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Bringing joy to people's lives

Inspiring. Beautifying. Empowering.

At Asian Paints, we are in the business of creating a fresh meaning for every space we touch, with a commitment towards making a difference and improving lives. As one of the most endearing and loved brands of the country, our intent and efforts are encapsulated by three-core focus on:

Inspiring. Beautifying. Empowering.

We deliver holistic solutions with our understanding of spaces and a passion to embed design in the fabric of India. From an ever-expanding product portfolio and 'colour to décor' expertise in design consultancy, from meeting diverse and evolving customer aspirations as to initiatives like St+Art Foundation and Donate A Wall - we are embellishing every corner of India with the colours of life.

Thought leadership is an important aspect within the ecosystem, and our influencer engagement programmes, such as the Indian Design Week, The Masters and Colour Scheme Pro, among others reflect our efforts in this direction. We inspire a thriving community of designers, architects and creators by connecting, influencing and empowering individuals and firms that are doing substantial work. Our skilling programmes enable painters and contractors to take control of their growth aspirations.

Additionally, we enrich lives and add value via a plethora of education, health and hygiene, and employability enhancement programmes, while also sustaining the planet's ecological balance through a host of natural wealth conservation initiatives.



The Integrated Annual Report with related Annexures can be downloaded from below weblink: www.asianpaints.com

Delivering stable and sustainable outcomes

FINANCIAL

₹18,516.9 Crores

Revenue from operations

↑ 7.7%

₹4,859.5 Crores

Earnings before Interest Taxes Depreciation and Amortisation (EBITDA)

↑ 15.3%

₹4,090.4 Crores

Profit Before Tax

↑ 19.8%

₹31.8

Earnings per share

↑ 15%

OPERATIONAL

1,730,000 KL/annum

Installed decorative paint capacity

48

New products/ variants developed

14

Patents granted

ENVIRONMENT

184.5%

Water replenishment

57.2%

Renewable Energy (RE) consumption out of total consumption

56%*

Reduction in specific hazardous waste disposal

**As compared to baseline year 2013-14*

75.9%*

Reduction in specific effluent generation

**As compared to baseline year 2013-14*

2,700+ tonnes

Post-consumer flexible plastic across 15 states in India recycled

SOCIAL

₹63 Crores

CSR expenditure

170,000+

Beneficiaries directly impacted through our health initiatives

178,000+

Man-days of training through Asian Paints Colour Academy

199,000+

Participants attended training sessions at the Asian Paints Colour Academy



ABOUT THE REPORT

Asian Paints, headquartered in Mumbai, is in the business of manufacturing and selling wide range of paints for decorative and industrial use. We also offer wall coverings, adhesives and services under its portfolio. We have entered Home Décor segment offering lightings, furnishings and furniture, along with end-to-end design to execution services under this segment. We are also present in the Home Improvement business offering bath and kitchen products. This is the first Integrated Annual Report of Asian Paints Limited and, through this report, we are presenting the value creation approach for our stakeholders.

The report outlines our business performance during financial year 2020-21 (FY 2020-21), along with performance on key Environment, Social and Governance (ESG) aspects. The performance has been demonstrated through six capitals of the Integrated Reporting <IR> framework.

Reporting Principle

The report is prepared as per the Integrated Reporting <IR> framework of International Integrated Reporting Council (IIRC). It is aligned with the guiding principles and content elements prescribed in the <IR> framework. The performance across ESG aspects is disclosed in accordance with the Global Reporting Initiative (GRI) Standards – core option. The financial and statutory data presented in this report is as per the requirements of the Companies Act, 2013 (including the rules made thereunder); Indian Accounting Standards; the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and the Secretarial Standards.

Reporting period

The information is reported for the period from 1st April, 2020 to 31st March, 2021. However, the data on Occupational Health and Safety is reported as per the calendar year. We have outlined the historical trends of the data wherever relevant.

Scope and boundary

The Report contains information of business carried out by Asian Paints Limited. We have transitioned from Financial reporting to Integrated Reporting which covers information beyond financial capital. In addition to financial capital, the report also covers five other capitals – natural, intellectual, manufactured, social & relationship and human capital and the interlinkages between them.

The Report showcases our purpose, values and strategic focus areas leading to value creation for business and all its stakeholders. All such information presented in this report pertains to standalone operations of Asian

Paints Limited, unless otherwise specified. Further, the reporting boundary for Natural Capital which primarily includes energy, water, waste and emissions is limited to decorative paint business in India.

Forward-looking statements

Certain statements in the report regarding our business are forward-looking statements. These include all statements, other than those of performance highlights and historical facts, including those regarding the market and financial position, business strategy, and objectives for future operations. Forward-looking statements shall be identified by words such as anticipates, expects, intends, may, will, believes, estimates, outlook and other words of similar meaning in connection with a discussion of future operational or financial performance. Forward-looking statements are necessarily dependent on projection and trends and constitute our current expectations based on reasonable assumptions. Actual results could differ from the projected in any forward-looking statements due to the risks and uncertainties, and other external factors.

Feedback

Feedback from the stakeholders is sought to help address their queries and provide them clarifications on material topics that encapsulate their key concerns. Any feedback or suggestions or any stakeholder concerns can be communicated on our email address:

investor.relations@asianpaints.com or sent to us at **Asian Paints Limited, 6A, Shantinagar, Santacruz (East), Mumbai - 400 055, India.**

Report navigation



Financial capital



Manufactured capital



Human capital



Intellectual capital



Social and relationship capital



Natural capital

+ Page 32



About us

Driving 75+ years of excellence

We have come a long way since our humble beginnings in 1942. Four Friends, who were willing to take on the world's biggest, most famous paint companies operating in India at that time, set up a partnership firm. Over the course of two decades, we became a corporate force and India's leading paints company. Driven by our strong consumer-focus and innovative spirit, we have been a preferred brand for paints in India for more than 50 years.

We operate in 14 countries and have 26 paint manufacturing facilities in the world, servicing consumers in over 60 countries.

We offer a wide range of paints for decorative and industrial use and also offer wall coverings, adhesives and services under our portfolio. We are also present in the Home Improvement and Décor segment and offer bath and modular kitchen products.

At Asian Paints, we partner with our consumers in their journey for creating beautiful spaces and help them give expression to their creativity.



PURPOSE

We exist to beautify, preserve, transform all spaces and objects, bringing happiness to the world.



San Assure and Safe Painting Service

We offer 'San Assure' a sanitization service and 'Safe Painting' service for our customers.



Home Décor

Range of Furniture, Furnishings and Lighting Products under three brands – Nilaya, Royale and Ador, thus offering a wide spectrum of offerings in the 'Home Décor' category.



Beautiful Homes Service

'Beautiful Homes Service' is an exclusive end-to-end solution that provides consumers a personalized interior design service with professional execution to create their dream homes



OUR STATURE

#1

Paints company in India

3rd

Largest paint company in Asia

9th

Largest paint company globally

75+

Years of innovation in the paint industry



OUR SCALE

60+

Markets served

26

Paint manufacturing facilities worldwide

₹21,712.8 Crores

Consolidated turnover



OUR REACH

70,000+

Dealer network in India

18

AP Beautiful Homes Stores in India

450+

Colour Ideas stores in India



OUR PEOPLE

10,000+

Global workforce

200+

Scientists driving innovation

OUR OFFERINGS

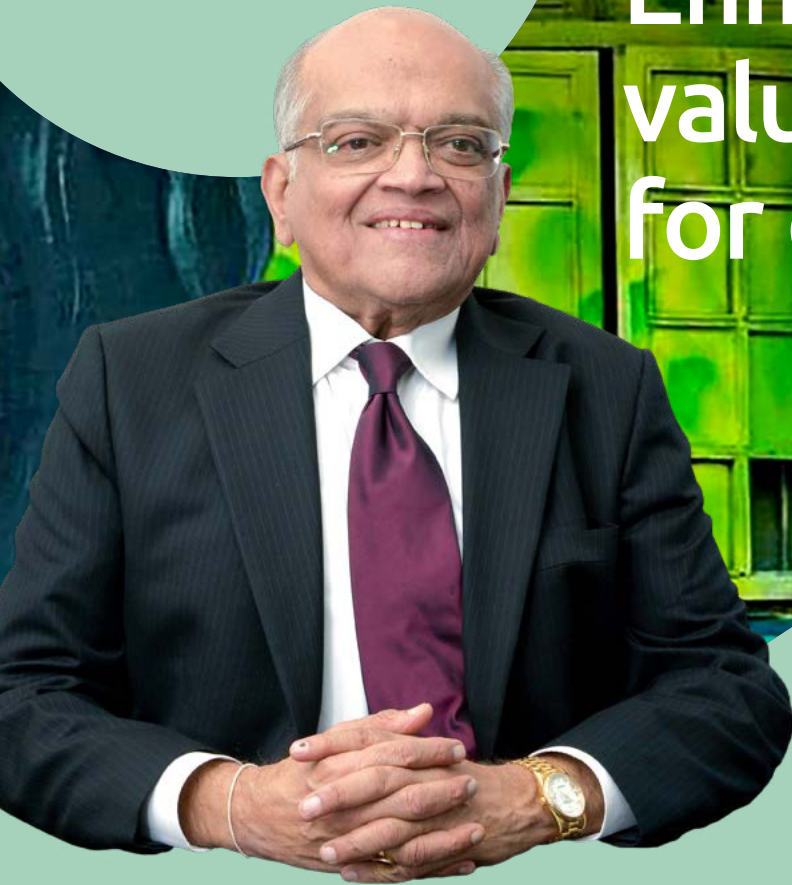
Products

- Paints • Chemicals • Wall Coverings • Textures Painting Aid
- Waterproofing solutions • Wall Stickers • Mechanised Tools
- Adhesives • Modular Kitchens and Wardrobes • Bath Fittings and Sanitaryware • Sanitizers and Surface Disinfectants
- Furniture, Furnishings and Lightings

Services

- Home Painting Services • Interior Design Services
- Experience Retail Stores • Colour Consultancy
- Projects • Sanitization services

Enhancing our value proposition for customers



set of financial results but have also strengthened our capabilities to endure and respond to such uncertainties. Under his leadership we embraced new challenges and the Asian Paints Group has responded to many adversities with unflinching commitment to our consumers, communities and citizens, finding ingenious ways and means to reach out to them.

DEAR SHAREHOLDERS,

The year gone by was one of the most difficult and challenging ones that many of us have faced, and it has impacted our lives in unforeseen ways. The COVID-19 pandemic has cast a shadow of uncertainty and anxiety all over the world, affecting people across all social strata. Through these difficult times, the relentless effort and determination of all the frontline health and social workers has stood out as a beacon of hope for humanity, and I would like to convey my sincere gratitude to them for not only keeping us safe but also helping the economy move forward. On our part, we have participated in the various initiatives of the government and extended our solidarity by donating to various states across the country and also helping large number of hospitals fight this extreme situation. I am also hopeful that if each one of us acts in a responsible manner, we would be able to put this hardship behind us and look towards brighter, healthier and safer days ahead.

Mr. Amit Syngle took over the position of the Managing Director & CEO of our Company right in the midst of a challenging and unprecedented year, and it gives me immense pleasure to note that under his able leadership, we have not only successfully delivered a very strong

Realigning our priorities

As we started the financial year 2020-21 in the midst of the nationwide lockdown, our first and foremost priority was to ensure the health and well-being of all our employees, direct as well as indirect, by setting up work-from-home infrastructure and ensuring safe, sanitized workplaces at our manufacturing plants and various sales locations across the country. The other key priority was to open up access to our customer and the extension of our Health & Hygiene product portfolio through the sanitizers & disinfectants range, for varied surfaces and usage, coupled with our 'San Assure' sanitization service and 'Safe Painting' solutions. It helped us open our dealer network and provide safe

As an organisation, we have always upheld the highest standards of corporate governance, which has been the bedrock for our growth as a sustainable, responsible corporate citizen.

solutions to our customers. This further strengthened our brand salience in the 'Health & Hygiene' category and reinforced Asian Paints as the 'most preferred brand' for our customers. Looking at the huge strain on the public infrastructure due to the pandemic, we also pushed for community safety measures, supporting various local administrations, state governments as well as the central government in providing personal protective equipment, sanitization products and services.

Handholding the customer

In my last communication, I had mentioned that for an organisation to grow and retain its market leadership, it had to guide its customers through the new normal that would emerge out of our collective experiences of this pandemic, and fulfil their requirements through innovative ideas, products and solutions. As we continued to manage the business dynamically to address the uncertainties in the wake of the pandemic, we continued to enhance our focus on understanding the changing customer needs and aspirations across our businesses, and address these through new products and solutions with a strong value proposition for our customers. Our focus on new categories and new products have yielded us new gains and also given us unique strengths. During the year, we further augmented our Home Décor capabilities, introducing offerings in Lightings, Furnishings and Furniture to cater to customer aspirations. We also partnered with multiple designers, architects, and end-delivery contractors to launch our 'Beautiful Homes Service' that offers end-to-end services – from personalised interior design to professional execution. In the Industrial Coatings business, we launched a comprehensive Asset Protection Management service, thereby strengthening our relationship with key customers. Many of these new products and solutions were also rolled out in our global markets with relevant market-specific customisations.

As an organisation, we have always upheld the highest standards of corporate governance, which has been the bedrock for our growth as a sustainable, responsible corporate citizen. To further enhance the governance standards, the Board of Directors constituted an Investment Committee to focus on our strategic direction and initiatives.

Looking ahead

As we look at navigating the business forward in the new financial year, uncertainties have resurfaced with the emergence of a strong, second wave of the COVID-19 pandemic. The situation has also worsened in many of our markets in South Asia and the Middle East, with infection numbers surpassing previous peaks. While governments are keen to accelerate vaccination, only an effective drive covering a large proportion of the population, will help us contain this spread.

In the meantime, safety and well-being will remain our highest priority. We will focus on addressing business challenges with agility, working closely with our business

As we continued to manage the business dynamically to address the uncertainties in the wake of the pandemic, we continued to enhance our focus on understanding the changing customer needs and aspirations across our businesses, and address these through new products and solutions with a strong value proposition for our customers.

partners and stakeholders. I am confident that with the guidance of our experienced Board, dynamic leadership of the management team, and the commitment of our employees, we will not just overcome the challenges but convert these very challenges into opportunities to move to an even higher trajectory of sustainable growth.

WARM REGARDS,

Ashwin Dani
Chairman



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.



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.

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.

The year also saw our vision of evolving into a Home Décor company, propelling the business, with a strong set of initiatives.

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



Amit Syngle

Managing Director and CEO

It is with great pride and purpose that I would like to share the AP Charter:

This charter includes the voice of every employee in the Company and indeed represents them. Despite the challenges during the pandemic, the employees decided to create the future of their dreams. The final outcome, after days of deliberation and co-creation, is extremely energising and allows the Company to delight the customer. It truly embodies the spirit of the Company and what every stakeholder would vouch for.

The values that would be pivotal in giving life to the charter were thoughtfully crafted and shared with the entire organisation. I am very happy to say that with customer at the core of everything we do and these values fuelling our journey, you can indeed count on us.

I present to you the AP charter, a charter which is timeless and one which every stakeholder would see his desires being addressed.

We value:

Standing for each other's success

Always being selfless, ensuring success of all groups and individuals, like we would for ourselves

Audacity

Fearless in challenging the usual way of doing things, stretching for bold goals as a way of life

Creative zeal

Passionately striving to cause disruption by a constant search for innovative, out of the box and differentiated solutions and executing with velocity and attention to detail

Scientific rigor

Adopting a data-analysis driven approach to decision making and continuous experimentation towards building world class practices and products

Integrity

We honour our word, always.

Customer passion

Treating our customers the way we would want to be treated. Customer First!

AP Charter

We are **ap asianpaints**, delivering joy since 1942.

We are in the business of colour, décor, design and protection, we make anything & everything beautiful and lasting.

Being innovators, we transcend global boundaries and are the preferred brand.

We are dynamic and disruptive. Constantly redefining trends with world-class solutions, inspiring consumers to realise their dreams.

We are committed to sustainability and safety.

We are creative. Co-creating and partnering with customers and stakeholders, transforming Billions of living spaces and objects.

We exist to beautify, preserve, transform all spaces and objects, bringing happiness to the world.

We dare. We care.

We create beautiful worlds.

You can count on us.

Board of Directors

Leading the journey to achieve long-term success



ASHWIN DANI
Non-Executive Chairman

MANISH CHOKSI
Non-Executive Vice-Chairman



ABHAY VAKIL
Non-Executive Director

AMIT SYNGLE
Managing Director & CEO

MALAV DANI
Non-Executive Director

AMRITA VAKIL
Non-Executive Director

JIGISH CHOKSI
Non-Executive Director

DEEPAK SATWALEKAR
Independent Director



Dr. S SIVARAM
Independent Director

M K SHARMA
Independent Director

VIBHA PAUL RISHI
Independent Director

R SESHASAYEE
Independent Director

SURESH NARAYANAN
Independent Director

PALLAVI SHROFF
Independent Director

Value creation model

We deliver joy

EXTERNAL ENVIRONMENT

INPUTS

Financial capital

₹12,091.1 Crores **₹27.4 Crores**
Shareholder's Fund Borrowings

Manufactured capital

₹3,810.9 Crores **10**
Property, plant and equipment Own manufacturing facilities

1,730,000 KL **24**
Installed decorative paint capacity per annum* Outsourced processing centres

* Only own manufacturing facilities

Human capital

7,160 **16,354**
Permanent employees Temporary/contractual employees

₹20.1 Crores
Investment in learning and development

Intellectual capital

₹82.6 Crores **20**
Spent on Research and Development (R&D) Number of patents filed

200+ **₹45 Crores**
Number of scientists at R&D centre Investment in information technology

Social and relationship capital

70,000+ **1.3 Lakhs +**
No. of dealers Business influencers (contractors/painters/architects/interior designers)

₹63 Crores **15,000+**
CSR expenditure Supplier base

Natural capital

0.8 KL/KL **₹12.2 Crores**
Specific water consumption Expenditure on environmental initiatives

₹3.8 Crores
Integrated watershed development

Reporting Boundaries

Natural Capital Decorative Paint Business in India
Other Capitals Asian Paints Limited (Standalone)

STAKEHOLDERS Customers | Influencers | Investors | Employees | Community | Government and Regulatory Bodies | Vendors

OUTPUTS

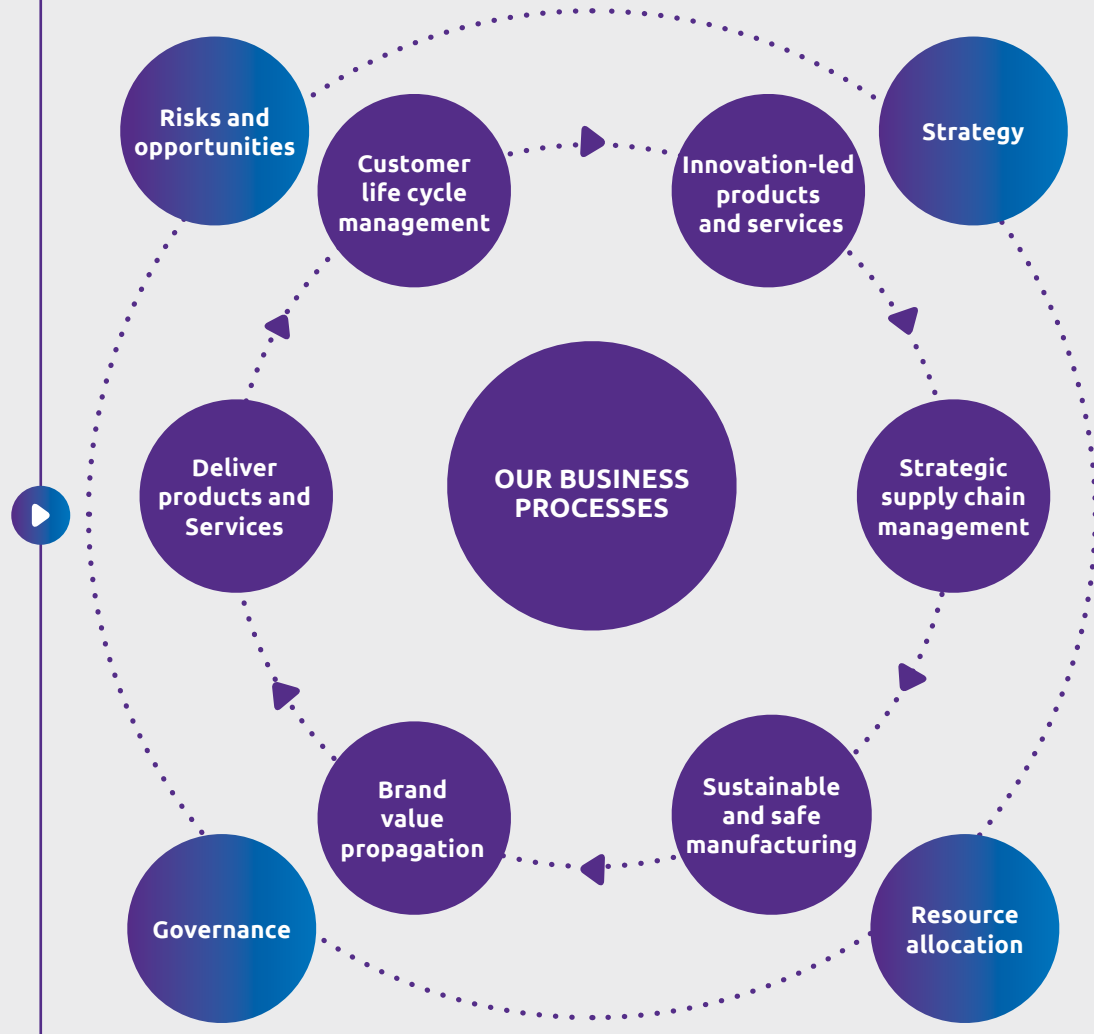
OUTCOMES

Our purpose

We exist to beautify, preserve, transform all spaces and objects, bringing happiness to the world.

Strategic focus

- Customer celebrations
- High-performance team
- Innovative and co-created solutions
- Sustainability
- Cutting-edge technology



Product portfolio

Paints **Waterproofing** **Wall coverings**

Adhesives **Decor** **Tools**

Bath fittings and sanitary ware **Sanitizers and disinfectants**

● Traded products
● Manufactured/traded

Services

Experience Retail Stores **Colour Consultancy**

Projects **Sanitization services**

Safe Painting Services **Interior Design Services**

Financial capital

₹18,516.9 Crores **₹4,859.5 Crores**
Revenue EBITDA

₹3,052.5 Crores **₹31.8** **38.1%**
PAT EPS ROCE

Human capital

0.7 **7.8%**
Lost Time Injury Frequency Rate (LTIFR) Attrition rate

23.4
Severity rate

Intellectual capital

14 **48**
Number of patents granted New products/variants developed

Social and relationship capital

Impact of community initiatives:

170,000+ **199,000+**
Lives touched through health Initiatives Beneficiaries through Colour Academy Trainings

Natural capital

56%** **184.5%**
Reduction in specific hazardous waste disposal footprint Water replenishment

34.7% **
Reduction in specific electricity consumption

58.9%** **65.4% ****
Reduction on Specific Non-Process Water (SNPW) Emission reduction

75.9%** **57.2%**
Reduction in Specific effluent generation Renewable energy consumption out of total consumption

**As compared to baseline year 2013-14

Values

- Standing for each other's success
- Creative zeal
- Integrity
- Audacity
- Scientific rigour
- Customer passion

Key risks and mitigation strategies¹

Building a holistic framework to monitor risks

In a rapidly changing business environment with dynamic customer requirements, business risks are constantly evolving. As a result, there is significant variation in the emerging risks landscape across businesses.

We, at Asian Paints, continuously monitor the internal and external environment to identify potential, emerging risks and their impact on our business.

Our risk management framework ensures identification of emerging risks and is flexible enough to accommodate decentralized risk management practices. Composition of the risk management committee, their responsibility and

other related details are provided in the statutory section of our Integrated Report. We evaluate risks that can impact our strategic, operational, compliance and reporting objectives².

Following is a summary of key identified risks. More details regarding these risks can be found in the management discussion and analysis section of this report. The section explains some aspects of the key strategic and business risks.

