asianpaints

Investor Conference

Q2 - FY2025 Results

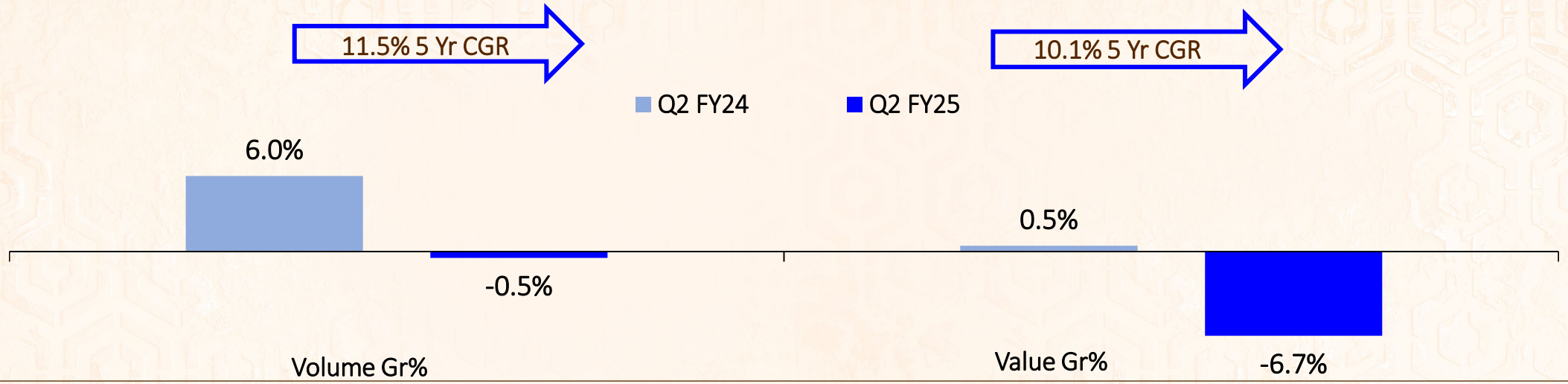
Delivering joy since 1942….
We exist to Beautify, Preserve, Transform all Spaces and Objects, bringing happiness to the World!

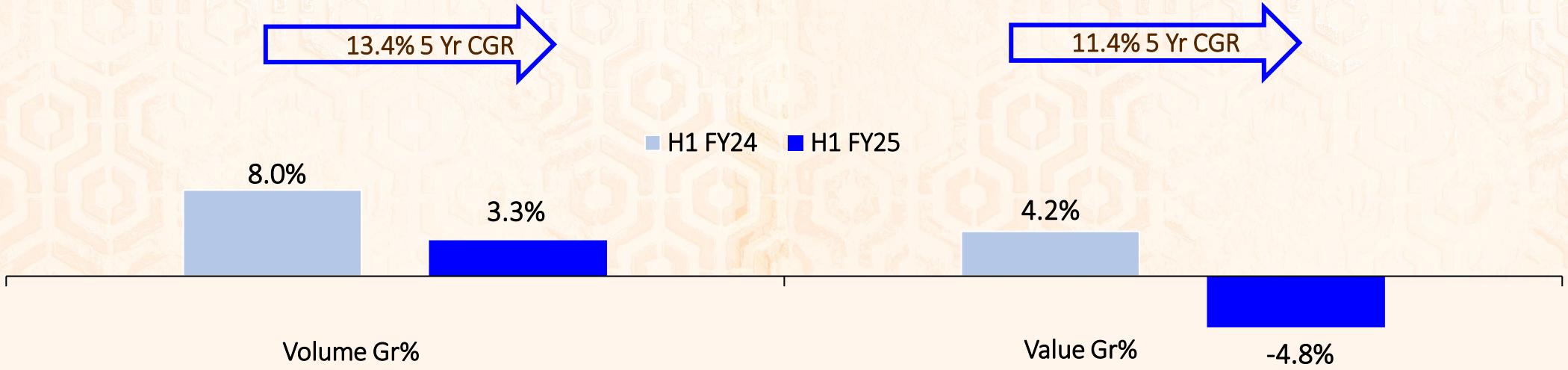
Disclaimer

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.

