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Investor Conference

Q2 - FY2023 Results

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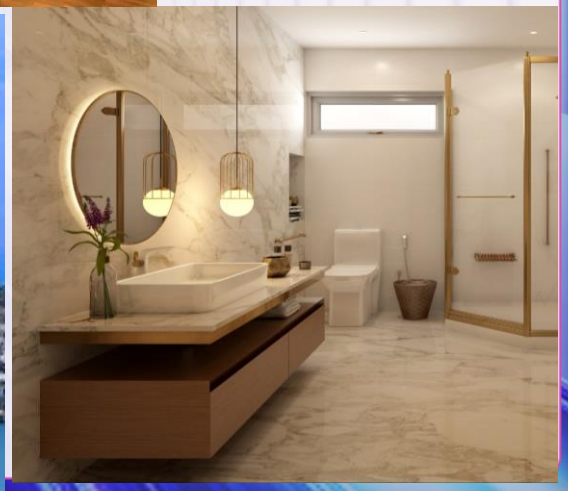
Delivering joy since 1942….

We exist to Beautify, Preserve, Transform all Spaces and Objects, bringing happiness to the World!



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Disclaimer

This communication, except for the historical information, may contain statements which reflect the Management's current views and estimates and could be construed as forward-looking statements. The future involves many risks and uncertainties that could cause actual results to differ materially from the current views being expressed. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange and commodity price fluctuations, competitive product and pricing pressures and regulatory developments.

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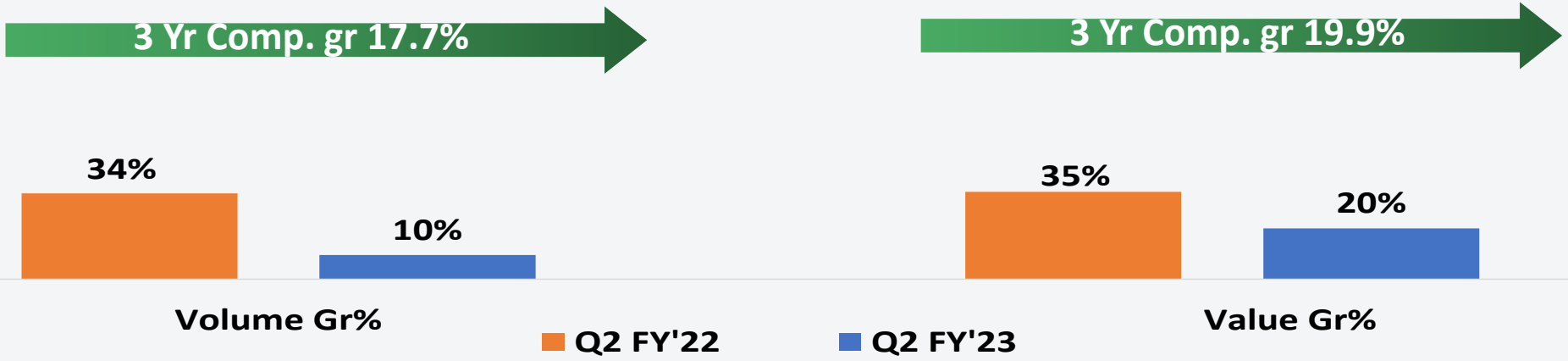
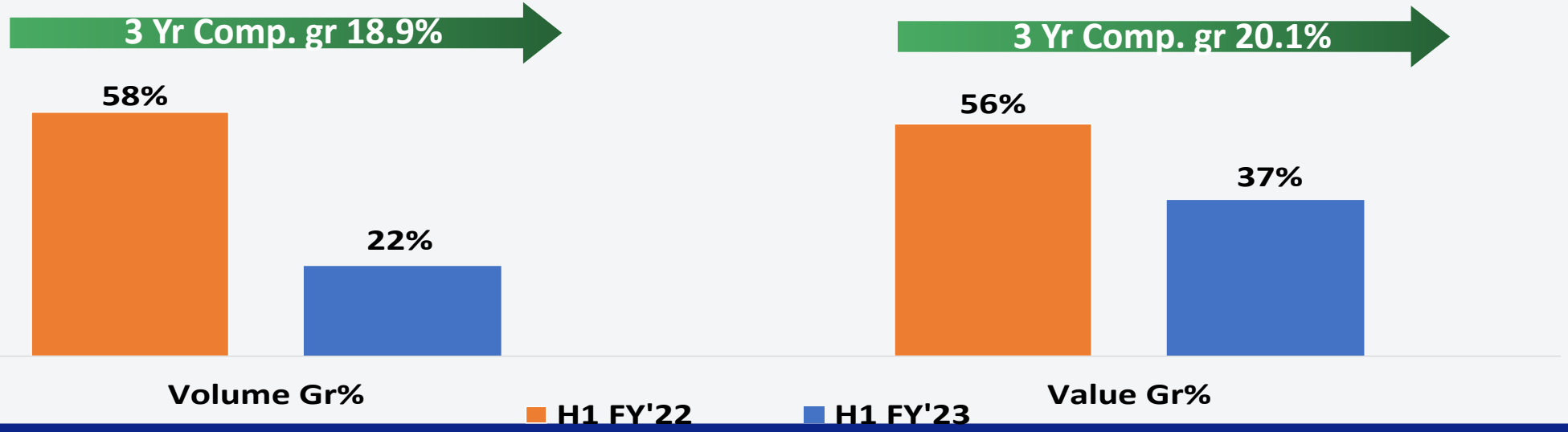
Decorative Business (India)