IMPACT OF THE RISK



Customer Facing

- The customer of today is looking for customised solutions and services and not just products
- Customers across the spectrum desire personalised living spaces
- The customer seeks delight right through the journey of making his/her dream home. Merely delivering an end product is no longer sufficient
- Customers interact companies through a variety of channels and influencers. Maintaining a seamlessness and delightful connect through all touchpoints is critical
- Products that go beyond just décor and promote safety, health and hygiene of consumers



Sustainability

- Risk pertaining to the use of natural resources like water
- Reducing energy consumed and hazardous waste generation in the manufacturing process
- Continuity of business operations, including information technology assets
- Care for the community in which we operate



Human Capital

- Enough opportunities to grow professionally
- Maintaining employee relations and meeting their aspirational needs
- Employee engagement and fostering a spirit of competitive collaboration
- Safety and overall well-being of employees

CAPITAL IMPACTED



Residual risks:

There are certain uncertainties with remote possibilities like earthquake, natural disaster, and other macroeconomic factors, impact of which could go beyond the risk appetite articulated by us. Despite best efforts and intentions, these risks would continue to exist, and we would continue to take steps to reduce the impact of these.

Emerging risks:

The management has identified certain other uncertainties like supply chain disruptions due to any political/geographical issues in any foreign country, market risk related to e-commerce, and intensifying competition risk, to name a few. Mitigations steps are being taken wherever necessary to reduce the impact of these uncertainties.

Mitigation strategies to address the above risks are incorporated within the policies and processes. The same has been discussed in detail in respective capitals.

We regularly identify and assess opportunities with respect to the internal and external factors. Focusing on the expectations of our stakeholders and creating value for them over the short, medium and long term, we aim to harness these identified opportunities. Keeping the customer at the core, we continue to find avenues to optimise value creation for all stakeholders. This calls for intense work to leverage our relations with stakeholders, information technology, research and development to create competitive advantage while being firmly committed to raising the bar on sustainability and safety.



Fraud and Unethical behaviour

- Inherent risk of fraud and unethical behaviour



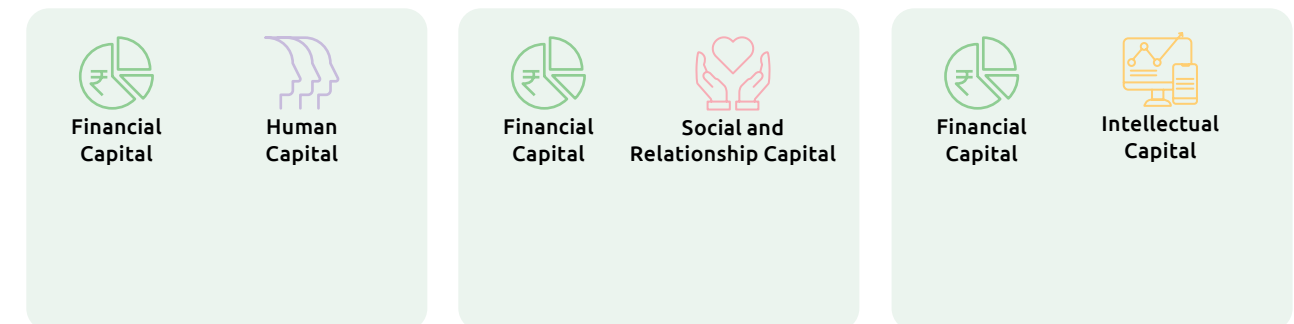
Compliance

- Speed and extent of changes in the regulatory landscape
- Evolving interpretation to newer statutes



Information Security

- Securing confidential information of the Company
- Protecting devices from external attacks
- Ensuring uptime of all critical IT assets, including automation systems operating at the plants










¹ GRI 102-15 Key impacts, risks, and opportunities

² GRI 102-30 Effectiveness of risk management processes

Stakeholder engagement and materiality assessment

Ensuring shared growth through meaningful interactions

How we create value for our stakeholders⁵

STAKEHOLDER GROUP	KEY CONCERNS AND EXPECTATIONS ⁶
 Employees	<ul style="list-style-type: none"> Employee well-being Learning and development Occupational health and safety
 Customers	<ul style="list-style-type: none"> Delightful experience through the journey of décor Product safety and value for money Innovative products Anticipating requirements Creating value Convenience Solutions and not just products Better servicing
 Government and Regulatory Bodies	<ul style="list-style-type: none"> Adherence to compliance in substance and spirit Collaboration on national agenda Inputs for ease of doing business Inputs for regulatory changes
 Communities	<ul style="list-style-type: none"> Social concerns such as health and hygiene, skilling and water management Sustainable way of carrying on the business
 Vendors	<ul style="list-style-type: none"> Long-term commitments with business partners Value creation Fairness in business dealings Necessary knowledge and infrastructure support
 Investors	<ul style="list-style-type: none"> Consistent return on investments Long-term viability and sustainable growth Wealth creation Timely disclosures and compliance
 Influencers	<ul style="list-style-type: none"> Business collaborations Policy advocacy

³ GRI 102-42 Identifying and selecting stakeholders

⁴ GRI 102-43 Approach to stakeholder engagement

⁵ GRI 102-40 List of stakeholder groups

⁶ GRI 102-44 Key topics and concerns raised

Stakeholder engagement

At Asian Paints, stakeholders play an integral role in our journey and we recognise the need to partner with them and understand their concerns to deliver the ambitious targets which we have set for ourselves as a part of the organisational vision. Our multi-stakeholder model aims to understand the requirement of our stakeholders and we attempt to respond to them through various initiatives and programmes.

Our process of stakeholder engagement involved identifying key internal and external stakeholders followed by analysing the impact of each stakeholder

groups on our business and vice versa³. Based on the exercise carried out, we prioritised our key stakeholders to understand their expectations and concerns. Through regular interactions⁴ with our stakeholders across various channels, we have been able to strengthen our relationships and enhance our organisational strategy.

We have identified the following key stakeholder group and each stakeholder continues to contribute in their own way in creating value for our business.

OUR APPROACH OF ENGAGEMENT
<ul style="list-style-type: none"> Personalised learning and development programmes Regular performance review and feedback One on one engagements and town hall meetings Employee engagement surveys Digital engagement Exit interviews Programmes catered around overall well-being Engaging with students in leading campuses
<ul style="list-style-type: none"> Partnering with them in their journey from products to services One-on-one interactions Digital channels like mobile applications (Colour with AP), website and many more Customer satisfaction survey Feedback surveys and calls post addressal of complaints Customer service helpline
<ul style="list-style-type: none"> Emails and letters Conferences Industry forums Regulatory Filings Meetings with officials Representations
<ul style="list-style-type: none"> Collaboration with Non-Governmental Organisations (NGOs) Field visits CSR and sustainability initiatives Skill development One-on-one interactions
<ul style="list-style-type: none"> Supplier meets One-on-one interactions Digital channels like supplier grievance/ feedback portal Forums and seminars Collaboration with vendors
<ul style="list-style-type: none"> Annual general meetings Quarterly investor conferences One-on-one engagements Digital engagement Media updates Annual report and sustainability report Meetings
<ul style="list-style-type: none"> Meetings Conferences Digital platforms

Our frequency of engagement
● On regular basis ● Periodically

Stakeholder engagement and materiality assessment (continued)







Materiality assessment





Material issues influence our ability to create and sustain value, and deliver our organisation's strategic objectives within the context of short-medium and long-term objectives. Identifying, prioritising, and responding to material topics play a pivotal role in meeting stakeholder expectations. We engaged with our stakeholders to obtain their inputs in identifying material topics and align our strategies to achieve our goals.

We conducted an analysis to identify all vital issues that are material to our organisation. These are issues of critical value to our stakeholders. Our planning initiatives consider material issues by mapping them in our strategic objectives.

Material topics⁷

The following topics have been identified as high-priority material topics as per the materiality assessment conducted during the year FY 2020-21. These material topics will be reviewed periodically taking into account the expectations from stakeholders, our policies and business objectives.

MATERIAL TOPICS	GRI STANDARDS TOPICS	REFERENCE SECTION IN THE INTEGRATED REPORT
 Customer Satisfaction	<ul style="list-style-type: none"> Customer health and safety Customer Privacy 	Social and Relationship capital + Page 66
 Occupational Health and Safety	<ul style="list-style-type: none"> Occupational Health and Safety 	Manufactured Capital + Page 36 Human capital + Page 42
 Water Management	<ul style="list-style-type: none"> Water and effluents 	Natural Capital + Page 56
 Supply Chain Management	<ul style="list-style-type: none"> Supplier Social Assessment 	Social and Relationship Capital + Page 66
 Business Ethics & Corporate Governance	<ul style="list-style-type: none"> Anti-Corruption Anti-competitive behaviour 	Corporate Governance Report + Page 145
 Economic Performance	<ul style="list-style-type: none"> Economic Performance 	Financial statements + Page 186 Management Discussion and Analysis report + Page 74 Board's report + Page 120 Financial Capital + Page 32

MATERIAL TOPICS	GRI STANDARDS TOPICS	REFERENCE SECTION IN THE INTEGRATED REPORT
 Direct Economic Value generated and distributed	<ul style="list-style-type: none"> Economic Performance 	Financial Capital + Page 32
 Employee Wellbeing	<ul style="list-style-type: none"> Labour/Management Relations Diversity and Equal opportunity Employment 	Human Capital + Page 42
 Environment & Sustainability	<ul style="list-style-type: none"> Environmental Compliance Emissions Waste 	Natural Capital + Page 56
 Social Impacts of Products	<ul style="list-style-type: none"> Customer Health and Safety 	Social and Relationship Capital + Page 66 Intellectual Capital + Page 52 Natural Capital + Page 56

⁷ GRI 102-47 List of material topics

Global footprints

Near your home, worldwide

Our operations encompass 14 countries of the world with considerable presence in South Asia and the Middle East. We are leveraging our experience and expertise to drive higher growth in the markets where we are present.

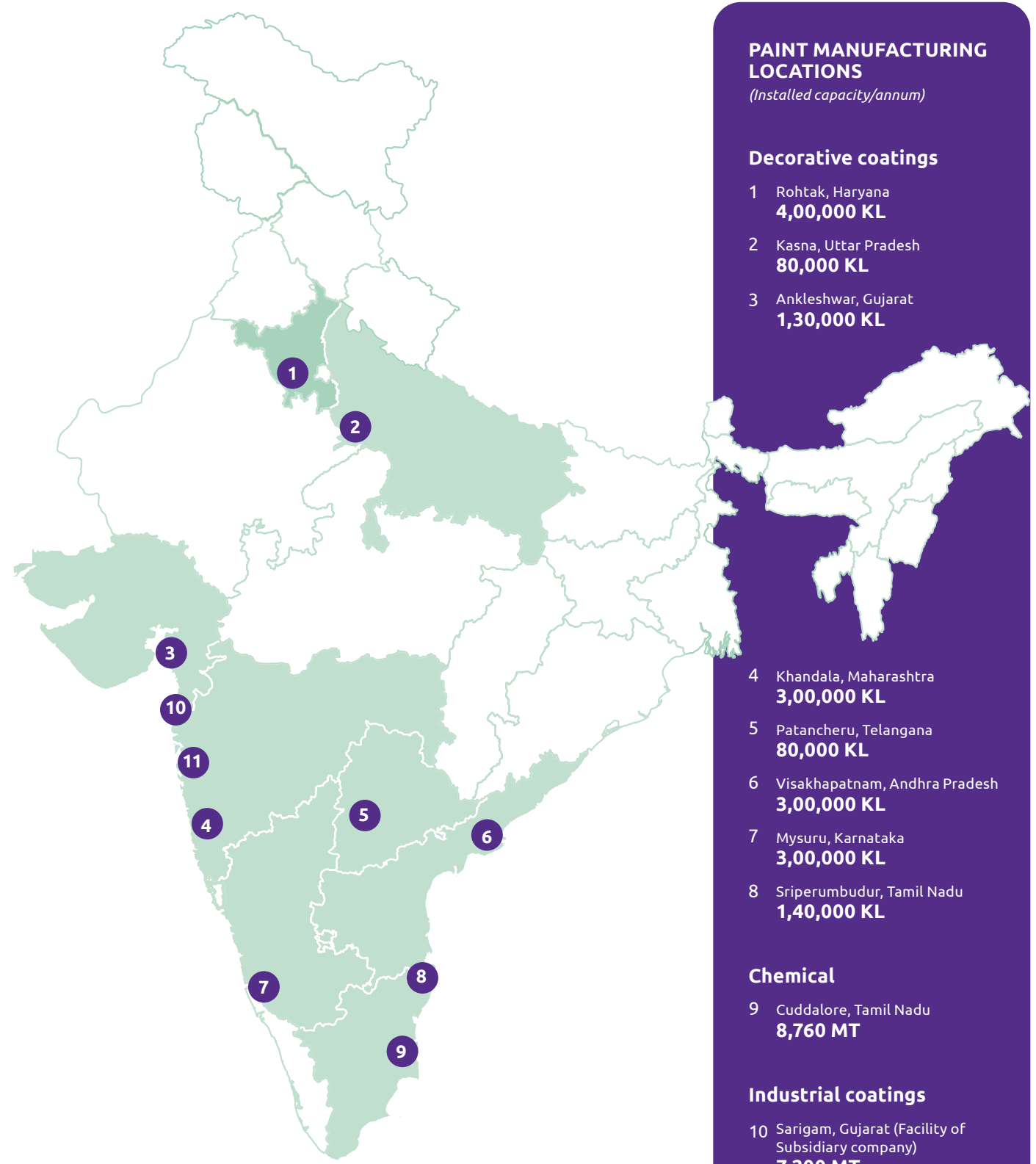
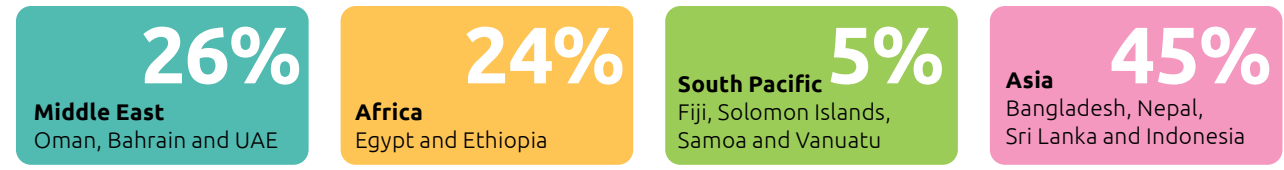
Integrated Report 2020-21
24



BRANDS



REGION-WISE REVENUE FROM INTERNATIONAL OPERATIONS (%)



PAINT MANUFACTURING LOCATIONS
(Installed capacity/annum)

- Decorative coatings**
- 1 Rohtak, Haryana
4,00,000 KL
- 2 Kasna, Uttar Pradesh
80,000 KL
- 3 Ankleshwar, Gujarat
1,30,000 KL
- 4 Khandala, Maharashtra
3,00,000 KL
- 5 Patancheru, Telangana
80,000 KL
- 6 Visakhapatnam, Andhra Pradesh
3,00,000 KL
- 7 Mysuru, Karnataka
3,00,000 KL
- 8 Sriperumbudur, Tamil Nadu
1,40,000 KL
- Chemical**
- 9 Cuddalore, Tamil Nadu
8,760 MT
- Industrial coatings**
- 10 Sarigam, Gujarat (Facility of Subsidiary company)
7,200 MT
- 11 Taloja, Maharashtra
14,000 KL

Note: Map not to scale

Strategic Review
25

Business segment

Unlocking value across verticals



DECORATIVE COATINGS

Our products cater to varied price points and requirements, consisting primarily of four segments – interior walls, exterior walls, wood finishes and metal finishes. We also introduced new categories such as water proofing, wall papers, painting tools and implements, adhesives and sanitizers. Aligned to ever-changing consumer requirements, we are consistently strengthening our brand value proposition by emerging as a comprehensive décor solutions provider.

We have eight state-of-the-art, highly automated decorative paint manufacturing plants across the country, supporting an extensive distribution platform.



₹18,211.5 Crores
Revenue from Operations

83.9%
Group revenue share

INDUSTRIAL COATINGS

We cater to the Indian industrial coatings market through two 50:50 joint ventures with PPG Inc, USA, a global leader in coatings. The first joint venture 'PPG Asian Paints Pvt Ltd.' services the increasing requirements of the Indian automotive coatings market. The second joint venture 'Asian Paints PPG Pvt. Ltd.' services the protective, industrial powder, industrial containers and light industrial coatings markets in India.

We offer the entire spectrum of industrial coatings products such as automotive coatings, refinishes, protective coatings, floor coatings and powder coatings, among others. We are the market leader in the auto refinish segment and the second largest player in the automobile OEM segment. Our industrial coatings manufacturing capacity is being steadily enhanced to address the growing OEM demand.



₹504.3* Crores
Revenue from Operations

2.3%
Group revenue share

** PPG Asian Paints Pvt Ltd. (PPG-AP) revenues are not included*



INTERNATIONAL OPERATIONS

We operate in three regions of the world – South Asia and Indonesia, the Middle East, South Pacific and Africa through the seven corporate brands (Asian Paints, Apco Coatings, Asian Paints Berger, Asian Paints Causeway, SCIB Paints, Taubmans and Kadisco Asian Paints). Our presence in the Middle East and South Asia is significant, and we are expanding with key focus on Africa and Indonesia.



₹2,490 Crores
Revenue from Operations

11.5%
Group revenue share



HOME IMPROVEMENT BUSINESSES

Kitchens and Wardrobes

We offer contemporary modular kitchen and wardrobe products through the home improvement division to help our customers create beautiful spaces of their choice for their dream homes.



Bath Fittings and Sanitaryware

Under this category, we offer bath fittings and accessories, curated washroom areas and smooth surface work with flawless finish. The elements in use are infused with glaze surfaces that come with germicide to fight bacterial growth.

We are leveraging our distribution strength and customer understanding around décor to scale this business.



₹507.1 Crores
Revenue from Operations

2.3%
Group revenue share

Brand portfolio

Consistently pursuing portfolio growth

Interior paints



Exterior paints



Metal Finishes (Enamels)



Wood finishes range



Adhesives



Water proofing



OTHER PRODUCTS



Tools



Bath fittings and sanitaryware



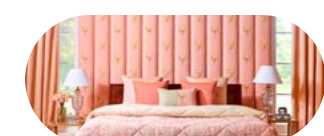
Wall Coverings (Nilaya range)



Kitchens and Wardrobes



Sanitizers and Surface Disinfectants



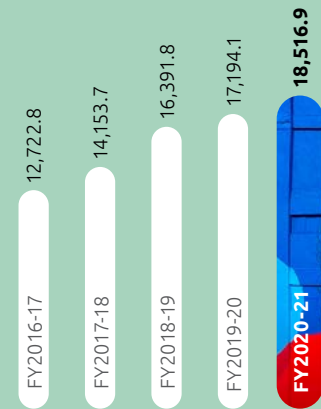
Furniture, Furnishing and Lighting

Key performance indicators (Standalone)

Numbers that reflect steady growth

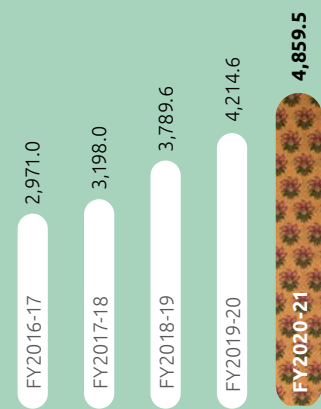
PROFIT AND LOSS METRICS

Revenue from operations
(₹ in Crores)



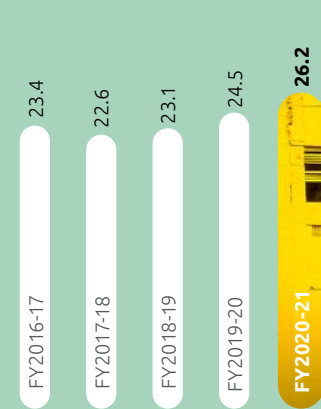
9.4% 5-year CAGR ↑ 7.7% ↑

EBITDA
(₹ in Crores)



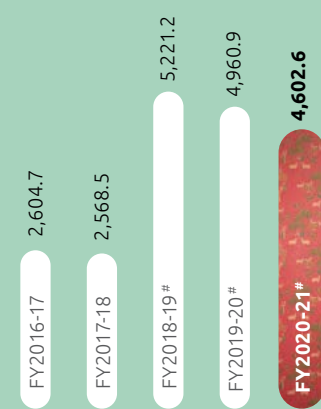
12.3% 5-year CAGR ↑ 15.3% ↑

EBITDA margin
(%)



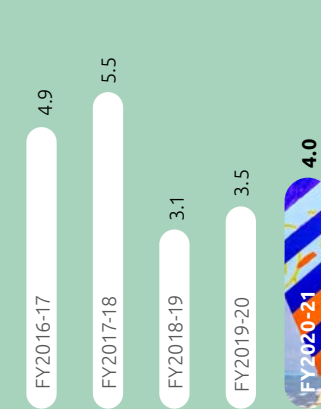
BALANCE SHEET METRICS

Net fixed assets
(₹ in Crores)

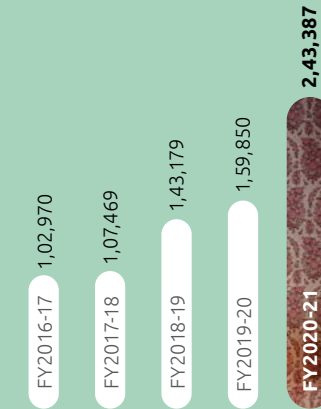


8.9%* 5-year CAGR ↓ -7.2% ↓

Asset turnover ratio
(x times)



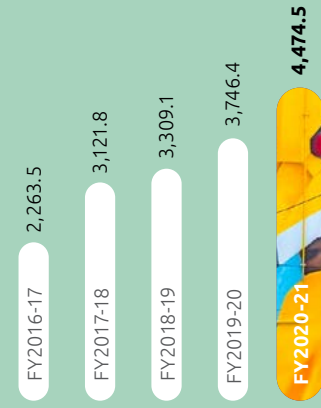
Market capitalisation
(₹ in Crores)



23.9% 5-year CAGR ↑ 52.3% ↑

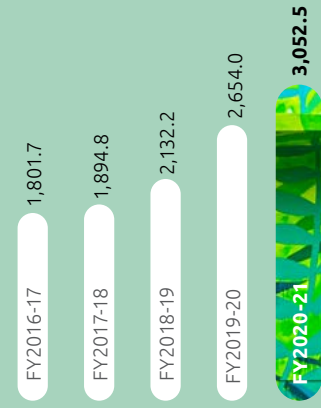
[#] includes impact of Ind AS 116 - Leases and addition of new plants in Mysuru and Visakhapatnam
^{*} Excludes impact of Ind AS 116 - Leases

Cash generated from operations
(₹ in Crores)



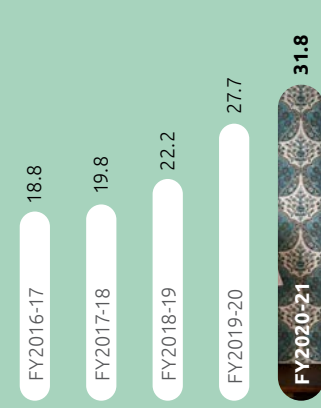
10.3% 5-year CAGR ↑ 19.4% ↑

Profit After Tax (PAT)
(₹ in Crores)



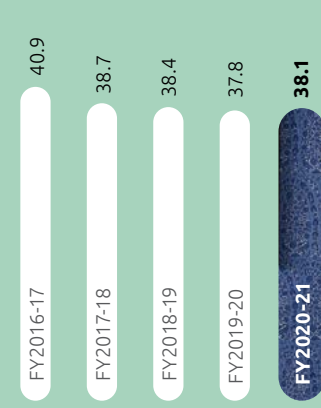
13.5% 5-year CAGR ↑ 15.0% ↑

Earnings per share (EPS)
(in ₹)

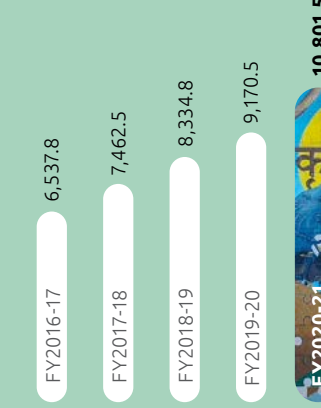


13.5% 5-year CAGR ↑ 15.0% ↑

Return on Capital Employed (ROCE)
(%)



Average capital employed
(₹ in Crores)



14.3% 5-year CAGR ↑ 17.8% ↑



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



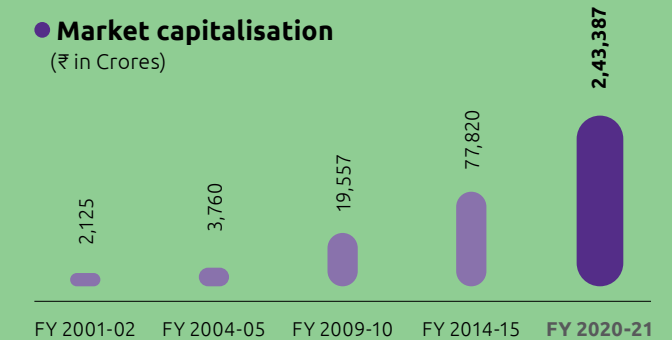
Natural capital

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)



*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.

