

The logo for Asian Paints, featuring the word "asian" in red and "paints" in yellow, with a paintbrush stroke effect on the letter 'i' in "paints".

**asianpaints**

**Investor Presentation  
Q4 & FY 2008-09**

**May 12, 2009**

The logo for Asian Paints, featuring the word "asian" in red and "paints" in yellow, with a paintbrush stroke effect on the letter 'i' in "paints".

**asianpaints**

# Environment – FY 2008-09

- Global economy under severe stress
  - Major financial crisis – with several causes
  - Credit markets at a stand-still with risk aversion
  - Collapse in economic growth - USA, Europe and Japan in recession
    - Steep fall in commodity prices with downturn in activities
  - Unprecedented policy responses
    - Near zero interest rates
    - Large scale stimulus packages

# Environment – FY 2008-09

- Similar theme underway in India
  - Demand slowdown – export as well as domestic
    - Services sector, especially IT, due to protectionism in developed world
    - Negative export growth since Oct'08
  - Relative freeze in domestic credit market
  - Widening fiscal and trade deficits
  - INR depreciates by 25% to lows of Rs 52 to the US\$
  - Slowing growth with FY 2008-09 GDP growth expected around 6.5%
  - Sharp, two-way movements in commodity prices

# Environment – FY 2008-09

- And in other markets where we operate in....
  - GCC – Bahrain, Oman & UAE
    - Pressure on Govt. budgets with significant drop in oil prices
    - Rapid decline in real estate & construction with freeze in credit markets
  - Egypt
    - Overall low impact but revenues from tourism and Suez Canal hit with drop in global trade
    - Domestic unrest with over 20% inflation
  - South Asia – Bangladesh, Nepal & Sri Lanka
    - Political instability - a grave concern across the region
    - Dependency on exports, expatriate remittances impacting growth
  - Caribbean – Barbados, Jamaica & Trinidad
    - Tourism and financial services seeing a drag, especially in Barbados
  - South East Asia & South Pacific
    - Challenging Environment

## Presentation structure

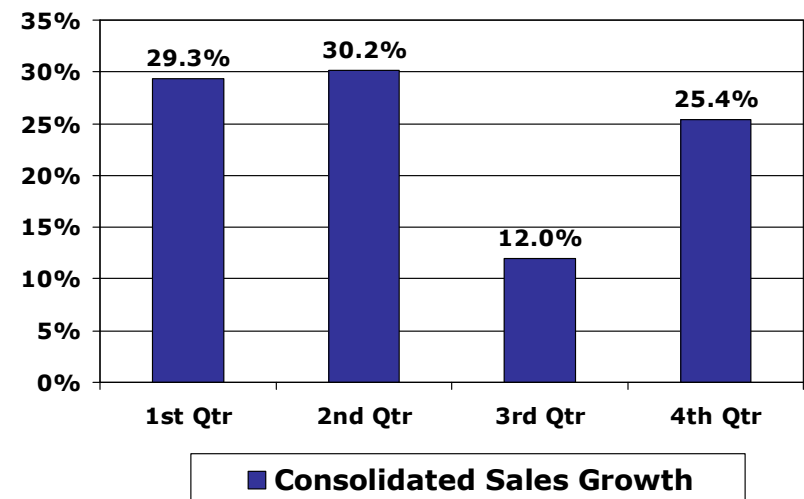
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- **Performance: Q4 & FY 2009**
- Review of Business Units
- Outlook and Risks : FY 2010