Double digit growth, despite extended monsoon; Lower mix in Q2
Strong Business Momentum evident from double digit 3-year compounded growth





Q2’23 and H1’23 Volume and Value Trend

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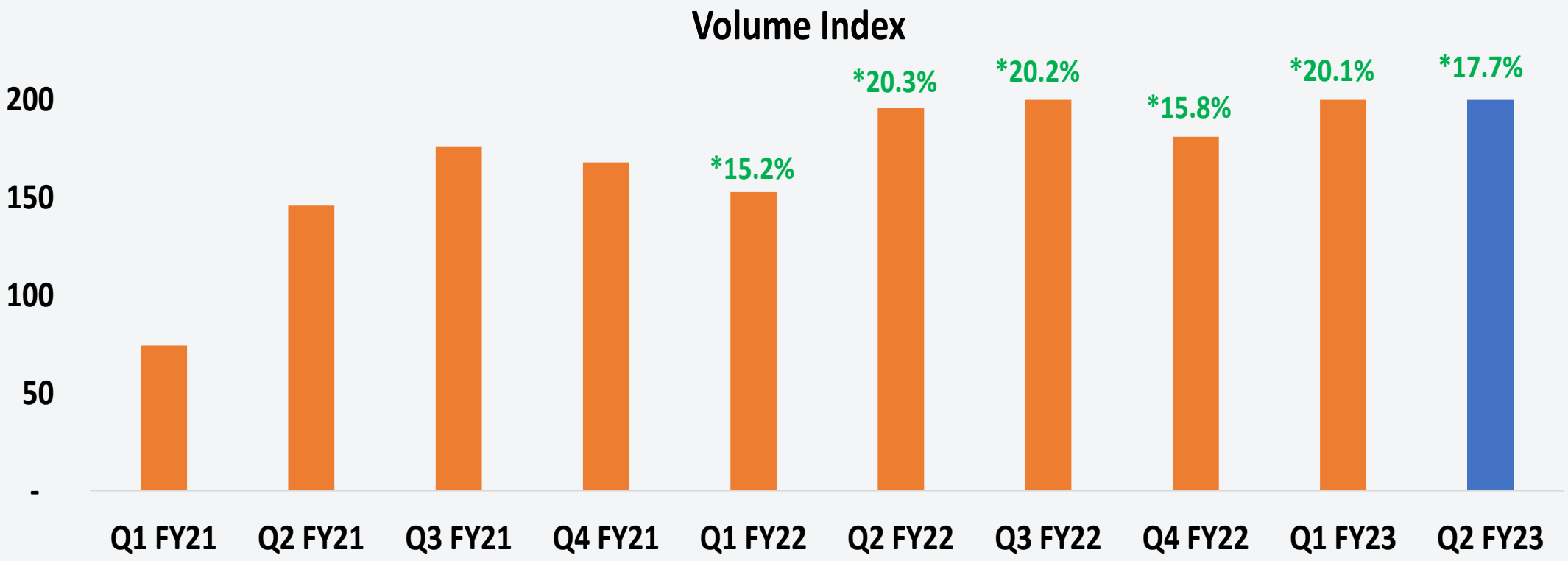
Decorative Business (India)

Consistent trend of double-digit volume growth



Quarterly representation of Volumes sold on base of Q1 FY19 as 100

% represents 3 Year Compounded Growth Rate

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Decorative Business (India)

- Extended monsoon impacted sales in Q2'23, especially in West & South
  - Double-digit growths registered in T3/T4 centers; higher than growth in T1/T2 centers

- Product mix in Q2 dominated by Economy Emulsions & Undercoats; However Premium / Luxury ranges in Wood Finishes, Waterproofing and select emulsions did well. Saw some downtrading in Luxury range to Premium & Economy due to the steep prices undertaken in the last 6 months in these products

- We have today the biggest painting services (Safe Painting Service) in the world with presence in more than 628 towns

- Strong foray in Project/Institutional business – gained inroads across segments
  - Grew well in Government, Factories segments
  - Good growths in the flooring segment

- Continued expansion of the distribution footprint to ensure the availability of Asian Paints products
  - Added ~8000 new retail points in H1; enhancing our distribution reach

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New Product Introductions in Q2

Glitz Ultra Matt
After the mega success of Royale Glitz ultra shine

SmartCare Tile Coat
A pioneering premium product opening the proposition of Waterproofing to Tile substrates

Ace Power+
A unique chemistry Which elevates the Economy user to premium economy emulsion

Tractor Sparc Enamel
A differentiated upgradation product based on tech innovation

45 clear differentiated products from Asian Paints with no comparable product offerings from competition

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Home Décor Business

- **Home Décor Foray**
  - Transitioning from **'Share of Surface' to 'Share of Space'** within the Homes
  - **BeautifulHomes.com – inspiring millions to create their dream homes**
  - **Beautiful Home Stores – Home Décor under one roof**
    - **36 stores functional now**
  - **Beautiful Homes Service – Personalized Interior Design to Professional Execution – offered in 11 cities**

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Home Décor Business

BEAUTIFUL HOMES
with asianpaints

BEAUTIFUL HOMES
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BEAUTIFUL HOMES
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Source code: Inspiration that provides people with the means to help build their house of dreams

Heart of BH: Decode the world of home décor by being a friendly yet knowledgeable guide.
Being a place to find design services and products that are relevant and trustworthy.