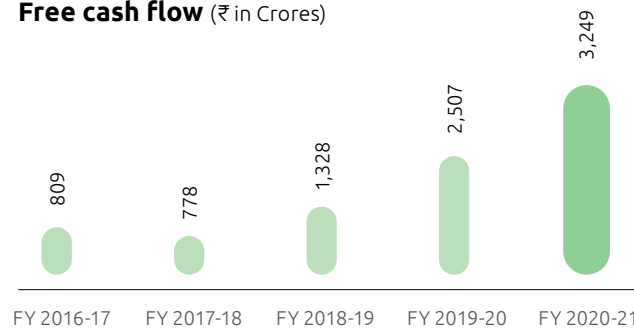
Various projects were undertaken during the year to improve product formulation and sourcing efficiencies. Project DhanantaShastra (Generating Infinite Value through New Strategies and Thinking), involved successful ideations between our vendors, R&D and JVC teams thereby identifying breakthrough opportunities 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

Manufactured capital



Creating a success pipeline



Khandala plant

KEY HIGHLIGHTS FOR FY 2020-21

Over 1,900+ 48

Employees grouped into 150+ smaller cross-functional teams for overcoming operational challenges

New products/ variants developed

Introduction of Health and Hygiene portfolio

39

Improvement projects identified and implemented by teams in FY 2020-21 across six manufacturing facilities

60+

Online and classroom training modules identified for development last year

5000+

Kaizens/improvement suggestions submitted by employees across cadres across all manufacturing sites

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Occupational health and safety

Interlinkages to other capital



Financial capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital



OUR FOCUS AREAS

- **Manufacturing excellence**
- **Workforce development and training**
- **Diversification of product portfolio**
- **Occupational health and safety**
- **Sustainable supply chain management**

Manufactured capital is a crucial factor in our success. It sustains additional value for our stakeholders by driving the production of our creations. Our manufactured capital is defined by its focus on optimising its productivity.

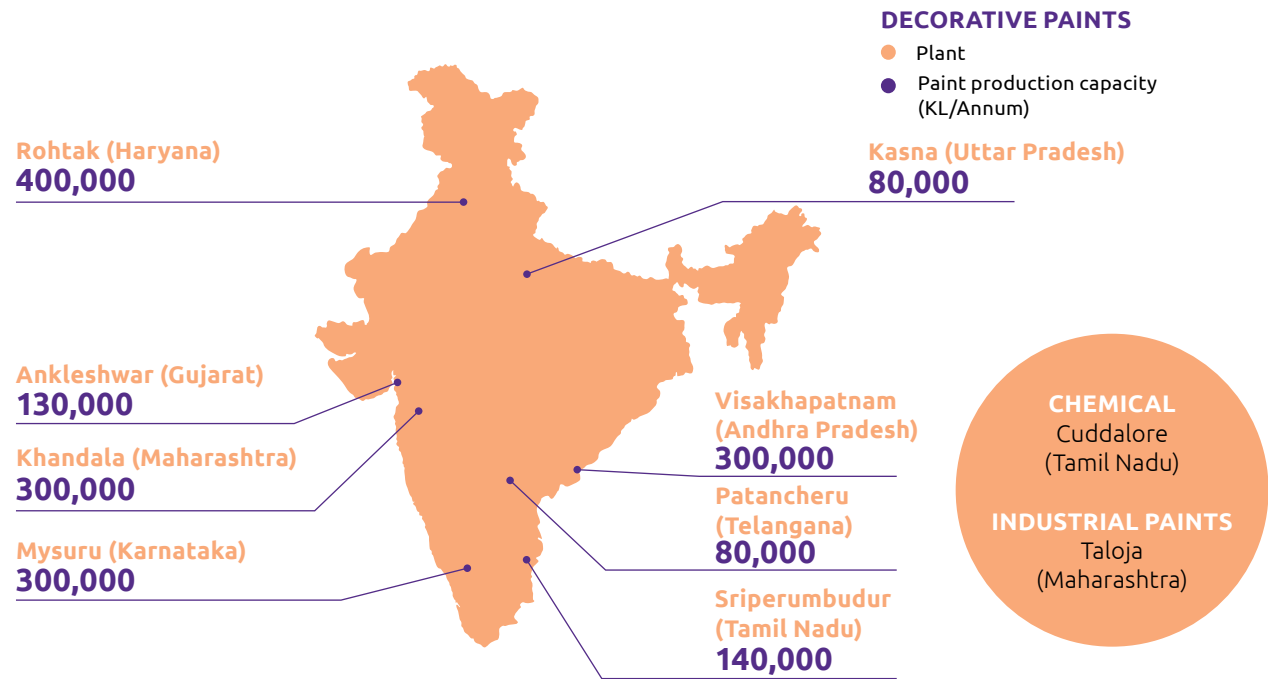
At Asian Paints, we are strengthening our manufacturing capabilities from capacity, flexibility, scalability, safety and sustainability aspects.

We are focused on optimising our costs to maximise resource use efficiency. We aim to improve the flow and working of our intricate supply chain by incorporating sustainable practices to meet our demands in a timely and organised manner. In doing so, we continuously exploit the technological changes in innovating newer products and ways of addressing our customer demand. We are committed to maintaining environmental compliance and sustainable practices throughout our manufacturing process.

OUR MANUFACTURING LOCATIONS ACROSS INDIA:⁹

We operate eight decorative paint manufacturing plants across India, integrated with a wide customers' network. Our products are aligned to our customers changing

demands and needs. We continue to strengthen our brand value proposition by delivering a wide range of quality products on time and where it is required.



Note: Map not to scale

Apart from our own manufacturing setup, we also use facilities of Outsourced Processing Centres (OPCs) to meet our manufacturing needs. The OPCs are in compliance to all applicable laws including environmental and labour laws.

OUR MANUFACTURING JOURNEY IN FY 2020-21

New product innovation

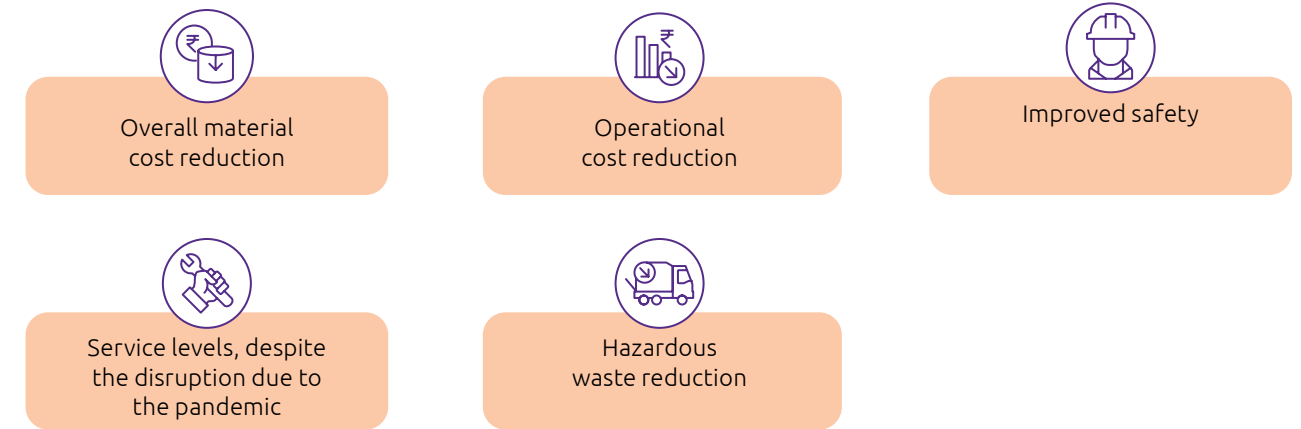
- Launched the highest number of new products in the Company's history during FY 2020-21
- Demonstrated agility and efficiency in building a robust supply chain and manufacturing system for these products
- Implemented safety measures against COVID-19 throughout our manufacturing practices and processes

New health and hygiene portfolio

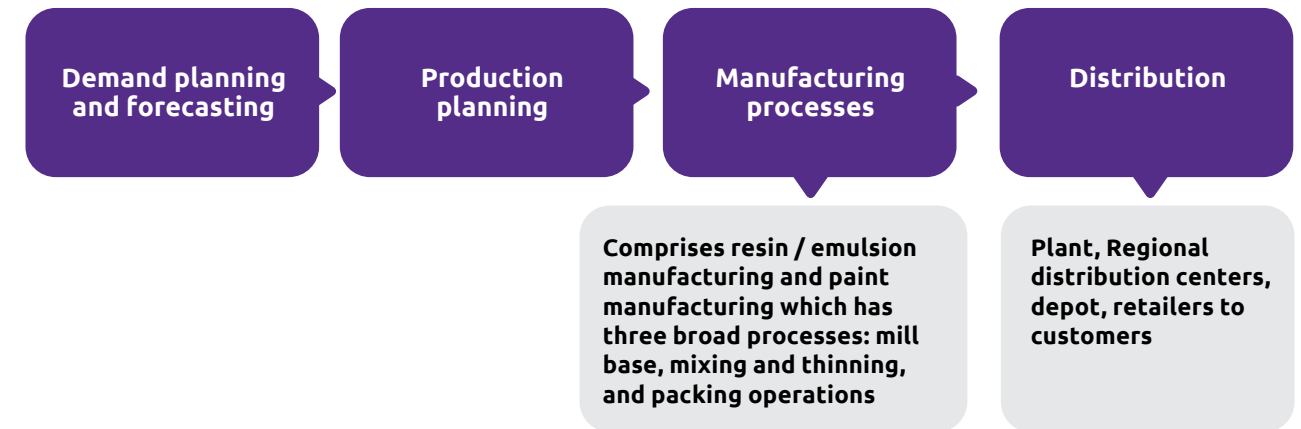
- Introduced a new health and hygiene portfolio within our manufacturing units to help address the need of the hour
- Set up manufacturing facility of sanitizers in a very short period
- Continuing to build a resilient supply chain with an array of products designed to suit the need of the hour

⁹ GRI 102-4: Location of operations

Strategic outcomes as a result of our technology-led innovative manufacturing



OUR VALUE CHAIN



ADDING VALUE TO OUR MANUFACTURING PROCESS

Cutting-edge technologies

We have focused on automation to improve the accuracy of our production processes and deliver consistency throughout our manufacturing process and reduce waste. Our plants use Industry 4.0 technology capability which allows us to operate, monitor and optimize our manufacturing processes through effective use of data gathered at each step of our manufacturing process.

We introduced a robust automated data analytics system across our plants. We have analysed data

flowing through our state-of-the-art Manufacturing Execution System (MES) and a Distributed Control System (DCS). Each of our machines has sensors that provide us with valuable feedback on accuracy of material additions, adherence to recipe parameters, etc, which help us optimise our manufacturing practices to best suit our cost reduction objectives and manufacturing excellence. This has resulted in real business impact in terms of machine cycle time reduction, energy cost savings, and material cost savings by improving accuracy of additions.

Manufacturing data analytics

- Helped us in identifying the operational bottlenecks and deep diving into those analytics has resulted in increased productivity and capacities.
- Enabled better inventory management of spares
- Enabled material and operational cost savings

Some of our key highlights in terms of manufacturing excellence include:

- Enhanced capacity of solvent base paints through process de-bottlenecking
- IMS certification for our plants in Mysuru, Karnataka and Visakhapatnam, Andhra Pradesh
- Ankleshwar plant, Gujarat achieved a 5-star rating in safety audit by the British Safety Council

Manufacturing excellence

At Asian Paints, we have adopted manufacturing excellence program which is a digital integrative improvement solution that assists in achieving sustainable results through best practices and work process improvement across by involving the plant operations teams. Introduced in FY 2014-15, currently, 6 out of 8 decorative paint plants make use of this solution and framework to drive a comprehensive manufacturing excellence program. Our newest plants Mysuru and Visakhapatnam will now be onboarded on the practice. The program allows each plant to retain its unique context and functioning yet allows us to synchronise and standardise the best practices and processes across the plants to continually improve quality in our shopfloor operations.

Manufacturing excellence initiatives

The plants have created individual goals aligned with the organisation's vision, providing a strategic direction to the plant operations for a period of 3-5 years. This plant vision gives a clear direction to plant teams across areas of operational productivity, cost, quality, safety, environment, and employee morale.

The manufacturing excellence initiative has helped us strengthen our continuous improvement culture, which is key to being reliable each time and every time.

We are committed to ensuring a defined standards of operations throughout our facilities which surpass statutory requirements. To maintain this standard, we are cognizant of all our extended responsibilities throughout the manufacturing process. These include -






- Safe handling and reduction of hazardous material
- Monitoring safety incidents to reduce their frequency on the facility's premises
- Process monitoring and quality control parameters

Our logistics distribution network is designed to ensure benchmark service levels in terms of Order Fill Rates and Order Cycle Times to our dealer network. We constantly use advanced algorithms that allow us to improve our demand forecasting, inventory planning, distribution planning and transportation planning thereby making our distribution network cost efficient.



OUR RESPONSE TO COVID-19

Detailed plant shutdown procedures were prepared. These were looked at from a long-term shutdown perspective since normally operations are not shutdown beyond a week. Risks arising out of absence of qualified personnel during lockdown were also reviewed and mitigating protocols were put in place.

 <ul style="list-style-type: none"> • Hazardous materials were shifted to dedicated spaces for storage¹⁰ 	 <ul style="list-style-type: none"> • Active steps were taken to mitigate chemical storage risks during the lockdown. This has helped us improve our storage practices for the future 	 <ul style="list-style-type: none"> • Daily visits were undertaken to check on key aspects of plant functioning
 <ul style="list-style-type: none"> • A detailed plant start-up guideline document and procedures were prepared and implemented covering various aspects of tank farms, plant equipment and utilities given the prolonged shutdown 	 <ul style="list-style-type: none"> • After the lockdown period, the plants were operated keeping in mind the health mandates put forth by the government to ensure social distancing and sanitization. Facilities were regularly sanitized, and health assistance was arranged for people residing inside the plants to ensure immediate support if needed 	



¹⁰ GRI 306-4 Transport of Hazardous Waste

Human capital



Managing people with empathy



KEY HIGHLIGHTS FOR FY 2020-21

23,514

Employee strength inclusive of permanent and temporary employees

10.1%

Increase in number of women employees

809

Permanent employees hired

₹20.1 Crores

Invested on trainings and education

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Occupational health and safety



Employee well-being

Interlinkages to other capital



Financial capital



Intellectual capital



Manufactured capital



Social and relationship capital

At Asian Paints, our employees are at the core of our organisation driving the entire value creation model. Employees are also the agents who help meet the expectations of all other stakeholders. Our focus remains on being a high-performance organisation by proactively identifying and addressing issues which are of importance to our employees. We consider safety and well-being of our employees as our foremost priority with our safety policy focusing on Zero injuries, zero occupational illness and zero property damage. We believe in nurturing talent and creating an environment where everyone can perform to their full potential. An inclusive work culture and well-defined roles help our employees achieve excellence. We, as an organisation, have always focused on being true to our culture and values.

Human capital plays an important role in setting and accomplishing breakthrough outcomes while improving processes, products and services and adopting cutting-edge technology.

The Asian Paints charter aligns our processes and frameworks with defined values. To ensure that the values are seamlessly driven through our actions and behaviours and at the same time cascaded to all levels of employees in the right spirit, the Leadership Competency Framework was redefined to create the Value-based Behaviours Framework (VBF). The VBF has been fully integrated with various HR processes such as Recruitment, Onboarding, People Review Process and 360° feedback. Learning journeys are designed and integrated with the anchors of VBF for all grades and functions in the organisation.

We engage with prospective employees through CANVAS which is one of the most prestigious case competitions in the premier business schools. This year, our career pages on social media platforms also saw several campaigns being run to engage and communicate with the relevant talent pool with a focus in the emerging areas of Design and Décor.

OUR FOCUS AREAS

- Leadership development
- Capability and organisation development
- Employee Wellness
- Occupational health and safety
- Future-ready and diverse talent pool
- High-performing teams



LEADERSHIP DEVELOPMENT

We have worked on creating 'One Link', a team comprising the General Managers, Associate Vice Presidents and Vice Presidents of Asian Paints, led by the Managing Director and CEO as a forum for developing the next leadership at the Company level.

During the year, multiple initiatives were taken to develop the 'One Link'. With the help of an external coach, the essential competencies for the success of 'One Link' were identified. The One Link arrived at a five-point scale for each of these competencies and rated each other, including the MD and CEO, on the competencies. The feedback received was used by the members to work on and assess themselves in the periodical self-ratings. The One Link, being committed to each other's success, reached out to each other to provide support on areas where they could help. This was supported by independent assessments and inputs from the Coach over more than 18 full days 'One Link' sessions during the year.

The 'One Link' also actively took up the agenda of developing our managerial talent pool. The rigorous methodology adopted to accomplish breakthrough projects required individuals to perform at a high level of intensity and to hold each other accountable while trying to find pathways to accomplish the outcomes. This methodology offered a good opportunity for developing individuals while delivering breakthrough outcomes. Individuals developed a sound sense of overall business as well as build competencies to work in these high-performance teams. These projects also provide an opportunity for peers and supervisors to give work-related feedback for individuals to develop. These are then entrenched in the people review process and development plans for the individual. The overall culture of performance and leadership in Asian Paints is being transformed to propel the Company into future.

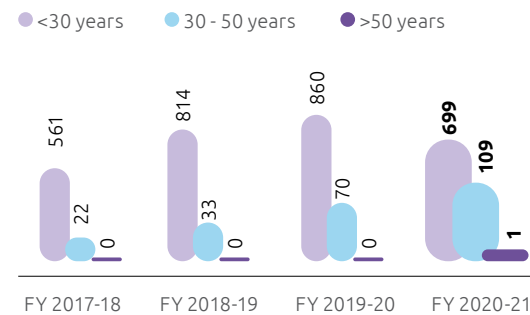
We conduct structured learning journeys which helps the managerial cadre transition from one level to other¹¹. The learning journeys are contextualized and designed in a manner such that the employees get an immersive experience which helps them to effectively meet the transition challenges as they move into different levels. For example, on one hand, we have an Emerging Leaders programme for managers and executives hired from campus within one year of their joining that aims at organisational and functional understanding with few elements of managing team and work. On the other hand, for lateral managerial joiners, we have structured cross-

functional induction program which has different elements catering to the expectations of related roles. Similarly, for middle management employees, we have structured strategic leadership journeys which highlights the leadership expectations from such levels including know-how and leadership acumen needed to handle the complexities associated with such levels. The curriculum is designed basis extensive research and is anchored by experienced internal subject matter experts and renowned professors from premier institution such as IIMs, ISB, National Law School, Bangalore, etc.

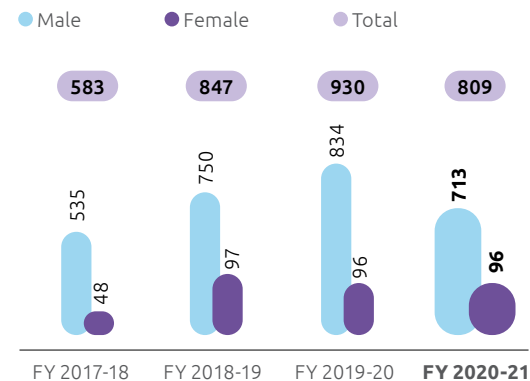
FUTURE-READY TALENT POOL

We are continuously striving to make our organisation inclusive and diverse in order to bring different sets of culture, thought process and a variety of talent in our firm. As an organisation we feel that to cater to a diverse market, we need people with diverse background, age and skill set. The following graphs¹² highlight the trend of new employee hired in the past few years.

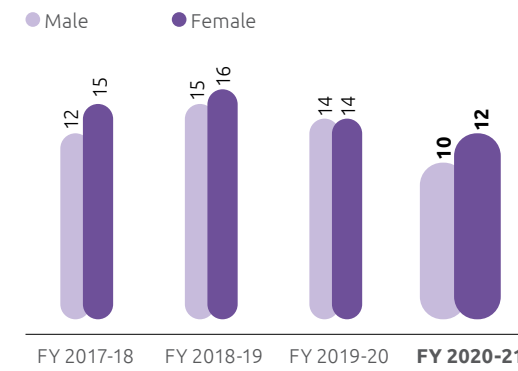
Employees hired by age group (numbers)



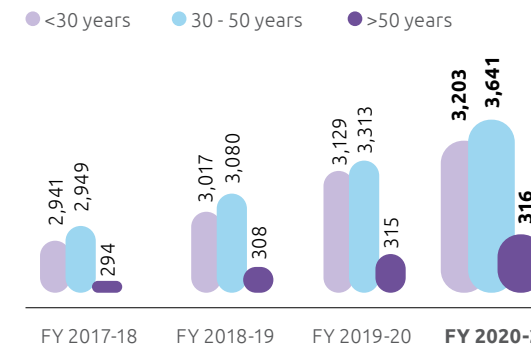
Employee mix by age and gender (numbers)



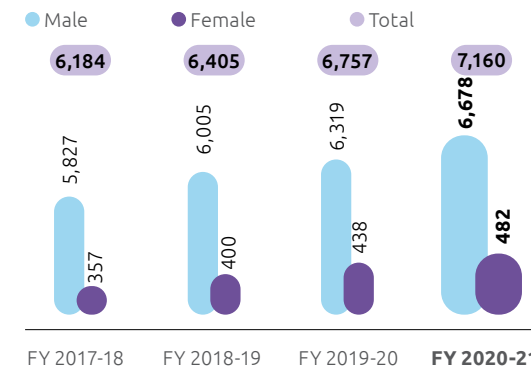
Employee turnover (%)



Total number of employees by age group (numbers)

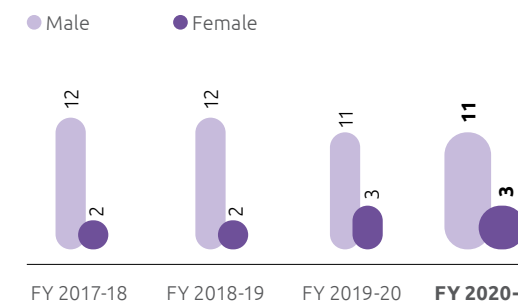


Total number of employees by gender (numbers)

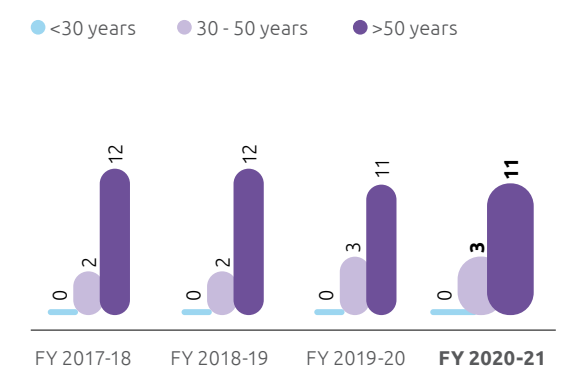


The diversity on our Board of Directors has been highlighted below:

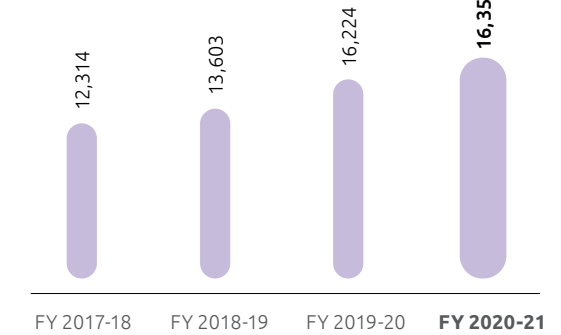
Diversity of the Board by gender (numbers)



Diversity of the Board by age (numbers)



Total temporary and contractual employees (numbers)



There has been an increase of 10.1% in the number of female employees in the reporting year. To empower our female employees, we have undertaken various initiatives. One of the initiatives being mentorship programme for women wherein, new management trainees are supported by our senior women employees for a period of three to four months. We are proud to say that women supervisors are managing shifts in two of our modern plants in Mysuru, Karnataka and Visakhapatnam, Andhra Pradesh.

