



UBS CEO/CFO Forum 2011

Mumbai

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Responses can only be given to questions which are not price sensitive.

The Asian Paints Group Today...

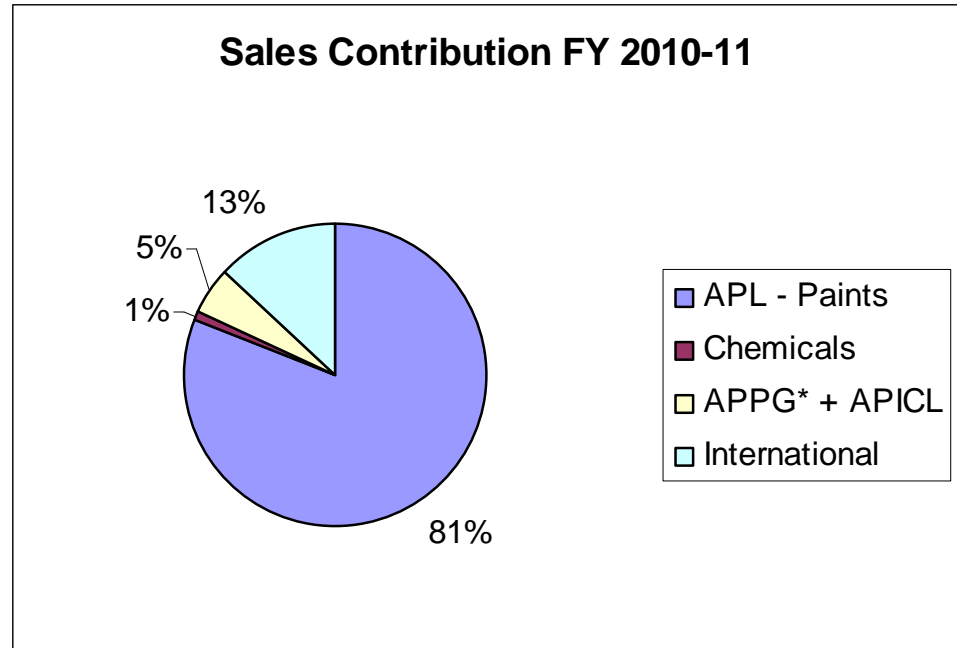
- ▶ India's largest paint company for over four decades
- ▶ Operates in 17 countries with 24 paint manufacturing facilities
- ▶ Group revenue of INR 7706 Crores (77.06 Billion) in FY 11

Business Operations – Consolidated

- ▶ Paints India
 - ▶ Decorative Coatings – India
 - ▶ Industrial Coatings – India
 - ▶ APL – Industrial
 - ▶ APPG
 - ▶ APICL

- ▶ Chemicals India

- ▶ International Operations



** 50% of APPG considered since it is a 50:50 JV with PPG Inc.*

Decorative Coatings - India

- ▶ Strong presence throughout the country across all product segments



- ▶ Introduced many innovative concept in the Indian paint industry like
 - ▶ Small packs
 - ▶ Exterior segment
 - ▶ Home Solutions (painting solution service)
 - ▶ Colour Next (prediction of Colour Trends through in-depth research)
 - ▶ Special Effects / Textured paints
 - ▶ Signature Store
 - ▶ Colour Ideas
 - ▶ Samplers

Industrial Coatings - India

- ▶ **Asian Paints participates in the Industrial Coatings segment directly, through a 50:50 JV with PPG Inc. of US as well as through a 100% subsidiary**
 - ▶ The Auto segment is catered through our JV (APPG)
 - ▶ Second largest supplier to the auto segment in India
 - ▶ Now, the largest player in auto refinish segment, post acquisition of ICI India's 2k auto refinish business in 2007
 - ▶ Commissioned a 3,200 KL / year plant in Chennai, Tamil Nadu in 2008
 - ▶ Operates directly in the protective coatings, floor coatings and road marking paints segment
 - ▶ 100% subsidiary for Powder coatings segment

Industrial Coatings - India

- ▶ Asian Paints and PPG to expand their existing non-decorative coatings presence in India jointly through their current 50-50 joint venture relationship (APPG), and also by establishing a second 50-50 joint venture
 - ▶ Industrial businesses of both Asian Paints and PPG will be part of this second JV and Asian Paints and APICL plants will toll manufacture for them
- ▶ Asian Paints to take the lead in the second venture and PPG to take the lead in the existing APPG JV
- ▶ The arrangement is subject to regularity approvals and is expected to be completed during FY 2011-12