Subdued Demand Conditions Impacted Volumes
Previous Price Reductions, Shift in Mix & Higher Rebates Affected Value

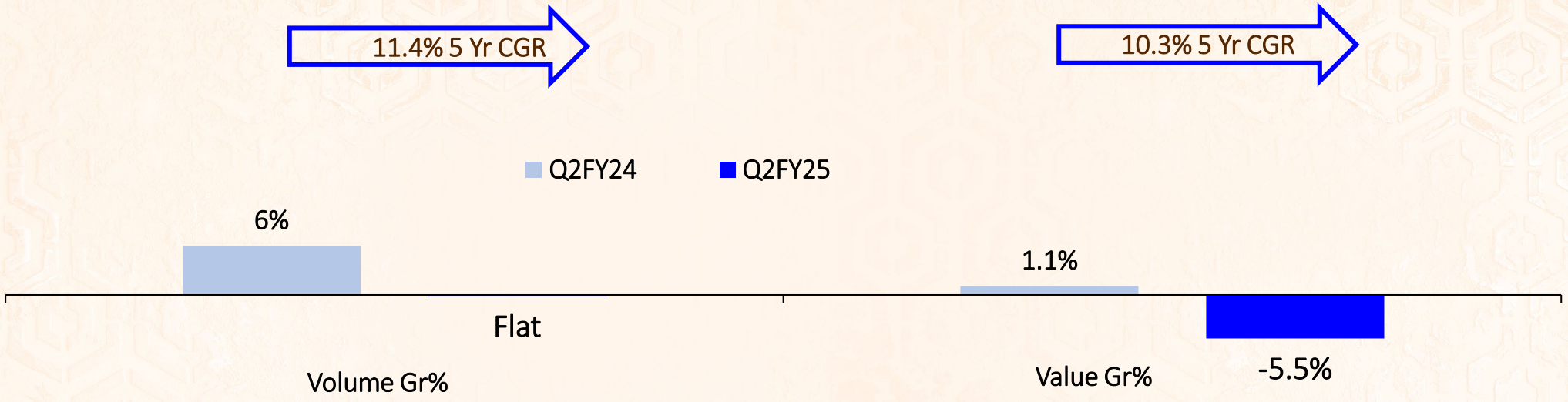
Decorative Business (India)