Apart from that, we have a platform called 'SWARA' which is an internal network of women employees. Programmes and conversations around safety, health and wellness were conducted under SWARA.

CAPABILITY AND ORGANISATIONAL DEVELOPMENT

One of the ways to constantly forge ahead is to upgrade one's knowledge and skills and we at Asian Paints believe in making our people future ready. We constantly encourage employees to work in collaboration with different teams and business segments to enrich their overall exposure.

¹¹ GRI 404-2 Programs for upgrading employee skills and transition assistance programs

¹² GRI 401-1 Employee hire and turnover

¹³ GRI 102-8 Information on employee and other workers

Graphs not to scale

In addition, we are making efforts to create an environment where a diverse workforce can be retained, and more women leaders can emerge. The following graphs showcase future-ready and diverse workforce¹³ in our organisation with respect to our operations in India.

Framework and initiatives for holistic development

We have built a comprehensive framework for holistic development of our employees by providing them various trainings and development programmes focusing on mindset, skill sets and tool sets. We conduct programmes on organisational values intended towards mindset change, which includes standing for each other’s success, audacity, creative zeal, integrity and scientific rigour.

We believe in the blended learning philosophy and our offerings are a mix of the traditional Instructor-led Trainings (ILTs) and technology-enabled modules (e-learning, social learning). A mix of internal and external trainers anchor most of the intervention basis relevant expertise. Our employees have access to e-learning courses, which suits employees to choose relevant offerings to suit their developmental requirements and professional coaches for individual growth and development. In order to complement business outcomes, the Talent Management and Development team in partnership with the Business HR works closely with the functions and plans various “organisation development” journeys such as leadership for finance, structured communication skills for sales and marketing, collaboration journey for R&D, negotiation journey for sales, design thinking and excellence for manufacturing.

Some of the key training programmes¹⁵ that our employees have undergone are:

- Business Management Programme in collaboration with IIM Bangalore for 45 managers and executives with an aim to provide our employees with an exposure to general management, business perspective and specialisation related to either sales and marketing or supply chain
- Impact Programme for over 60 executives across different functions that covered concepts of business management, problem-solving etc
- We also conduct the Connect Programme which provides emphasis on building people management capability among managers in manufacturing plants. The programme focuses on developing relevant skills on key attributes to foster workplace relationships
- In addition, we conduct mindfulness sessions, financial wellness and parenting sessions, along with POSH training sessions for employees of the Company

We have a 360-degree collective feedback in place to help an employee expand and plan their development to emerge as leaders of tomorrow. All our employees receive regular performance feedback and we have a People Review process, which identifies development opportunities and plan the development journey for our managerial cadre.

An organisation-wide employee engagement survey was also conducted in FY 2019-20 through partnership with a renowned people consulting firm. The survey was anchored around several drivers such as leadership, enabling infrastructure, collaboration, rewards and recognition. Based on the outcome of the survey, several initiatives have been taken up across the organisation to address the identified gaps.

¹⁵ GRI 404 Training and Education



EMPLOYEE WELLNESS

At Asian Paints, we aim to create a work environment where our employees can unleash their highest potential. We believe that physical and mental wellness are equally important as a factor for overall development of an individual. To protect the employee’s mental health and to provide an easily accessible support, we have a 24/7 service called Employee Assistance Programme (EAP) to help in the holistic development of our employees. We continue to focus on caring for our temporary employees as well. Our temporary employees receive timely payments and reimbursements. Further, we also have a programme to switch them to Asian Paints Ltd. payroll on completion of certain period and demonstration of required skill sets.

Some of the benefits^{16,17} which our permanent employees are entitled to have been highlighted below:

- We have special kinds of leaves other than regular leaves like maternal, paternal, adoption and surrogacy leave policy and childcare leave policy. In addition, we have sabbatical leave policy for employees who wish to take a break from work to pursue higher education, personal goal or manage a critical life priority

- We also provide adequate insurance to all employees and their dependants under group mediclaim, term insurance and personal accident policies
- We provide financial assistance to our employees for programmes which are relevant to the field of work in their quest to upgrade their knowledge and skills through distance learning courses, online certifications, part time courses, etc
- We conduct mentorship programmes and women wellness campaigns which aim at enhancing the physical, mental and social well-being of women employees

We do not discriminate on the pay and conditions of employment between our male and female workers engaged in a similar role¹⁸. Similarly pay and conditions of employment are not discriminated on grounds of race, religion, caste, creed or any such ground.

NUMBER OF WOMEN EMPLOYEES WHO AVAILED MATERNITY LEAVES AND RESUMED WORK

YEAR	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Number of females who availed maternity leave	27	35	27	23
Number of females who returned to work after maternity leave ended	15	24	19	23
Number of females who returned to work after maternity leave ended who were still employed 12 months after their return	14	21	18	*

* Will be assessed in FY 2021-22

¹⁶ GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

¹⁷ GRI 401-3 Parental Leave

¹⁸ GRI 405- Diversity and equal opportunities



NATURE & US

PROTECTING HUMAN RIGHTS

Human rights principles as enshrined in the United Nations Global Compact (UNGC) are embedded in our core values and system. We have a firm human rights policy and framework that focuses on good governance, our commitment to abiding by each law, ensuring timely payment of employee salaries, and providing equal opportunities without exception.

We encourage our employees to use grievance mechanism for any kind of complaints. We also ensure that the rights of our supply chain partners are protected. Our zero-tolerance policy provides effective safeguards against child labour, forced labour, sexual harassment, discrimination, harassment, etc. It is also ensured that the outsourced processing centres that we engage with comply with all the legal requirements including child labour laws by following the minimum age criteria of 18 years across all our operations¹⁹. We have an effective mechanism to deal with sexual harassment cases and have formulated a policy against any kind of discrimination.

To protect the interest of our employees and our trade unions, we provide them a notice period²⁰ of 21 days in case of any operational changes. In addition, we have a well-established collective bargaining process in place wherein management reaches an agreement with unions once in three years²¹ at our manufacturing plants. Our whistle blower policy allows all our employees to report any kind of suspected or actual misconduct in the organisation.

We follow the laws and regulations pertaining to human rights and awareness. The workshops on code of conduct of the Company covers aspects of human rights and awareness.

Case Study

Culture of collaboration

We took up this initiative during the reporting year of building a 'culture of collaboration' across various group companies and functions. Collaboration helps in knowledge sharing, boosting our morale, bringing people closer and opening new channels of communication. The objectives of the index was driven by one of our objective of becoming an inspired and purpose-driven 'ONE team' that stands for each other's success.

With this objective, we carried out a company-wide exercise to create the Collaboration Index. Inputs from the leadership, values, existing literature, as well as inputs from the entire middle management went into creation of the Asian Paints Collaboration Index. More than 400 collaborators were a part of this initiative on an itemised survey, which captured different aspects of the index. The individual scores and leadership dashboard were made available so that necessary actions for development can be taken up at an individual or at functional level. The results of the qualitative and quantitative surveys conducted indicated that we have initiated a culture of collaboration which is being appreciated and adopted across the organisation.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to protecting health and safety of our employees, service providers and our communities by managing our operations and deploying resources using principles of sustainable development. During the pandemic, we made sure that we gave safety of our employees the highest priority by ensuring regular sanitization of working spaces, safe distance working practices and the use of protective gears. Our products undergo continuous evaluation to improve their environmental and safety footprint.

One of our key focus areas remain safety of employees and we are investing in technologies and processes to avoid and minimise the manual interfaces with machines. Our health and safety management system²³ is based on ISO 45001, the International Standard for Occupational Health and Safety. Our management system is also designed to cater to the Five Star Integrated Audit by British Safety Council which is a leading global recognition in the field of Occupational Health and Safety Systems. The management system covers eight decorative business manufacturing plants in India, Industrial paint plants at Taloja, Navi Mumbai, Penta Plant at Cuddalore and Research and Technology laboratory at Turbhe, Navi Mumbai. Our health and safety management system covers our workforce including contractor workmen, drivers, cleaners and visitors etc.²⁴

Our framework involves systematic processes for identification of work-related hazards. We annually plan and provide training on Health Identification and Risk Analysis (HIRA)²⁵. Our different activities assist in identification of fire hazards, preparation of action plan for control system and plans to mitigate or eliminate hazards. The evaluation of these risks is based on processes of risk assessment for activities, building, equipment, chemical and fire risks. We regularly conduct review and communication of HIRA to reduce the risks of hazards. Further, we have developed a process 'stoppage of work due to unsafe act and unsafe condition' to safeguard employees'

interest to report or remove themselves from situations they believe could cause injury. Our work-related hazards are due to material handling and these hazards are identified in HIRA. We carry out activities such as manual Material Risk Assessment, Survey by Industrial Hygienist and accordingly take actions. All our new plants are highly automated with conveyors and robotics palletisation. In addition, we take extreme precautions to handle hazardous waste at our plants.

Our procedure of investigation of work-related incidents involves formation of a competent team, investigation and analysis of the accident or incident, review of investigation and risk assessment followed by implementation of corrective and preventive actions. Moreover, we have appointed a professional healthcare service provider for our employees. Monthly review meetings are carried out by corporate safety functions with plant representatives to improve our safety measures.²⁶

The workers at our plants participate in safety committee meetings, suggestion schemes, selection of safety equipment, promotional activities, etc. To ensure worker safety and participation, three safety committees have been formed at different levels such as Department/Section Safety Committee, Apex Safety Committee and Safety Council.²⁷ Our committees promote workers and management participation to ensure safety at work.

Over the years we have been able to receive recognition in the form of awards and achievements related to safety of our manufacturing plants. As a part of our safety assessment, customised agendas have been undertaken by each plant as a part of the behaviour-based safety programme for our employees and contractors. Moreover, our occupational, health and safety parameters are maintained and recorded on calendar year basis. During FY 2020-21, we witnessed 55 recordable work-related injuries and 14 Lost Time Injuries (LTI). This resulted in Lost Time Injuries Frequency Rate (LTIFR) of 0.72 and severity rate of 23.44.

Work-related injuries at our plants on calendar year basis:^{28,29}

PARAMETER	Calendar year 2017	Calendar year 2018	Calendar year 2019	Calendar year 2020
Recordable work injuries	48	77	43	44
Fatalities	0	0	2	1
LTI	6	10	12	13
LTIFR	0.35	0.58	0.61	0.72
Severity rate	33.28	42.22	628.91	355.24
Frequency severity Index	0.003	0.005	0.020	0.016
Total manhours worked	1,70,07,102	1,71,00,199	1,97,69,178	1,80,01,675

¹⁹ GRI 408- Operations and suppliers identified as having significant risk for incidents of child labour and mitigation
²⁰ GRI 402-1 Minimum notice periods regarding operational changes
²¹ GRI 407-1 Freedom of Association and collective bargaining

²³ GRI 403-1 Occupational health and safety management system
²⁴ GRI 403-8 Workers covered by an occupational health and safety management system
²⁵ GRI 403-2 Hazard identification, Risk assessment and Incident investigation

²⁶ GRI 403-3 Occupational health services
²⁷ GRI 403-4 Worker participation, consultation and communication on OHS
²⁸ GRI 403-9,10 Work related injuries
²⁹ GRI 403-10 Work related ill-health



Despite taking safety measures, we deeply regret the occurrence of a fatality at one of the plants in the calendar year 2020. We took several corrective measures to ensure safety of our workers and address the gaps. The safety initiatives included raising awareness among the drivers, inspecting

truck cabin handle and footrest for sturdiness, putting up display boards indicating three-point contact for cabin ingress and egress and delivering safety briefings to cleaners. In addition, we made it mandatory for both drivers and cleaners to wear helmets and shoes before entering the factory.

Case Study



Occupational health and safety trainings

Our permanent and temporary employees, including employees with disabilities have undergone various trainings related to health and safety. The trainings were conducted at several locations such as decorative manufacturing plants, chemical plant, sales and other offices etc.

Some of the trainings that we provide to our employees on health and safety include³⁰:

- Safety induction for employees and contractors
- Basic training in case of a fire accident
- First aid training in case of an emergency situation
- Chemical safety to manage the hazardous chemicals at workplace

- Permit to work and safe isolation
- Onsite emergency plan to train employees for sites involving a crisis etc.

In addition, we also conduct annual medical examination for our employees and have developed various occupational health initiatives such as awareness sessions on diabetes, hypertension, smoking and alcohol etc³¹. The employee health of every plant is being measured through a scorecard, which was designed and deployed this year. Further, a consolidated safety training plan for all the plants is also being developed.

We are taking various preventive and mitigation measures to reduce occupational health and safety impacts such as quantitative risk assessment for manufacturing operations. External audits are also conducted once in three years for each plant by British Safety Council. In addition, we implemented behaviour-based safety in all our plants by partnering with a consultant.³²

Case Study

Behaviour-based safety implementation

It is vital for us that we observe and continuously work towards improving our safety behaviour. At Asian Paints, we took up this Behaviour-based Safety (BBS) initiative which is a structured culture-based intervention programme towards achieving zero accidents. This programme was initially launched at Ankleshwar plant in 2014 and after a successful journey and learnings was later extended to other plants.

The programme aims at taking all the decorative plants to generative stage in the next five years. The process typically involves factories undergoing baseline assessment to establish a maturity level followed by periodic assessment every two years to review the progress made. The objectives of this programme are as follows:

- Preparation of the framework for guiding the plants to generative stage
- Defining review parameters and finalising the initiatives to be implemented
- Drafting common as well as site-specific actions to be implemented across all the plants

- Initiating and establishing life-saving behaviour across all plants
- Training our teams to conduct assessment internally

We focus on finding the root cause of risk behaviour and eliminating it as the first step towards risk mitigation. In calendar year 2020, we conducted more than 25,000 conversations around Safe Unsafe Acts (SUSA) to raise awareness. It is important to conduct risk assessment on a continuous basis to mitigate any possible risks. With this thought, we conducted more than 3,650 Hazard Accident Risk Prevention (HARP) personal risk assessment across various cadres. Further, we carried out trainings of more than 23,000 man hours to effectively induce the BBS in our workforce.

We believe that each one of us has the potential to transform our attitude towards safety. We have taken inspiration from the tag line "Apni Suraksha Apne Haath" (Our safety is in our hands) to responsibly take actions. Additionally, we have taken this approach of sensitising people on safety at the beginning of various forums like meetings and presentations. This creates an impact in minds by encouraging them to think about safety while performing any tasks.

OUR RESPONSE TO COVID-19

During this year, due to COVID-19, we faced many uncertainties and challenges. To mitigate these risks, changes were introduced at an organisational level. We followed digital onboarding process for hiring new employees and encouraged majority of our people to work from home during this time. We ensured that all our plants are always well sanitized. Employee mental health was a big concern during the pandemic. We developed a communication channel which was being utilised to address issues related to mental health. We empowered our employees by building their conviction and confidence to manage difficult circumstances and take decisions with one such example being functioning of canteen in our plant to

ease the access of food during lockdown. As a part of our training and development initiatives, we trained our employees to be future ready by working on their well-being and engaging them in different teams, business segments to enhance their overall exposure which is a differentiating factor that sets us apart. Various employee wellness programmes targeted at physical, mental, financial wellness as well as disease and ailment control were conducted remotely to ensure high morale among our workforce even through these difficult times. A special insurance cover was introduced this year for our employees against COVID-19 related expenses incurred by them. One of our major highlights was providing regular yearly incentives and increments to our employees without any salary cuts or layoffs.

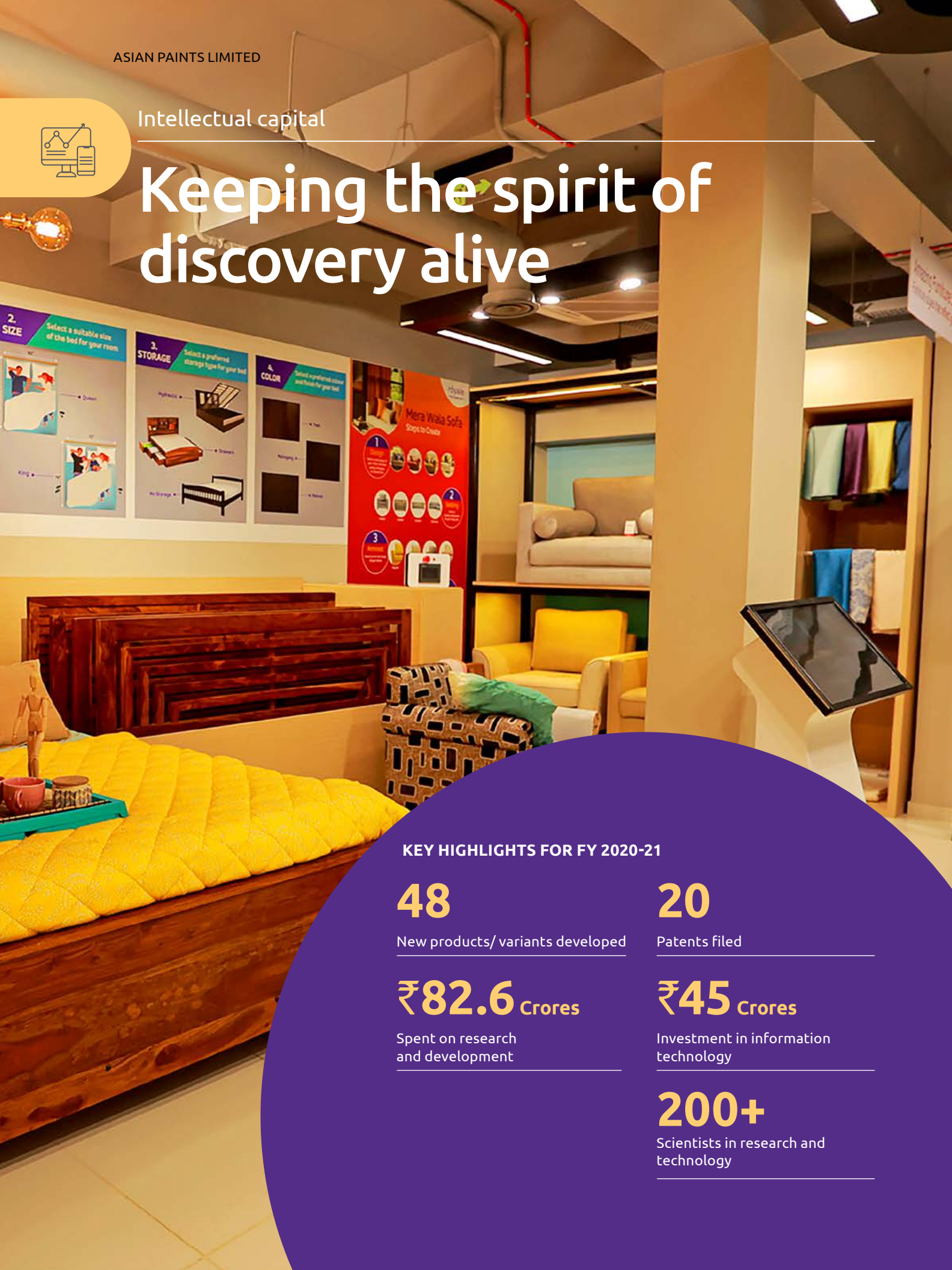
³⁰ GRI 403-5 Worker training on occupational health and safety

³¹ GRI 403-6 Promotion of worker health

³² GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

Intellectual capital

Keeping the spirit of discovery alive



KEY HIGHLIGHTS FOR FY 2020-21

48

New products/ variants developed

20

Patents filed

₹82.6 Crores

Spent on research and development

₹45 Crores

Investment in information technology

200+

Scientists in research and technology

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Social impacts of products

Interlinkages to other capital



Financial capital



Human capital



Manufactured capital



Social and relationship capital



Natural capital

OUR FOCUS AREAS

- Automation and digital interventions
- Product diversity and environment friendly products and processes

RESEARCH AND TECHNOLOGY

At Asian Paints, we have identified our key focus areas to drive innovation and incorporate technology in the business value chain.

In over seven decades, we have shaped and reinforced our leadership through consistent innovation in products and services in line with the evolving aspirations of the customers. We believe in bringing revolutionary change by focusing on transforming all spaces and objects and bringing happiness to the world. We are committed to bringing the innovation in product development and redefining our existing systems and processes. With focus on creating a diverse range of products to meet the expectations of all customers, we are constantly exploring and introducing best-in-class products and solutions. For us, at Asian Paints, intellectual capital is the key to unlock unexplored potential of people, products, and markets.

PRODUCT DIVERSITY AND INNOVATION

In an unprecedented year which witnessed lockdowns and restrictions on routine working, the Asian Paints Research and Technology function, with due permits from the concerned local authorities and judicious shuffling of manpower, bravely continued its journey of supporting the business goals and developed new products resulting in foray into new markets and introduction of several new products. 200+ plus highly qualified experts and state-of-the-art laboratories and the Research and Technology centre at Turbhe, Maharashtra we have filed 20 patents in the current year, of which three have been in industrial paints and two for global operations. One patent has been filed for hand sanitizer category as well. We have cumulative total patent filing count of 76 patents, with a healthy commercialisation. Our team of experts and scientists have published six research papers in FY 2020-21, through national and international journals to lead and guide the industry.



We have accepted the challenges posed by the macro environment by extending our support with initiative of strengthening the health and hygiene product platform. We have developed formulations diligently and introduced several new raw materials to launch a range of products which includes sanitizers and disinfectants. As a result of these products, we have received overwhelming response from the market with additional revenue to business.

In its quest for excellence through Right First Time (RFT) to market and zero product complaints in new and existing products the R&D team constituted a new initiative, 'Quality at Source', wherein a thorough review of new product launches is held regularly by the leadership team to validate approach, lab, and field-testing protocols to provide timely inputs before designs are standardised. We are agile while responding to regulations with upgraded analytical testing of paints and coatings.

Under its initiative of 'Nexpedition' our scientists are actively engaged in creating the next pipeline of innovation and are currently working on several different projects in emulsions, resins, waterproofing, exterior and interior paints, enamels, and industrial paints to create the next level of breakthrough for the business. The entire process is built on a collective participation process to ideate, prototyping and thereafter enrolling stakeholders for commercialisation opportunities.

During the year under review, we developed 48 new products/variants.

AUTOMATION AND DIGITAL INTERVENTIONS

We have continued to leverage digital in the areas related to customer experience, supply chain and all operations. All stakeholders in business namely customers, dealers, contractors, interior designers, décor influencers and contractors, suppliers, vendors and employees were part of the digital drive wherein cutting-edge technologies such as Robotic Process Automation (RPA), Artificial Intelligence/Machine Learning (AI/ML), Advanced Analytics and Internet of Things (IOT) were deployed in some manner.

One key area of focus has been the enablement of the Décor business. An end-to-end platform has been deployed in the form of an Inspiration and commerce-driven website (beautifulhomes.com), an immersive 3D visualiser (for interior designers) for creating beautiful home designs, to a robust execution platform for all stakeholders including customers, to help deliver their dream home. This AI-driven platform would help bring in seamlessness and personalisation between the physical store and digital journeys of the Home Décor customer.

Asian Paints has deployed cutting-edge digital technology on the retailing front to not just providing engaging experiences in selecting the right colours, paint, products, services, contractors, but also in ensuring authentic and genuine products are delivered by the anti-counterfeiting systems and processes.

PLANT AND WAREHOUSE AUTOMATION

We implemented a completely automated warehouse during year integrated with the S/4 HANA Extended Warehouse Management Systems. This will help us serve our customers in more responsive and cost-effective manner.

Under its initiative of 'Nexpedition' our scientists are actively engaged in creating the next pipeline of innovation to create the next level of breakthrough for the business.



Case Study

AAI, process optimisation and remote monitoring

Technology supported us during the COVID-19 induced lockdown of 2020 and thereafter, when we were short of manpower as very few people were entering our premises. This posed a challenge in material storages as time, pressure and temperature play a key role in their proper handling and storage. Using technology, we monitored the systems, raw material and formulations, controlled the plant to ensure safety and avoid any untoward incident.

With the help of sensors such as Load sensors, Pressure sensor and others, we are monitoring the processes and operations. We have advance technology to predict the failure time of equipment which enables us to timely address the situation and avoid any uncertain breakdown.

REFORMULATION AND COST OPTIMISATION

Paint industry is resource intensive in terms of raw materials that go into its formulation. In addition, there is the issue of generation of waste during operations.