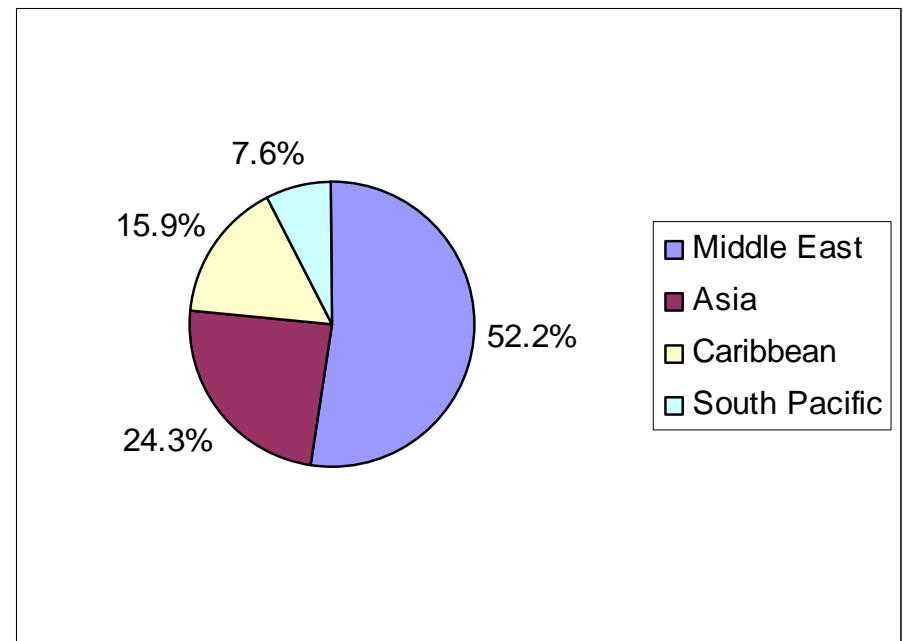
Chemicals

- ▶ **Asian Paints also manufactures Phthalic Anhydride (PAN) and Pentaerythritol**
 - ▶ PAN is manufactured in Gujarat and Penta in Tamil Nadu
 - ▶ More than 50% consumed internally
- ▶ **Chemicals business contributes about 1% to the group's consolidated revenue**
 - ▶ Its contribution to the group's revenue has been continuously decreasing

International Operations




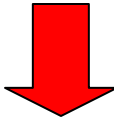

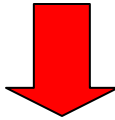

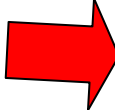

- ▶ **Contributes 13% to the group turnover**
- ▶ **Began by establishing presence in Fiji in 1978**
- ▶ **Presence in 16 countries spread over 4 regions**
 - ▶ Middle East
 - ▶ Caribbean
 - ▶ South Pacific Islands
 - ▶ Asia

% sales contribution of each region – FY 2011



** Asia includes Sri Lanka, Nepal, Bangladesh and Singapore operations*

International Business Unit

 	 	 
<p>South East Asia</p>	<p>South Asia</p>	<p>South Pacific</p>
<p>Singapore</p>	<p>Sri Lanka, Nepal & Bangladesh</p>	<p>Fiji, Tonga, Vanuatu, Samoa & Solomon Islands</p>
<p>Middle East</p>	 	
<p>UAE, Bahrain & Oman</p>		
<p>Caribbean</p>		
<p>¹⁰ Jamaica, Barbados, Trinidad & Tobago</p>		

