

## CHAIRMAN'S LETTER

We navigate through the ever-changing business landscape to create growth avenues for the future.

### Dear Shareholders,

As I sit down to pen my thoughts on the year gone by, the first thought that strikes me is that till last year, it used to be my dear friend, late Mr. Ashwin Choksi, addressing all of us through his annual letter. He was truly an amazing human being inspiring all of us to aim and achieve big and at the same time retain the humility to connect and relate with people across all strata. Always eager to learn, he would spend hours interacting with the younger generation of employees, understanding their views and drawing inspiration to keep the organisation's culture and imperatives relevant with times. I will always cherish and take strength from his reassuring smile in my endeavour to lead this organisation to greater heights.

On March 31<sup>st</sup>, 2019, three stalwarts of our Board who have served the Company for many years, helping build what it is today, retired. I am extremely grateful to Mr. Mahendra Choksi, Mr. Mahendra Shah and Mr. S. Ramadorai and would like to thank them on behalf of Asian Paints Ltd. and all its shareholders for their contribution.

Looking back at FY2018-19, it turned out to be another roller-coaster period with its share of uncertainty and volatility. On the positive side, we saw some improvement in the demand conditions in the domestic market as compared to the previous year with trade and supply channels recovering from the past disruptions caused by demonetisation and the implementation of the Goods and Services Tax (GST). However, customer confidence was uncertain and this has reflected in a marked slowdown



witnessed in some of the large sectors of the economy, particularly in the last quarter of the financial year. Persistently tight credit conditions accentuated by the challenges in the NBFC (Non-Banking Financial Company) sector, rising unemployment and low rural and urban income growth were key contributors to the dampened sentiment. The year was also marked by high inflation on the raw material front leading to a tightening of the operating margins. And though we were able to recover a part of the margin pressure through price increases, the uncertain demand conditions meant a consistent drive in the business to optimise its cost structure to alleviate the margin pressure. The international markets faced their own set of challenges with some markets affected by foreign exchange tightness while a few impacted by very high inflation levels and low GDP growths.

At the overall level, I am very happy with the performance we have been able to deliver notwithstanding difficult business conditions. Focussed efforts in expanding the market by looking at upgradation from bottom of the pyramid resulted in volume growth of the India business to be the highest in the last few years. We continuously innovated by launching new products and services, thereby moving forward in our journey of being the most inspirational home décor brand for consumers. Our industry beating growth, on our market position, is definitely an achievement that every stakeholder of this organisation should be proud of.

At the same time, we continue to uphold the highest standards of corporate governance, treating them as an ethical requisite rather than a regulatory necessity and continue to base all our actions on the principles of fairness, trust and transparency. During the year, Mrs. Pallavi Shroff, a leading luminary from the field of Corporate Law and Mr. Suresh Narayanan,

a business stalwart of repute, were appointed as Independent Directors to the Board of the Company. The Board will benefit immensely from the vast and rich experience that these new members bring to the table.

Looking forward, the business environment will remain true to its nature – as uncertain and as unpredictable as ever. In such an environment, only those organisations that put in efforts to remain relevant to the changing needs and preferences of consumers – understanding the consumer requirements and adapting the business model to suitably address these requirements, will be able to deliver long-term growth and sustainable returns to all the stakeholders. Our vision of becoming the most inspirational home décor brand is based on the growing consumer preference for curated décor and personalised solutions as the consumer looks at creating a differentiated home space with a unique identity. As an organisation, we will continue to expand our product offerings and adapt our business channels – from brick & mortar to digital, to deliver on these consumer aspirations. ‘AP Homes’ – our flagship décor outlets as well as ‘beautifulhomes.com’ and ‘asianpaints.com’ – the digital properties of our Company continue to provide critical insights in consumer behaviour and choices, which will need to be harnessed effectively to establish our Company’s décor expertise. At the same time, product and application innovation – to address the stated as well as unstated consumer needs, will need to be a continuous investment. Our Research & Technology function is fully geared towards this and its various research initiatives have helped us launch several pioneering products with distinctive value proposition for consumers. During the year, we have launched some innovative products like Royale Health Shield,

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which has been designed to address the safety and health needs, Apcolite Rust Shield to address the challenge of corrosion on metallic surfaces and Ultima Protek Lamino, which offers longer service life and unmatched performance.

Most importantly, as we navigate through the ever-changing business landscape to create growth avenues for the future, it is important to contribute positively towards the society and the environment. Efforts taken by us for water-usage reduction and waste-generation reduction, as well as investments made in the area of rainwater harvesting and increasing renewable energy usage, are steps taken to create a long-term sustainable journey for the organisation.

I take this opportunity to thank you all for the unwavering support and commitment that continues to provide us strength to forge ahead in our endeavour.

Yours sincerely,

**Ashwin Dani**  
Chairman