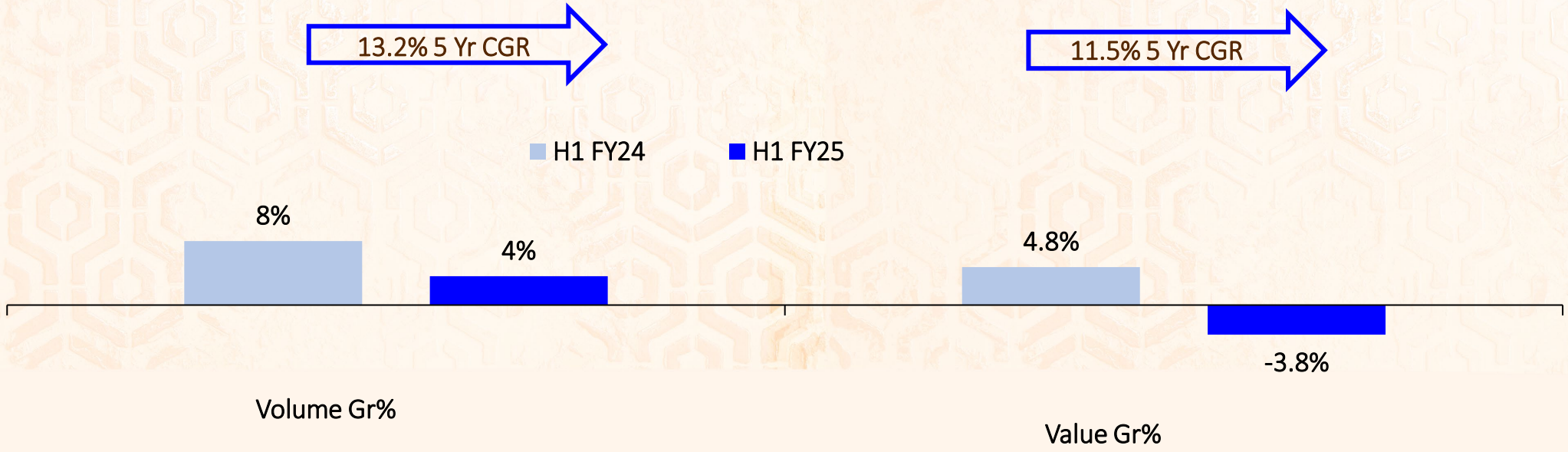




Relatively better Growth in Industrial Business

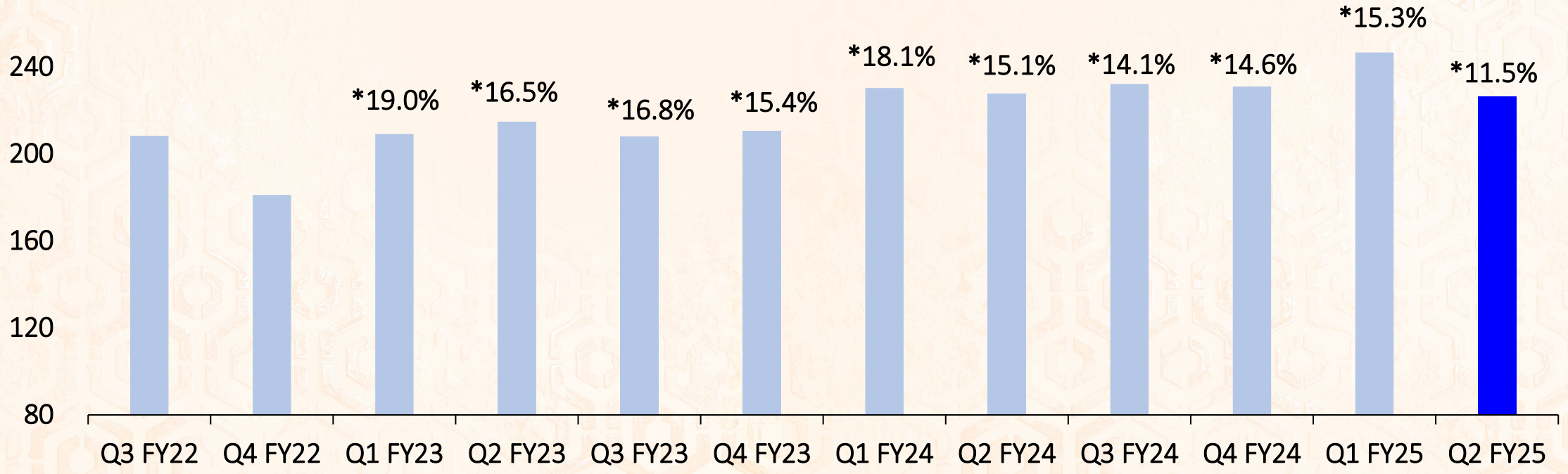
Decorative Plus Industrial Paints





Weak Q2 Leading to Softening of the Double - Digit Trajectory in the 5 yr Compounded Volume Growth

Decorative Business (India)



Quarterly Representation of Volumes Sold on Base of Q1 FY19 as 100
**% represents 5 Year Compounded Growth Rate*

Key Performance Drivers

Decorative Business (India)

- Weak consumer sentiment impacted demand in Q2. Further effected by extended monsoons
  - Urban centers seeing stress
  - Performance in rural areas relatively better
  - Seasonal markets impacted more in this quarter
- Expanded retail footprint; reach continues to expand to over 1,67,000 retail touchpoints
- Continued scale up for our Beautiful Homes Painting Services & Trusted Contractor Services
  - Continued traction in demand for these professional, hassle-free services
- Projects / Institutional Business did well with good growth in Factories & Builder segment
  - Pace of growth was slower compared to past trajectory
  - Construction, Government sectors much slower
- Remained focussed on product innovation
  - New products contributed to about 12% of overall revenues
- Most of the Brownfield expansion projects now complete; Backward integration projects (VAM-VAE & White Cement) on track

Aaj Bhi Har Ghar Kuch Kehta Hai.....

.....Homes have changed & the world has changed yet the one thing that remains constant is our relationship with our home

Reviving Our Timeless Classic Ad

Innovation in Regional Packs

Maharashtra

Kerala

Gujarat

Packaging Change: Interior Emulsions

Luxury Range

Premium Range

Economy Range

Packaging Change: Smartcare

Exterior Waterproofing

Interior Waterproofing

Advanced Range: Strengthening the Proposition

Strengthening the Advanced Proposition I Simple and Effective Communication

Twin Power - 10% higher coverage than base variant + better hiding/ whiteness

Silicon Boost - better durability & finish

Strengthening Profitability: New Range Introduction

Shyne Advance Range

Ultima Protek Advanced

Glitz Reserv: Colour Idea+ BH Product I Soft Sheen I Exclusive Shades

Ingredient Story: Strengthening Product Performance

Build premium Imagery for the Brand Dial on Graphene ingredient story

New Communication on Ultima Protek in Nov

World's Largest Repository of Colour
Exclusively for Architectural and Interior Application