Environment : Q2 FY2011-12

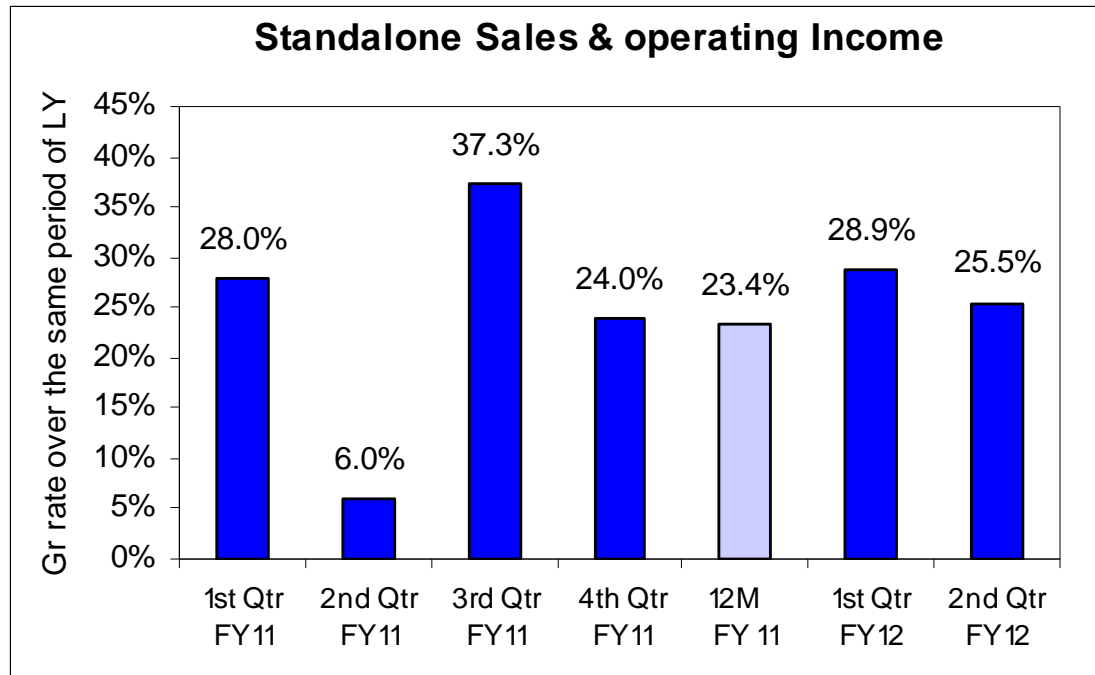
Environment – Q2 FY 2011-12

- ▶ Global economic and macro conditions remain uncertain
 - ▶ The quarter witnessed S&P downgrade the US AAA rating for the first time in 70 years
 - ▶ However, in spite of the downgrade, global risk aversion led to strengthening of Dollar across the world
- ▶ Macro-Economic factors making domestic business environment challenging and volatile
 - ▶ Inflation continues to be above the comfort level
 - ▶ Many industries facing pressures, Infrastructure and Auto sector seen affected due to rising interest rates
 - ▶ Depreciating Rupee a concern for importers
 - ▶ Political events with respect to corruption also delaying domestic decision making
- ▶ However, there were some comforting indicators:
 - ▶ Crude stabilized since the last quarter and is trading in a narrow range
 - ▶ Rainfall for the country has been above normal and could positively impact the second half demand
 - ▶ Exports have grown well

Presentation structure

- ▶ **Performance: Q2 & 6M FY 2011-12**
- ▶ Review of Business Units
- ▶ Outlook and Risks