We were the first to understand the impact of Volatile Organic Compound (VOC) and in making coatings and our processes safe. We abide by all norms and regulations. We have adopted the global norm of keeping the lead content below 90 ppm in our architectural paints.

We are continuously striving to make efficient use of the raw material utilised in the formulation process to reduce the waste and save the cost of procuring the extra volume of material and managing the paint waste.

INFORMATION TECHNOLOGY AND COVID-19

We are a technology-driven company, which enabled us to accept the new normal and the challenges of the time and space. Our partners, employees, suppliers, dealers, distributors trust our ability to withstand and support them in such tough times. Our outperformance during the pandemic attests our abilities.

Employee experience has always been important to build employee engagement and enhance productivity. A new-age employee portal has been launched which provides a single window experience. We have also launched a digital safety portal to help promote safe working environment across all our locations in India and it be extended to our international operations during the next year.

Case Study

Design Visualization Tool (DVT)

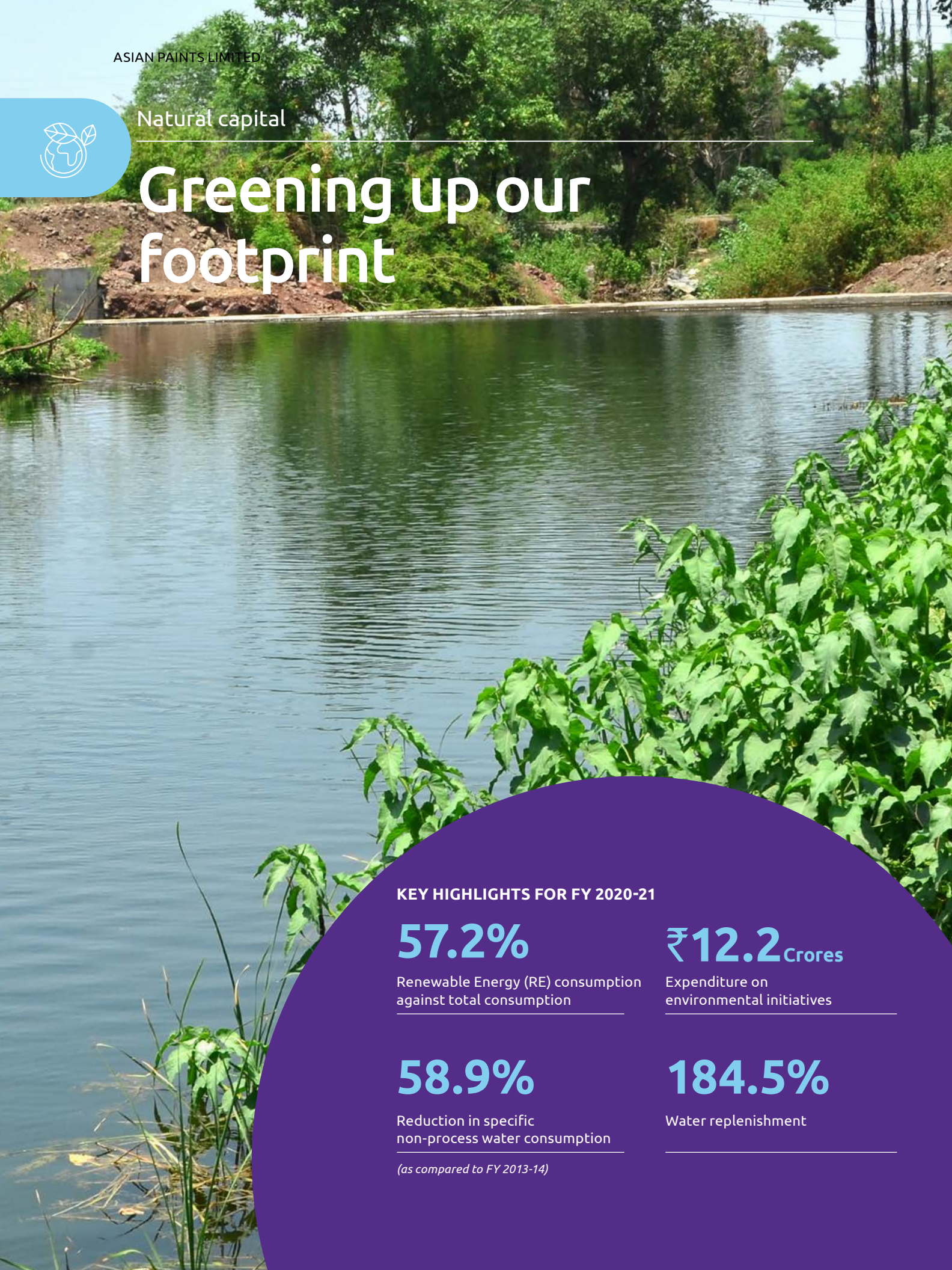
We have engaged with a start-up to create a tool to visualise the design implementation and by incorporating the design visualisation algorithm we have launched the DVT for our customers to plan their home décor architecture and design. It has received a very good response across all our customer segments.

The visualisation tool is highly appreciated by customers as it helps the customer in selecting the best option from multitude of offerings while designing his/her dream home. The flexibility to make modifications and see real-time variations of how it might look has been a key differentiator for them.

Natural capital



Greening up our footprint



KEY HIGHLIGHTS FOR FY 2020-21

<p>57.2%</p> <p>Renewable Energy (RE) consumption against total consumption</p>	<p>₹12.2 Crores</p> <p>Expenditure on environmental initiatives</p>
<p>58.9%</p> <p>Reduction in specific non-process water consumption</p> <p><i>(as compared to FY 2013-14)</i></p>	<p>184.5%</p> <p>Water replenishment</p>

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Water management



Environmental compliance



Social impacts of products

Interlinkages to other capital



Financial capital



Human capital



Manufactured capital



Intellectual Capital



Social and relationship capital

OUR FOCUS AREAS

- Product stewardship
- Natural resource conservation
- Energy and emissions
- Waste management
- People and community

PROJECT 'NEW'

KEY HIGHLIGHTS FOR FY 2020-21 (CONT.)

34.7%

Reduction in specific electricity consumption

56%

Reduction in specific hazardous waste disposal footprint

75.9%

Reduction in specific effluent generation

65.4%

Reduction in emissions

(as compared to FY 2013-14)

We, at Asian Paints, are driven by the purpose of creating value through our unique, durable and environment-friendly products and solutions. As one of the leading paint companies, we recognise our role as a responsible corporate citizen towards environmental stewardship and constantly strive to manage our resources and minimise our environmental footprint. Natural capital being a relevant part of our value creation model, drives us towards meeting our business needs by creating sustainable products and solutions with minimum impact on the natural ecosystem. We primarily focus on areas of natural resource conservation, energy and emissions, waste management (Project 'NEW'), along with product stewardship and people and community.

In addition to our environment-driven efforts, we also undertake initiatives around product stewardship which help us reduce our environmental footprint at the formulation level whereas through Project NEW we focus on resource efficiency at the manufacturing level.

Going forward, we foresee changes in the regulatory landscape, disruptions in the global supply chain, availability of raw materials as the key risks and have adopted measures to mitigate these through our well-formulated risk management procedures. Our robust management system and well-defined processes help us achieve compliance with all applicable environmental regulatory requirements.

During the reporting period, extending our efforts towards environmental initiatives, we spent ₹12.2 Crores³³.

Trend of some of the parameters highlighted under Natural Capital are strictly not comparable due to commissioning of two mega plants at Mysuru and Visakhapatnam in FY 2018-19. Further, in FY 2020-21, disruptions of plant operations due to COVID-19 have impacted few parameters.

³³ GRI 307-1 Non-compliance with environmental laws and regulations

PRODUCT STEWARDSHIP- PROMOTING RESOURCE EFFICIENCY AND EXTENDING OUR 'GREEN PROMISE'

We constantly set standards to remain a leader in product stewardship arena and invest in unprecedented innovation that offers unique value to consumers while enhancing product safety and sustainability.

The theme of product stewardship has evolved over the years and our continuous efforts have enabled us to make positive environmental impacts through our product innovation techniques. We have undertaken the following efforts:

- **Increase in renewable raw materials (materials sourced from renewable sources):** We have constantly made efforts to increase the renewable content of the products and process innovation. This is exemplified through our renewable content share in three large-volume products viz. Ace Exterior Emulsion, Tractor Emulsion Advanced, and Apcolite Enamel. The renewable content in these products has been increased from 20% to 60% from the earlier levels in FY 2019-20
- **Eliminating harmful ingredients:** We produce architectural paints which are lead and heavy metal free since the year 2008, and subsequently free from added Respirable Crystalline Silica (RCS) since 2013

- **Process innovations for energy and raw material efficiency:** A new way of dispersion technology enabled us to reduce rutile content which is a key contributor to Greenhouse Gas (GHG) emissions
- **Formulating products that are durable or have better wall coverage:** In the space of exterior paints, sustainability through durability has been the focus. This can be witnessed through the example of Ultima Protek Lamino, which has a longer service life and added features like graffiti removal. Another product called Apcolite Rust Shield addresses the challenge of corrosion in household metallic structures
- **Green assurance declaration:** For our business, customer health and care for environment are of great importance. Continuing our commitment to being truly 'green', we are assuring our customers of eco-friendly paints through our 'Green Assure'³⁴ declaration

The above steps are aided by Life Cycle Assessment (LCA) studies of products that enable us to identify hotspots and thus opportunities for improvement.

NATURAL RESOURCE CONSERVATION AND RESOURCE EFFICIENCY

Material management³⁵

Resource efficiency forms an integral part of our environmental strategy. Through our continuous efforts, we strive to meet the needs of our customers. In doing so, we optimise our resource management approach to efficiently utilise the raw materials and minimise material waste. To ensure the availability of raw materials required for our business operations, we make optimum use of our resources and adopt ways to reuse and reintroduce excess material in our production process without compromising on the quality of our products and solutions.

To make our products more sustainable, we have minimised the use of toxic and hazardous chemicals as raw materials in our processes.



Water management^{36,37}

Globally, water scarcity is perceived as a major climate related risk. It becomes important to source and utilise this scarce resource in a responsible manner. We understand that the intensity of water usage in our operations is limited however, the overall consumption is still significant in the local context. Appreciating that water is a shared resource with the community, we have been focused on water management in the following three categories.

- Our efforts of reducing the overall specific water consumption for non-process water has resulted in reduction by 58.9% since FY 2013-14
- We reuse or recycle wastewater back within the factories such that all our decorative manufacturing sites are zero liquid discharge facilities
- We implement watershed management and community outreach programmes thus recharging more water back into the earth than what we consume every year. In FY 2020-21, we recharged 184.5% of the total water that we use in our manufacturing sites

Over the years water management processes have evolved across all factories, and it reflects in the kind of improvements made in key metrics of specific non-process water consumption and water neutrality.

Water consumption³⁸

To meet our water needs, we rely significantly on government supplied water sources for the purpose of our business operations.

We also collect water through rainwater harvesting for consumption within the factories.

Water consumption details

Particulars ³⁹	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Rainwater collected and consumed within factory (megalitres)	52	65	148	154
Specific water consumption (KL/KL)	0.79	0.68	0.82	0.80

Water conservation

During FY 2020-21, we undertook many initiatives towards water conservation and replenishment. A brief of these initiatives is provided as follows:

1. Integrated watershed development (offsite projects)
2. Water harvesting (on site projects)

Off-site projects

With the help of our off-site projects, we enhance rainwater harvesting capacities at various locations, thereby ensuring water security for our communities.

We implement integrated watershed development in villages nearby to our factories. We undertake initiatives like pond cleaning, desilting, irrigation channel lining, train farmers on micro irrigation systems, integrated pest and soil health management. Our projects begin with need assessment to form a baseline and end with impact analysis to measure the outcome.

- As part of our CSR initiative at Kasna, Uttar Pradesh, we created rainwater recharge potential by constructing ponds of 7,360 KL and 2,559 KL capacity at Mehpa Jagir, Uttar Pradesh and Pachayatana Uttar Pradesh, respectively. With this initiative, the current capacity of rainwater harvesting supports together more than 30 families living around the village
- At our Mysuru factory, we rejuvenated ponds at Sindhuvelli, Nerale village and Bilikerekatte-Basavatige both in Karnataka to increase the rainwater recharge potential in these villages. This has led us to harvest more than 85,000 KL of rainwater in FY 2020-21
- At Visakhapatnam, we undertook initiatives to enhance the surface water and groundwater resources of Panchadarla village, Andhra Pradesh through the local pond renovation and check dam construction. As a result, we created a rainwater recharge potential of 46,800 KL out of which more than 29,000 KL rainwater has been harvested during FY 2020-21

³⁴ 'Green Assure' - Framework established in 2012 for waterborne architectural paints. These products not only conform to international VOC specifications, but they also do not contain any hazardous raw materials like lead, heavy metals, APEO (Alkylphenol Ethoxylates) and toxic materials. An example is Royale Aspira-Interior paint with five years performance warranty and Green Assure compliance.

³⁵ GRI 301-1: Materials used by weight or volume

³⁶ GRI 303-1 Interactions with water as a shared resource

³⁷ GRI 303-2 Management of water discharge-related impacts

³⁸ GRI 303-5 Water consumption

³⁹ GRI 303-3 Water withdrawal

On-site projects

Our on-site projects are focused on reducing freshwater consumption and increasing the share of recycled water in our processes. Our efforts have led us to undertake initiatives at various factories. In Mysuru factory, storm and roof water reservoirs collectively contribute to a sump of capacity over 54,700 KL. Similarly, at our Visakhapatnam factory, we have storm and roof water reservoirs that collectively contributes over 52,000 KL. The collected rainwater in our factories are treated in the plant itself and used for various process (related to paint production) and non-process activities. Owing to our initiatives, during FY 2020-21, we have been successful in consuming ~17,972 KL of total roof and storm water at factory located in Mysuru. Similarly, at our Visakhapatnam factory, more than 66% (or 74,166 KL) of the total water consumption consists of rainwater during the reporting period.

Biodiversity management^{40,41}

Although we operate from sites which are located in industrial areas, we are well aware of the various impacts our operations have on the local biodiversity, even though limited in nature. In order to address this concern, we link our sustainability management strategy with key aspects of biodiversity that would help us mitigate the risks related to the ecosystem and also reduce our dependencies. We, as a first step, meet all our regulatory requirement of green belt development and maintain 33% of greenbelt in our plants and facilities. Further to promote local biodiversity, we undertake plantation of local species of plants within our factories, avoid deforestation of existing land, and preserve wildlife. We have a robust biodiversity management plan in place to streamline our efforts. Our operational facilities are not located in any of the identified biodiversity protected areas.

Aligning ourselves with the UN Sustainable Development Goals (SDGs) of promoting, preserving, and protecting our biological ecosystems, we have undertaken several biodiversity initiatives at some of our facilities. Recently our initiatives at our Visakhapatnam and Mysuru facilities and a similar initiative at Sriperumbudur factory resulted in a positive biodiversity impact at these locations. Similar initiatives are being undertaken in industrial paint unit located at Taloja in the last few years.

We, as a first step, meet all our regulatory requirement of green belt development and maintain 33% of greenbelt in our plants and facilities.

⁴⁰ GRI 304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

⁴¹ GRI 304-2: Significant impacts of activities, products, and services on biodiversity

Case Study

Initiative at Sriperumbudur factory

Working towards our commitment of nurturing local biodiversity, our Sriperumbudur factory undertook several initiatives as a part of a project for preserving and enhancing natural ecosystem.



Some key highlights of this project are:

- An assessment of existing biodiversity at the factory has been conducted by Confederation of Indian Industry – India Business Biodiversity Initiative (CII-IBBI)
- Taxonomic enumeration of biodiversity was carried out
- A Natural Capital Action Plan (NACP) has been prepared by the facility to improve biodiversity in the subsequent years
- It incorporated ecosystem service matrix and biodiversity baseline
- Owing to its biodiversity efforts, the factory has 171 species of flora and fauna, 45 native trees and shrubs species, 30 native herb species, 22 species of butterflies, 26 species of birds
- The factory undertook tree plantation using the 'Miyawaki' technique
- 33% of the area is made available as open area for groundwater water recharge
- The plant won the CII-ITC Sustainability Award for 'Conservation and Sustainable Management of Biodiversity and Ecosystem'

⁴² GRI 302-1: Energy consumption within the organisation

⁴³ GRI 302-3 Energy intensity

Energy management

We are committed to energy conservation and ensure efficient energy usage at all our operational facilities. Energy management forms a vital part of our approach towards sustainable operations. Our primary focus is on two aspects of energy management: - energy efficiency and RE usage. Our facilities operate with an aim to reduce our energy consumption in the processes which has a direct impact on carbon emissions. In addition to this, we are proud to have an installed capacity of 19.51 MW of rooftop solar.

We continue to make efforts to reduce our specific and total energy consumption by regularly tracking our performance at the individual factory as well as consolidated manufacturing level. We also conduct energy audits at all our manufacturing units at regular intervals and ensure implementation of the audit findings for further improvement.

Energy consumption⁴²

Specific electricity consumption for the last four years has been presented in the following table

Indicator	KWh/KL			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Specific electricity consumption	79.77	71.94	76.52	75.70

We aim to achieve reduction in overall energy intensity⁴³ through our continuous efforts of energy conservation, and we channelise our efforts in every possible way to accomplish it.



Energy conservation⁴⁴

Our resource conservation efforts encompass energy efficiency and use of renewable energy. With an aim to produce sustainable and eco-friendly products for our customers, we take care of making the entire production process sustainable right from the initial stage of sourcing of the resources which majorly includes energy. We have deployed dedicated energy cells at our factories to channelise our energy saving initiatives that are undertaken during the year.

Case Study

Energy conservation through process optimisation

In order to optimize our energy consumption in our production processes and utilities, we take consistent efforts through various measures. We optimised our paint manufacturing process leading to reduction in power consumption.

Case Study

Energy saving through use of alternate technology

Continuing with our efforts towards energy saving we took some of the initiatives as part of our energy conservation plan. Highlights of some of our initiatives have been listed here:

- The air compressor in the utility accounts for substantial utility power consumption. In order to prevent any wastage of energy and save power, we replaced inefficient compressors with better technology compressors
- Our pumping systems were used without the calculation of the actual demand and this resulted in large amount of power. To resolve this issue, we applied a simple principle of 'pumping what is required' and collaborated with few vendors to identify our actual pumping system requirements. Subsequently, we were successful in replacing the conventional system with advanced pressure-based systems. This installation of the new pumping system helped us to save more than 26,500 units of power every month.

Renewable Energy (RE)

Among our many commitments towards environmental sustainability, the use of renewable sources of energy forms an important part. Our total renewable energy installed capacity stands at 39.46 MW. Our substantially augmented investments in renewable energy projects have resulted in RE share of 57.2% compared to 0.1% in FY 2013-14 (against total electricity consumed).

Increasing share of renewable energy in total electricity consumed

Indicator	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Renewable energy consumption	35.3	35.3	57.4	57.2

⁴⁴ GRI 302-4: Reduction of energy consumption

Emissions⁴⁵

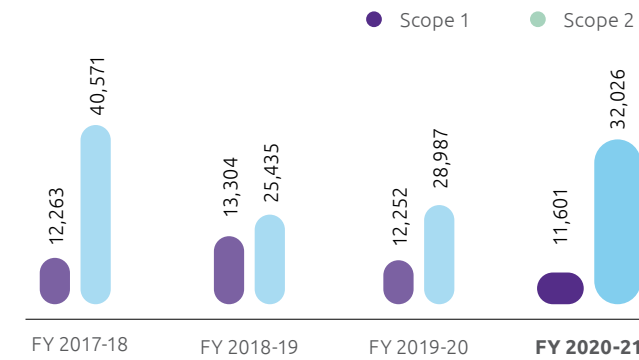
Aligning our emissions management strategy with the global goals of minimising carbon footprint and mitigating climate change risks, we have streamlined our processes to move closer to this common goal. Reducing GHG emissions is not only a business imperative for us at Asian Paints, but also forms a vital part of our environmental strategy going forward. With the use of RE sources, alternate fuel, and energy efficiency efforts, we have been able to reduce our emissions.

GHG emissions

Our absolute Scope 1 emissions have been reduced by 54% whereas our Scope 2 emissions have witnessed a reduction of 39% as compared to FY 2013-14.

GHG Emissions (tCO₂e)

Graphical representation below gives an overview of our Scope 1 and Scope 2 emissions generation since FY 2017-18.^{46,47}



Reducing GHG emissions is not only a business imperative for us at Asian Paints, but also forms a vital part of our environmental strategy going forward.

⁴⁶ GRI 305-1 Direct (Scope 1) GHG emissions

⁴⁷ GRI 305-2 Energy indirect (Scope 2) GHG emissions

⁴⁸ GRI 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions

NOx, SOx and other significant air emissions⁴⁸

Apart from reducing emissions at the source, we also have adequate control equipment in place to reduce the impact of the residual emissions. We also comply with all the applicable regulatory requirements to ensure our air emissions are within permissible limits as prescribed in the standards.

Other emissions

Parameter	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Particulate Matter (PM)	6.97	4.26	5.05	3.26
Oxides of Nitrogen (NOx)	10.72	12.04	11.79	12.34
Oxides of Sulphur (SOx)	2.78	2.56	2.90	2.64

Waste management^{50,51}

We ensure value creation for our customers at every stage of our operations. Waste generation being an inevitable part of our manufacturing process, we take efforts to create value from our waste. With an aim to divert a significant quantum of waste from going to the landfills, we have adopted systems and procedures that help us repurpose used material and reintroduce excess material into our production process. We follow the '3R' strategy of Reduce, Reuse and Recycle for our waste management. Our 3R approach is explained through an illustration.

⁵⁰ GRI 306-1 Waste generation and significant waste-related impacts

⁵¹ GRI 306-2 Management of significant waste-related impacts



3R STRATEGY



We follow legally prescribed procedures and apply environmentally sound disposal techniques for disposing hazardous waste whereas the non-hazardous waste is sold to authorised recyclers.

Hazardous waste

Safe handling and storage of waste is a critical part when it comes to hazardous waste generation. As a responsible corporate citizen, we take utmost care while handling, storing, and disposing our hazardous waste. Our manufacturing units are equipped with waste storage facilities that ensure waste is stored in a proper manner, thereby avoiding any threats posed to the health and well-being of our employees and to our surrounding environment. We ensure full compliance to all applicable regulatory requirements pertaining to hazardous waste management.

Moreover, all our hazardous waste generated is disposed as per the defined methodology. Our methods of disposal include co-processing or pre-processing for usage in cement kilns, incineration, and a very small quantity goes to the landfills. Our hazardous waste footprint has gone down by ~55% since FY 2013-14.

Waste diverted from disposal⁵³

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Waste (MT)	1318	1060	824	929

Waste directed to disposal sites

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Specific hazardous waste disposal (Kg/KL)	1.68	1.44	1.35	1.19

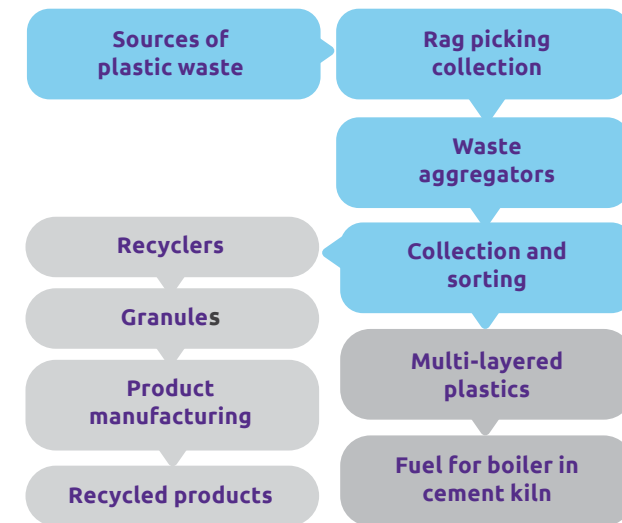
⁵³ GRI 306-4: Waste diverted from disposal

Non-hazardous waste

Reduction of waste is central to our environment management strategy. With effective waste management plans in place, we aim to move towards circular economy replacing the linear economy of 'take, make, and dispose'. Across our value chain, we are in the process of achieving circularity through our efforts right from the initial stage of procuring raw materials and reducing the use of virgin resources. Recycling and reusing our non-hazardous waste such as discarded wooden pallets, plastic waste, and packaging material have enabled us to minimise the quantity of waste that gets diverted to landfills. We have sold total non-hazardous waste amounting to 8,437 MT generated during FY 2020-21 to authorised recyclers as per applicable regulations⁵⁴.

