy continued to be one of the fastest growing large economies, the growth has been below the potential rate as well as below the expectations set at the start of the year.

Against this challenging backdrop, your Company did well to grow its various business segments. Compared to a lackluster first half, your Company did well in the second half aided by a strong festival season period. On the input side, your Company benefited during the year on account of the declining raw material prices and a part of this benefit was passed on to the customers through a price revision towards the end of the year. Your Company took various measures on enhancing the positioning and range of its products and services during the year to reinforce its leadership position in the market. Continuing with its agenda to expand offerings beyond the traditional paint products, your Company entered the retail segment of the adhesives category with a distribution arrangement with Henkel Adhesives Technologies, Germany to sell the Loctite brand of adhesives under a co-branding initiative. In the International business, your Company got a fillip from the acquisition in Ethiopia. Operations in Ethiopia contributed significantly to the growth in the international business and helped

"Over the longer term, the growth potential for your Company's various businesses is immense especially given the large impetus being put on infrastructure development and urbanization through creation of smart cities"





soften the impact of weak demand conditions resulting from declining crude prices in some of the Middle East economies where your Company operates.

Over the last decade, the Home Décor space has evolved into a much broader and engaging category and in the last few years, your Company has taken various initiatives to maintain its relevance as the preferred partner to consumer when it comes to her Home Décor needs. Your Company's foray in the kitchen and bath business are steps in this direction. During the year, your Company took steps to further streamline and integrate these two business albeit a bit slower than desired. Your Company would keep evolving the future business models in these two segments based on the understanding developed over the last few years of operating in these segments.

Consumer experience delivery was taken a notch higher during the year with the launch of "AP Homes" – a multi-category décor store, in partnership with one of its dealers in Coimbatore. The consumer will be able to avail an integrated décor consultancy across categories ranging from paints, bath fittings, kitchen, sanitary ware, wall papers, furniture, tiles etc. all under one roof at this store. Your Company aims to take its journey in the Home Décor space forward through such initiatives to enhance its capabilities to cater to the décor aspirations of consumers on a much wider board.

The governance landscape in the economy continues to evolve and align more closely with the global framework to facilitate the integration of the Indian corporate entities within the global network. The introduction of the new accounting standards – Ind AS, is a step in this direction. Your Company is geared up to the requirement of this new standards and would be presenting its financial statements as per Ind AS from 1st April 2016 onwards. The domestic business environment continues to evolve with new regulations like the National Intellectual Property Rights policy, the Insolvency and Bankruptcy code, the impending GST implementation will alter the way business is conducted. Your Company has always followed the highest standards of internal controls and governance and is committed to continuously enhance these standards by imbibing the global best practices to stay aligned to the evolving business environment.

Your Company is also committed to its social responsibility agenda and contribute meaningfully to the communities that it operates in. Your Company continues to focus in the areas

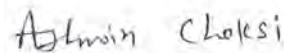
of Education, Health & Hygiene and Water management to enhance the livelihoods of people in its operating communities. At the same time, your Company continues to invest in the vocational training programs for painters and contractors across cities to upgrade their skills. Your Company has also stepped up investments in renewable energy platforms to reduce its carbon footprint and thereby contribute in making a cleaner and greener environment.

As we move ahead in the new financial year, the demand conditions still remain uncertain. While India continues to enjoy the benefits of a strong domestic consumption base, it cannot remain isolated from the external world where most of the large economies continue to exhibit weak growth trends. However, the advance estimates for a good monsoon are encouraging signs and could provide a real push to the rural sector demand. The urban centers could also see potential benefits arising out of the payouts towards Seventh Pay Commission and OROP (One Rank One Pension). Inflation is expected to stay moderate on the back of subdued economic growth conditions the world over, notwithstanding the volatile trends observed in the crude price movement. Your Company is geared to meet the challenges arising out of this uncertain environment and would work towards furthering its position in the market.

Over the longer term, the growth potential for your Company's various businesses is immense especially given the large impetus being put on infrastructure development and urbanization through creation of smart cities. Your Company is confident of its abilities to convert this potential into reality and as a mark of this confidence, your Company has initiated work on setting up new manufacturing facilities in the states of Karnataka and Andhra Pradesh. Your Company would be investing in phases at both these facilities to enable it to service the future demand adequately.

I would like to conclude by thanking all the stakeholders for their contribution which has helped the Company achieve its position of strength in the industry. I look forward to your continued support in our quest to beat our own benchmarks and set the stage for a future as bright and as colourful as the home made up with Asian Paints product offerings.

Yours truly,



Ashwin Choksi



INNOVATE TO INSPIRE

We do not just see or create colour; we feel it.

We understand how someone's heartbeat quickens upon seeing certain hues. Our quest for the most perfect colour takes us back to nature, and then we bring in the most advanced research to produce a shade so stunning that it has no parallel. But it takes more than a paintbrush to make a dream home. So we have grown beyond colour, bringing a wave of inspiration and innovation into the world of home décor.



