

Board's Report

Dear Members,

The Board of Directors are pleased to present the Seventy-third Annual Report of the Company for the financial year ended 31st March, 2019.

Financial Results

The Company's financial performance for the year ended 31st March, 2019 is summarized below:

(₹ in Crores)

	Standalone			Consolidated		
	Year ended 31.03.2019	Year ended 31.03.2018	Growth (%)	Year ended 31.03.2019	Year ended 31.03.2018	Growth (%)
Revenue from Operations*	16,391.78	14,153.71	15.8%	19,349.84	16,843.76	14.9%
Earning Before Interest, Taxes, Depreciation and Amortisation	3,586.76	3,198.00	12.2%	3,751.58	3,418.23	9.8%
Less : Finance Cost	30.01	21.06	-	51.00	35.07	-
Less : Depreciation and Amortisation Expense	382.18	311.11	-	430.67	360.47	-
Profit for the period before share of profit of associate	3,174.57	2,865.83	10.8%	3,269.91	3,022.69	8.2%
Share of profit of Associate	-	-	-	40.82	45.79	-
Profit Before Tax	3,174.57	2,865.83	10.8%	3,310.73	3,068.48	7.9%
Less : Tax Expense	1,039.81	971.03	-	1,098.82	1,040.96	-
Profit for the period from continuing operations	2,134.76	1,894.80	12.7%	2,211.91	2,027.52	9.1%
Profit before tax from discontinued operations	-	-	-	-	70.59	-
Tax expense of discontinued operations	-	-	-	-	0.59	-
Profit for the period from discontinued operations	-	-	-	-	70.00	-
Profit for the period	2,134.76	1,894.80	12.7%	2,211.91	2,097.52	5.5%
Attributable to:						
Shareholders of the Company	2,134.76	1,894.80	12.7%	2,159.49	2,038.93	5.9%
Non Controlling Interest	-	-	-	52.42	58.59	-
Other Comprehensive Income (net of tax)	(18.18)	(3.97)	-	(13.60)	(34.80)	-
Total Comprehensive Income	2,116.58	1,890.83	11.9%	2,198.31	2,062.72	6.6%
Attributable to:						
Shareholders of the company	2,116.58	1,890.83	11.9%	2,136.64	2,009.48	6.3%
Non-Controlling Interest	-	-	-	61.67	53.24	-
Opening balance in Retained Earnings	3,387.91	2,672.53	-	3,547.78	2,688.71	-
Amount available for Appropriation	5,496.31	4,575.33	-	5,681.56	4,736.24	-
Dividend – Interim - FY 2018-19	273.37	-	-	273.37	-	-
Interim - FY 2017-18	-	254.19	-	-	254.19	-
Final - FY 2017-18	580.31	-	-	580.31	-	-
Final - FY 2016-17	-	733.79	-	-	733.79	-
Tax on Dividend	173.50	199.44	-	173.50	199.44	-
Transfer to Other Reserve	-	-	-	0.74	1.04	-
Closing balance in Retained Earnings	4,469.13	3,387.91	-	4,653.64	3,547.78	-

* Figures for Revenue from Operations are comparable numbers i.e. Excise Duty has been removed as the same does not form part of Revenue post GST implementation.

Company's Performance Review

During the financial year 2018-19:

- Revenue from operations on standalone basis increased to ₹ 16,391.78 crores as against ₹ 14,153.71 crores in the previous year – a growth of 15.8%.
- Cost of goods sold as a percentage to revenue from operations increased to 57.4% as against 56.4% in the previous year.
- Employee cost as a percentage to revenue from operations decreased to 5.5% (₹ 902.79 crores) against 5.6% (₹ 791.08 crores) in the previous year.
- Other expense as a percentage to revenue from operations decreased to 16.9% (₹ 2,770.42 crores) as against 17.4% (₹ 2,459.43 crores) in the previous year.
- The Profit after Tax for the current year is ₹ 2,134.76 crores against ₹ 1,894.80 crores in the previous year – a growth of 12.7%.

Board's Report (Continued)

- On a consolidated basis, the Company, its subsidiaries and joint venture companies, achieved revenue of ₹ 19,349.84 crores as against ₹ 16,843.76 crores – a growth of 14.9%. Net profit after non-controlling interest for the group for the current year is ₹ 2,159.49 crores as against ₹ 2,038.93 crores in the previous year – a growth of 5.9%.