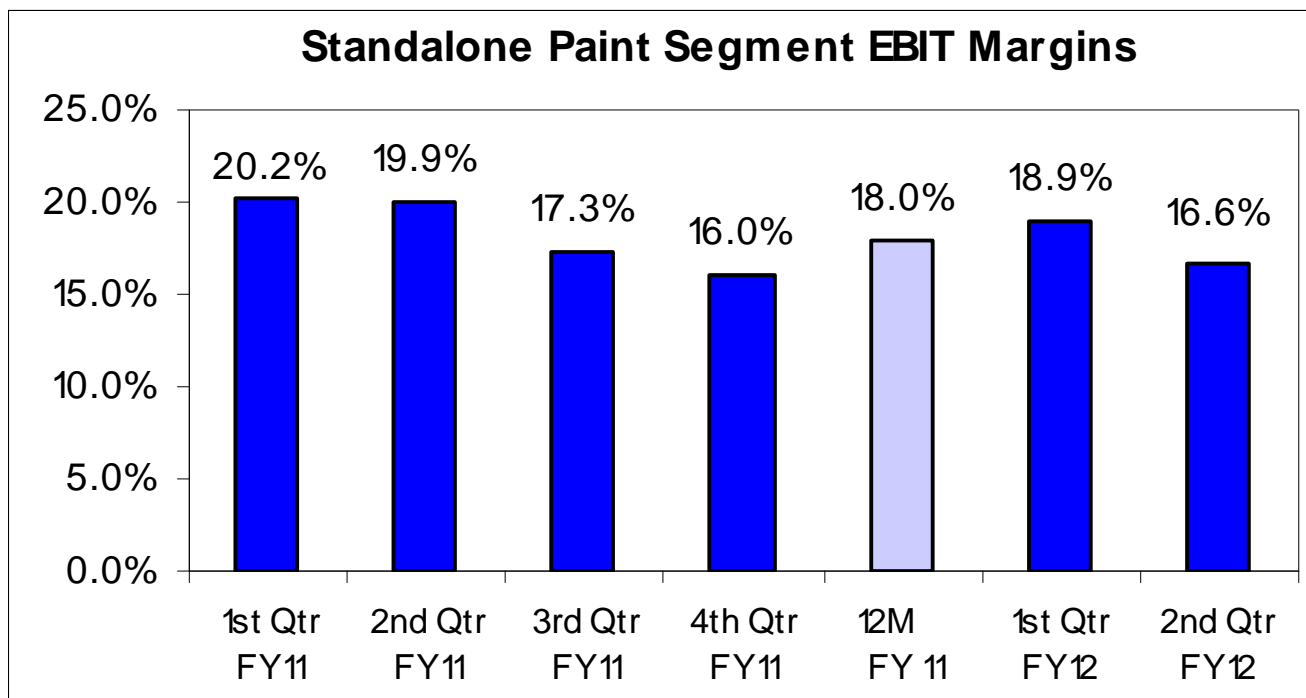
Sales Performance Q2 FY 2011-12



- ▶ Standalone
 - ▶ Net Sales at Rs. 1843.6 crores; grew by 25.5% during the quarter
 - ▶ Value sales growth high on account of price increases effected
 - ▶ The Industrial business of APL was transferred to AP Coatings Ltd (A 100% subsidiary of APL) w.e.f. 1st June 2011

- ▶ Consolidated
 - ▶ Net Sales at Rs. 2250.8 crores; grew by 24.3% during the quarter

Profit performance Q2 FY 2011-12



- ▶ Standalone:
 - ▶ PAT at Rs. 212.9 crores; grew by 8.5%
 - ▶ EBIT at Rs. 306.9 crores; grew by 6.1%
- ▶ Consolidated:
 - ▶ PAT after Minority Interest at Rs. 208.7 crores; down by 2.8%
 - ▶ EBIT at Rs. 322.2 crores; down by 1.8%

Sales Performance 6M FY 2011-12

- ▶ Standalone
 - ▶ Net Sales at Rs. 3765.7 crores; grew by 27.2% during the quarter
- ▶ Consolidated
 - ▶ Net Sales at Rs. 4511.4 crores; grew by 23.9% during the quarter
- ▶ International Operations continue to be impacted by global slowdown and challenging market conditions
 - ▶ Net Sales at Rs. 554.5 crores compared to Rs. 510.0 crores in previous year

Profit Performance 6M FY 2011-12

- ▶ Standalone
 - ▶ PAT at Rs. 463.3 crores; grew by 16.7%
 - ▶ EBIT at Rs. 671.0 crores; grew by 14.7%

- ▶ Consolidated
 - ▶ PAT after Minority Interest at Rs. 472.4 crores; grew by 8.1%
 - ▶ EBIT at Rs. 715.8 crores; grew by 7.4%

- ▶ Profitability impacted due to:
 - ▶ Significant increase in RM prices compared to previous year
 - Price increase does not fully recover increase
 - ▶ Unexpected appreciation in USD in September
 - Impact of Rs. 15 crores
 - ▶ No price hikes effected during the quarter

Dividend

- ▶ Interim Dividend of Rs. 9.50 Per share for FY 2011-12
- ▶ In FY 2010-11
 - ▶ Total Dividend of Rs. 32.00 per share
 - ▶ Final dividend of Rs. 23.50 per share
 - ▶ Interim dividend of Rs. 8.50 per share

Presentation structure

- ▶ Performance : Q2 & 6M FY 2011-12

- ▶ **Review of Business Units**

- ▶ Outlook and Risks

Review of Business Units

- ▶ **Decorative Business - India**
- ▶ Industrial Operations - India
- ▶ International Operations

