



Financial capital

Demonstrating prudence

KEY HIGHLIGHTS FOR FY 2020-21

7.7%

Revenue Growth

56.1%

Dividend pay-out ratio

19.8%

Profit before tax growth

₹3,248.9 Crores

Free Cash Flow

15.3%

EBITDA growth

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Economic performance



Direct economic value generated and distributed

Interlinkages to other capital



Manufactured capital



Human capital



Intellectual capital



Social and relationship capital



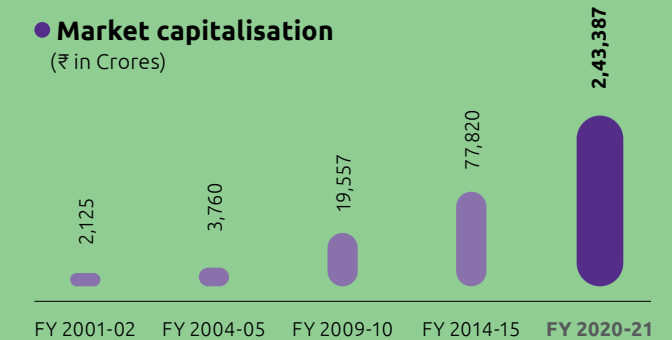
Natural capital

OUR FOCUS AREAS

- Exploring avenues for sustainable revenue growth
- Material cost and operating expense management
- Efficient asset utilisation and prudent capital allocation

SHAREHOLDER VALUE CREATION

Market capitalisation (₹ in Crores)



FY 2001-02 FY 2004-05 FY 2009-10 FY 2014-15 FY 2020-21

*Source: www.nseindia.com

The market capitalisation of the Company has grown at a robust CAGR of **28.3%** since 1st April 2002 from ₹2,125 Crores to ₹2,43,387 Crores as on 31st March 2021.

An investment of ₹1,000 on 1st April 2002 would be valued at ₹1,14,535 as on 31st March 2021, excluding dividend pay-outs. We have always believed in the support and trust provided by our shareholders, committing their wealth and supporting our growth story. With this consistent backing of our shareholders in mind, we have strived towards maintaining a healthy dividend pay-out ratio. The average dividend pay-out of **54%*** of our earnings over the past five years reflects our commitment towards sharing the wealth with our shareholders.

* Includes dividend distribution tax. Special Dividend of ₹2 per share, paid in FY 2016-17, has not been considered.

ECONOMIC VALUE CREATION⁸

Particulars	₹ in Crores	
	FY 2020-21	FY 2019-20
DIRECT ECONOMIC VALUE GENERATED	18,883.2	17,551.6
Revenues	18,516.9	17,194.1
Other income	366.3	357.5
ECONOMIC VALUE DISTRIBUTED	17,564.3	16,337.6
Operating costs	13,601.1	13,035.0
Employee benefits	1,128.7	985.4
Payment to providers of capital	1,712.2	1,151.0
Payments to government#	1,059.2	1,081.2
Community investments	63.1	85.0
ECONOMIC VALUE RETAINED*	1,318.9	1,214.0

Includes Income tax and Dividend Distribution Tax. It does not include amount paid by the Company towards Goods and Services Tax (amount of ₹1,702.4 Crores for FY 2020-21 and ₹1,230.4 Crores for FY 2019-20).

⁸ GRI 201-1 Direct economic value generated and distributed

EXPLORING AVENUES FOR SUSTAINABLE REVENUE GROWTH

Market growth has been one of our core philosophies with sustained focus on Paints and Coatings segment which is expected to drive future growth. As an established player in this business segment, we continue to witness relatively low per capita consumption at an industry level with significant scope for expansion of the overall market. Consumers are increasingly opting for high-value, superior quality and durable product offerings which again bodes well for future demand for our offerings. We have lifted upgradation strongly across markets and segments.

Another focus area for us in terms of revenue growth is the Home Décor segment as we look to penetrate deeper into this space and build upon our share of living spaces. During the year, we enhanced our Home Décor portfolio adding Furniture, Furnishings and Lightings to the existing Bath and Kitchen offerings. We are leveraging our strong Research and Development, supply chain and deep understanding of the consumers to seamlessly connect with them across our network with our new offerings, thereby further enhancing our brand recall and presence across regions. We have also launched 'Beautiful Homes Service' – a comprehensive end-to-end interior design and execution service to partner with our customers in their journey of building their dream homes. We also expect our diversified offerings to help scale-up our core paints business.

