

MD & CEO's message

A resolve to deliver value amid challenges

DEAR SHAREHOLDERS,

In my last communication, I had expressed my confidence in our organisation's ability to navigate the uncertainties posed by the coronavirus pandemic by constantly striving to understand the evolving needs of the customer and bringing happiness to their lives. It gives me immense pleasure to say that as an organisation, we have been able to manage these uncertainties with conviction, reinforcing our 'customer-first' approach and brought in a huge innovation and a strong strategic intent to focus on medium-to long-term vision. And this has helped us deliver extremely good results.

Before I deep-dive into some key highlights of our performance this year, I would like to express my profound appreciation for all the frontline healthcare staff and those engaged in providing essential services for their tireless and heroic efforts to provide all of us with the much needed ray of hope in such difficult times. COVID-19 has touched all of us, directly or indirectly, and these heroes have rallied beyond their call of duty to provide us support, despite innumerable obstacles.



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The year that was

FY 2020-21 was a year of new norms – new customer expectations and needs, and a new work environment and its challenges. As an organisation, we not only adapted to these new norms, addressing the emerging realities, but also remained in pursuit of our long-term strategic objectives that would enable us deliver sustainable growth. The uncertainty in the first few months brought us together, offering a unique opportunity to introspect, reflect on our organisational journey over the past decades and powered our zeal to visualise a roadmap to take our organisation to the next level. We aligned and empowered the whole team into this new Asian Paints future and gave wings to some certainty in the whole environment of uncertainty. This unique power of collaboration and standing for each other's success helped the entire team at Asian Paints rally behind the key strategic objectives laid out for all our businesses. This not only resulted in the strong, industry-leading performance for the year under review, but also laid the strong foundation for future growth.

Decorative business, India

We registered a strong performance in the Decorative business in India, further cementing our market position and gaining share from both the organised and the unorganised segment. Our pursuit of product innovation, enhancing value proposition for customers through unique product features and network expansion continued unhindered even during this pandemic-hit year. We took some innovative approaches, using digital platforms to connect with customers, key influencers, including architects, designers, contractors and dealers, and deepened our engagement with them.

We took strong steps to make further inroads into upgrading the 'bottom-of-the-pyramid' demand through our strong value proposition in the 'value-for-money' range of products. We continued with our new product innovation spree launching some differentiated products in previously uncharted domains like the All Protek Fire Retardant Paint and the Protek Crystalite anti-dust, temperature reducing clear glass paint. We also introduced the EzyCr8 range of DIY products for quick and easy application on multiple surfaces. The introduction of the 'Safe Painting' service and

the 'San Assure' service, combined with our comprehensive range of sanitizer products, provided us a unique edge in both retail and institutional markets to address customer concerns, offering them complete peace of mind by meeting their requirements in a safe and secure manner. The Projects segment of our business also registered strong growth once the lockdown was eased. We have now firmly established ourselves as the #1 player in the Projects & Institution business with strong strengths as a waterproofing expert.

The year also saw our vision of evolving into a Home Décor company, propelling the business, with a strong set of initiatives. We put together a strong and seamless omnichannel model to partner with the customers in their journey of translating their dream homes into reality, through the Digital, @AP store and @Home channels. Our digital property, beautifulhomes.com, continues to be the most inspirational digital décor content platform, offering unique and exciting design ideas to customers. AP Beautiful Home Stores network has now expanded to 18 stores. They offer one-of-its-kind customer experience, combining state-of-the-art visualisation platform with physical displays, not just for paints but for a complete décor product range that covers custom-design-to-execution furniture, furnishings, lightings, customised tiles, full-modular kitchens to bath and sanitary products. We launched the Beautiful Homes Service, a seamless 'custom-design-to-execution' service across eight top cities, with the aim of expanding to many more such centres. I am confident that with this holistic approach, we would become the most preferred Home Décor partner for our customers.

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Home Improvement business

Even the Home Improvement business in the Kitchen and Bath space picked up strongly, especially in the second half of the year, supported by the turnaround witnessed in the real estate space across many centres. The entry of Asian Paints into the world of Home Décor provided a strong spring board to this business to elevate the business to new standards and large customer reach. High execution standards being a key ask from customers in these segments, the business extensively focused on improving its execution capabilities with some unique propositions. Both these businesses rallied, along with the Decorative business to set new standards of customer service and was able to transform the dynamics so that we start aligning them for giving robust returns in future.

Industrial business

The Industrial business, especially the non-automotive industrial coatings business, delivered an extremely good performance, driven by our sharp focus on providing innovative product solutions. This was done by invoking a strong sense of collaboration across businesses keeping in mind one view of the customer. This has helped us register good growth in an otherwise declining market.

The automotive industrial coatings business, with its large dependency on the automobile sector, also registered good growth in the second half of the year.

International business

The International business portfolio also delivered a robust performance across most of the geographies, despite subdued business conditions. There was exceptional emphasis on enhancing product features, drawing from our experiences across geographies and customising them to deliver unique value propositions in each of our markets. We took a big strategic shift and were able to leverage capabilities of the domestic business in the Waterproofing space, making a strong mark and differentiating ourselves, building a strong portfolio. The other strategic shift was to enter the service space and introducing the 'Safe Painting' service proposition across key markets elevating the brand in the eyes of the customer.

Progressive steps

During FY 2020-21, the Board of Directors approved the formulation of the Employees Stock Option Plan 2021 (ESOP) for the grant of stock options to 'Eligible Employees' of the Company and/or its subsidiary companies. This ESOP has been placed before the shareholders for their approval at the ensuing 75th Annual General Meeting of the Company. I am confident that this will encourage our employees to devote themselves even more diligently to the organisation's future through their ownership and commitment, and thus enable long-term wealth creation for all stakeholders.

FY 2020-21 also marks an important milestone in our reporting journey with the publication of our first Integrated Report as per the Integrated Reporting Framework <IR> of the International Integrated Reporting Council (IIRC). This report provides a cohesive approach to corporate reporting that, inter alia, communicates the full range of factors that materially affect the ability of Asian Paints to create value over time.

Looking ahead

As we entered the new financial year, the situation around COVID-19 once again turned uncertain with the rise in infections surpassing previous records within India as well as that in many other geographies. Vaccination looks to be the only sustainable way of putting the pandemic behind us. But it will take some time to deliver results as a large cross-section of the population will need to be vaccinated before the spread of the virus can be curbed. As a responsible and caring organisation, we will continue to accord the highest priority on the well-being of our employees, encouraging them to follow necessary precautions. We will also have to anticipate intermittent business restrictions and disruptions to the supply chain networks for some time.

That said, one key highlight of the past year has been our organisation's resolve to deliver, despite these challenges, driven by our singular passion of delivering best-in-class value to our customers. And I am confident that we will continue to stay focused in this pursuit.

WARM REGARDS,

Amit Syngle
Managing Director and CEO