Best UI /U ex access
Easy to Navigate

Asian Paints Décor Painting Service

BEAUTIFUL HOMES SERVICE
with asianpaints

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Home Décor Business

- **White Teak** offering Decorative and Designer Lighting and **Weatherseal** offering uPVC Windows and Doors - gaining from the synergies
- **White Teak** generated revenue of **Rs 24 crs** during Q2 (H1 **Rs 44 crs**) against a LY full year revenue of **Rs 58 crs**
- **Weatherseal** - Revenue of **Rs 7 crs** during the quarter against LY full year revenue at **Rs 14 crs**
- Both businesses benefiting from the integration with the Beautiful Homes Stores network

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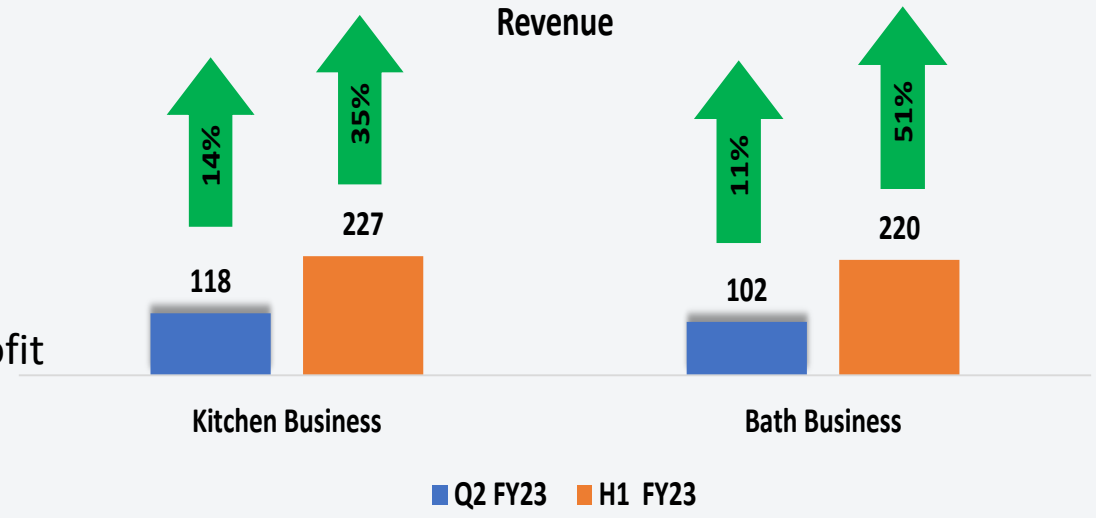
Home Décor Business

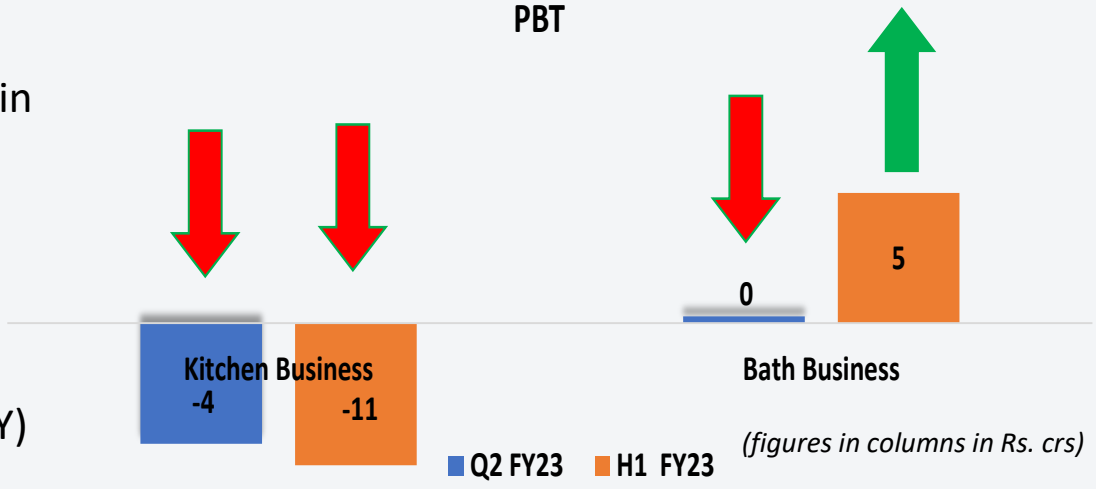
❖ Kitchen Business

- **Rs. 100 crores+ delivery for 5th consecutive quarter**
  - Full Kitchen solutions growing well
  - Strong integration with BH Store & BH Service aiding growth in full kitchen business
- **Higher Loss compared to LY; due to inflationary pressures**
  - Loss of Rs. 4.3 crores in Q2 (vs Rs. 0.3 crores profit in LY)



❖ Bath Business

- **Rs. 100 crores+ delivery for 4thquarter in a row**
  - Strong collaboration with the Projects segment in the Decorative Business
  - Premium range 'Bath Sense' & Sanitary ware performing well
- **Lower Profits compared to LY; due to inflationary pressures**
  - Profit of Rs 0.3 crs in Q2 (vs Rs 3.3 crs profit in LY)