During the COVID-19 pandemic, we strengthened our presence in the Health and Hygiene segment by manufacturing and selling paints with anti-bacterial properties, sanitizers and disinfectants and more. 'San Assure' and 'Safe Painting Service' were launched to provide safe sanitization and painting services to the customers. The sanitization services helped dealers safely re-start their operations and provide a safe environment for consumers while interacting with the dealers and painters.

MATERIAL COST AND OPERATING EXPENSE MANAGEMENT

Asian Paints has undertaken various cost optimisation initiatives to ensure sustainable profitability and growth. These measures have been implemented with benefits to accrue both over the short term as well as long term. We have implemented functional-level cost saving measures across the organisation.

The core measures are as follows:

Reduction in material cost

On-going R&D and innovation in material sourcing, product formulation and manufacturing processes have led to substantial savings in material costs in FY 2020-21. The Joint Value Creation (JVC) team, along with the R&D team at Asian Paints continually work towards finding alternate suppliers and raw materials to make the products cost efficient without compromising on the quality of products. Expanding the vendor base and improving sourcing efficiencies are pivotal in optimising material cost for the organisation.

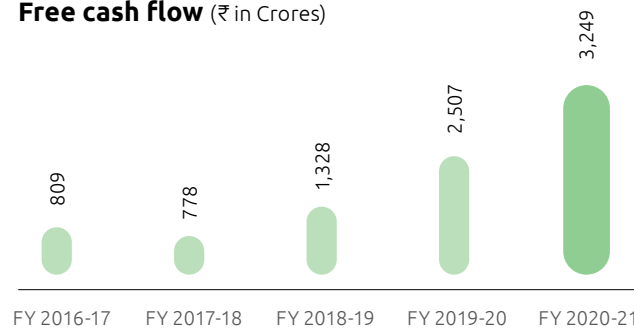
Various projects were undertaken during the year to improve product formulation and sourcing efficiencies. Project DhanantaShastra (Generating Infinite Value through New Strategies and Thinking), involved successful ideations between our vendors, R&D and JVC teams thereby identifying breakthrough opportunities in terms of identifying avenues for material cost savings. This resulted in identifying new material sources and improving our manufacturing processes to bring about a reduction in material cost.

Reducing operating expenses

We adopted a meticulously planned approach towards reducing the costs across operations. Costs like primary, secondary, and tertiary freight, travelling, rent expenses, power and fuel costs which form a large portion of the operating expenses were targeted through in-depth analysis to identify and capitalise on optimisation avenues.

Efficient asset utilisation and working capital management driving strong Free Cash Flow (FCF) generation

Free cash flow (₹ in Crores)



Efficient debtors and inventory management measures have consistently driven strong cash flow generation over the years. The approach is to generate adequate demand in the market so that dealers can rotate their inventory faster and thus operate on a lower credit period with Asian Paints and to increase the credit granted by creditors. The latter is done by leveraging our long-term relationships with vendors and suppliers built on a solid foundation of trust through timely repayment of dues. On the inventory management front, we focused on reducing generation of dead, damaged and defective materials.

Throughout the year, utilisation of manufacturing assets was enhanced through various initiatives around de-bottlenecking and cycle time reductions. Liquidation of non-core assets like real estate properties has also made a positive impact on free cash flow generated over the years.

Increase in credit grant period: Increase in credit period for outstanding payment to vendors made a positive impact on the working capital cycle.

Efficient debtor management: We have ensured swift collection from customers by introducing new credit terms to encourage customers to make timely payments.

Reducing non-core requirements: This has been done with an intent to ensure higher liquidity and availability of cash. Non-core working capital requirements have been controlled to reduce the extent of tied-up capital.

Liquidation of old inventory: Slow moving inventory and inventory with low shelf lives are continually liquidated with the aid of offers and schemes to free up funds tied-up in the working capital cycle.

FREE CASH FLOW DEPLOYMENT AVENUES

- Capacity expansion in current businesses
- Dividends to shareholders
- Investment into new products, solutions and offerings



OUR RESPONSE TO COVID-19

We undertook prompt actions on multiple fronts during the initial phases of COVID-19 pandemic and subsequently, throughout the year. With respect to the financial capital, our actions and approach towards navigating the challenges presented by the COVID-19 pandemic were centred around the following focus areas:

- Efficient working capital management
- Providing additional credit period and incentives to dealers for timely payments
- Rationalisation of capital expenditure with focus on business-critical expenditure to maintain liquidity
- Cost optimisation