Dividend

During the year under review, the Company paid to the shareholders, an interim dividend of ₹ 2.85 (Rupees two and paise eighty five only) per equity share of the face value of ₹ 1 (Rupee one only) each in the month of November, 2018. In addition, the Board of Directors have recommended payment of ₹ 7.65 (Rupees seven and paise sixty five only) per equity share of the face value of ₹ 1 (Rupee one only) each as final dividend for the financial year 2018-19, for the approval of the shareholders at the ensuing Annual General Meeting ('AGM') of the Company.

If approved, the total dividend (interim and final dividend) for the financial year 2018-19 will be ₹ 10.50 (Rupees ten and paise fifty only) per equity share of the face value of ₹ 1 (Rupee one only) each as against the total dividend of ₹ 8.70 (Rupees eight and paise seventy only) per equity share of the face value of ₹ 1 each (Rupee one only) paid for the previous financial year 2017-18.

The dividend declared and/or paid by the Company for the financial year 2018-19, is in compliance with the Dividend Distribution Policy.

The Dividend Distribution Policy of the Company is set out as **Annexure [A]** and is also uploaded on the Company's website <https://www.asianpaints.com/more/investors/policies-programs.html>.

Investor Education and Protection Fund (IEPF)

In accordance with the applicable provisions of Companies Act, 2013 read with Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), all unclaimed dividends are required to be transferred by the Company to the IEPF, after completion of seven (7) years. Further, according to IEPF Rules, the shares on which dividend has not been claimed by the shareholders for seven (7) consecutive years or more shall be transferred to the demat account of the IEPF Authority. The details relating to amount of dividend transferred to the IEPF and corresponding shares on which dividends were unclaimed for seven (7) consecutive years, are provided in the General Shareholders Information section of this Annual Report.

Material Changes Affecting the Company

There are no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year 2018-19 and the date of this report. There has been no change in the nature of business of the Company.

Consolidated Financial Statements

In accordance with the provisions of Companies Act, 2013 (hereinafter referred to as "the Act"), Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations") and applicable Accounting Standards, the Audited Consolidated Financial Statements of the Company for the financial year 2018-19, together with the Auditors' Report form part of this Annual Report.

Subsidiaries & Associate Companies

Financial Performance:

A statement containing the salient features of financial statements of subsidiaries/joint venture companies of the Company in the prescribed Form AOC – 1 forms a part of Consolidated Financial Statements (CFS) in compliance with Section 129 (3) and other applicable provisions, if any, of the Act read with Rule 5 of the Companies (Accounts) Rules, 2014.

The said Form also highlights the financial performance of each of the subsidiaries and joint venture companies included in the CFS of the Company pursuant to Rule 8(1) of the Companies (Accounts) Rules, 2014.

In accordance with Section 136 of the Act, the financial statements of the subsidiary and associate companies are available for inspection by the members at the Registered Office of the Company during business hours on all days except Saturdays, Sundays and public holidays upto the date of the AGM. Any member desirous of obtaining a copy of the said financial statements may write to the Company Secretary at the Registered Office of the Company. The financial statements including the CFS, and all other documents required to be attached to this report have been uploaded on the website of the Company at www.asianpaints.com.

The Company has in accordance with the amendments to Listing Regulations revised the Policy for determining material subsidiaries. The said policy may be accessed on the website of the Company at <https://www.asianpaints.com/more/investors/policies-programs.html>. The Company has no material subsidiary company.

The Board of Directors at their meeting held on 9th May, 2019, have, *inter alia*, approved the following investments approximately in accordance with the applicable provisions of law:

- ₹ 300 crores by way of subscription of equity shares of Asian Paints International Private Limited (APIPL), Singapore, wholly owned subsidiary of the Company, for the purpose of meeting funding requirements of its step down operating subsidiaries; and
- ₹ 80 crores by way of subscription of equity shares of Sleek International Private Limited (Sleek), wholly owned subsidiary of the Company, to meet its requirements towards capital expenditure and working capital.

The aforementioned infusion in the equity shares of APIPL and Slek is for furtherance of their business objectives.