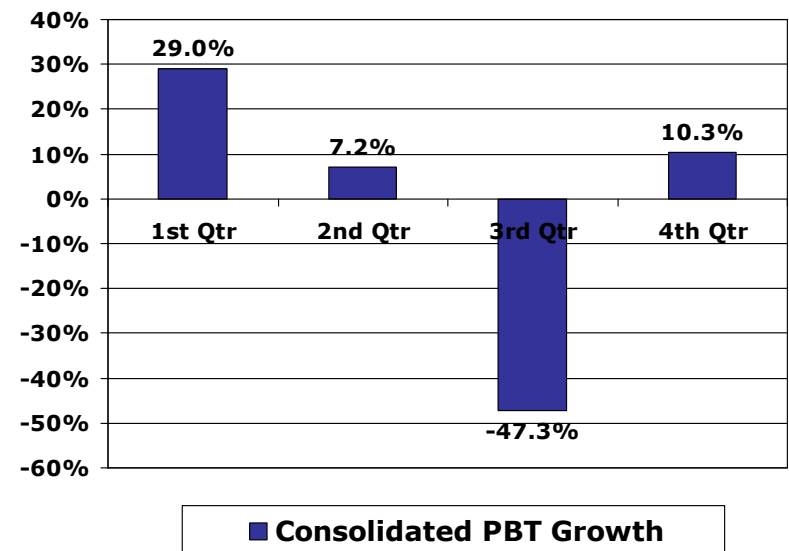
# Sales Performance Q4 2008-09

- Demand conditions improved in Q4 after a sluggish Q3
- Consolidated sales grew by 25.4% for Q4 in value terms
- Standalone sales grew by 26.2%
  - Paint sales for the standalone company grew by 27.6% for Q4



# Profit Performance Q4 2008-09

- Improved margins in Q4 compared to Q3
- Consolidated PBT increased by 10.3%
- PAT after Minority Interest increased by 7%
- Standalone PBT grew by 14.1%
- Standalone PAT grew by 16% before Exceptional Item (EI) and 9% after EI
  - EI of Rs. 5.9 crores on account of provision for impairment of investment in Bangladesh



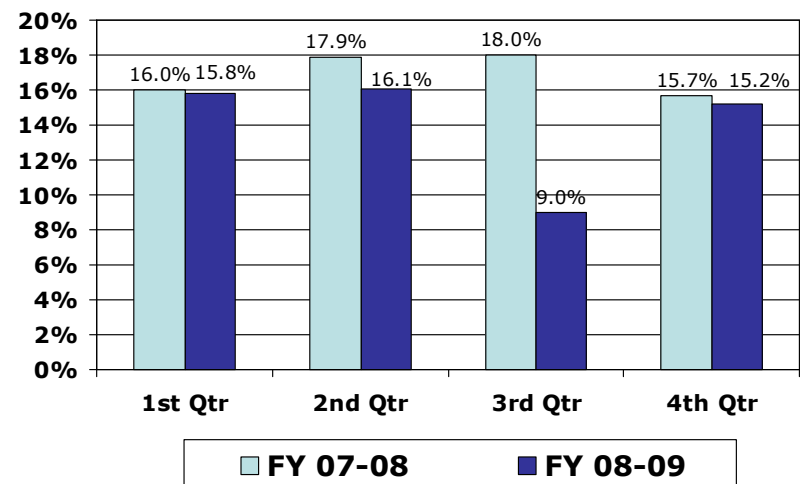
# Sales Performance FY 2008-09

- Value growth aided by price increases necessitated due to inflation
  - Consolidated sales grew by 24% for FY 2008-09 in value terms
  - Standalone sales grew by 25%
    - Paints revenue grew by 26.5% and volume by 13.4% to 491472 MTs
  - Industrial (including Automotive ) paints impacted by the general demand slowdown
  - In the international markets, good growth seen in Middle East & South Asia

# Profit Performance FY 2008-09

- Demand conditions necessitated pursuit of growth with reduced margins in domestic paints business
- Consolidated PAT after Minority Interest shows a reduction of 2.8%
- Consolidated PBT shows a decrease of 3.2% for FY09
  - Standalone PBT decreased by 1.9%
- EBIT for the Standalone Paint segment grew by 4.9%
- EBIT for International business grew by 21%
- Combined Industrial coatings portfolio records lower profits than last year due to lower sales growth
- Chemicals business also impacted by the slowdown

Paint Segment EBIT Margins



## Asian Paints Standalone - Cash Flow FY09

(Rs in Crores)