Decoratives Business - India

- ▶ Demand Conditions
 - ▶ Demand in Q2 impacted on account of extended rainfall
 - ▶ In most segments, underlying demand has been good
 - ▶ Growth has been even across markets
 - ▶ Demand impacted marginally in Andhra Pradesh due to bandhs
 - ▶ New launches of wood finishes have done well
 - ▶ Royale Play continues to grow very well

- ▶ Inflation Impact
 - ▶ Material inflation significantly high compared to previous year
 - ▶ Consumption average for H1 FY12 stood at 115.49 as against base of 100 of previous year
 - ▶ Q2 consumption average at 116.99
 - ▶ Q1 consumption average at 114.05
 - ▶ Cumulative price increase of 8.33% during the year
 - ▶ No price increase during the 2nd quarter

Decoratives Business - India

▶ Retailing Initiatives

- ▶ The total number of colour worlds have crossed 20,000
- ▶ Delhi signature store opened in September to excellent response
- ▶ Tremendous response to the “Happy Painting Guide” campaign
- ▶ Colour Idea stores continue to receive a very good response
 - ▶ 28 Colour Ideas stores in operation

▶ Expansion Plans

- ▶ Khandala project construction progressing well
 - ▶ Phase I – 3,00,000 KL to be commissioned in Q4 of FY 2012-13
- ▶ Rohtak Phase-II expansion initiated
 - ▶ Phase II capacity addition of 50,000 KL by Q1 of FY 2012-13
 - ▶ Capital expenditure of Rs. 150 crores

Review of Business Units

- ▶ Decorative Business - India

- ▶ Industrial Operations - India

- ▶ International Operations

Industrial Operations

Proposed Joint Venture

- ▶ The proposed Industrial JV with PPG on track and the scheme of merger of concerned entities filed with respective high courts
- ▶ APL to take the lead in the second venture and PPG to take the lead in APPG in order to utilize their respective strengths to best capture the growth in infrastructure development and globally driven markets in India
- ▶ The arrangement expected to be completed by end 2011

Business Environment

- ▶ Industrial segment witnessed decent growth during the second quarter and First half in spite of slowdown in many industries
- ▶ However, subdued demand in the Powder coating segment

Review of Business Units

- ▶ Decorative Business - India
- ▶ Industrial Operations - India
- ▶ International Operations

International Operations

- ▶ Good growth in Asian and South pacific markets
- ▶ Middle east growth subdued due to the uncertain macro and political environment in the region
- ▶ Caribbean growth good in spite of the subdued economic growth in the region
- ▶ Raw Material inflation a cause for concern for the International units as well

	Net value sales (₹ Cr)		
Regions	6M FY 12	6M FY 11	Gr %
Caribbean	71.19	65.47	9%
Middle East	294.11	288.04	2%
Asia	156.50	127.15	23%
South Pacific	41.69	36.20	15%
Total	563.49	516.85	9%

	EBIT (₹ Cr)		
Regions	6M FY 12	6M FY 11	Gr %
Caribbean	1.93	1.91	1%
Middle East	35.22	43.40	-19%
Asia	12.42	13.12	-5%
South Pacific	5.26	5.96	-12%
Total	54.84	64.40	-15%

Presentation structure

- ▶ Performance : Q2 & 6M FY 2011-12
- ▶ Review of Business Units
- ▶ **Outlook and Risks**

Outlook and Risks

- ▶ Recovery in USA and Europe uncertain, possibilities of double dip recession still exist
- ▶ India GDP growth revised in the region of 7 to 7.5% against earlier forecasts of 8.0%
- ▶ RBI has been consistently increasing Interest rates
 - ▶ Negligible impact so far on Inflation in spite of many rate hikes
 - ▶ However, further hikes not expected as growth might get impacted
- ▶ Decision making and reform process has come to a halt, impacting confidence
 - ▶ Government focus on infrastructure spending required to sustain growth going forward

Outlook and Risks

Indian Operations

- ▶ Raw material inflation is a cause of concern, however crude showing signs of softening
 - ▶ Lot of volatility due to supply-demand equations; some materials like Rutile continue to rise; some crude derivatives show softening
 - ▶ Depreciation of the Rupee has impacted adversely; else softening may have been more beneficial
- ▶ Automotives growth seem to be slowing down due to the impact of Interest rate hikes
- ▶ Key variable is demand; domestic demand except for new construction seems robust
 - ▶ Good rainfall a big positive

Outlook and Risks

International Operations

- ▶ Market conditions across the Caribbean region continue to be depressed
- ▶ Political uncertainty in Egypt continues and market conditions are expected to remain tough
- ▶ The demand has been fairly good in Asia except for Singapore
- ▶ Raw material inflation is a global phenomena and continues to be a big concern

Thank you...