Directors and Key Managerial Personnel

Sad Demise of Mr. Ashwin Choksi, erstwhile Chairman of the Company

Mr. Ashwin Choksi, erstwhile Non-Executive Chairman of the Company, left for heavenly abode on 19th September, 2018, after a brief illness.

Late Mr. Ashwin Choksi was associated with the Company since 1965. He became the Managing Director of the Company in 1984. As an Executive Chairman for more than a decade, he pioneered to imbibe the best governance standards with entrepreneurship in the Company. He stepped down as Executive Chairman of the Company in 2009 and continued to hold the position of Non – Executive Chairman since then.

Late Mr. Ashwin Choksi was the Chairman of the Company for more than two decades and the Company immensely benefitted from his vision and leadership. He was a humble and down to earth individual who led the Company without being in limelight. His sad demise is an irreparable loss to the Company.

The Board of Directors of the Company express their deep condolences and pay tribute to late Mr. Ashwin Choksi, a great visionary leader.

Appointment of Mr. Ashwin Dani as the Chairman of the Company

The Board of Directors of the Company at their meeting held on 5th November, 2018, elected Mr. Ashwin Dani as the Non-Executive Chairman of the Board and Company till the Annual General Meeting of the Company for the financial year 2020-21.

Change in Directorate

- (i) Appointment of Mr. Manish Choksi on the Board of Directors of the Company

The Board of Directors of the Company at their meeting held on 22nd October, 2018, based on the recommendations of the Nomination & Remuneration Committee approved the appointment of Mr. Manish Choksi as a Non – Executive Promoter Director, to fill the casual vacancy created on the Board on account of the sad demise of Mr. Ashwin Choksi. The shareholders subsequently approved his appointment in casual vacancy by way of postal ballot with requisite majority.

The Board of Directors at their meeting held on 5th November, 2018, appointed Mr. Manish Choksi as the Non-Executive Vice-Chairman of the Board and the Company.

Mr. Manish Choksi joined the Company in the year 1992 as an Executive and had grown in ranks by holding various positions across Sales, Engineering, Marketing in the Decorative and Industrial paint businesses. He transformed the Information Technology function of the Company and has been instrumental in leveraging the IT solutions across

the extended enterprise and achieving improved business performance. He also headed the International Business of the Company and spearheaded the Company's efforts in expansion of its emerging markets portfolio. He had been a catalyst for the Company's foray into home improvement.

Before being inducted as the Non-Executive Director, he held the position of President – International Business, IT, HR & Chemicals in the Company. He was also a member of the Executive Council of the Company.

- (ii) The Board of Directors at their meeting held on 21st December, 2018 on recommendations of the Nomination & Remuneration Committee, *inter alia*, approved the following changes to the Board of Directors of the Company, subject to approval of shareholders of the Company. The shareholders have since approved their appointments/re – appointments with requisite majority by way of postal ballot, the results of which were declared on 26th February, 2019:

- (a) Continuation of Mr. Ashwin Dani (76 years) as a Non – Executive Promoter Director (liable to retire by rotation) of the Company after 31st March, 2019 in compliance with the Regulation 17(1A) of Listing Regulations

Regulation 17(1A) of the Listing Regulations provides that listed entities shall not appoint any person or continue the directorship of any person, who has attained the age of 75 years, unless approval of shareholders have been obtained by way of special resolution. Accordingly, approval of the shareholders was obtained for continuation of Mr. Ashwin Dani's directorship.

Mr. Ashwin Dani has been associated with the Company since 1968. He joined the Company as a Senior Executive and moved through successive senior positions like Director - R&D, Works Director, Whole-time Director and served as Vice-Chairman and Managing Director from December, 1997 to March, 2009. He continued to hold the position of Non-Executive Vice Chairman of the Company until he was appointed as the Non- Executive Chairman of the Company on 5th November, 2018. Mr. Ashwin Dani is a technocrat and drives strong focus on Research and Development initiatives within the Company. His knowledge of the business environment and vast experience in general management has been an asset to the Company.

- (b) Appointment of Mr. Suresh Narayanan as an Independent Director on the Board of Directors of the Company for a period of 5 years w.e.f. 1st April, 2019 to 31st March, 2024, pursuant to applicable provisions of the Act read with the Rules issued thereunder and the Listing Regulations

Mr. Suresh Narayanan is currently the Chairman & MD of Nestle India Limited. He joined Nestle in the year 1999

Board's Report (Continued)

and has been associated with the Company since then. He has grown across ranks in the Sales & Marketing Department and held various positions in Nestle, India and other countries. He was the Chairman and CEO of Nestle Philippines, Inc. prior to joining Nestle India.