Particulars	YTD Mar 09	YTD Mar 08
Operating profit before WC changes	593.13	584.59
Working capital	(93.52)	47.91
Income tax paid (net of refund)	(174.41)	(175.22)
<b>Net cash generated from operating activities</b>	<b>325.20</b>	<b>457.28</b>
Cash flow from investing activities	(214.35)	(248.46)
Cash flow from financing activities	(221.61)	(126.52)
<b>Increase/(Decrease) in cash</b>	<b>(110.76)</b>	<b>82.30</b>
<b>Cash and Cash Equivalent as on 01.04</b>	<b>239.01</b>	<b>156.71</b>
<b>Cash and Cash Equivalent as on 31.03</b>	<b>128.25</b>	<b>239.01</b>

Capex plan for FY 2008-2009 was Rs 275 Crores and actual spent was Rs 240 Crores

Capex plan for FY 2009-2010 is Rs 300 Crores

Major spends for Rohtak, 7<sup>th</sup> Plant land and Plant warehouses

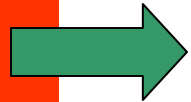
# Dividend

- Total dividend of Rs. 17.50 per share for the FY 2009 ( Rs. 17 per share in FY 2008)
  - Interim dividend of Rs. 6.5 per share for the FY 2009 ( Rs. 6.5 per share in FY 2008)
  - Final dividend of Rs. 11 per share for the FY 2009 ( Rs. 10.5 per share in FY 2008)
- Dividend payout ratio of 54.19% for FY 2009 (50.83% for FY 2008)

## Presentation structure

- Performance : Q4 & FY 2009
- **Review of Business Units**
- Outlook and Risks : FY 2010

## Review of Business Units



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

# Asian Paints – Decorative Business Unit

- Challenging year
  - Demand Conditions
    - Year began on a buoyant note
      - Sales in Q2 were also higher on account of earlier Diwali and price increases across products leading to high stocks with dealers
    - Demand started falling in Q3, improved in Q4
      - Prices were reduced to spur demand
    - Retail demand varying across geographies
      - Excellent in South and weak in the West
    - At a category level, Interior and exterior emulsions continued to do exceedingly well

**Would have gained some market share**

# Asian Paints – Decorative Business Unit

- Challenging year
  - Unprecedented Inflation and volatility
    - Material costs spiraled and then crashed
    - About 20% increase in FY09 Vs FY08
    - Rupee depreciation also had a negative impact
    - Major increase in Pigments and Monomers prices; Consumption prices of solvents remained high till Q3 and has fallen sharply in Q4
    - This necessitated 6 price increases totaling 16.7%; then 3 reductions totaling 9.9%

2007-2008 Base = 100			
Price Indices	RM	PM	RM+PM
Q1 - FY 2009	112.19	104.71	110.92
Q2 - FY 2009	125.88	123.93	125.55
Q3 - FY 2009	126.23	119.76	125.13
Q4 - FY 2009	114.14	108.47	113.18
H1 - FY 2009	119.75	115.28	118.99
9M - FY 2009	122.02	116.40	121.06
12M - FY 2009	120.78	114.61	119.73

# Asian Paints – Decorative Business Unit

- Focus on building strengths by:
  - **Securing growth**
    - Network addition
    - A total of 12400 Colour world have been installed which includes more than 2000 machines put up in current year.
    - Retailing Initiatives:
      - Continue to develop capability in colour and decor marketing
      - Signature store in Mumbai operational and has been a revelation
      - Customer Relation initiatives received good response
  - **Ensuring customer satisfaction** through a consumer centric approach
    - Focus on providing more appropriate shopping ambience
    - Continually offering new product / product upgrades
      - New R&D Centre set up in Turbhe
    - Providing more effective mechanism for resolving consumer complaints,