(figures in columns in Rs. crs)

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International Business

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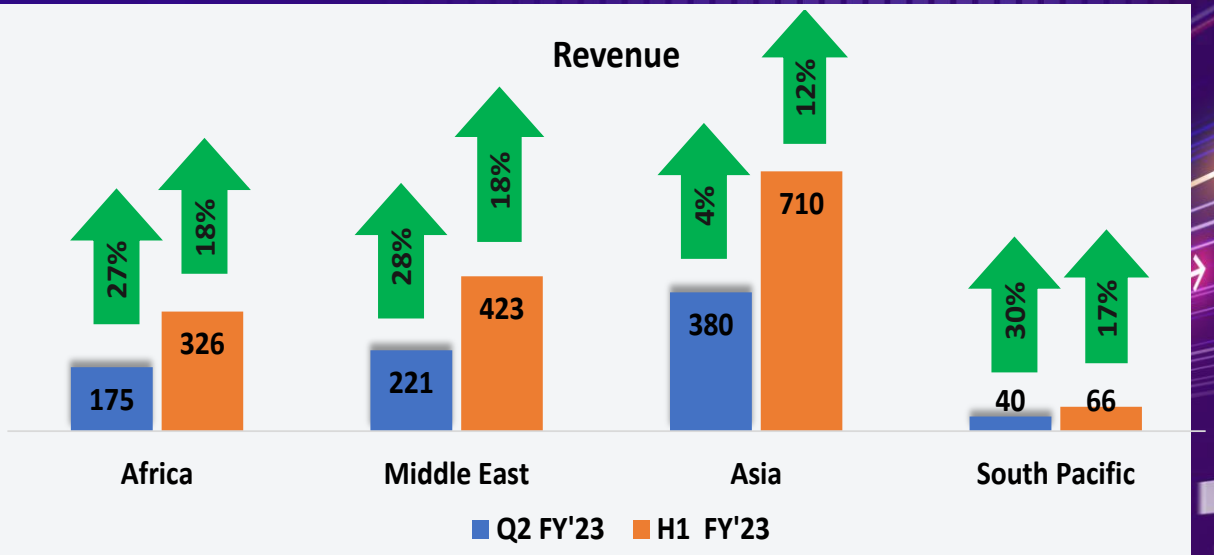
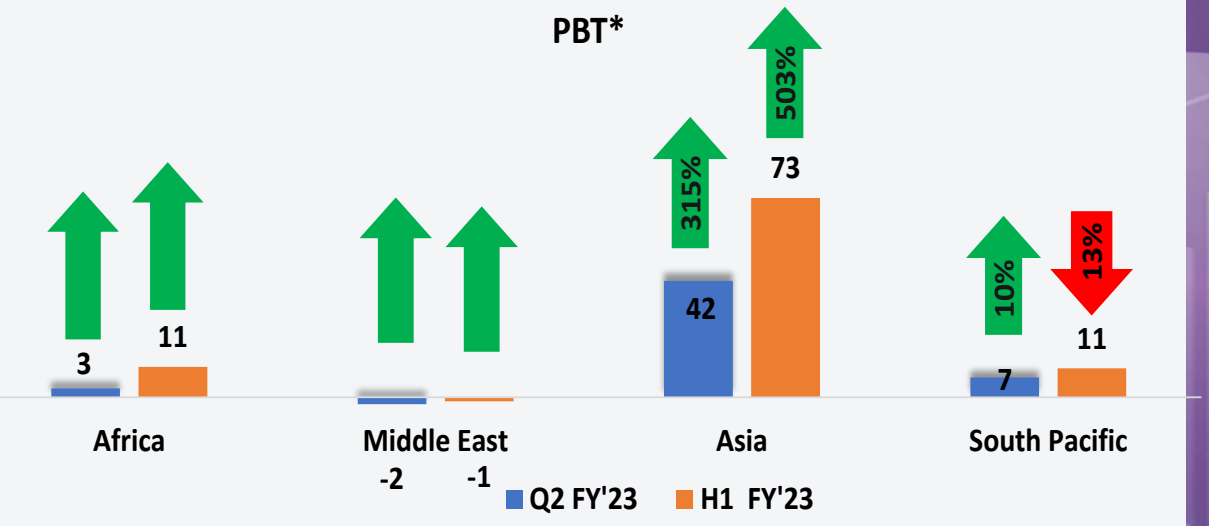
International Business

- ❖ **Challenging business conditions across markets**
- ❖ **Focus on PreLux & Waterproofing categories playing out well**
- ❖ **Business in many markets impacted by forex shortage – Lanka, Ethiopia, Egypt, Bangladesh**
- ❖ **Indonesia scaling up, though at a slower pace**
- ❖ **Overall, International Business revenue: Q2 at Rs. 806 crs (+15.3%) & H1 at Rs 1,511 crs (+15.5%)**
  - ❖ Double digit revenue growth for Q2 largely led by price increases & currency movements
- ❖ **Profitability improved significantly on the back of price increases undertaken to negate inflation as well as cost efficiency measures**
  - ❖ Q2 PBT* Rs. 43.5 crs against Rs 16.7 crs loss in LY (H1 PBT* Rs 81.4 crs vs loss of 28 crs LY)