- (c) Appointment of Mrs. Pallavi Shroff as an Independent Director on the Board of Directors of the Company for a period of 5 years w.e.f. 1st April, 2019 to 31st March, 2024, pursuant to applicable provisions of the Act read with the Rules issued thereunder and the Listing Regulations

Mrs. Pallavi Shroff is the Managing Partner of M/s. Shardul Amarchand Mangaldas, with extensive experience of over 37 years. Her broad and varied representation of public and private corporations and other entities before legal institutions, has earned her national and international acclaim. Mrs. Shroff has always been active in public policy related work. She appears regularly in the Supreme Court and High Courts of India, and in arbitrations, mediations and international legal disputes.

- (d) Re-appointment of the following Independent Directors, not liable to retire by rotation, (whose tenure came to an end on 31st March, 2019) for a second term pursuant to applicable provisions of the Act read with the Rules issued thereunder and Listing Regulations:

- Dr. S. Sivaram (72 years) re-appointed upto 30th September, 2021;
- Mr. M. K. Sharma (72 years) re-appointed upto 31st March, 2022;
- Mr. Deepak Satwalekar (70 years) re-appointed upto 30th September, 2023; and
- Mrs. Vibha Paul Rishi (59 years) re-appointed upto 31st March, 2024.

The aforementioned appointments were based on outcome of performance evaluation exercise, experience and contributions made by Dr. S. Sivaram, Mr. M. K. Sharma, Mr. Deepak Satwalekar and Mrs. Vibha Paul Rishi in their previous tenure.

The respective tenure(s) of Dr. S Sivaram, Mr. M. K. Sharma and Mr. Deepak Satwalekar were decided considering the year in which each of them will attain the age of 75 years.

- (iii) Cessation of directorship of Mr. Mahendra Choksi, Non-Executive Director

Mr. Mahendra Choksi, Non – Executive Director of the Company informed the Board of Directors at its meeting held on 21st December, 2018, of his desire to step down from directorship in view of his age and in order to comply with Regulation 17(1A) of the Listing Regulations.

Mr. Mahendra Choksi had joined the Board in the year 1992 and since then has been an integral part of the Board and its Committees where he was a member. He has contributed immensely to the functioning of the Board and the management has also benefitted from his advice and directions. The Board places on record gratitude for his advice and guidance.

- (iv) Retirement of Non – Executive Directors

Mr. Mahendra Shah and Mr. S Ramadorai, Independent Director(s) of the Company, informed the Board of Directors at its Meeting held on 21st December, 2018, that they would not be seeking re-appointment in view of their age and in compliance with Regulation 17(1A) of the Listing Regulations.

Mr. Mahendra Shah joined the Board as an Independent Director in the year 2001 and the Company has immensely benefitted from his guidance. The Board places on record appreciation for his thoroughness, dedication and commitment.

Mr. S Ramadorai joined the Board in the year 2009 and since then has significantly contributed to the functioning of the Board. The Board places on record appreciation for his perspective and thought leadership towards overall functioning of the Company.

- (v) Appointment of Mr. Jigish Choksi as an Additional/Non – Executive Promoter Director of the Company

The Board of Directors of the Company at their meeting held on 29th March, 2019, based on the recommendation of the Nomination and Remuneration Committee, had approved the appointment of Mr. Jigish Choksi as an Additional/Non-Executive Director with effect from 1st April, 2019, subject to approval of shareholders of the Company.

Mr. Jigish Choksi has worked in the Sales & Marketing function of the Company for five years and is well versed with the functioning of the Company. He is also actively involved in his family businesses.

Approval of the shareholders is sought at the ensuing AGM for the appointment of Mr. Jigish Choksi as the Non-Executive Director of the Company, liable to retire by rotation. The Board and Nomination & Remuneration Committee recommend his appointment.