# Asian Paints – Decorative Business Unit

- Focus on building strengths by:
  - **Capacity building** for the future
    - Construction of the sixth Plant on schedule and the first phase should be commissioned by April 2010
    - Sriperumbudur expansion to 100,000 KL per annum completed in 2008.
    - In the process of acquiring land for the 7th plant
  - **Enhancing supply chain capabilities**
    - Distribution Centers at Ankleshwar and Kasma have been commissioned, Sriperumbudur is under construction

## Review of Business Units

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

# Industrial Operations

- Serious impact on business as all sectors hit on account of a slow-down in economy during the later half of the year
  - Marginal growth in revenues in Industrial Liquid Paints and Powder coatings.
  - The sales of automotive JV (APPG) showed a negative growth
- Margins were severely impacted resulting in reduced profitability
- Managing Debtors also became a challenge

## Review of Business Units

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

# International Operations : CY2008

- International operations have grown by 30% in CY 08 in value terms

## – Growth

- Volume growth at 20% (138970 MTs)
- Strong value growth sustained in Middle East (46%) and South Asia (39%)
- Over 1100 Colour World machines in all the markets
- Thrust on new products continued
- Sharp focus on enhancing safety standards in all units
- The impact of global slowdown seen in the last quarter of CY 2008 in most of the regions

(in INR Crores)

Value Sales	CY 2008	CY 2007	Growth
Caribbean	163	150	9%
Middle East	465	319	46%
South Asia	115	83	39%
South East Asia	106	89	19%
South Pacific	62	62	-

- Top three in all markets in Decorative paints, except in South East Asia

# International Operations : CY2008

- Overall operating performance has shown improvement
  - EBIT grew by 21%

- Margins have improved in Middle East and South Asia
- Middle East – Egypt, Oman, Bahrain & Emirates – contributes about 51% of Sales and about 81% of EBIT
- Initiatives taken led to an improved operating performance

(in INR Crores)

EBIT	CY 2008	CY 2007	Growth
Caribbean	6	7	-19%
Middle East	56	42	33%
South Asia	9	6	43%
South East Asia	(6)	(4)	
South Pacific	5	5	3%

## Presentation structure

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- Performance : Q4 & FY 2009
- Review of Business Units
- **Outlook and Risks : FY 2010**



## Outlook and Risks for 2009-10

- Unprecedented times for world economy with all major economies in recession at the same time
- Despite policy stimuli, economic responses remain uncertain
- World economy expected to witness contraction in CY 2009
- Given the interlink with global markets, growth in India to depend on how global scenario unfolds
- General Elections also introduce some uncertainty
  - Potential for a recovery post results depending on outcome of Government formation
- GDP growth forecast for India being placed between 5-6%

# Indian operations

- Paint demand would depend upon how the economic situation unfolds
  - Currently reasonably buoyant in Tier II and Tier III towns
- Continued focus on top line growth in decorative paints segment
  - Customer centricity
  - Colour
  - Providing range
  - Better Ambience / Shopping experience
- Growth would be a challenge in the Industrial and Automotive paints segment
- Chemical business being managed for value

# International Operations

- Strategy would be to grow top line, focus on profitability and credit risk
- Continuous review of portfolio
- Middle East and South Asia regions expected to drive growth performance
  - Capacity being enhanced in Egypt; new plant will be commissioned next year
  - However, political instability in South Asia remains an area of concern

# Disclaimer

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments. Responses can only be given to questions, which are not price sensitive.



**Thank you...**

# Annexure

## Consolidated P&L – Q4 FY09

	Q4 08-09	Q4 07-08	Gr %
Sales & Op Income	1,425	1,136	25.4%
<b>PBDIT</b>	<b>179</b>	<b>158</b>	<b>13.3%</b>
Depreciation	20	15	30.2%
<b>Profit from Operations before Interest</b>	<b>159</b>	<b>143</b>	<b>11.4%</b>
Other Income	11	11	3.6%
<b>PBIT</b>	<b>170</b>	<b>154</b>	<b>10.9%</b>
Interest	7	4	91.3%
Prior period items	0	-2	
<b>PBT</b>	<b>163</b>	<b>147</b>	<b>10.3%</b>
<b>PAT before Exceptional item</b>	<b>110</b>	<b>100</b>	<b>10.0%</b>
Exceptional item	1	0	
<b>PAT before Minority interest</b>	<b>108</b>	<b>100</b>	<b>8.5%</b>
<b>PAT after Minority interest</b>	<b>101</b>	<b>95</b>	<b>7.0%</b>