(figures in columns in Rs. crs)
** PBT is before exceptional items*

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Industrial Business

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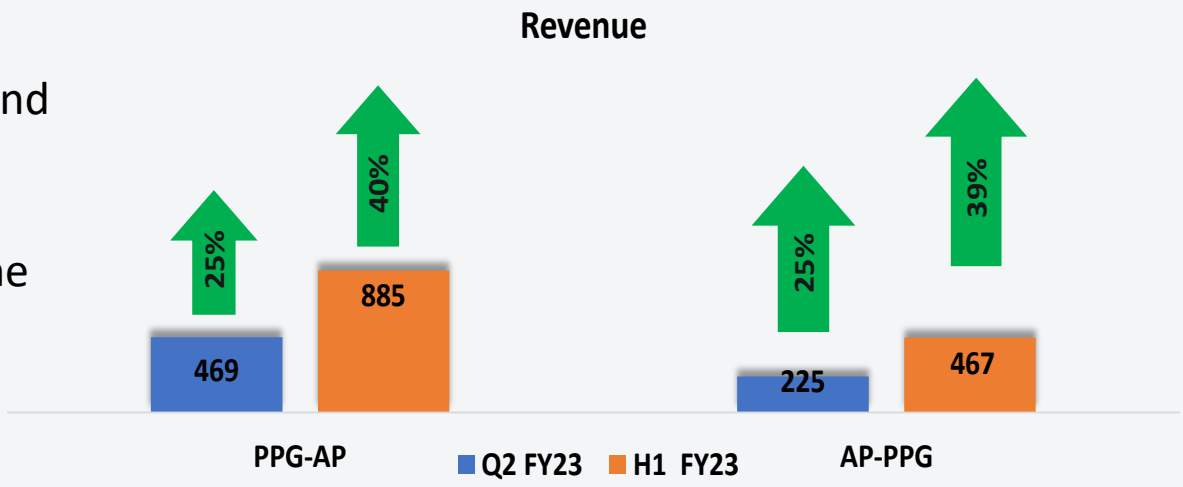
Industrial Business

❖ PPG-AP

❖ High double digit value growth led by demand recovery across automotive segment

❖ Cost optimization coupled with better price realizations helped improve PBT margins for the quarter & the first half to double digits

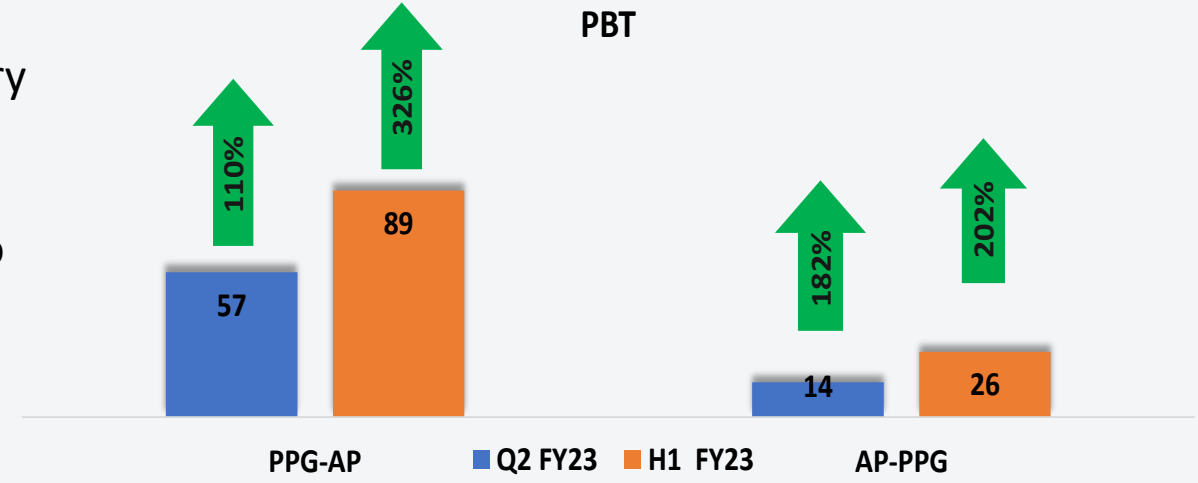


❖ AP-PPG

❖ Continued to exhibit strong growth trajectory

❖ Led by growth in Protective Coatings segment

❖ Cost efficiency measures, price increases to mitigate inflation helping improvement in PBT margins



(figures in columns in Rs. crs)