As a leading manufacturer of paints industry, it is a business imperative for us at Asian Paints to ensure safe disposal of our post-consumer products. Ensuring compliance with the Plastic Waste Management (PWM) rules, we follow the Extended Producer Responsibility (EPR) approach to manage our plastic packaging waste generated as a result of our downstream operations. With this, we were able to collect and recycle over 2,798 tonnes of post-consumer flexible plastic waste across 15 states representing 100% of our flexible plastic packaging quantity for the previous year. We have utilised the network of waste pickers, recyclers, and co-processors to further optimise our efforts in this direction.

Our EPR waste management system



⁵⁴ GRI 306-5 Waste diverted to disposal

⁵⁵ GRI 303-2 Management of water discharge-related impacts

⁵⁶ GRI 303-3 Water recycled and reused



Wastewater management⁵⁵

Industrial effluent is generated during paint processing and afterwards during equipment and pipeline cleaning. Source reduction is our major area of focus followed by reuse⁵⁶ of wash water back in our process. Whatever effluent cannot be reused is recycled in our ETP and advanced treatment systems. This recycled water is then utilised to fulfil both process and non-process requirements. All our decorative manufacturing sites are zero liquid discharge facilities.

During FY 2020-21, we faced the challenge of increased generation of wastewater due to shut down and start-up of operation in our factories due to COVID-19. However, with increased focus on wastewater management initiative, we were able to limit the overall increase. Our specific industrial effluent has reduced by 75.9% since FY 2013-14 owing to our continued efforts in this direction.

Specific industrial effluent (trend Lt/KL)

Effluent water	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Specific industrial effluent (Lt/KL)	22.62	18.51	19.17	19.9

Specific industrial effluent(Lt/KL)- industrial effluent per unit of production

Social and relationship capital



Fortifying our bonds



KEY HIGHLIGHTS FOR FY 2020-21

₹63 Crores

Amount spent on CSR

1.3 Lakhs +

Business influencers, contractors, painters

15,000+

Supplier base

70,000+

No. of dealers

INTERLINKAGE WITH MATERIAL TOPICS AND OTHER CAPITALS

Material topics



Customer satisfaction



Supply chain management



Social impacts of products

Interlinkages to other capital



Financial capital



Human capital



Manufactured capital



Intellectual capital



Natural capital



IMPACT OF COMMUNITY DEVELOPMENT PROJECTS

178,000+ 83,337

Man-days of training and 199,000+ beneficiaries through Colour Academy

Beneficiaries of multi-specialist healthcare services for the community via MMUs

23,421

Healthcare beneficiaries through static clinics for community

21,453

Beneficiaries through quality healthcare and road safety initiatives for truckers

43,985

Unique beneficiaries registered in healthcare

1,148,212_{KL}

Water recharged and harvested through water initiatives

OUR FOCUS AREAS

- Community Well-being
- Supply chain management
- Customer relationship
- Collaboration with stakeholders

Colours bring joy of change and are a symbol of happiness and cheer in people's lives. We, at Asian Paints, are proud to play a larger role towards making tangible difference in the lives of our stakeholders not only by our products but also by the outcomes, we create through our business model. These stakeholders include our customers, influencers, investors, employees, community, and vendors.

We strive to connect, influence, and empower the individuals and firms which have significant impression in the design and décor world and are transforming the dreams around living spaces into reality. We are collaborating with architects and interior designers at every step of their projects. This includes providing product solutions to meet their expectations and supporting them through visualisation and sampling tools with execution.

We are committed to ensuring safe painting for our customers by supporting them in site evaluation and product consultation. The procedure also involves adherence to safety protocols, complete masking and covering of furniture and valuables, dust-free mechanised painting, and free home sanitization post project completion.

In continuation to our commitment towards COVID-19 pandemic related relief activities, we contributed nearly ₹10 Crores during FY 2020-21 to various State Disaster Management authorities and Non-Governmental Organisations (NGOs) for helping the community with healthcare facilities and various other essentials.

We are privileged to have a great value chain partners network with more than 70,000 dealers, and over 15,000 suppliers which acts as a catalyst to our product and service excellence.

Irrespective of the circumstances, we are committed to covering the journey of delivering joy and bringing smile in people's lives. Even the global crisis of the COVID-19 pandemic that triggered a nation-wide lockdown has not deterred us from forging ahead. We have emerged stronger and have accepted the challenge posed by the new normal.

We are implementing our community initiatives to achieve quantum leap in our key thrust areas, particularly in health and hygiene, water and skilling.

COMMUNITY INITIATIVES⁵⁷

We believe that society is an important pillar which supports business activities and creates the canvas of opportunities. As part of our CSR initiatives, we endeavour to contribute to uplifting and upgrading the social infrastructure. We are committed to playing a larger role towards making a tangible difference in the lives of people we work with. The CSR initiatives of Asian Paints aim towards inclusive development of the communities largely around the vicinity of our plants and registered office and at the same time on ensuring environmental protection through a range of structured interventions in the areas of (i) Promoting education, including special education and livelihood projects (ii) Creating employability and enhance dignity of the painter community (iii) Enabling access to quality, primary healthcare services (iv) Focus on water conservation, replenishment and recharge and (v) Disaster relief measures.

In view of the ongoing pandemic during the year, virtual interventions were introduced, especially in case of employee volunteering programmes and skill development initiatives.

Our employee volunteering approach is to promote ownership among the employees rather than their mere participation. Employee volunteering teams are made keeping in mind parameters of empathy, expertise, time, effort and impact. Additionally, activities are also mapped out in terms of the intensity of engagement. For instance, one-time contributions are required for programmes, such as Card and Kit, donation drives, free rice quiz, among others.

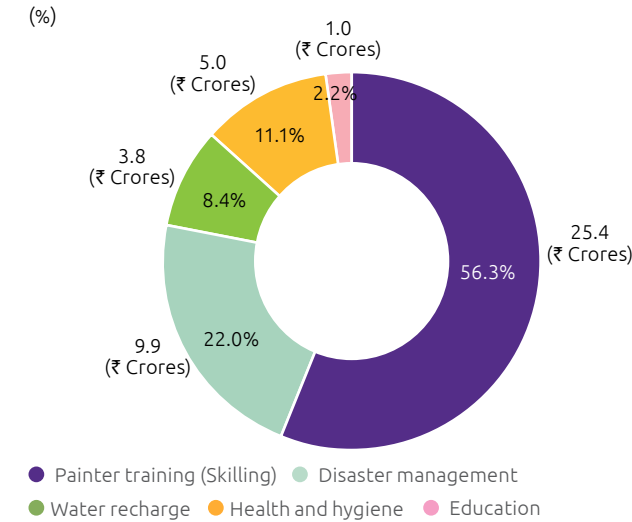
Some of the programmes where employees volunteered are as follows:

- Distribution of ration kits and masks during lockdown
- Gift-A-Card - Spread Happiness: A virtual volunteering initiatives intended to benefit sex traffic survivors. Our employees across locations volunteered to prepare handmade greeting card
- Audiobook recording for visually impaired children
- Participating in a free, online quiz game with multiple choice questions where the more one plays, the more quantities of free rice is donated to families in need

Every year our CSR committee presents the detailed plan to the Board for its inputs, and additionally quarterly progress report is presented to evaluate and monitor the CSR projects. Of our total CSR spend, we allocate 50% to the initiatives under skill development, Colour Academy being a major one, and the rest primarily towards healthcare and hygiene, education and water conservation projects.

Community initiatives – net expenditure excluding allocations for ongoing projects

CSR expenditure



COMMUNITY DEVELOPMENT FRAMEWORK



We have a well-structured approach for our community development projects which are carried out in accordance with our CSR policy approved by our Board of Directors. We conduct need assessment in consultation with the community members and local bodies and map the districts for implementation. This helps us to identify the areas of intervention, which subsequently helps us in designing the projects to address the challenges faced by the people of our communities. Based on this assessment, a detailed plan is formulated for the identified projects, which is presented to the Board members. This further helps us to develop a strategy for project implementation and resource allocation. During the implementation phase, we ensure the participation of our local communities which also helps in creating a plethora of livelihood and skill development opportunities for them. We utilise various avenues of establishing a network of continuous communication with the local community members, which helps our team to ensure proper implementation of the projects and monitor its progress regularly. This is followed by an impact assessment through which we identify areas of improvements going forward.

We have mapped critical districts for the implementation of our projects and undertake projects on the key project areas.

OUR FOCUS AREAS FOR COMMUNITY DEVELOPMENT PROJECTS:

- Health and hygiene
- Water conservation
- Skill development

⁵⁷ GRI 413-1 Operations with local community engagement, impact assessments, and development programs



Health and hygiene⁵⁸

Providing healthcare support to our communities, spreading awareness about health-related risks, and improving accessibility to healthcare facilities are central to the idea of our CSR support at Asian Paints. In alignment to the national development agenda of making primary healthcare accessible and affordable for the people, we have undertaken several programmes to promote health and hygiene among our communities. Our health and hygiene programme aims at addressing the primary healthcare segment of the healthcare continuum wherein we focus on senior citizens, women and children. It starts with need assessment for elderly community members near the plant locations followed by the implementation of the programme of providing door-to-door healthcare service for them. In addition, mobile health care unit for quick response to any health-related emergency.

Along with our partner organisations, we work with local onground health workers in analyzing the available healthcare data, which facilitates gap identification and planning for community reach. This is to ensure that we enable primary healthcare facilities to reach maximum and relevant set of beneficiaries in an effective manner. Besides, we also focus on raising awareness on government schemes and referrals for advance treatment to aid the uninitiated. We launched women's health sensitization initiatives across locations. Additionally, we are working to elevate living conditions among communities.

Under the health and hygiene programmes, we are, inter alia, running the following projects:

Static clinic

We have established five static clinics near our manufacturing locations (Mysuru, Karnataka, Patancheru, Telangana Kasna, Uttar Pradesh Khandala, Maharashtra and Visakhapatnam, Andhra Pradesh), and one clinic at Cuddalore, Tamil Nadu. The static clinics provide diagnosis and treatment for various non-communicable diseases (majorly hypertension and diabetics), Reproductive, maternal, neo-natal, child health and adolescence (RMNCH+A), eye care and general OPD ailments.

Mobile Medical Units (MMUs)

We have been running eight MMUs across 124 villages spread across eight states. Our MMUs provide consultations, free medicines, basic diagnostics, and referral to government hospitals, among other healthcare services. These units also conduct awareness and quiz sessions on health in the community.

Safar

Safar, one of our healthcare initiatives, is directed towards improving health awareness and correcting lifestyle habits of the truckers.



Water conservation

Water is a shared resource and we acknowledge the significance of water as a critical and precious resource. Judicious and efficient utilisation of water is imbibed in our values. Water is one of our key trust elements in our CSR initiatives. We have identified water stressed regions around our plant locations and we are working consistently towards ensuring water security by investing in infrastructure to collect and conserve monsoon water for a year at our critical plants.

Case Study

Project Tarang – Integrated Watershed Project Patancheru

During the year, through our water shed development and management initiatives at Patancheru, Telangana, we created awareness through various programmes, imparted trainings on building capacity on fish rearing and farm pond rejuvenation. Subsequently through training initiatives, we have been able to revive eleven acres of land and ten farm ponds. This led to increase in yield by 30-35%. We have also renovated and rejuvenated the water storage tank to support irrigation on 53 acres of land, which has led to a 30% increase in yield. In addition, we have supported 35-40 farmers in the revival of their 80 acres of cultivated land.

With the help of three check dams, groundwater levels increased by 25% to support 25-30 farmers for the cultivation of their farmland. With the revival of waterbodies and storage capacity farmers have started the pisciculture through their capacity building experience in fish rearing. They have introduced 100,000 fingerlings in the water bodies.

Indirect impact of our initiative has created employment opportunities for the labourers and small-scale farmers. Through our efforts towards financial inclusion, we have enabled ~102 farmers to access community banking services for savings, credit, and insurance.

We have drafted a water vision for ourselves with the intention of making all our manufacturing locations water secure. We are engaged in helping communities around our manufacturing locations to conserve water by developing integrated watershed management systems, installing water ATMs and harvesting rainwater in schools. Some of the interventions undertaken are as follows:

- Identifying water bodies near our locations where we undertake rejuvenation, including desilting to catch monsoon run-off
- Installing rooftop rainwater harvesting units and recharge systems in villages and schools
- Influencing irrigation practices and awareness on conservation of water in the farmer community
- Recycling and reusing wastewater
- Construction activities to increase capacity for surface water storage

Case Study

Integrated Watershed Project, Khandala

Dhandawadi is a village in Maharashtra near our Khandala plant. There is a water canal that passes through the village. However, there was lack of water storage infrastructure. We have identified the need and engaged with a supporting NGO to develop the storage infrastructure with the help of check dam. We have executed the construction work and completed the check dam. Now there is sufficient volume of water which is stored and available for the farming needs.



⁵⁸ GRI 203-1 Infrastructure investments and services supported

Skill development

Skill building is a powerful tool to empower individuals and drive financial growth and community development of the nation. Our aim with this endeavour is to invest in the inclusive growth and believe that everyone should be given a fair chance for a dignified life. We are committed to enhancing technical knowledge of individuals with the inherent predilection for the work, so that it increases their productivity and livelihood which in turn would result in them garnering recognition and respect for themselves in the community. Our Colour Academy works towards this direction of imparting skill education and enhancing productivity of the people in paint application trade. We have tied up with National Skill Development Corporation (NSDC) for supporting this skill development programme. Through this academy, we are providing a platform to painters, contractors and dealers for upskilling with our training programmes that cover various subjects such as designer finishes, emulsions, metal care, mechanisation, water proofing, wood finishes and wallpaper installation. This helps painters connect with lucrative professional opportunities in the industry. These academies are equipped with modern facilities to upgrade the skills of existing painters, thus helping them become specialists in their respective fields. Currently, we have more than 50 Colour Academies where we have provided training to more than 199,000 participants across India. Our total spend for this initiative for FY 2020-21 is ₹25.4 Crores.

Case Study

Digital on Demand trainings

We have launched 'On-Demand portal' in October 2020 at apcolouracademy.in, which equips the painter to get trained anytime anywhere. All the major courses in major regional languages were rolled out through the Digital on Demand training. More than 70,000 painters have benefited through these trainings till date.



Case Study

Digital training – video conferencing mode

During the year, we initiated digital training through video conferencing mode, in order to ensure that there is no risk through travel and contact with people. Also, a module of financial literacy has been introduced for the painters to help them understand the art of budgeting, managing contingencies, applicable insurance schemes and government schemes etc.

In the current situation of COVID-19, there is an immediate and recurring need for sanitization to maintain hygiene for both residential and business setups. Accordingly, during the year, the course covering aspects on benefits of sanitization and how to take up sanitization at the sites had been introduced.

Grievance Redressal Mechanism (GRM)⁵⁹

GRM is an important aspect of assuring our strong relation with the community as it provides us social licence to operate and execute the community initiative projects. As part of our grievance redressal mechanism, we have deployed our local employees who regularly visit the community and interact with people to gauge and address community concerns. Based on these interactions, we have not encountered any specific grievances from the community at present.

Currently, we have more than 50 Colour Academies where we have provided training to more than 199,000 participants across India. Our total spend for this initiative for FY 2020-21 is ₹25.4 Crores.

STAKEHOLDERS MANAGEMENT

We value our supply chain partners, and their support is crucial in achieving our objective of delivering joy to consumers. We have a rich network of dealers, and their contribution is invaluable, as they are the face of our product in the market and continuously service the demand from our customers.

We have developed standard practices for ensuring sustainable development and have included them as one of the selection criteria for our vendors and suppliers. Our initiatives focus on improving awareness about legal compliances, enhancing eco-friendly efficiencies, packaging and logistics improvements at the supplier's end. We engage with suppliers and transporters on a periodical basis during which we encourage them to undertake sustainable practices across the supply chain.

We have strategically designed our distribution network to serve our dealers in the shortest time possible and at minimal transportation cost. This has resulted in better warehouse management and tighter inventory management, better route planning, optimising truck sizes and placements while servicing customer orders. We leverage technology as a critical element in the entire supply chain.

Our priority is to offer tailor-made solutions for what our consumer is looking for as a reliable product and solution. We are offering our products which cater to the geography-specific needs. We provide solutions which suit the needs of customers across all segments.

Our product development initiatives not only cater to the needs of the end consumers, but also painters and contractors. Products have been developed which reduces the overall time required for painting, are safe while handling, reduces the overall effort in painting and so on. This is a win-win for the consumer as well as the painter contractors. All our initiatives in the product segment, reinforce our relationship with our dealers and distributors in catering to the market. We have zero incidents registered with respect to the non-compliance concerning the health and safety impacts of our products resulting in any fine, penalty or warning.⁶⁰

With AP Beautiful Homes, we have 18 multi-category décor stores in India. All stores are using digital technology to provide consultation to consumers and have rapidly enhanced their fulfilment capability through the paint total service and the décor execution service offered at these stores. In addition, we have expanded the Beautiful Homes Service proposition to eight cities in India. We are offering complete delivery of home décor to consumers, right through consultation, design to execution, in a completely professional and seamless manner.

We conduct annual customer experience surveys for all our products and services and measure the percentage of customers who would promote our products and services to other customers through the Net Promoter Score (NPS) method. The NPS method of customer feedback now covers most of our customer interaction points, including retail experiences, direct to home painting and colour consultancy services⁶¹.

We are a part of some of the reputed industrial and trade bodies such as Federation of Indian Chambers of Commerce & Industry (FICCI), Confederation of Indian Industry (CII), Indian Paints Association (IPA), Chemical Council of India (CCI). We play an active role in these associations towards building consensus around ease of doing business and other challenges and work towards their addressal. The organisation represents various national and sectoral committees in these bodies and associations.

We work in collaboration and partnership with the various government bodies wherein we try and align our initiatives with the international and national priorities to the extent possible, for the larger good in line with our vision.

OUR RESPONSE TO COVID-19

Our strong network of supply chain partners has rendered us tireless support during the challenging times of COVID-19 pandemic. Our partners, suppliers, dealers, and distributors have trust in our ability to support them during these challenging times. We supported each other during the peak of pandemic COVID-19.

Global supply chains were disrupted during the first fortnight of the lockdown, and many citizens faced challenges to travel to their native places. We supported our logistic partners and truck drivers in accommodating their safe journey to their homes during this time. We also provided them with essentials such as face masks, sanitizers, and medical aid to ensure their safety during these critical times.

We facilitated payment to our vendors through digital mode. Also, supplies to our dealer network and distributors were facilitated through online order booking and timely dispatch.

We contributed ₹10 Crores towards COVID-19 Relief Fund over and above ₹25 Crores contributed in last year. The contribution was made to the central as well as other emergency relief state funds to combat COVID-19 pandemic.

⁵⁹ GRI 413-1 Operations with local community engagement, impact assessments, and development programs
⁶⁰ GRI 413-2 Operations with significant actual and potential negative impacts on local communities

⁶⁰ GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

⁶¹ GRI 416-1 Assessment of the health and safety impacts of product and service categories

GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Management discussion and analysis



The economic upheaval could have been much more severe had it not been for the quick and synchronised response from central banks and governments globally, although this too varied across countries.

MACRO-ECONOMIC SCENARIO

Global economy

FY 2020-21 has been an unprecedented year in modern times, with the COVID-19 pandemic impacting human life extensively across the globe. Its impact on the economic front, too, has been significant. The slowdown across economies witnessed in 2019 exacerbated further in 2020 by the shock delivered by the pandemic. As a result, the global GDP is believed to have contracted by ~3.3% in 2020, with all major economies moving into negative territory. China was the only exception amongst the major economies to have posted a positive growth in 2020, albeit at a much lower rate of 2.3%. The economic upheaval could have been much more severe had it not been for the quick and synchronised response from central banks and governments globally, although this too varied across countries. The increase in balance sheet sizes of almost all central banks and the supportive measures undertaken by governments globally ensured easy availability of funding and support for both private and public consumption. This support has been instrumental in the progressive recovery seen in the last two quarters of the calendar year as compared to the significant contractions observed in the first two quarters. The sequential recovery in global trade coupled with the easy liquidity conditions have also led to a sharp rise in commodity prices, especially in the last quarter of FY 2019-20. This has been further aggravated by large-scale disruptions in the global supply chain, with shipping line capacities and container availability posing a major challenge.

Indian economy

The Indian economy too witnessed similar stress, with the nationwide lockdown from end March 2020 bringing business activities to a standstill for the major part of April and May 2020. An accommodative monetary policy from the Reserve Bank of India (RBI) and fiscal policy interventions by the central government, coupled with the gradual reopening of the economic activities from June 2020, have led to a sequential recovery in economic output. India's real GDP clocked a 0.4% growth in the October-December 2020 quarter on a year-on-year basis after a sharp fall in the first two quarters of FY 2020-21. However, the recovery is largely centered around the formal part of the economy. The informal players, especially the Micro, Small and

Medium-sized Enterprises (MSMEs) in many industries have taken a disproportionately large hit.

Inflation picked up over the year, despite the pandemic, primarily led by food inflation and higher fuel taxes. On the exchange rate front, post the initial bout of depreciation in the Indian currency in the beginning of the financial year, the currency has been relatively well supported on account of robust portfolio inflows in the economy as well as a better current account position.

Outlook

The rollout of the vaccination drive across the major economies, including India, in the last quarter of FY 2020-21 has accorded a much-needed boost to sentiments around a sustained recovery of economic activity across the globe. Almost all major central banks have pledged to continue an accommodative monetary stance to reinforce the economic green shoots. Coupled with the base-effect, economic growth is expected to bounce back strongly in FY 2021-22 on the global as well as the domestic front. However, a lot would hinge on how the pandemic plays out, given the resurgence of the virus and the spread of infections. There has been a re-imposition of restrictions on business activity in many states and this has again disrupted operations of our vast supply chain network. This is expected to lead to uncertainty in demand in the larger home improvement categories, including paints. Again, inflation in commodity prices and, more specifically, in input materials in our product segments across geographies, has risen significantly since the last quarter of FY 2020-21, and continues to be on the uptrend. The challenges to business posed by this inflationary pressure and the uncertain market conditions, would place strong emphasis on managing the business in a dynamic manner and altering operational priorities to suit the changing market conditions.

Management discussion and analysis (continued)

BUSINESS SEGMENT REVIEW

DECORATIVE BUSINESS IN INDIA

With the COVID-19 pandemic wreaking havoc across the country, the first quarter saw limited sales given the lockdowns. April was a complete washout, however May and June saw a pick-up in volumes following the gradual unlocking. The economy range continued to do well, aided by a strong performance from the rural/semi-urban markets. The premium and luxury category also picked up well during the latter part of the year. Categories such as Waterproofing, Adhesives, Tools and Wood Finishes did extremely well, contributing to the overall growth.

Product segments and network engagement

Our network expansion drive continued, leading to one of the highest colourworld machine installations. A vast majority of these openings were in rural/semi-urban areas. This aided the strong growth in business, with Tier 2, 3 and 4 towns witnessing much higher paint sale than urban markets.

The Company continued to engage strongly with all stakeholders – dealers, contractors and consumers. We supported our business partners (dealers and contractors) by ensuring that all schemes and promotions from our end were settled within the first 10 days of April, thereby providing significant support to them during the complete lockdown. This was well appreciated by all stakeholders. We also reached out to our consumers to spread the message that staying home meant staying safe. This was done through an innovative campaign extending the 'Har Ghar Kuch Kehta Hai' concept. The film was shot in real homes with actual consumers. This enabled us to keep our customer engagement going even during a tough time.

In order to help government agencies fight the pandemic, we also ventured into the health and hygiene space with the launch of our range of sanitizers. This was done in record time to ensure that we are able to contribute towards the overall attempts of the government to control the pandemic.

The Company continued to engage strongly with all stakeholders – dealers, contractors and consumers.

We leapfrogged to the digital route with the building of touchpoints to be in constant touch with our stakeholders. For our dealers we ensured that all areas—products, applications and colour consultancy—could be accessed through a simplified digital mode. This allowed dealers to access all areas necessary to execute business in a smooth manner. For painters and contractors, we devised an innovative digital campaign called 'Chai Pe Charcha', which focused on safety with our detailed guidelines on how to carry out painting in a safe manner. We could connect with a large number of painters through this campaign across the country. This exercise enabled painters to warm up to the safe painting concept. To enable our partners to safely initiate the reopening of business after the unlocking guidelines were announced, we sanitized the shops and warehouses of our dealers free of cost. For consumers, we ensured that expert consultancy was available through the digital mode that they could access from the comfort of the home.