- (vi) Retirement by rotation and subsequent re-appointment

In accordance with the provisions of Section 152 and other applicable provisions, if any, of the Act read with the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the Articles of Association of the Company, Mr. Abhay Vakil and Mr. Malav Dani, Non-Executive Directors, are

liable to retire by rotation at the ensuing AGM and being eligible have offered themselves for re-appointment.

In accordance with the provisions of the Act read with the Rules issued thereunder, the Listing Regulations and the Articles of Association of the Company, Additional Director, Independent Directors and the Managing Director of the Company are not liable to retire by rotation.

Board of Directors

Declaration of independence from Independent Directors:

The Company has received declarations from all the Independent Directors confirming that they meet the criteria of independence as prescribed under the provisions of the Act, read with the Schedules and Rules issued thereunder, as well as clause (b) of sub-regulation (1) of Regulation 16 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force). In terms of Regulation 25(8) of the Listing Regulations, the Independent Directors have confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties.

Number of meetings of the Board:

7 (seven) meetings of the Board of Directors were held during the financial year 2018 – 19. The details of the meetings of the Board of Directors of the Company convened during the financial year 2018-19 are given in the Corporate Governance Report which forms part of this Annual Report.

Nomination and Remuneration Policy

During the year under review, the Company has revised the Nomination and Remuneration Policy, in accordance with the amendments to Section 178 of the Act and Listing Regulations. The salient features of the Policy and changes therein are set out in the Corporate Governance Report which forms part of this Annual Report.

The said Policy of the Company, *inter alia*, provides that the Nomination and Remuneration Committee shall formulate the criteria for appointment of Directors on the Board of the Company and persons holding Senior Management positions in the Company, including their remuneration and other matters as provided under Section 178 of the Act and Listing Regulations.

The Policy is also available on the website of the Company <https://www.asianpaints.com/more/investors/policies-programs.html>.

Remuneration of Directors, Key Managerial Personnel and particulars of employees:

The remuneration paid to the Directors is in accordance with the Nomination and Remuneration Policy formulated in accordance with Section 178 of the Act and Regulation 19 of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force).

The information required under Section 197 of the Act read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) in respect of Directors/employees of the Company is set out in the **Annexure [B]** to this report and is also available on the website of the Company (www.asianpaints.com).

Performance Evaluation:

The Nomination and Remuneration Policy of the Company empowers the Nomination and Remuneration Committee to formulate a process for evaluating the performance of Individual Directors, Committees of the Board and the Board as a whole.

The parameters for the performance evaluation of the Board, *inter alia*, include performance of the Board on deciding long term strategy, rating the composition and mix of Board members, discharging of governance and fiduciary duties, handling critical and dissenting suggestions, etc.

The parameters for the performance evaluation of the Directors include attendance, effective participation in meetings of the Board, domain knowledge, vision, strategy, etc.

The Chairperson(s) of the respective Committees based on feedback received from the Committee members on the outcome of performance evaluation exercise of the Committee, shares a report to the Board.

The details of the evaluation process are set out in the Corporate Governance Report which forms a part of this Annual Report.

Directors' Responsibility Statement

Pursuant to Section 134 of the Act (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Directors of the Company state that:

- a. in the preparation of the annual accounts for the financial year ended 31st March, 2019, the applicable Accounting Standards and Schedule III of the Companies Act, 2013, have been followed and there are no material departures from the same;
- b. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2019 and of the profits of the Company for the financial year ended 31st March, 2019;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual accounts have been prepared on a 'going concern' basis;

Board's Report (Continued)

- e. proper internal financial controls laid down by the Directors were followed by the Company and that such internal financial controls are adequate and operating effectively; and
- f. proper systems to ensure compliance with the provisions of all applicable laws were in place and that such systems are adequate and operating effectively.

Management Discussion and Analysis

Management Discussion and Analysis as stipulated under the Listing Regulations is presented in a separate section forming part of this Annual Report. It provides details about the overall industry structure, global and domestic economic scenarios, developments in business operations/ performance of the Company's various businesses viz., decorative business, international operations, industrial and home improvement business, internal controls and their adequacy, risk management systems and other material developments during the financial year 2018-19.

Auditors and Auditors' Report

Statutory Auditor:

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018), were appointed as Statutory Auditors of the Company at the 70th AGM held on 28th June, 2016, to hold office till the conclusion of the 75th AGM.