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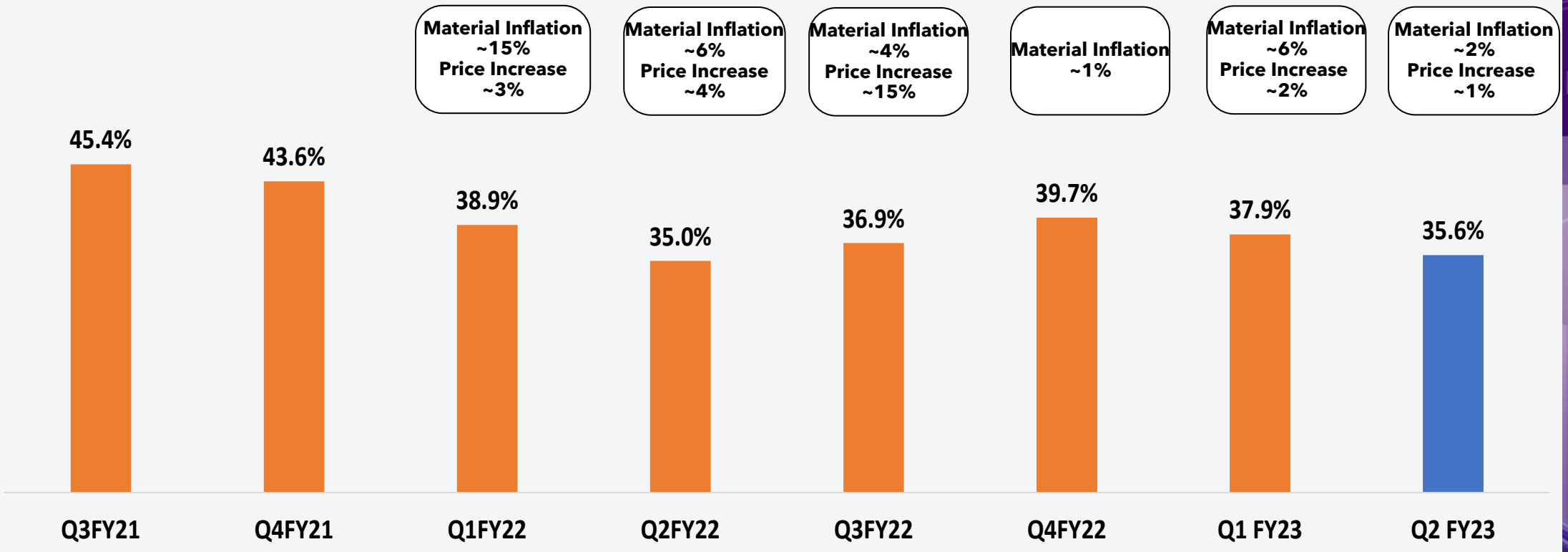
APL Standalone Gross Margins

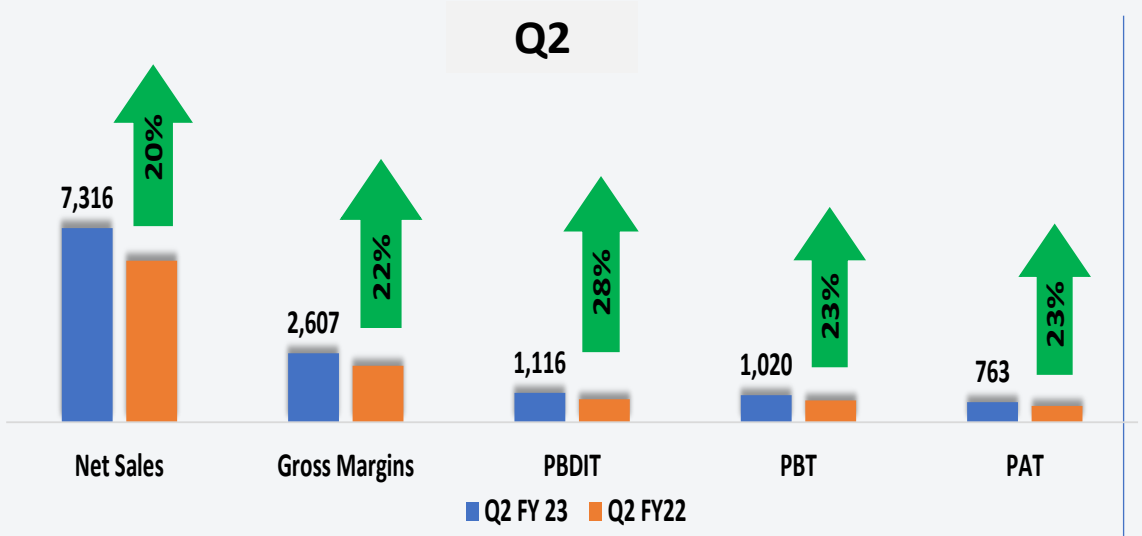
Persistent Inflation running ahead of calibrated price increases, coupled with low mix in Q2, resulting in sequentially lower gross margins