We also launched a novel safe painting service for our retail and project consumers. This instilled confidence amongst all stakeholders while enabling our painters and contractors to carry out the painting work in a safe manner.

Despite the tough scenario, we saw 13% volume growth and strong value growth. Substantial growth across the product categories made Asian Paints the fastest growing company in the industry. We continue to build on our efforts to enable our stakeholders to tide over the crisis.

Consumer services

Asian Paints remained strongly invested in its vision of becoming the most inspirational home décor brand by revolutionising consumer experience and empowering the consumer to dream. Strong omnichannel models developed by us help the consumer to complete this experiential journey and translate their dream homes into reality.

'Beautiful Homes with Asian Paints' is a unique platform on which visitors have the opportunity to access everything they need to create a perfect home. This online magazine is now India's largest digital design content platform with almost a Million-strong community of followers and subscribers.



With visits to real homes around the country, interviews with the country's best design talent, videos of DIY projects and plenty of advice on various issues faced by the Indian homemaker, the magazine is a veritable library of information and inspiration for readers. However, the most difficult part of creating a home is still the making of it. And that's where Beautiful Homes Service (BHS) comes in. BHS offers consumers the opportunity to have homes that are custom-designed by experienced interior designers and professionally executed by dedicated project managers. BHS is a destination for Indian homemakers who are looking for great quality and design at a sensible price. The service is now available in eight cities across India, offering complete homemaking journey – right from consultation, personalised designs to professional execution. With this spectrum of offerings, beautifulhomes.com continues engagement with a burgeoning community of consumers where they have the opportunity to do both – dream about, and actualise ideas.

On the retailing front, AP Beautiful Homes stores offer one-of-its-kind consultative consumer experience and have received an excellent response. The footprint of this multi-category décor stores has now expanded to 18 stores and quite a few more are in the pipeline. At the core of the stores is a strong Phygital (physical + digital) model, with cutting-edge technology and physical experience interwoven to provide a unique consumer experience. All the stores use advanced digital technology to provide expert guidance and world-class visualisation to consumers. They have rapidly enhanced their fulfilment capability through the décor execution service offered at these stores. In addition to paints, these stores offer Asian Paints' range of décor products—furniture, furnishing, decorative lighting, customised tiles, kitchens, wardrobes, bath and sanitaryware—which help consumers to create their dream home.

On the Project/Institutional business front, the initial period saw significant slowdown because of the pandemic. However, the continued focus on building the funnel ensured a strong pick-up once the lockdown pressure eased in the second half of the financial year, leading to robust business growth.

Waterproofing and construction chemicals expanded significantly, driven by breakthroughs into new accounts and a robust product portfolio. Government sectors such as infrastructure and factory saw good response and we were able to leverage our strengths and establish the Company as a prominent player. Working closely with key influencers such as structural consultants, we bagged landmark infrastructure projects.

Supply chain

Given the restrictions imposed by the national lockdown, paint plants had to be shutdown with due precautions. This ensured safety in all our plants and avoidance of infection and fatalities. Operations began as soon as the permission to open up was released by the authorities. Throughout this period, utmost care was taken to ensure safety of the teams working in our entire supply chain, and we rapidly embraced a hybrid work approach in our operations. Robust on-site hygiene practices, which equipped our on-site personnel with critical personal protective equipment, daily health screenings and enhanced sanitation practices, were rolled out at our sites.

This year will be remembered as one when supply chain faced maximum disruption across the globe. Our teams worked tirelessly, despite the fast-changing situation, to meet emerging customer demands. Through the use of innovative technology in various areas of operations, we were able to make rapid what-if analysis and serve the marketplace in a timely manner. The team was able to scale up the utilisation of our manufacturing capacities to service the large demand recovery witnessed in the second half of the year. The Company is looking at capacity expansion in certain product categories to support the expected growth in these categories as we move forward. This year, our Company has further invested in advanced Machine Learning algorithms for demand forecasting. In a world of flux, having an agile and responsive supply chain will be key to determining which companies will be able to serve ever-changing customer needs. To fulfil this objective, our Company has embarked on the deployment of the latest solutions in areas of advanced supply chain visibility and execution by partnering with leading software vendors in this space.

This year will be remembered as one when supply chains faced maximum disruption across the globe.

Management discussion and analysis (continued)

INTERNATIONAL OPERATIONS

Outside India, Asian Paints has operations in 13 countries across four regions of the world – South Asia and Indonesia, the Middle East, South Pacific and Africa. Our products and services are sold under seven corporate brands, namely Asian Paints, SCIB Paints, Apco Coatings, Asian Paints Berger, Taubmans, Asian Paints Causeway and Kadisco Asian Paints. The Group continues to focus on increasing its presence in high-growth emerging markets, especially in Asia and Africa.

Operating environment

FY 2020-21 was an exceptionally challenging year for both the businesses and the people that make up our international operations. With COVID-19 spreading like wild-fire across the world, we were faced with lockdowns, slowdowns and health-related challenges across the entire spectrum of our operations. In this environment, the health of employees and other stakeholders was our first priority. This involved strict adherence to the rules imposed by various governments as well as ensuring that our own work-spaces and work practices conformed to the safety and hygiene standards necessitated by the pandemic.

From a business viewpoint, we were most affected during the period starting from the last fortnight of March 2020 till the end of the first quarter. During this period, many markets were shut for extended periods, as were many of our factories, offices and warehouses. This was also a time for agility and quick responses. We focused on several cost optimisation and working capital management measures during this period, thus ensuring cash conservation that helped us tide over the immediate crisis. We also put this period of disruption to good use – getting the entire international team together over digital meeting platforms to chart out the future of our global operations. We focused on a seamless flow of experiences and learnings across geographies to benefit the operations across different markets. As conditions improved post June 2020, the international business rebounded strongly with renewed vigour and focus, with the three subsequent quarters recording a good recovery even in a difficult environment.

Business performance

As with last year, we focused on our core strengths of product propositions and market activations. The focus remains on moving away from the herd to being a clear leader in innovation across markets, with emphasis on 'USP-centric' product development. With this in mind, we had about 60 new product launches and product revamps across our geographies, mainly focusing on the premium/luxury category and the waterproofing segment in order to provide both superior quality and a comprehensive offering to the global consumer. Innovative and unique products were launched such as 'Royale Health Shield', 'Royale Smart Clean' and 'Royale Bling', all of which are relevant at times of increasing health consciousness.

We focused on a seamless flow of experiences and learnings across geographies to benefit the operations across different markets.

All our units have focused on Waterproofing as a category, and there have been several new products launches. We believe that we can build on the considerable technological and marketing strengths of these products already available with us in order to quickly ramp up our presence in this category across our international markets.

Product launches were backed up by on-ground demand generation activities including proof of concept tools and demo kits. We have connected with 80,000+ painters and contractors with programmes for sustained engagement and benefits. This year, we also rolled out Safe Painting Services in most of our geographies. These services offered by our dealers provide consumers end-to-end solutions for their painting and waterproofing needs, these services are executed through well-trained contractors under our supervision.

Africa: In Egypt, after the launch of the 'Hero' value-for-money range of products in the latter half of FY 2019-20, we continued the revamp and launch of new products in the current year as well, focusing on premium emulsions and enamels. We also launched the 'Royale' brand of luxury emulsions this year for the first time in this market. Ethiopia's economy continues to be hindered by a combination of several factors including the lack of US dollars, high inflation and civil war in the province of Tigray, apart from the COVID-19 pandemic. While we have marginally grown sales, profits have fallen due to the high inflationary cost scenario. Overall, our unit continues to have a healthy profit margin even in these troubled times. Hence we believe that a policy to consolidate our market position, coupled with a patient wait for the overall recovery and stabilisation of the economy, will bear us well in the years ahead.



Middle East: Especially the Middle East has been badly affected by the pandemic. Projects have slowed down, and many migrant workers have been displaced. While our retail business did relatively well, projects and industrial paint sales were affected. Profits for the region as a whole were better than last year, due to stringent cost control and a low raw material price scenario for the first nine months of the financial year.

Asia (South Asia and Indonesia): Nepal was the worst hit among our South Asian operations, due to prolonged lockdowns in the first quarter. Although our unit made a valiant recovery thereafter, the first quarter loss of business meant that we ended the year at a lower than last year base. Nevertheless, the unit has gained market share, and continues to be one of the stellar performers amongst our larger international units. In Sri Lanka, we completed the merger of our two units as on April 1, 2021, and have now started selling under the brand 'Asian Paints Causeway'. Both the unit teams aligned operations and worked closely together during FY 2020-21, and both have done well, backed by several product launches and upgrades. In Bangladesh, while the economy continued to grow, despite the pandemic, the decorative paint market is estimated to have de-grown. We have done well relative to the overall paint market, gaining market share. The unit continues to focus on innovative product and service launches to assist in scaling up its presence in the local market. The new factory project in Bangladesh has also continued on schedule, and should be operational towards the middle of FY 2021-22, with an initial capacity of 25,000 KL/ annum.

The Indonesia paint market has been badly affected by the pandemic, and is estimated to have shrunk by ~ 15% this year. Our own unit has also faced several challenges in its attempt to ramp up, and has seen a sales degrowth in the year. In some regions, we had to shut under-performing distributors and have strategically shifted to a mix of distributors and direct-to-dealer model. Nevertheless, we remain optimistic of the long-term potential of this huge, though fragmented market and are ramping up our

Nevertheless, the Nepal unit has gained market share, and continues to be one of the stellar performers amongst our larger international units.

marketing spends and capacities in anticipation of a good turnaround in FY 2021-22.

We have also released a new TV commercial for the first time in March 2021 and intend to strategically build on the foundations we have laid so far in the country in order to shift the trajectory to a new level.

This year, we also launched the 'Bath' business (under the Asian Paints BathSense brand) in Nepal and Bangladesh, with a range of elegant sanitaryware and bath fittings, in our quest to provide a range of home solutions to the customer. While these businesses are likely to remain relatively small compared to our paint sales in these markets for the coming few years, they have the potential to further strengthen our brand in the mind of the consumer in the areas of colour, décor, design and protection.

South Pacific: Economic conditions in Fiji and other South Pacific islands were poor, with tourism and the hotel industry being the worst affected by the pandemic. Despite this, we had only a marginal decline in sales and a significant increase in profits on the back of cost control measures and benign material prices for the first nine months of the year. In one of the islands, Tonga, we closed our operations during the year and shifted to an export model (served from Fiji).



Management discussion and analysis (continued)

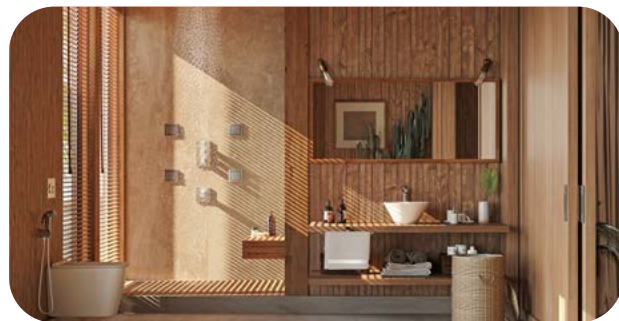
HOME IMPROVEMENT BUSINESS IN INDIA

We operate in the Kitchen and the Bath business through the Home Improvement division and help our customers create kitchen and bathroom spaces of their choice for their dream homes. Our Home Improvement division complements our vision of being a complete décor solutions provider.

Kitchen business

We forayed into the Kitchen business by acquiring 51% stake in Sleek International Pvt. Ltd. (Sleek) in FY 2013-14 and further increased our stake to 100% in FY 2017-18.

'Sleek by Asian Paints' is present in both the 'Kitchen Components' as well as the 'Full Modular Solutions' segments with a pan-India presence. Under the Kitchen Components business, we sell our own range of kitchen hardware, kitchen accessories and kitchen appliances through the B2B channel. Under the Full Modular Solutions segment, we undertake design-to-execution of full kitchens through a strong network of franchisee-owned showrooms across the country. We also have a dedicated 'projects channel' to provide Full Modular Solutions for new constructions, especially residential housing.



Business performance

There was disruption during the spread of the COVID-19 pandemic in the first half of the year. We focused on enhancing our operational capabilities during this period. We stepped up our online customer reach efforts through our in-house designers, taking up conversations for kitchen designs even during the early lockdown period. This helped us generate a healthy order book through the year, building a pipeline for future business value. The business turned around in the second half, with strong growth across both the Kitchen Components as well as the Full Modular Solutions segments. We continued the expansion of our showroom network and have now 200+ showrooms across the country offering modular kitchen design and

installation services. The network that we have in this business line is unparalleled in the country today. The luxury collection of Kitchens with Premium Finishes, launched last year, saw high demand during the year and has grown well. This is one of the most comprehensive collections of premium kitchens by any company in India.

Sleek, a subsidiary of the Company, also operates in the Full Modular Solutions business through a dedicated project vertical. Sleek has a strong presence in Mumbai, Pune and Delhi and has also expanded its presence in this channel to cities in southern India in the previous year. During FY 2020-21, expansion to other major cities has helped the channel to register strong business, winning several major projects in spite of the slowdown in new constructions during the year.

The Kitchen Components segment saw strong growth in the second half of the year after a dull first half. In the first half, there were also supply issues with imports from China, which stabilised towards the end of the second quarter. While the supply situation has improved, there has been a steady rise in commodity prices as well as import charges during the second half of the year. The inflationary pressures are expected to continue in the near future. We have expanding our dealer network in this segment strongly across all major states and is a formidable player in a market that has been largely dominated by German/European players.

The organised sector in the kitchen industry continues to contribute a small part of the total kitchen demand. Only a handful of players have meaningful presence in the Full Modular Solutions segment. Currently, online players are also catering to the larger cities. This leaves space for an industry player like Sleek to establish a brand at the national level with differentiated offerings and superior service over a longer period with consistent focus. To support this long-term growth focus, we would be making investments for setting up an additional manufacturing capacity for the Kitchen business in FY 2021-22.

We continued the expansion of our showroom network and have now 200+ showrooms across the country offering modular kitchen design and installation services.



Bath Fittings and Sanitaryware business

Asian Paints forayed into the Bath business by acquiring the front-end business of Ess Ess in FY 2014-15. Over the years, we have expanded our network as well as product range. We have expanded its sanitaryware range over the last two years to leverage our network and presence in the Chrome-plated (CP) fittings market. We are focusing on creating a new world of bath products and solutions, where the consumer can actively look at solutions and customised offerings.

Business performance

The business grew well inspite of the lockdown in the first quarter of the year across the country. Strong growth was registered in the second half as we leveraged our network and product portfolio. As the lockdown started, a range of new products in the touch-free category – including sensor and hands-free faucets, touchless flushing systems and Water Closet (WCs) were introduced in the early part of first quarter and these products saw strong demand from the commercial and office sector. We made a strong impact in the Projects and Builder segment during the year, utilising the strengths of the Projects team of the Decorative business. This has helped in making stronger inroads in this category across prominent builders and construction companies. The products are now approved for use in government projects and works across several states.

The network expansion drive also continued through the year, with representation in large cities as well as Tier 2, 3 towns increasing significantly. The 'service excellence' theme continued this year as well, with the technicians ensuring prompt and reliable post-sales support. We attached significant importance to operational performance. In line with this, we carried out productivity improvement at the manufacturing facility in Baddi, Himachal Pradesh. This has helped the business reduce costs significantly and improve overall profitability. With an eye on the high utilisation levels at the existing facility and the future growth plans, we will be making investments to set up a second manufacturing facility for the Bath business in FY 2021-22.

INDUSTRIAL BUSINESS IN INDIA

Asian Paints operates in the industrial coatings segment through two 50:50 JVs with PPG Industries Inc. USA – PPG Asian Paints Pvt. Ltd. (PPG-AP) and Asian Paints PPG Pvt. Ltd. (AP-PPG). Of the total industrial paint demand, about two-thirds come from the automotive sector.

Automotive, industrial, refinish, packaging and marine coatings

PPG-AP is the first 50:50 JV of the Company with PPG Industries Inc., USA. PPG-AP manufactures and trades in paints and coatings for automotive Original Equipment Manufacturers (OEMs), certain industrial segments, automotive refinish segment, packaging and marine segments, and is one of the largest industrial coatings suppliers in India.

Operating environment

Slowdown in the economy due to COVID-19 has impacted OEMs. Business degrowth in the financial year is primarily because of the auto and two-wheeler markets, which degrew by ~ 11% and ~ 13% respectively. The subdued demand in the entire automotive industry for more than a year has increased pressure on most of the companies in the automotive coatings segment. The automotive industry has also been facing supply challenges with steel and availability of semi-conductors.

Business performance



PPG-AP has registered degrowth in sales given the degrowth in the automotive sector. However, with the uptick in the automotive industry in the third and fourth quarter, the company was able to register topline growth in these two quarters but due to the significant drop in volumes, profitability declined.

Management discussion and analysis (continued)

The company is witnessing inflationary trends, along with shortages in containers causing supply constraints. The company witnessed growth in the Packaging business although its Automotive and Industrial businesses degrew as they were impacted by lower demand.

During the financial year, the company acquired the business of Whitford India Limited from a PPG Group company. This enables PPG-AP to provide coatings for automotive rubber, certain industrial segments, cookware and small appliance segments.

The company's Dahej Resin facility is fully operational and most of the resins are now localised. PPG-AP continues to focus on its R&D facilities to innovate, leverage technological support from both its parents, PPG Industries Inc., USA and Asian Paints, and provide value proposition to its customers. The company also remains focused on its core values, which includes focus on customer connect, people development and Environment, Health and Safety (EHS).

Non-auto industrial coatings



Road markings by AP-PPG

AP-PPG serves the non-auto industrial coatings market of India and is our second 50:50 JV with PPG Industries Inc., USA. The JV operates in protective coatings, floor coatings, road markings and powder coatings segments, servicing customers in infrastructure, oil and gas, power plants and white goods sectors, among others.

Operating environment

The industrial coatings market was affected by disruptions caused by lockdowns during the year. Delays in maintenance schedule, slowdown in manufacturing and exports coupled with the lack of private capital expenditure resulted in an overall decline in demand for industrial coatings. Supply side constraints, specially in feedstock raw material, resulted in the steep inflation witnessed during the fourth quarter of the year, affecting margins.

Business performance

Despite decline in industrial coatings demand, we did well and registered growth in sales. AP-PPG's continuous focus on geographical expansion, enhancement of product portfolio and customer acquisitions resulted in growth in a declining market. Introduction of innovative products and services targeted to grow share of business in the Infrastructure and Maintenance & Repair segment helped the company register good growth. Collaboration with Asian Paints Project sales to maximise reach of floor coatings products and robust growth in road marking segments owing to government investments, helped significantly improve its position in these segments.



ONGC 98/2 sub-sea project coated with AP-PPG products (EPC - L&T Hydrocarbon)

Steep inflation in raw material prices was seen in the fourth quarter and quick action taken in the area of price increase and cost savings measures helped the company to protect margins. Overall, AP-PPG registered good growth in terms of revenue and posted profits in a challenging year.

HUMAN RESOURCES

Internal policies

The year presented unique challenges and tested our outlook towards employees and stakeholders. Care and empathy towards employees were at the forefront of all our policies, initiatives and agendas. The year also tested our leadership's ability to carry the team along towards individual and organisational success.

We acknowledge the need for employees to stay physically and mentally healthy, and stays committed to creating fulfilling lives for them. Through various remotely-conducted employee wellness programmes targeted at ensuring the physical, mental and financial wellness as well as controlling the spread of disease and ailments, Asian Paints has strived to keep up the morale of its workforce during these difficult times. Health challenges, financial awareness sessions and safety campaigns were taken up. To support employees and their families, we strengthened the helpline, offering counselling services throughout the pandemic to help them cope with mental stress. A medical teleconsultation helpline was also launched to help employees with medical issues that may have otherwise required them to go to hospitals. We have taken a special insurance cover for our employees for COVID-19 related expenses incurred by them.

Asian Paints is committed to align its people processes and frameworks with the Company's Charter. To ensure that the values embedded in the Charter are seamlessly driven through our actions and behaviours, and is also cascaded to all levels of employees in the right spirit, the Leadership Competency Framework was redefined to create the Values-based Behaviours Framework (VBF). This framework has been fully integrated with various HR processes such as recruitment, onboarding, people review process and 360-degree feedbacks. Learning journeys have also been designed and integrated with the VBF for all grades and functions.

The performance management system has also been revamped to incorporate all the key elements of the Charter. The Variable Pay Policy of the Company has also undergone change to reflect the significance of the Charter and promote collaboration as one of the building blocks of the organisation.

During the year, we continued our its endeavour to attract best-in-class talent through multiple talent engagement initiatives targeting the campus as well as the lateral talent pool. A structured interview process has been integrated with the VBF to help build a talent pipeline aligned to the values.

Programmes and conversations around safety, health, wellness and so on were conducted for Swara, the internal women's network. A detailed study on the challenges faced by women in the Sales function was taken up, which is now being worked on to create a more inclusive workplace. An organisation-wide employee engagement survey was also conducted in FY 2020-21, anchored around several drivers such as leadership, enabling infrastructure, diversity and inclusion, collaboration, rewards and recognition, and others. To enhance and sustain the spirit of collaboration, sessions were designed to enable conversations and a Collaboration Index was designed and launched in June 2020.

External initiatives

Our campus branding was further scaled up with the purpose of deepening our engagement with the brightest minds through multiple initiatives. Given the current context, all the engagements were done virtually with the aid of innovative technology tools and platforms. Our flagship engagement, CANVAS, which is among the most prestigious and sought-after case competitions in premier B-Schools, saw its largest participation yet. Apart from the competitions, to further our continuous efforts at giving students exposure to best industry practices and cutting-edge work, our 'AP Paathshaala' series was taken to a number of partner institutes. Several campaigns were also run on our career pages on social media platforms to engage and communicate with the relevant talent pool with a focus on the emerging areas of design and décor.

Leadership blueprint

Our talent management philosophy is 'To develop leaders for life'. We facilitate holistic development by providing employees with tools, platforms and resources to exercise their knowledge and skills and enhance them. During this year of the pandemic, we continued to invest in our people by leveraging the virtual platforms and enabling meaningful conversations through various media.

Our employee's learning needs have been addressed through various organisation development programmes aligned to the Company's values and focusing on collaboration, innovation, strategy, workplace partnerships, leadership development, agility etc. Several learning journeys were conducted and innovative formats created in partnership with educational institutes and external agencies. Internal learning formats such as e-modules, stories and coaching supported employees while enhancing their business acumen, perspective and leadership capabilities. This year, we also focused on skilling our managers to conduct developmental conversations more effectively. The Connect Programme focused on building people management capability among managers in manufacturing plants.

PPG-AP continues to focus on its R&D facilities to innovate, leverage technological support from both its parents, PPG Industries Inc., USA and Asian Paints, and provide value proposition to its customers.

Management discussion and analysis (continued)

The employee relationship health of every plant is being measured through a scorecard that was designed and deployed this year.

One Link philosophy of team management

'One Link', a team comprising of the General Managers, Associate Vice Presidents and Vice Presidents of the Company and led by the MD & CEO, was created as a forum for developing the next leadership line. There were active engagements across the teams over 18-20 days during which ways were considered to give greater exposure to the high performers and grow their potential. The forum engages the top management teams to work on futuristic but relevant projects in order to involve, galvanise and develop leadership abilities. Four transformation projects related to unexplored areas were chosen. The programme has garnered much appreciation from employees.

Technological innovations

Keeping in mind changing learner preferences and the intense need of virtual learning, the learning platforms across the organisation were strengthened and new platforms introduced, such as EBSCO, new e-learning modules and so on.

Leveraging the virtual learning environment, 280+ learning pathways were launched across functions on 3i socials. Most of our learning content is designed to facilitate the personalised, blended, bite sized and peer learning format. We have expanded the reach of our learning content by making them accessible through the mobile phone.

This year, we looked at enhancing the candidate experience, optimising recruitment processes and digitising HR processes by adding features and upgrading the Applicant Tracking System and the launch of the prejoining-onboarding-induction application. These platforms are designed to deliver signature experience to candidates and new employees, and thus looks at all critical aspects of a candidate's journey, starting from the application stage to the induction stage. The platforms have been seamlessly integrated with the HR Management System (HRMS).

Leveraging the virtual learning environment, 280+ learning pathways were launched across functions on 3i socials.