M/s. Deloitte Haskins & Sells LLP have confirmed that they are not disqualified from continuing as Auditors of the Company.

The Auditors have issued an unmodified opinion on the Financial Statements for the financial year ended 31st March, 2019. During the financial year ended 31st March, 2019, there had been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund, other than two instances of delays aggregating to ₹ 3.52 lakhs on account of unclaimed sales proceeds of fractional shares arising out of sale of bonus shares in earlier years.

The Auditors' Report for the financial year ended 31st March, 2019 on the financial statements of the Company is a part of this Annual Report.

Cost Auditor:

The Company is required to maintain cost records for certain products as specified by the Central Government under sub-section (1) of Section 148 of the Act, and accordingly such accounts and records are made and maintained in the prescribed manner.

The Board of Directors of the Company, on the recommendations made by the Audit Committee, has appointed M/s. RA & Co., Cost Accountants, (Firm Registration No. 000242) as the Cost Auditor of the Company to conduct the audit of cost records of certain products for the financial year 2019 - 20.

The remuneration proposed to be paid to the Cost Auditor, subject to ratification by the members of the Company at the ensuing 73rd AGM, would not exceed ₹ 6.75 lakhs (Rupees six lakhs and seventy five thousand only) excluding taxes and out of pocket expenses, if any.

The Company has received consent from M/s. RA & Co., Cost Accountants, to act as the Cost Auditor for conducting audit of the cost records for the financial year 2019-20 along with a certificate confirming their independence and arm's length relationship.

Secretarial Auditor:

The Board of Directors of the Company has appointed Dr. K R Chandratre, Practicing Company Secretary (Certificate of Practice No. 5144), as the Secretarial Auditor to conduct an audit of the secretarial records for the financial year 2019 - 20.

The Company has received consent from Dr. K. R. Chandratre to act as the auditor for conducting audit of the secretarial records for the financial year ending 31st March, 2019.

The Secretarial Audit Report for the financial year ended 31st March, 2019 under Companies Act, 2013, read with Rules made thereunder and Regulation 24A of the Listing Regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) is set out in the **Annexure [C-1]** to this report.

The Secretarial Compliance Report for the financial year ended 31st March, 2019, in relation to compliance of all applicable SEBI Regulations/circulars/ guidelines issued thereunder, pursuant to requirement of Regulation 24A of Listing Regulations is set out in **Annexure [C-2]** to this report. The Secretarial Compliance Report has been voluntarily disclosed as part of Annual Report as good disclosure practice.

The Secretarial Audit Report and/or Secretarial Compliance Report does not contain any qualification, reservation or adverse remark.

Audit Committee

As on 1st April, 2019, the Audit Committee comprises of Mr. M. K. Sharma (Chairman), Mr. Abhay Vakil, Mr. R Seshasayee and Mr. Suresh Narayanan. The Board of Directors at their meeting held on 29th March, 2019 appointed Mr. Suresh Narayanan, Independent Director as a member of the Committee in place of Mr. Mahendra Shah who retired as a Director on 31st March, 2019. Mr. Jayesh Merchant acts as Secretary to the Audit Committee.

All members of the Audit Committee are financially literate and have experience in financial management.

All the recommendations made by the Audit Committee were accepted by the Board of Directors of the Company.

Corporate Social Responsibility (CSR)

As on 1st April, 2019, the CSR Committee comprises of Mr. Malav Dani (Chairman), Mrs. Vibha Paul Rishi, Mr. KBS Anand and Ms. Amrita Vakil. The Board of Directors at their meeting held on 29th March, 2019 appointed Ms. Amrita Vakil as a member of the Committee and Mr. Mahendra Choksi and Mr. S Ramadorai ceased to be members of the Committee consequent to their ceasing to be Directors of the Company. Mr. Jayesh Merchant acts as Secretary to the CSR Committee.

During the financial year ended 31st March, 2019, the Company incurred CSR Expenditure of ₹ 52.70 crores (Rupees fifty two crores and seventy lakhs only). The CSR initiatives of the Company were under the thrust area of health & hygiene, education, water management and vocational training. The CSR Policy of the Company is available on the website of the Company at <https://www.asianpaints.com/more/about-us.html>.

The Company's CSR Policy statement and annual report on the CSR activities undertaken during the financial year ended 31st March, 2019, in accordance with Section 135 of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) is set out in **Annexure [D]** to this report.