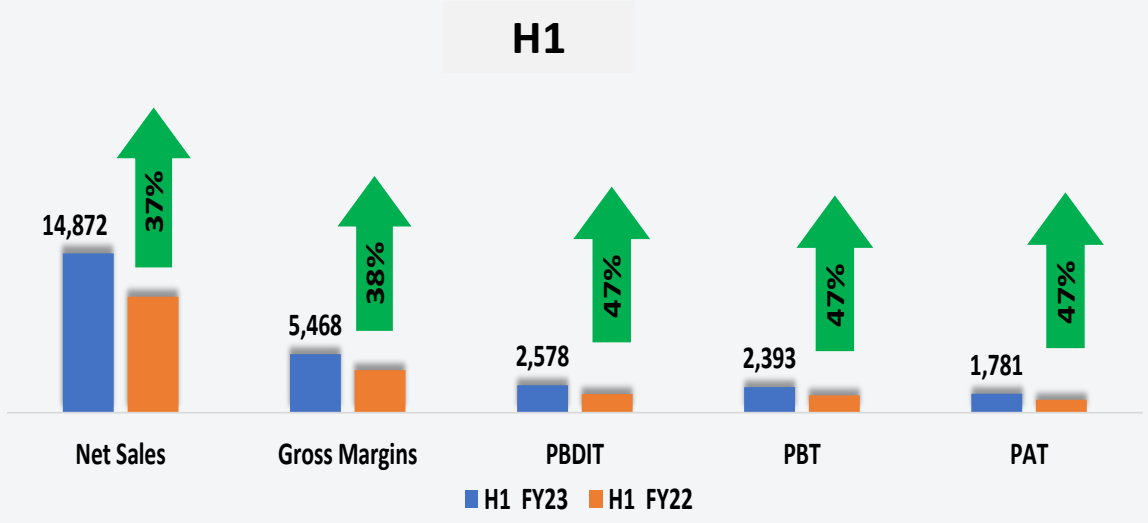


Gross margin shown here is Gross margins as a % of Net sales

Summary – Standalone Financials

(figures in columns in Rs. crs)



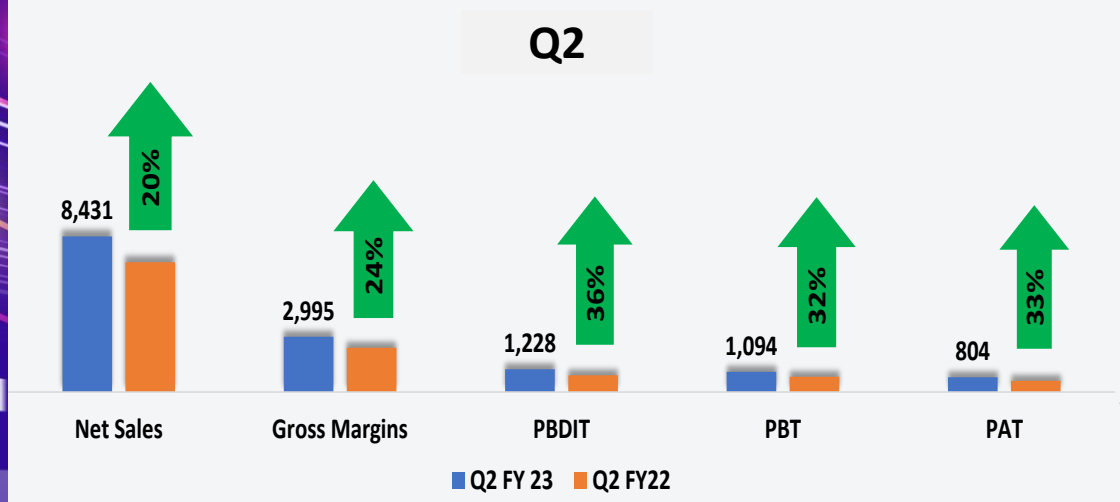


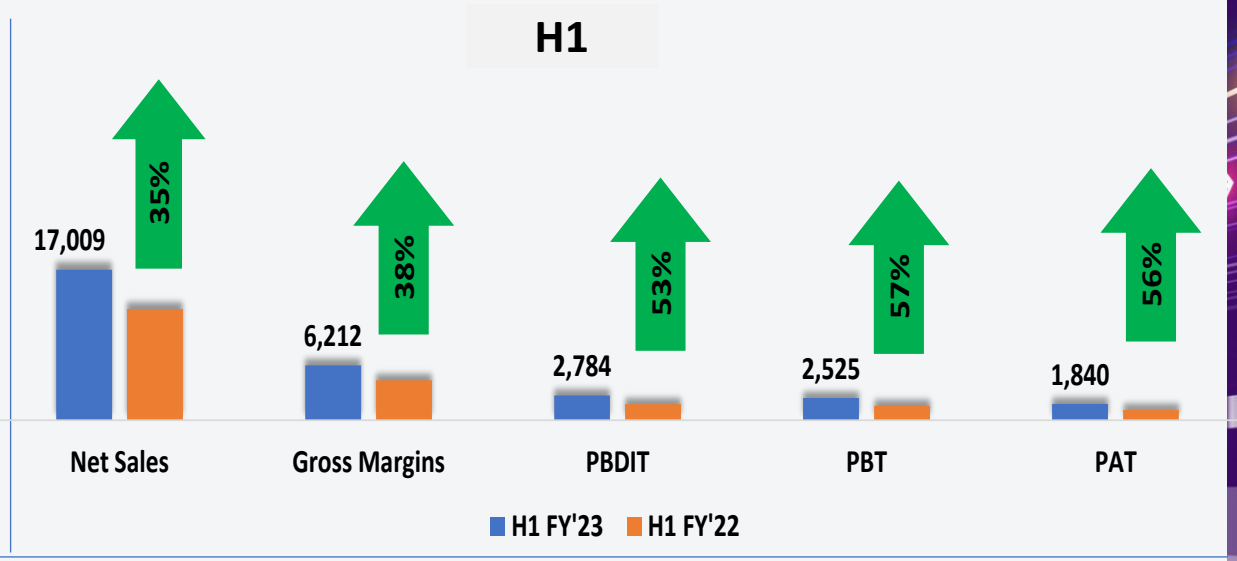
- ❖ **Q2 FY'23 Double-digit value growth due to price hikes coupled with 10% volume growth**
- ❖ **Inflation in raw material prices continued to impact margins in Q2**
  - ❖ **Seen some softening towards end of Q2**
- ❖ **PBDIT Margins improved from 14.4% in Q2 LY to 15.2% in CY (H1 CY @17.3% from 16.2% LY) due to Cost optimization & higher price realizations**
- ❖ **Q2 PBT growth of 23% (as compared to PBDIT growth of 27.5%) mainly due to One –off Other Income in LY**