Chroma Cosm by asianpaints

5300+ Unique Shades
2300+ New Shades Introduced

264 whites
528 neutrals
4312 hue-spectrum
262 melange shades

AP's intellectual authority & prowess around paints and colour intelligence on the global map

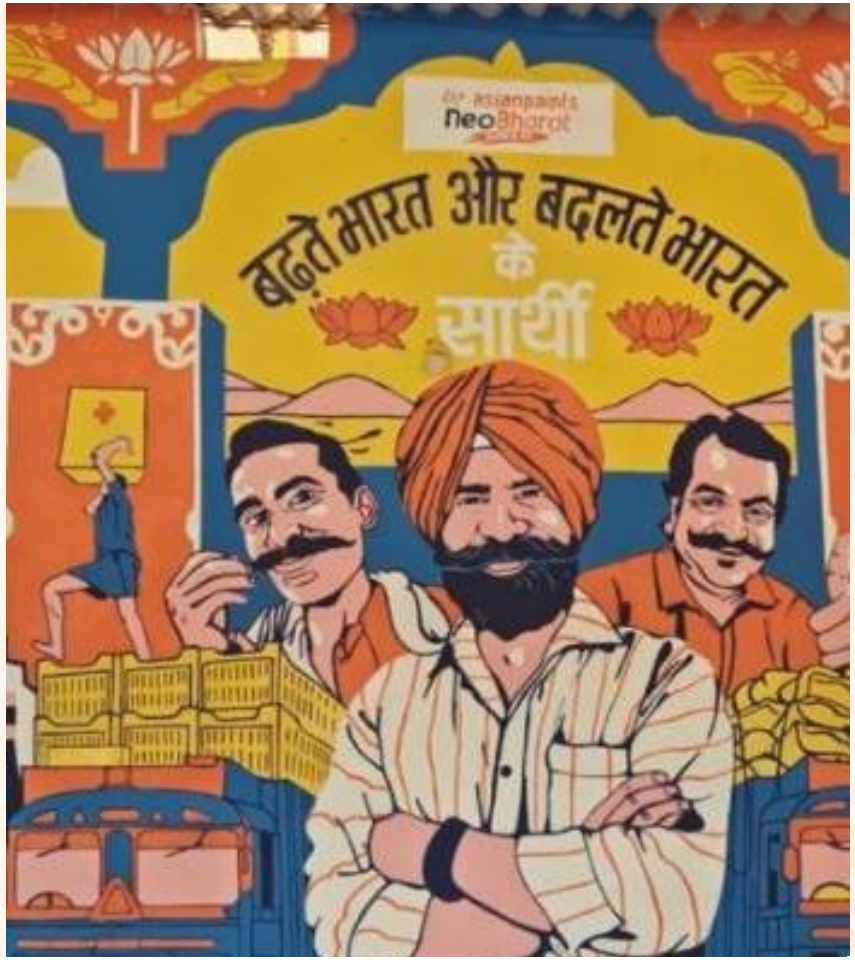
Future of Waterproofing

- ❑ Single Component PUD based fleece reinforced liquid applied coating for exposed terrace surfaces
- ❑ Highly Durable, Strong Coating with Best-in-Class Crack Bridging Ability
- ❑ Excellent Puncture Resistance & Tensile Strength
- ❑ Lifetime Warranty & Peace- Up to 25 Years* Waterproofing Warranty for terraces

NeoBharat Latex Paint | Pragati Ke Rang

1st of its kind Content series with top regional creators highlighting the contribution of rural communities in India's progress

A local Akhada at Sonipat transformed into a canvas of vibrant murals reflecting the hopes & dreams of young wrestlers.



A Dhaba on NH-33 in Jamtara honoring tireless truck drivers who keep India moving forward.

The local Sangli Agricultural Produce Market where murals honor tech-savvy farmers & their partnerships with traders.

Murari

Kota, Rajasthan

Murari's incredible journey to becoming a contractor, despite facing numerous challenges, serves as a remarkable tale of unwavering determination and relentless hard work. At the tender age of 24, he managed to not only continue his studies but also take on substantial projects and clients, a truly commendable achievement in itself.