AP Homes store in Coimbatore

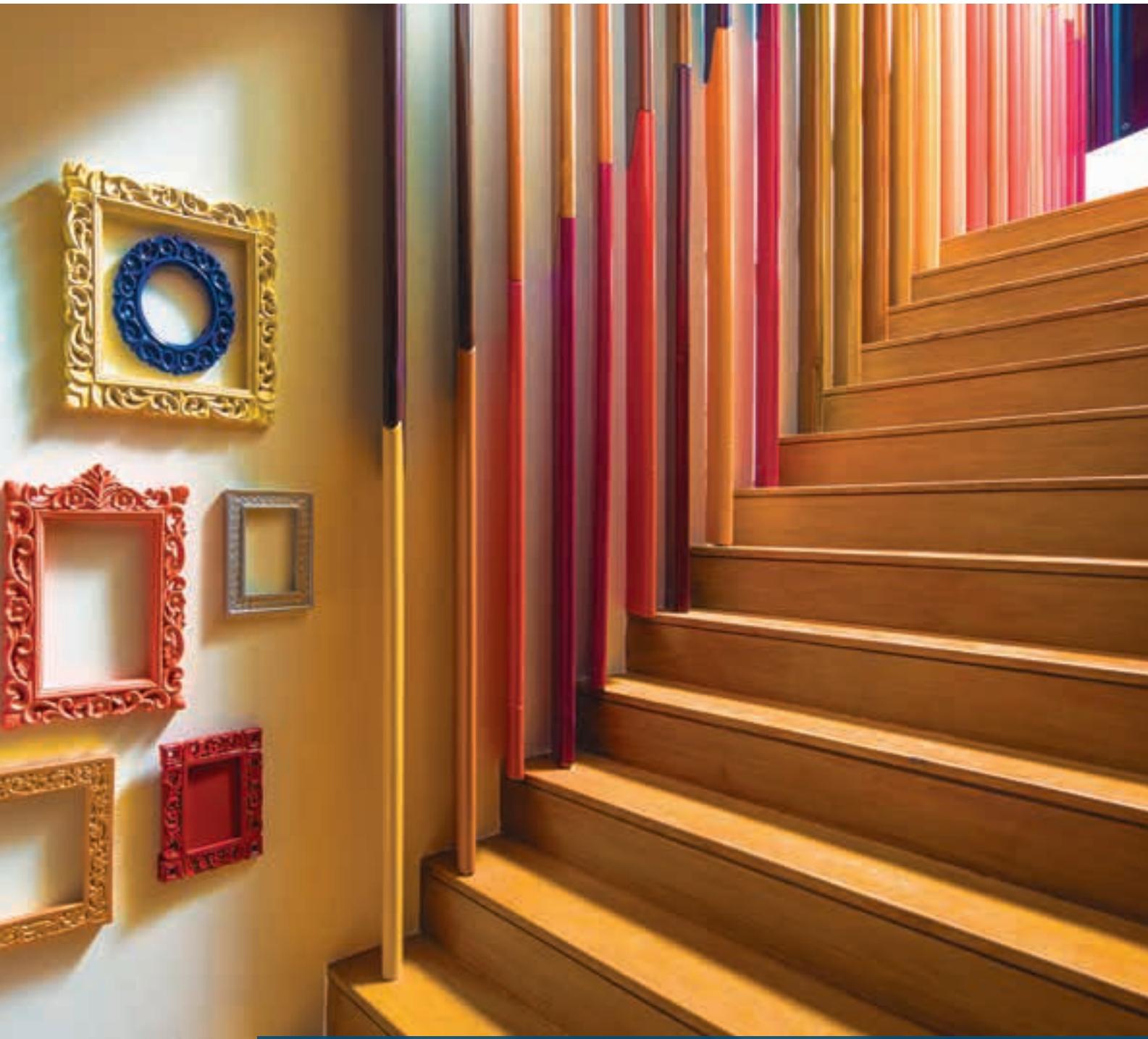


Visualising a home is an immersive experience. Our Signature stores inspire people to innovate and fully stamp their personality on their living space. Similarly, the evolution of our Ezycolour consultancy service, offered at consumers' homes aims to inspire change. Our efforts culminate at one point, the point where customers see their perfect home, and Asian Paints is an integral part of it.

DESIGNS FOR LIFE

There must be a reason why a great design stops a person in his/her tracks. Humans are hardwired to love design, because we as a species are the product of the most perfect designer in the universe – nature. The shapes, the geometry, the symmetry of the natural world are reflected in the beautiful textured patterns created on your walls by Asian Paints. As technologically advanced as our products are, their primary purpose is to bring a smile to a person's face.





Our design solutions now encompass every aspect of a home. From breathtaking wallpapers of our Nilaya collection to customised kitchens and streamlined bath accessories, where the modern Indian consumer is looking for a blend of glamour and value. Our water-based French polish infuses new life into wooden furniture, making every room glow with the warmth of this utterly classy and natural material.

BEAUTIFYING SPACES WITH COLOUR

Asian Paints supports initiatives that bring positive changes to urban landscapes with a revival of colour, art and beauty on the walls.



Installation at Bandra Reclamation promenade (Artist: Hitesh Malaviya & Hanif Kureshi)