Annexure

Consolidated P&L – Q2 FY2011-12

(₹ in Crores)

	Q2 FY12	Q2 FY11	Gr %
Net Sales & Operating Income	2,250.78	1,810.79	24.3%
Material Cost	1,350.70	1,019.73	32.5%
Employee Costs	128.72	108.63	18.5%
Other Expenses	448.46	350.94	27.8%
Depreciation	29.97	28.41	5.5%
Profit from Operations before Other Income and Interest	292.93	303.08	-3.3%
Other Income	29.24	24.90	17.5%
PBIT	322.18	327.98	-1.8%
Interest	8.83	4.56	93.7%
PBT	313.34	323.42	-3.1%
Curr. & Def. Tax	95.48	98.42	-3.0%
PAT before Minority interest	217.86	225.00	-3.2%
Minority Share	9.12	10.29	-11.3%
PAT to parent Shareholders	208.74	214.71	-2.8%
EPS	21.76	22.38	-2.8%

Standalone P&L – Q2 FY2011-12

(₹ in Crores)			
	Q2 FY12	Q2 FY11	Gr %
Net Sales and Operating Income	1,843.6	1,469.5	25.5%
Material Cost	1,091.2	813.1	34.2%
Employee Remuneration	85.0	71.7	18.5%
Other Expenditure	384.8	296.1	29.9%
PBDIT	282.6	288.6	-2.1%
Depreciation	25.0	24.1	3.4%
Profit from operations before interest	257.6	264.5	-2.6%
Other Income	49.3	24.8	98.8%
PBIT	306.9	289.3	6.1%
Interest	6.6	2.4	181.1%
PBT	300.3	286.9	4.7%
Curr.& Def. Tax	91.0	89.5	1.7%
Excess tax provision for earlier years	-3.6	1.2	
PAT	212.9	196.2	8.5%
EPS	22.2	20.5	

Consolidated P&L-6M FY2011-12

(₹ in Crores)

	H1 FY12	H1 FY11	Gr %
Net Sales & Operating Income	4,511.15	3,641.01	23.9%
Material Cost	2,704.34	2,068.47	30.7%
Employee Costs	258.77	227.51	13.7%
Other Expenses	832.97	666.42	25.0%
Depreciation	59.08	55.33	6.8%
Profit from Operations before Other Income and Interest	655.99	623.29	5.2%
Other Income	59.77	43.31	38.0%
PBIT	715.76	666.60	7.4%
Interest	15.34	8.78	74.8%
PBT	700.42	657.82	6.5%
Curr. & Def Tax	210.97	199.71	5.6%
PAT before Minority interest	489.44	458.11	6.8%
Minority Share	17.05	21.22	-19.7%
PAT to parent Shareholders	472.39	436.89	8.1%
EPS	49.25	45.55	8.1%

Consolidated Sales breakup : 6M FY2011-12

	H1-FY'12	H1-FY'11
APL – Paints **	3,711.16	2,925.42
Chemicals	54.56	35.22
APPG*	167.28	140.65
APICL/AP Coatings**	118.89	36.06
International	554.55	510.05
Group	4,511.15	3,641.01

*50% of Asian PPG Industries sales considered

**Figures are not comparable as the industrial business including powder coating was transferred to AP Coatings w.e.f 1st June,2011

Key Ratios

% to Sales & Op. Inc.	Standalone		Consolidated	
	6M FY12	6M FY11	6M FY12	6M FY11
Material Cost/Net Sales	59.5%	55.9%	59.9%	56.8%
PBDIT/Net Sales	17.0%	19.9%	15.9%	18.6%
PBT/Net Sales	17.5%	19.6%	15.5%	18.1%
PAT/Net Sales*	12.3%	13.4%	10.8%	12.6%

* For Consolidation results, PAT is before Minority Interest