Ramesh

Kangra, Himachal Pradesh

Ramesh's upbringing in the serene and remote hills of Himachal Pradesh instilled in him a unique set of challenges and opportunities. Growing up far from the hustle and bustle of the city, he was deprived of many urban privileges and conveniences. Yet, rather than becoming a hindrance , these limitations served as powerful motivators, pushing him further toward his ambitions.

Kaamyabi Ke Rang – Season 5
Celebrating the artistry & incredible journeys of our paint contractors

David

Villupuram, Tamil Nadu

David's journey is a true testament to the power of self-realization and personal growth. The cherry on top is the lid story that AP provided David with, spreading his name like fire in a small town like Villupuram.

Swagatam

Orang, Assam

Swagatam's story is a heartfelt testament to the deep and unwavering love one can have for their homeland and the powerful connection one shares with the place where their heart truly belongs. He worked tirelessly, and with an undying spirit, he honed his skills and expertise, ultimately gaining the competence required to establish his own contracting business in his village.

Our Home Décor Foray

No. 1 Integrated Home Décor Player

No. 1 in Decorative Lighting

~ 4.5% of Decorative Revenue

62 Beautiful Homes Stores – One Stop Home Décor Destinations

No. 2 in Fabric & Furnishing

No. 1 in Wallcoverings & Textures

Collaborations with Sabyasachi, Jaipur Rugs, Sarita Handa, European designers

Modular Kitchen, Kitchen Hardware & Components

Bath Fittings & Sanitaryware

Fabrics & Furnishings

Wardrobes and Vanities

Furniture

Wall Coverings

Decorative Lighting

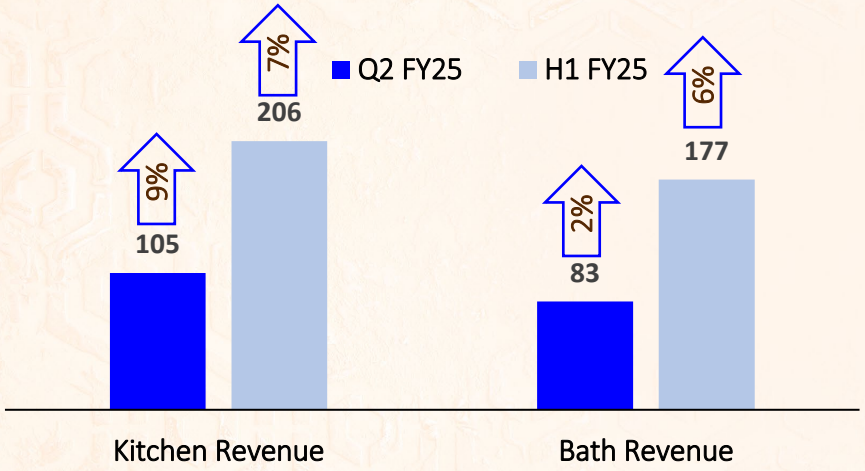
Rugs

uPVC Windows and Doors

Enhanced Collaboration with our Beautiful Homes Network

Home Décor Business

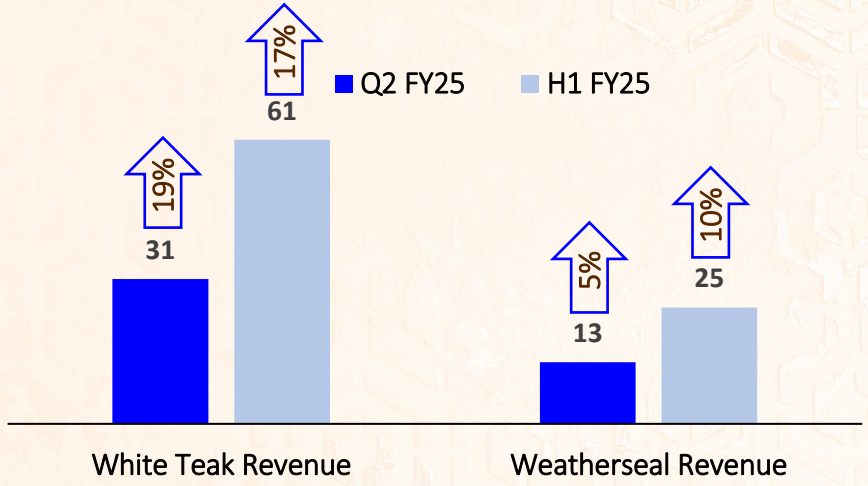
Kitchen & Bath



- Kitchen: Good top line growth in Q2
  PBT loss of ₹ 4.9 crs in Q2 vs loss of ₹ 2.6 crs last year