Corporate Governance Report

In compliance with Regulation 34 of the Listing Regulations, a separate report on Corporate Governance along with a certificate from the Auditors on its compliance forms an integral part of this Annual Report.

Business Responsibility Report

A Business Responsibility Report as per Regulation 34 of the Listing Regulations, detailing the various initiatives taken by the Company on the environmental, social and governance front forms an integral part of this Annual Report.

Extract of Annual Return

The extract of the Annual Return of the Company as on 31st March, 2019 in Form MGT - 9 in accordance with Section 92 (3) of the Act read with Companies (Management and Administration) Rules, 2014, is available on the website of the Company at <https://www.asianpaints.com/more/investors/financial-results.html> and is set out in **Annexure [E]** to this Report.

Related Party Transactions

During the year under review, the Company revised its Policy on dealing with and Materiality of Related Party Transactions, in

accordance with the amendments to the applicable provisions of the Listing Regulations. The Policy is also available on the website of the Company at <https://www.asianpaints.com/more/investors/policies-programs.html>.

All contracts/arrangements/transactions entered into by the Company with Related Parties were in ordinary course of business and on arm's length basis.

The Company has not entered into any contracts/arrangements/transactions with related parties which qualify as material in accordance with the Policy of the Company on materiality of related party transactions.

All transactions with related parties were reviewed and approved by the Audit Committee and are in accordance with the Policy on dealing with and Materiality of Related Party Transactions, formulated by the Company.

There are no materially significant related party transactions that may have potential conflict with interest of the Company at large. There are no person(s) or entities forming part of the Promoter(s)/Promoter(s) Group which individually hold 10% or more shareholding in the Company.

The details of the related party transactions as per Indian Accounting Standards (IND AS) - 24 are set out in Note 42 to the Standalone Financial Statements of the Company.

Form AOC - 2 pursuant to Section 134 (3) (h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out in the **Annexure [F]** to this report.

Loans and Investments

Details of loans, guarantees and investments under the provisions of Section 186 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as on 31st March, 2019, are set out in Note 37(B) to the Standalone Financial Statements of the Company.

Manufacturing Capacity Expansion

During the year under review, the Company commenced commercial production of water based paints and intermediaries at its following manufacturing facilities, in India:

- i. Mysuru Plant situated in the state of Karnataka, with an initial capacity of 3 (three) lakh KL p.a., having ultimate capacity of 6(six) lakh KL p.a.
- ii. Vishakhapatnam Plant situated in the state of Andhra Pradesh, with an initial capacity of 3 (three) lakh KL p.a., having ultimate capacity of 5(five) lakh KL p.a.

The said expansion will give the Company the ability to ensure it has sufficient capacity to meet future needs.

Board's Report (Continued)

Risk Management

The Company has a well-defined process in place to ensure appropriate identification and mitigation of risks. Risk identification exercise is inter-woven with the annual planning cycle which ensures both regularity and comprehensiveness. The Risk Management Committee of the Company has been entrusted by the Board with the responsibility of identification of risks at strategic, business, operational and process levels, formulating mitigation plan and actions for the identified risks, which are driven by senior leadership.

The key strategic, business and operational risks which are significant in terms of their impact to the overall objectives of the Company along with status of the mitigation plans are periodically presented and discussed in the Risk Management Committee meetings. Inputs from the Risk Management Committee are duly incorporated in the action plans. All significant risks mitigation plans are well integrated with functional and business plans and are reviewed on a regular basis by the senior leadership.

The Company, through its risk management process, aims to contain the risks within its risk appetite. There are no risks which in the opinion of the Board threaten the existence of the Company. However, some of the risks which may pose challenges are set out in the Management Discussion and Analysis which forms part of this Annual Report.

Vigil Mechanism

The Company has a robust vigil mechanism through its Whistle Blower Policy approved and adopted by Board of Directors of the Company in compliance with the provisions of Section 177 (10) of the Act and Regulation 22 of the Listing Regulations.

The Company has engaged an agency for managing an 'Ethics Hotline' which can be used to, *inter alia*, report any instances of financial irregularities, breach of code of conduct, abuse of authority, disclosure of financial / price sensitive information, unethical / unfair actions concerning company vendors / suppliers, mala-fide manipulation of Company records, discrimination to the Code of Conduct in an anonymous manner.