RESEARCH AND TECHNOLOGY

In an unprecedented year, routine work at the Asian Paints Research and Technology function was carried out with due permits from the local authorities concerned and judicious shuffling of manpower. The function thus continued to support the business goals of Asian Paints by creating intellectual property that helped our foray in new markets and introduction of several new products. In their new avatar as 'AP Creators', the talent pool of the Research and Technology function truly empowered us through the power of science.

A total of 20 patents were filed in the current year, including three for industrial paints and two for global operations, taking the cumulative filing count to 76 for Asian Paints, with a commercialisation percentage of 26%. Our scientists continue to represent work carried out in Research and Technology through publications in reputed national and international journals; they have six publications to their credit this year. Working under a challenging macro environment, the team supported our initiative in strengthening the health and hygiene portfolio and developed formulations with several new raw materials that led to the launch of a new product range, including hand sanitizer, handwash, floor cleaner, space sanitizer, surface sanitizer, toilet cleaner and vegetable cleaner. All these products have been well received by the market and are generating additional revenue for the business. One patent has also been filed for hand sanitizer.



Under the 'Nexpedition' initiative, our scientists are actively engaged in creating a pipeline of innovations. They are currently working on several different projects in emulsions, resins, waterproofing, exterior and interior paints, enamels, and industrial paints that will cause the next level of breakthrough products.

The entire process is built on a collective participative process of ideation and prototyping, and then enrolling stakeholders for their commercialisation.

As before, a few members of the Research and Technology team participated in the 6th Breakthrough Innovation programme. This resulted in the launch of three unique and pioneering products. These include:

- **TrueGrip Dynamo**, an innovative water-based synthetic resin adhesive that is used for bonding a wide variety of wood-based substrates used in furniture and the wood-working industry
- **Apolite All Protek**, a revolutionary indoor water-based paint that provides all-round protection to the home. Its innovative hybrid technology enhances safety by providing excellent flame-spread resistance. Its advanced stain guard prolongs paint life by making it easy to clean stains
- **Marvelloplast Ezy MS**, a unique gypsum plaster that can be applied by spray to create a smooth finish besides significantly reducing application time

Some other new products include:

- **ACE Sparc Advanced**, a unique emulsion for exterior based on a sustainable raw material that helps reduce TiO₂ and yet delivers exceptional whiteness when applied
- **Asian Paints ezyCR8 Health Shield Single Coat Emulsion**, a water-based single coat emulsion. Its silver ion technology provides excellent anti-bacterial and air purifying performance. Combined with unique application tool, it provides One Coat Hide, superior flow levelling and a luxurious sheen finish
- **Apcothane 150 2K**, a high build, high solid DTM (Direct to Metal) Polyurethane coating, specifically designed for the Pre-Engineered Building (PEB) segment. It offers faster handling of painted components due to its quick drying properties. The product offers excellent corrosion protection as well as durability of polyurethane
- **Apcoflor PU Crete 4K**, a self-levelling polyurethane screed that offers seamless matt finish for concrete floorings. The product has exceptional physio-mechanical properties such as compressive, tensile and flexural strength. It also offers excellent steam clean ability, high slip resistance in wet areas, excellent adhesion, durability, and temperature resistance ranging from -20°C to 90°C. Typical use

areas includes food, pharmaceuticals, warehouse, and cold storage units.

In its quest for excellence through RFT (Right First Time) to market and zero product complaints in new and existing products, the AP Creators team constituted a new initiative, Quality at Source, wherein a thorough review of new product launches is held regularly by the leadership team to validate approach, lab, and field-testing protocols to provide timely inputs before designs are standardised.

We continued in our commitment to developing human capital by building technical competency through Sikshalaya – the in-house training academy. Out of the nine workshops conducted this year, two were conducted by external faculty members affiliated to premier educational and research institutions from India and abroad. Some of the key technical areas covered were colour science, binder chemistries for industrial and decorative paints, polymer characterisation and sustainability. We have invested in techniques that can predict the long-term stability of products and intermediates and characterisation of polymers. Emphasis on automation ensured that productivity was maintained despite physical absence from laboratories.



Management discussion and analysis (continued)



ENVIRONMENT, HEALTH AND SAFETY

Environment

This year has been characterised by the achievement of significant milestones in the area of environmental sustainability despite the challenges created by restrictions induced by COVID-19. Our continued commitment to sustainability has helped us shape our efforts and deliver effectively towards the goals we have set for ourselves.

All our eight decorative paint factories have continued to focus their efforts in the following areas of environmental sustainability:

- Undertaking water replenishment projects in the communities surrounding our factories
- Reducing non-process water consumption by focusing on reduction in freshwater usage as well as the collection of rainwater for use in the manufacturing process after purification
- Reducing energy consumption in operations, while improving efficiency and quality in production
- Increasing the contribution of electricity from renewable sources, thus demonstrating the commitment towards sourcing clean energy
- Minimising solid and liquid waste in our processes

Even in the challenging conditions of FY 2020-21, our factories were able to work safely, and at the same time deliver on most of the targets we set for the year.

Some of the key initiatives undertaken during the year:

Integrated watershed development: As part of this continuing focus area, integrated watershed development was undertaken in villages surrounding our eight decorative paint factories. Due to our interventions over the years, 11 Lakh+ KL of rainwater was replenished in FY 2020-21, which will eventually fulfil the water requirement of the community throughout the year.

Reduction in electricity consumption: FY 2020-21 was characterised by significant shut down and re-start related events. This naturally put a pressure on specific electricity consumption metrics. Our initiatives at more efficient throughput management delivered a lower specific power consumption than that of the previous year.

Renewable energy: Renewable energy generation is one of the identified focus areas and several investments have been made in this space over the years. While we face many policy related uncertainties in this area, renewable energy now accounts for 57.2% of the total energy consumption. Our Mysuru plant achieved 98% of its energy from renewable sources in FY 2020-21. We are proud to share that our Visakhapatnam factory is now Platinum rated under the Indian Green Building Council (IGBC) Green Factory Buildings Rating System, which is recognised as a global standard in the green building parlance.

98% of Mysuru plant's energy needs met from renewable sources in FY 2020-21

Hazardous waste management: When our factories became operational post-lockdown, there was need to make the whole setup ready to resume production. This meant cleaning and flushing of machinery and pipelines which generated additional waste. This was much more than what had been set in our annual targets. But we accepted the challenge and were able to achieve specific hazardous waste of 1.19 as compared to 1.35 in the previous year.

Biodiversity: Although our manufacturing sites are located in notified industrial areas, our operations have various impacts and dependencies on local biodiversity. Hence, sustainable management of these linkages with biodiversity is important to mitigate the negative impacts and reduce dependencies. We meet the regulatory requirement for green belt development. To promote and enhance regional biodiversity, we nurture a wide variety of local species of plants within our factories and also undertake a plethora of projects to replenish the water bodies in the region. Our Sriperumbudur factory is home to 171 floral and faunal species that are thriving due to our dedicated initiatives.

Plastic waste management: Our initiatives towards fulfilling our Extended Producer's Responsibility (EPR) has resulted in the collection and recycling of 2,700+ tonnes of post-consumer flexible plastic, representing 100% of flexible plastic footprint in packaging in the year 2020-21.

Health and safety

We are committed to the safety of our people and assets and towards the protection of the environment through a variety of initiatives. Asian Paints follows industry-accredited best practices in health, safety, and environment related aspects to constantly set higher benchmarks and strives to exceed the same. During the year, our newest plants at Mysuru and Visakhapatnam were certified for an Integrated Management System consisting of ISO 9001, ISO 14001, and ISO 45001 standards. Our plant at Taloja, which produces industrial coatings, was certified with ISO 45001 standard. The plant is already certified with ISO 9001 and ISO 14001 standards.

Our decorative manufacturing plants in India follow the Asian Paints Safety System, which is based on British Safety Council specifications. During FY 2020-21, our Sriperumbudur plant was awarded the 'Sword of Honour' by the British Safety Council. The plant was also declared winner of the Golden Peacock Occupational Health and Safety Award for the year 2020. Our plant at Ankleshwar

successfully completed British Safety Council's safety audit and achieved highest five star rating.

During the year, we benchmarked our safety measures with that of global coating industries and finalised targets for the next five years in the areas of occupational safety, process safety and safety culture across the organisation (Decorative manufacturing, sales, office units, International Business units, JVs), thereby aligning to the global approach towards all aspects of safety.

While we have been working on occupational safety and on building a proactive safety culture with our teams, the scale and complexity of our operations now requires us to dwell in depth in the areas of process safety. Process safety focuses on identifying risks associated with storage and handling of hazardous material and address them proactively. It also focuses on eliminating catastrophic incidences by strengthening process-related aspects over and above the inherent safety risks associated with infrastructure. Drawing from learnings from various catastrophic incidents that happened in the recent past in other organisations in the country and determining to take up this matter with agility, we decided to seek support from experts in this field and have tied up with the British Safety Council for implementing the process safety standard over the next four years.

While work on process safety was initiated this year, we are continuing our commitment towards occupational safety. We have undertaken to achieve 'Generative' stage (5th stage – the highest in behaviour-based safety that starts with Chaos as Stage 1 and then moves to Reactive, Calculative, Proactive stages before reaching the Generative stage) in our safety culture assessment by 2025. Our first assessment happened in FY 2020-21 and three out of eight plants are in the Proactive stage while the others are in Calculative stage.

With the targets set, it is important to have a system that will capture data across the organisation, will help knowledge management and ensure horizontal deployment of actions across units. To accomplish this, the Company has launched an IT platform for safety, aptly branded as 'i-safe', thereby digitising key safety processes like the Incident Management System, inspections and audits, risk assessments and Permit to Work System. This platform has been implemented in all eight decorative manufacturing plants and will be extended to the rest of the organisation in the next two years.



Management discussion and analysis (continued)

INFORMATION TECHNOLOGY (IT)

Asian Paints has always been forward looking in terms of adopting digital for leveraging business benefits. The investments in digital helped us to be better prepared for times like the pandemic. The same enabled the transition to remote working for employees and partners in a secure manner. The IT systems were scaled up in quick time to allow businesses to digitally collaborate and run operations.

Highlights of FY 2020-21

We continued to leverage digital in the areas related to customer experience, supply chain management and all operations. All stakeholders in the business were part of the digital drive wherein cutting-edge technologies like Robotic Process Automation (RPA), Artificial Intelligence/Machine Learning (AI/ML), Advanced Analytics, Internet of Things (IOT) and others were deployed in some manner.

One key area of focus has been the enablement of the Décor business. An end-to-end platform has been deployed right from an inspiration and commerce-driven website (beautifulhomes.com), an immersive 3D visualiser (for interior designers) for creating beautiful home designs, to a robust execution platform for all stakeholders in the service, including customers, to help deliver the dream home. This AI-driven platform will help bring in seamlessness between the physical store and digital journeys of the home décor customer.

We deployed digital on the retailing front to not just provide engaging experiences in selecting the right colours/paint products/services/contractors, but also to ensure that authentic and genuine products are delivered through the deployment of the anti-counterfeiting systems and processes.

The Core Transaction systems (S/4 HANA) have been scaled along with the business. We have been able to extend the platform to new-age businesses in the space of health and hygiene, home décor, construction chemicals and also modelling additional ERP capabilities for international businesses. New channels of distribution have also been enabled.

We implemented a completely automated warehouse in one location integrated with the S/4 HANA Extended Warehouse Management Systems. This will help it serve its customers in a more responsive and cost-effective manner.

RPA has been extended further to automate existing and new business processes. The opportunities to further drive efficiencies, increase throughput and scale operations have been tapped.

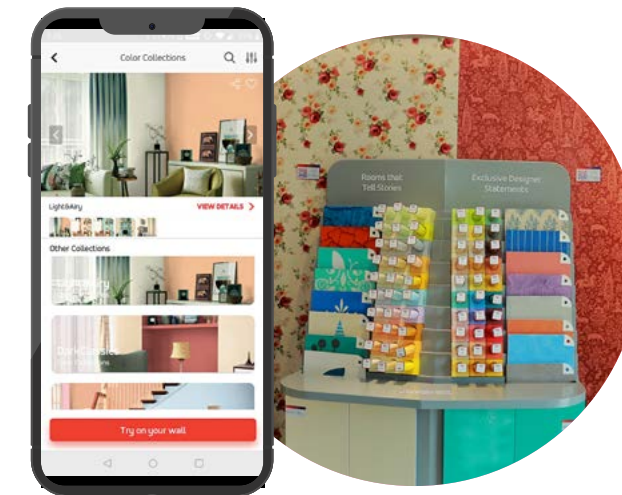
We continue to treat data as a strategic asset and has deployed many projects using the power of AI/ML in analytics. A recommendation engine powered by new-age algorithms has been deployed to help dealers select the right schemes/products while placing the orders on the self-service digital channels. The analytics on the Customer Data Platform (CDP) deployed last year, has helped in precision digital marketing and aided the smooth onboarding of customers. The digital twin initiative at the manufacturing plants have helped in superior decision-making on the shopfloor, thereby impacting plant operational efficiencies and also increasing capacity in some areas.

Another area which continued to be the focus of the Company in FY 2020-21 is IT availability/resiliency/disaster recovery and information security. We have moved to a new-age Disaster Recovery (DR) centre – both Near DR and Far DR. The Far DR is on a hybrid cloud infrastructure and reduces cost for maintaining the same. Information security during the pandemic has become a critical priority. The security from the edge to the data centres has been strengthened through processes and technology. Projects to fortify IT/OT networks at the manufacturing facilities have been undertaken. The Company will continue to make the necessary investments to secure information systems and information assets.

We have a clear strategy of leveraging the cloud for innovation, agility and scalability. Prudent choices have been made in FY 2020-21 in terms of moving workloads to the cloud, especially in the areas of customer experience, supply chain and analytics systems. The journey to modernise the applications to make them cloud-ready has also been initiated.

Employee experience has always been important to build employee engagement and enhance productivity across. A new-age employee portal has been launched that provides a single window experience. We have also launched a digital safety portal to help promote a safe working environment across all our locations in India and this will be extended to our international operations the next year.

We continue to treat data as a strategic asset and has deployed many projects using the power of AI/ML in analytics.



During FY 2020-21, our Sriperumbudur plant was awarded the 'Sword of Honour' by the British Safety Council.

Enterprise risk management

This year has seen uncertainties of a scale and complexity never seen before. Caught between saving lives and keeping much-needed economic activities going, governments across the globe did a very fine balancing act. The phased opening up of the economy and the sudden spikes in infections, added to the anxiety and pressure on the supply chain.

During this critical period, our investments over the years in addressing risks pertaining to handling hazardous materials, safety at the workplace, engagement with customers, information security, business continuity and prudent financial management helped mitigate the uncertainties to a large extent. We focused on the safety of our people and ensured availability of material where it was needed. The employees responded remarkably in adapting to the new norms of safety and managed to keep the operations going.

The Risk Management Committee met specifically to assess the readiness of the organisation to handle hazardous chemicals during the period of the lockdown. The Board was briefed on the risks and steps taken to prevent information security risk arising due to work from home being enabled during the lockdown period.

During this period, we embarked on an exciting journey to create a new future for itself. Through this exercise, we identified the uncertainties that had to be considered while framing the strategy and those that would impact the accomplishment of the strategies. These were done by a mix of bottom-up and top-down identification and

Management discussion and analysis (continued)

assessment. This culminated in finalising a set of risks that were identified, assessed and risk treatment plans put in place under the able guidance of the Board through its Risk Management Committee.

We are committed to continuously monitor the horizon for newer uncertainties and risks and take steps to mitigate them. The significant risks that we continue to work on actively fall in the following categories. The nature of risks in each category along with the action plan is explained. There are no risks that threaten the going concern of the Company.

Customer facing: The customer's need to personalise living spaces brings with it the tremendous opportunity to create a differentiator but also the risk of losing mind share of customers if not continuously acted upon. Given our foray into other categories of furnishing, furniture and lighting and the challenges of understanding these markets, the responsibility of understanding the underlying customer needs and exceeding them each time have added to the risk.

The consumer may interact with the Company through our extended channel partners and off role/contract manpower, thus ensuring that the experience is seamless; creating delight for the consumer is of paramount importance.

The competition intensity has also increased with the emergence of newer players with deep pockets in the Indian market. Consumer delight through innovation and unique experiences are therefore even more critical. We continue to engage and invest with the channel partners and in ensuring supply chain excellence for mutual growth.

Digital as a medium to interact with consumers continues to see a lot of changes and traction with consumers. We have a strong digital presence and are taking steps to be ahead of the curve for the consumer.

Safety: Our manufacturing operations require constant interaction between machines and people. In addition, we handle certain chemicals which are hazardous in nature. We continue to be guided by our EHS policy in our efforts to minimise the risk of injury to human beings. The manufacturing operations follow a stringent safety regime with strict adherence to standards, processes, work practices and periodic internal and external audits. Employees are encouraged to identify any unsafe act and report the same for timely action. Adequate awareness sessions are done throughout the year to ensure the safety of people. Investments are continuously made to reduce the interface of man and machines so as to eliminate the risk of injury to people. We are also working on reducing unsafe acts across all our locations and not just at the manufacturing locations.

Information security: With increasing leverage of Information Technology (IT) solutions in all aspects of the operations, securing confidential information of Asian Paints, protecting devices from external attacks, ensuring uptime of all critical IT assets, including automation systems operating at the plants, are critical for the smooth operation of the plant.

Human Capital: Investment in Human capital is critical for the sustained growth of the Company. For talent, our competition is not necessarily with other organisations in the same industry. Hence it is essential to provide an atmosphere where talent is nurtured with enough opportunities for our employees to grow professionally. Maintaining employee relations, contemporary and employee-friendly practices and policies, meeting aspirational needs of employees continue to be major focus areas for us. Employee engagement and fostering a spirit of competitive collaboration are some of the areas where we undertook steps during the year. A well-knit individual development plan is necessary to ensure that functional and technical competencies are co-created with the individual and acted upon right through the year. The We continue to monitor the developments with respect to the new labour codes.

Compliance: The speed and extent of changes in the regulatory landscape is expected to continue even in the future. Interpretations and clarifications are expected to evolve based on circulars and judicial scrutiny. We are committed to adhering to all laws and regulations in letter and spirit. We migrated to a new portal to monitor compliance on a real time basis. New legislations and amendments to existing laws are regularly studied, people are trained in the Company and changes are made to underlying IT systems to ensure timely compliance.



Employee engagement and fostering a spirit of competitive collaboration are some of the areas where we undertook steps during the year.

With new laws where interpretations are still evolving, differences in interpretation could lead to litigation.

Fraud and ethical behaviour: Risk of fraud is inherent in any organisation. We consider the risk of fraud while designing processes and controls. Steps are taken to leverage automation to reduce the chances of frauds. We have a robust policy framework to deal with frauds, starting with the Code of Conduct, the Whistle-blower Policy and policy on fraud prevention. Awareness sessions are periodically held and people are encouraged to report suspected frauds through the whistle-blower mechanism.

Sustainability: Our manufacturing operations consume water and water is also an ingredient in the paint manufactured. Water security, therefore, becomes a critical risk. We have been taking steps to reduce our water footprint by investments in rainwater harvesting, water conservation, recycling water, reducing fresh water consumption, exploring options of consuming water from sewage treatment plants, and other steps. We have leveraged solar and wind energy to reduce the environmental impact of our operations. Steps are taken to reduce the specific energy consumed while manufacturing products. Efforts to reduce the generation of hazardous waste are taken up every year. Sustainability is also looked at from the point of view of green and safe products for the end consumer. Our efforts with respect to Corporate Social Responsibility addresses the social aspect of sustainability.

The current pandemic continues to throw up challenges with respect to safety, supply chain disruptions, stress on working capital and uncertainty in the overall economic environment. However, given the steps taken by global leaders in tackling the same, the experience in the previous year and the steps taken to mitigate some of the risks, we are confident of being able to deal with the situation. It will continue to monitor the developments and act in the best possible manner to balance the interest of all its stakeholders. In the current dynamic environment, we evaluate, monitor and assesses multiple uncertainties that potentially impact its strategic objectives. In this exercise it is guided by the Board through its Risk Management Committee.

Performance review

During FY 2020-21, revenue from operations on standalone basis increased by 7.7% to ₹ 18,516.9 Crores from ₹ 17,194.1 Crores. Net profit increased by 15.0% to ₹ 3,052.5 Crores as compared to ₹ 2,654.0 Crores in the previous corresponding period. On a consolidated basis, revenue from operations has increased by 7.4 % to ₹ 21,712.8 Crores from ₹ 20,211.3 Crores. Net profit after non-controlling interest (from continuing operations) increased by 15.8 % to ₹ 3,139.3 Crores as compared to ₹ 2,710.1 Crores in the previous corresponding period

Key ratios

Ratios	Standalone		Consolidated	
	FY 2020-21	FY 2019-20	FY 2020-21	FY 2019-20
Debtors turnover ratio	12.7	14.6	9.9	10.9
Inventory turnover ratio (on cost of goods sold)	3.4	3.5	3.4	3.5
Interest coverage ratio*	58.1	45.0	47.7	36.0
Current ratio	2.2	1.8	2.0	1.7
Debt equity ratio^	0.002	0.003	0.028	0.036
Operating margin ratio (%)	26.2	24.5	23.8	22.1
Net profit margin (%)	16.5	15.4	14.8	13.8
Return on networth (%) (RONW)**	28.3	29.0	27.4	27.6

* Interest coverage ratio increased in FY 2020-21 due to lower finance cost resulting mainly from lower borrowings and bill discounting.

^ Higher networth in FY 2020-21 resulted in improved Debt Equity ratio.

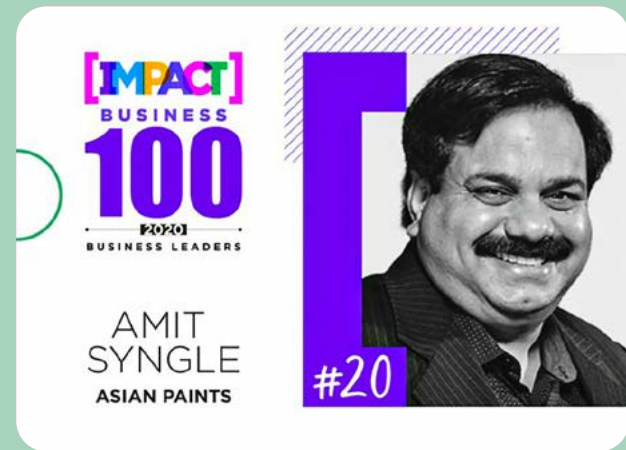
**RONW for standalone: As compared to FY 2019-20, RONW for FY 2020-21 is lower by 2.32% mainly due to higher retained earnings.

**RONW for consolidated: As compared to FY 2019-20, RONW for FY 2020-21 is lower by 0.83% mainly due to higher retained earnings.

Awards & Accolades

Being acknowledged for our achievements

Mr. K B S Anand, ex-MD & CEO was awarded the Business Standard CEO of the Year award for FY 2019-20



- Mr. Amit Syngle, MD & CEO, Asian Paints was ranked amongst the **TOP BUSINESS LEADERS in India** – Impact Digital Power 100
- Won the **‘Golden Peacock award’** for ‘Excellence in Corporate Governance’
- Asian Paints ranked 21st in Business Today – **Most Valuable Companies** List. (November 2020)
- Ranked **9th among the world’s leading paint companies** by Coatings World – Top Companies Report (July 2020)
- Ranked among **‘Most Trusted Brands’** in the Household Care Category (Brand Equity – Most Trusted Brands) – March 2020
- Rated as the **5th Most Valuable Brand in India** – Sept 2020 (Compiled by brand equity research experts Kantar and WPP Group)
- Included in the Forbes List of World’s **‘Best Regarded Companies’** (September 2019). It was the second consecutive appearance for Asian Paints in the coveted list.

- Included in **Forbes Asia’s list of ‘Best over a Billion’** companies in Asia Pacific – September 2019
- Asian Paints Penta Division wins **‘Company of the year’** award in the ‘Chemicals’ category – FICCI 9th Edition of Chemicals and Petrochemicals Award ceremony (March 2021)
- Khandala Plant Wins **Platinum Recognition** – Outstanding Practice at the Confederation of Industry (CII) National Safety Practice Competition.
- Ankleshwar plant wins **‘CII National Kai-Zen Competition’** for Innovative Kaizen and Restorative Kaizen
- Sriperumbudur plant wins **‘Golden Peacock award’** for Occupational Health & Safety