- Bath: Top marginally better than last year
  PBT loss of ₹ 6.7 crs in Q2 vs loss of ₹ 3.1 crs last year

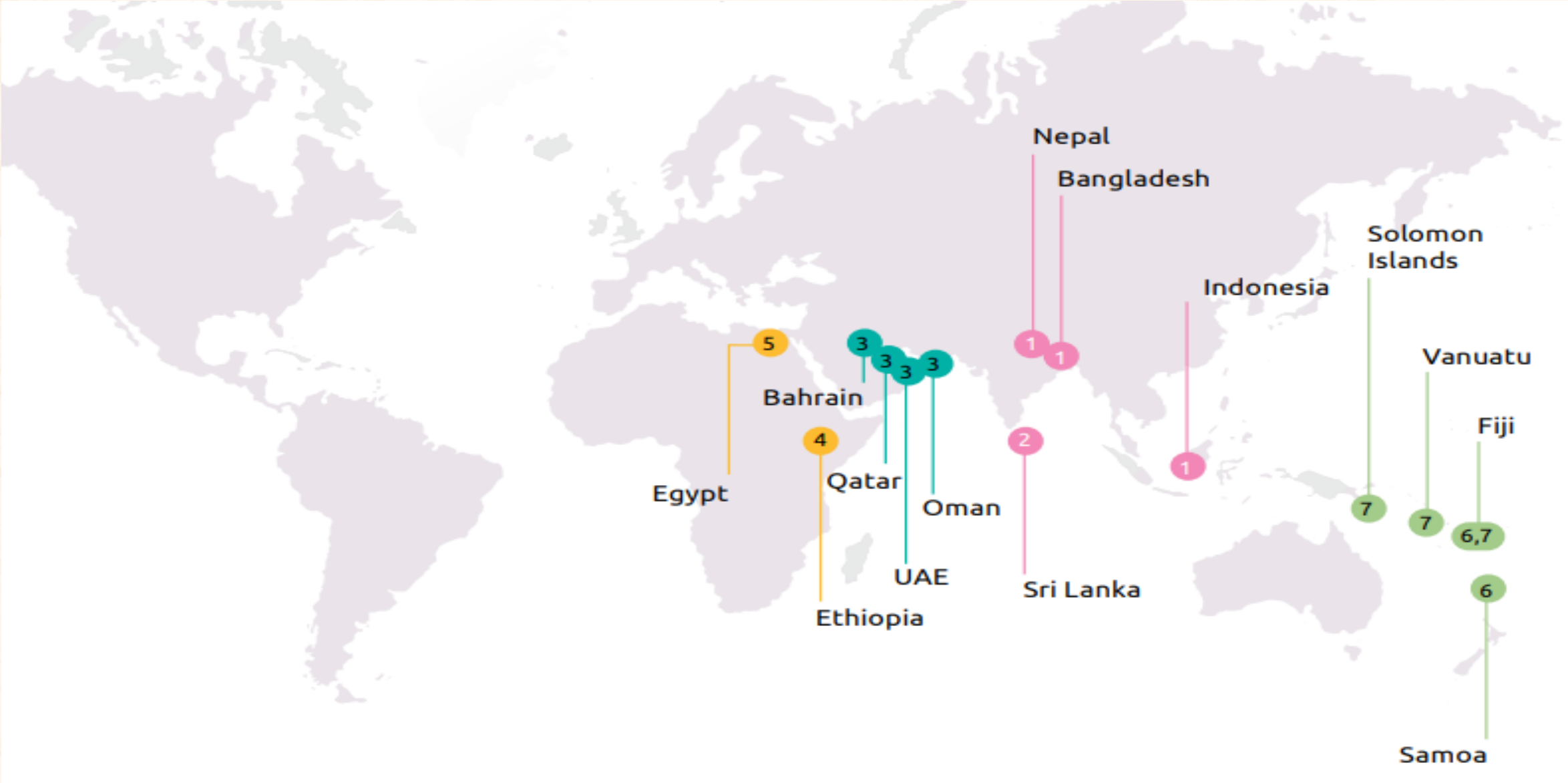
White Teak & Weatherseal



- Growth from extended product offerings / solutions, expanded reach and synergies with our Beautiful Homes Network

Our new collections of Wallcoverings, Rugs, Furnishings & Fabrics in collaboration with several European Designers