The Policy also provides protection to the employees and business associates who report unethical practices and irregularities.

Any incidents that are reported are investigated and suitable action is taken in line with the Whistle Blower Policy.

The Whistle Blower Policy of the Company can be accessed at website of the Company at <https://www.asianpaints.com/more/investors/policies-programs.html>.

Policy on Prevention of Sexual Harassment at Workplace

The Company has formulated a Policy on Prevention of Sexual Harassment at Workplace for prevention, prohibition and redressal of sexual harassment at workplace in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (hereinafter referred to as "Prevention of Sexual Harassment Act"). Internal Complaints Committees have also been set up to redress any such complaints received.

The Company is committed to providing a safe and conducive work environment to all of its employees and associates.

The Company periodically conducts sessions for employees across the organization to build awareness about the Policy and the provisions of Prevention of Sexual Harassment Act.

Complaints of sexual harassment received during the financial year 2018-19 by the Company were investigated in accordance with the procedures prescribed and adequate steps were taken to resolve them.

Internal Financial Controls Related to Financial Statements

The Company has sound internal financial controls commensurate to the size and nature of its business. The Company periodically reviews the internal financial controls in the light of new statutes, changes in business models, adoption of new technology solutions and suggestions for improvements received from employees.

During the year, the Company upgraded its core ERP system to the latest SAP S/4 HANA version. All key internal controls over financial reporting identified as part of the risk and control matrix were thoroughly tested along with the core functionalities before migrating to the new system.

The shared services center (SSC) deployed automation to read digitally signed invoices from select vendors and after necessary validations parks the document in the SAP system. This has increased efficiency and also works towards eliminating manual errors. The Company is in the process of extending this to other vendors in the coming year.

The Company has workflows to ensure adherence to the delegation of authority manual. This manual specifies the limits at a grade level for approval of various expenses, including capital expenditure. For the ones where workflows have not been deployed, the SSC verifies the same before clearing the payments.

For all amendments to Accounting Standards and the new standards notified, the Company carries out a detailed analysis and presents the impact on accounting policies of the Group, the impact on financial results, including revised disclosures to the Audit Committee. The approach and changes in

policies are also validated with the statutory auditors. The Company takes steps to make these amendments as part of the underlying ERP systems to the extent possible.

All key controls are periodically tested by the management and few of them are critically tested for adequacy in design and operating effectiveness by the internal auditors of the Company.

The Company has a stated process and periodicity for physical verification of its inventory and fixed assets. Any variances are analysed and accounted post necessary approvals.

Estimates and judgements made in the preparation of financial statements are reviewed closely by the corporate accounts team. Past trends and variances are analysed by the management and verified by the Statutory auditors.

The Company gets its Standalone financial statements audited every quarter by its Statutory Auditors. The policies to ensure uniform accounting treatment are prescribed to the subsidiary companies as well. The accounts of the subsidiary and joint venture companies are audited and certified by their respective Statutory Auditors for consolidation.

Other Disclosures

- a. During the year under review, the Company has not accepted any deposit within the meaning of Sections 73 and 74 of the Act read with the Companies (Acceptance of Deposits) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force);
- b. The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings;
- c. There are no significant material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operations in future;

- d. The information on conservation of energy, technology absorption and foreign exchange earnings and outgo as stipulated under Section 134 of the Act read with the Companies (Accounts) Rules, 2014, is set out in the **Annexure [G]** to this report;
- e. The Managing Director & CEO of the Company has not received any remuneration or commission from any of the subsidiary companies;
- f. None of the Auditors of the Company have reported any fraud as specified under the second proviso of Section 143 (12) of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force);
- g. The Company does not have any scheme or provision of money for the purchase of its own shares by employees/Directors or by trustees for the benefit of employees/Directors; and
- h. The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.

Appreciation

The Board of Directors place on record sincere gratitude and appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year.

The Board conveys its appreciation for its customers, shareholders, suppliers as well as vendors, bankers, business associates, regulatory and government authorities for their continued support.

For and on behalf of the Board of Directors

Ashwin Dani
Chairman
(DIN: 00009126)

Place : Mumbai,
Date : 9th May, 2019