* PBDIT before Other Income

Summary – Consolidated Financials

(figures in columns in Rs. crs)





- ❖ **Robust Net Sales growth of 20% in Q2 at Consolidated levels**
  - ❖ **All businesses registering double digit growth**
- ❖ **Q2 Gross margins 1.3% higher compared to LY**
- ❖ **Better gross margins over LY and controlled overheads improving PBDIT margins by 1.7%**

- PBDIT before Share in profit of Associates & before Other Income

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Dividend Distribution

FY 2022-23

Interim Dividend 440% (Rs 4.40 per share)

FY 2021-22

Payout Ratio : 58.6%

Total Dividend 1915% (Rs 19.15 per share)

Final Dividend 1550% (Rs 15.50 per share)

Interim Dividend 365% (Rs 3.65 per share)

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Immediate Outlook – Overall prospects of good demand with ease in Inflation

- Festive season demand in October holds the key to Q3
- Consumer sentiments on an uptick – wedding season will continue
- Good monsoon augurs well for rural demand growths
- B2B Projects business should do well with construction picking post monsoon
- Recent trends in material prices foretell easing inflation
  - Uncertain geopolitical environment could play a spoilsport
  - Strengthening USD could offset softening commodity prices

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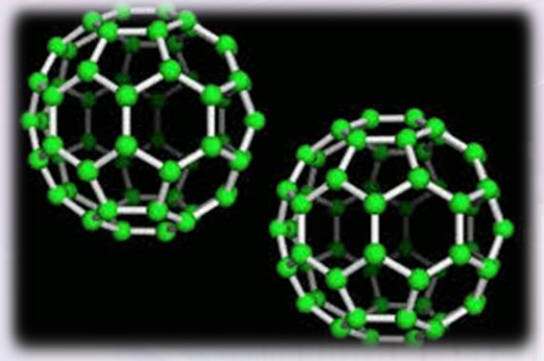
Investing for the Future

- **Nanotechnology – Next frontier in the world of coatings; Opportunity for breakthrough innovation**
- Harind – a specialty chemicals company with **Next Gen Nanotechnology at its core**
  - Primarily in the area of surface coatings & care
- Acquisition of majority stake in Harind provides us access to a strong Nanotechnology focused R&D team with proven capabilities in research & commercial product development
- 51% stake to be acquired for approx. Rs. 12.75 crs
  - Additional 39% stake to be acquired over next 5 years

Nanotechnology

Understanding and control of matter at the nanometer scale – where unique phenomena enable novel applications.



Nano coating

Process of arranging molecules such that they form a nano structured network which provides desired qualities to the surface being coated.

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Securing Key Raw Material Inputs

Backward Integration Project to manufacture Vinyl Acetate Ethylene Emulsion (VAE) and Vinyl Acetate Monomer (VAM) in India

- VAE – an emulsion of the future; a key constituent for manufacturing environment friendly paints; VAM a key ingredient that goes into VAE manufacturing
  - At present, India fully imports VAM, VAE
- Project offers sustainable cost efficiencies; reducing import dependence
  - Would be a key competitive edge; enhancing our capability to offer coatings with unique properties
- Investment of approx. Rs 2100 crores over 3 to 4 years for setting up an installed capacity of 1.5 lakh tonnes p.a. for VAE and 1 lakh tonnes p.a. for VAM
- Strategic collaboration with Kellogg Brown & Root LLC for their proprietary VAM manufacturing technology

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Securing Key Raw Material Inputs

White Cement Joint Venture in UAE

- White Cement a key ingredient for Putty – a key leveling solution used as undercoat for painting
- Asian Paints making strong inroads in the putty market over the last 6 to 7 years; No. 2 player in the segment
- JV with 60% majority ownership by APL to put up a 2.65 lac MT p.a. white cement & white cement clinker plant in Fujairah, UAE
  - Riddhi Siddhi group provides access to quality limestones – a key input for white cement
- Ensures sustainable cost advantage with assured supplies for this key raw material
- Synergies to cater to direct White Cement market demand through our strong network
- Overall investment of approx. Rs. 550 crores; including setting up clinker grinding units in India

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Fortifying our Leadership Position

Plan to make significant investments over next 3 years

- **Expanding our manufacturing footprint**
  - Brownfield expansion across multiple manufacturing facilities in India
    - Increasing in-house paint manufacturing capacity by more than 30% to 22.7 lac KL p.a.
  - Backward integration in critical and import dependent raw materials

- **Expanding our Product Horizon**
  - Providing wings to our Beautiful Homes aspirations through additional investments in décor proposition
  - Investing in cutting edge technologies in paints, waterproofing and adhesives categories

Plan Capital expenditure over next 3 years	Rs crs
Capacity Enhancement	3400
Backward Integration	2550
Acquisitions already announced – expected outflow	800*
TOTAL	**6750**

*Includes outflow already made towards acquisitions

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Thank You