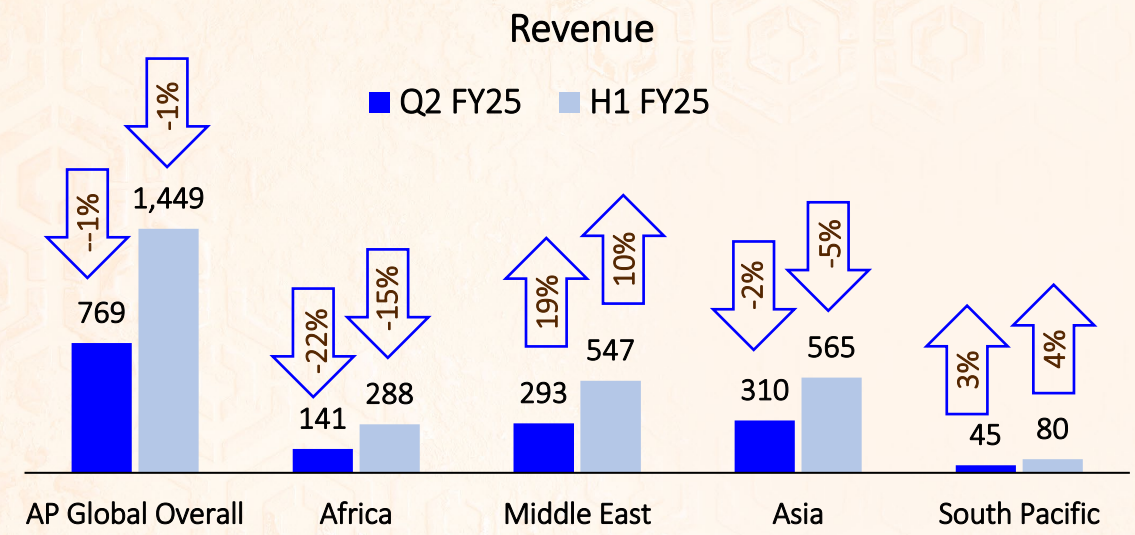
International Business

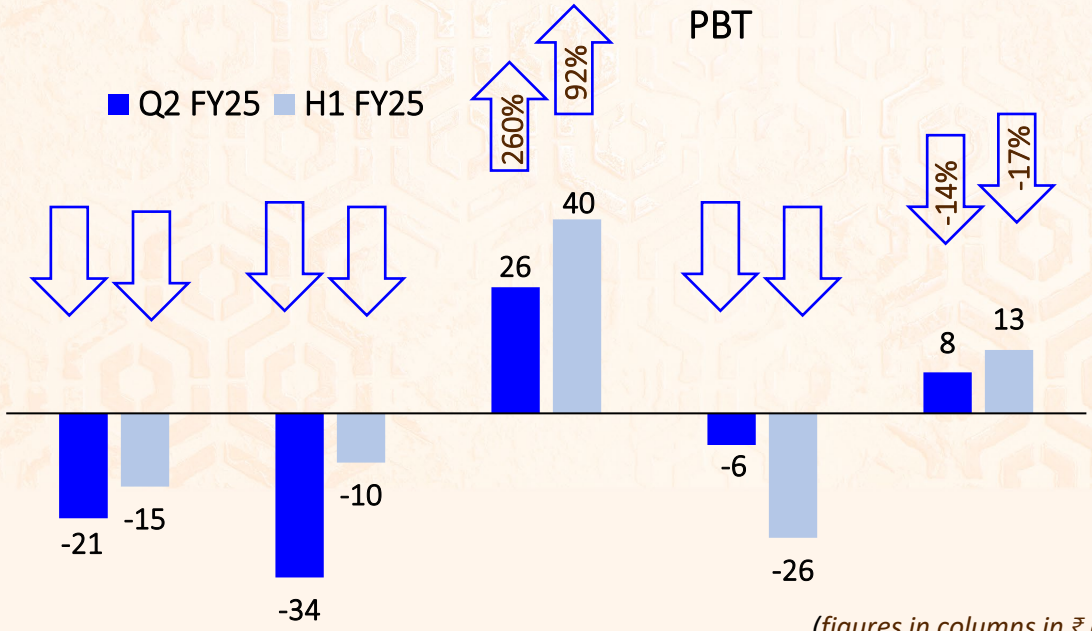


1 asianpaints 2 asianpaints CAUSEWAY 3 asianpaints BERGER 4 KADISCO asianpaints 5 scib Paints 6 TAUBMANS 7 apco