## Standalone P&L – Q4 FY09

Rs. In Crores)	Q4 08-09	Q4 07-08	Gr %
Sales & Op Income	1,100	871	26.2%
PBDIT	158	135	16.9%
Depreciation	15	11	34.6%
Profit from operations before interest	143	124	15.3%
Other Income	9	8	9.5%
PBIT	152	132	14.9%
Interest	3	1	102.6%
PBT	149	131	14.1%
PAT	98	85	16.0%
Exceptional item	6	-	
PAT after exceptional item	93	85	9.0%

## Consolidated P&L –FY 2009

	12M 08-09	12M 07-08	Gr %
Sales & Op Income	5,463	4,407	24.0%
<b>PBDIT</b>	<b>669</b>	<b>661</b>	<b>1.2%</b>
Depreciation	74	59	25.7%
<b>Profit from Operations before Interest</b>	<b>595</b>	<b>602</b>	<b>-1.2%</b>
Other Income	52	59	-12.4%
<b>PBIT</b>	<b>647</b>	<b>661</b>	<b>-2.2%</b>
Interest	26	21	24.4%
Prior period items	2	2	
<b>PBT</b>	<b>618</b>	<b>638</b>	<b>-3.2%</b>
<b>PAT before Exceptional item</b>	<b>421</b>	<b>435</b>	<b>-3.3%</b>
Exceptional item	1	7	
<b>PAT before Minority interest</b>	<b>419</b>	<b>428</b>	<b>-2.0%</b>
<b>PAT after Minority interest</b>	<b>398</b>	<b>409</b>	<b>-2.8%</b>

## Standalone P&L : FY2009

Rs. In Crores)	12M 08-09	12M 07-08	Gr %
<b>Sales &amp; Op Income</b>	<b>4270</b>	<b>3419</b>	24.9%
<b>PBDIT</b>	<b>561</b>	<b>557</b>	<b>0.8%</b>
Depreciation	57	44	30.6%
<b>Profit from operations before interest</b>	<b>504</b>	<b>513</b>	<b>-1.8%</b>
Other Income	60	60	0.7%
<b>PBIT</b>	<b>564</b>	<b>573</b>	<b>-1.5%</b>
Interest	10	8	25.8%
<b>PBT</b>	<b>554</b>	<b>565</b>	<b>-1.9%</b>
<b>PAT</b>	<b>368</b>	<b>375</b>	<b>-1.9%</b>
Exceptional item	6	-	
<b>PAT after exceptional item</b>	<b>362</b>	<b>375</b>	<b>-3.4%</b>

## Consolidated Sales breakup : FY 2009

	FY' 2009	FY' 2008	Growth	% to Total Sales	
			%	FY' 2009	FY' 2008
APL - Paints	4,176.84	3,305.59	26.36%	76.5%	75.0%
Chemicals	85.60	107.19	-20.15%	1.6%	2.4%
APPG* + APICL	253.53	257.12	-1.39%	4.6%	5.8%
International	947.26	737.33	28.47%	17.3%	16.7%
<b>Total</b>	<b>5,463.23</b>	<b>4,407.23</b>	<b>23.96%</b>		

\* 50 % of Asian PPG Industries sales are included

# Key Ratios

	Standalone		Consolidated	
	12M 2009	12M 2008	12M 2009	12M 2008
Mat cost/Net Sales	61.1%	57.2%	61.7%	58.5%
PBDIT/ Net Sales	13.1%	16.3%	12.3%	15.1%
PBT before Exceptional item/ Net Sales	13.0%	16.5%	7.7%	14.5%
PAT before Exceptional item / Net Sales	8.6%	11.0%	7.3%	9.4%