Macro-Economic Challenges Constrain Profitability

International Business





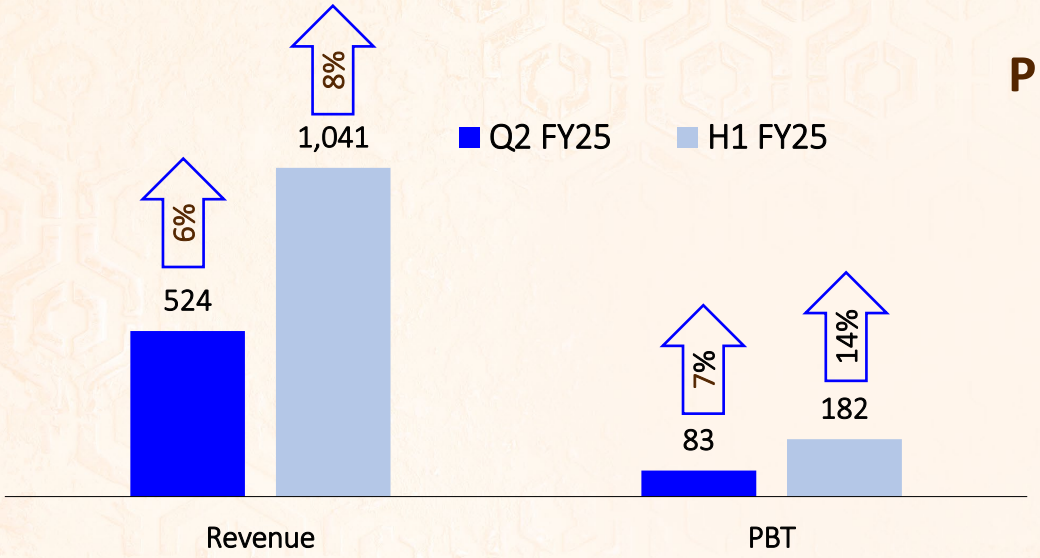
(figures in columns in ₹ crs)

- Q2 growth in INR terms was largely flat; However, a strong 8.7% growth in constant currency terms
  - Impacted by currency devaluation in Ethiopia
  - Middle East region reported strong double-digit growth
  - Muted performance in Asia:
    - De-growth in Bangladesh on the back of political unrest and floods
    - Improved performance in Sri Lanka & Nepal
- Focus on prelux and water proofing categories supporting growth across key units
- Forex loss on currency devaluation (₹ 56 crs in Ethiopia) along with subdued performance in Asia impacted overall profitability

Industrial Business: Shoring up our Revenues in Q2

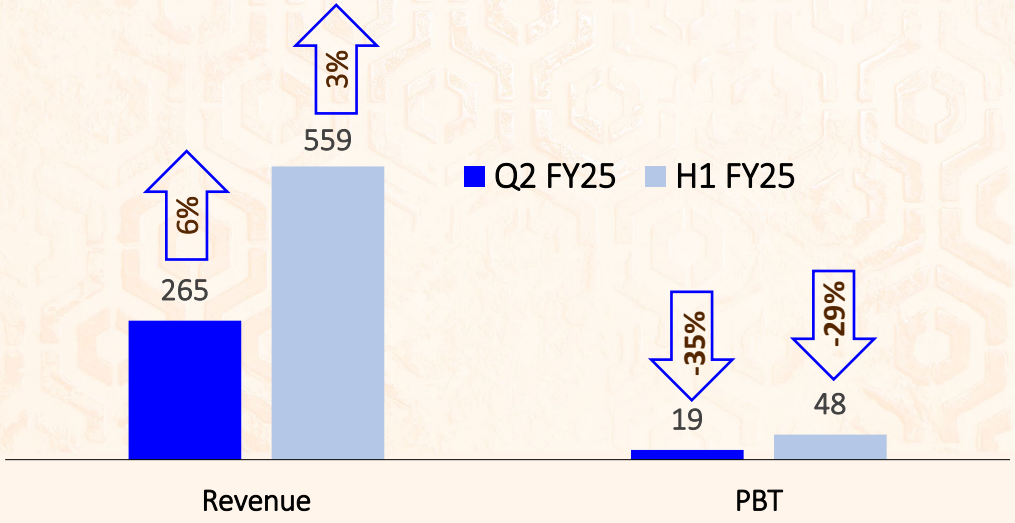
Industrial Business

PPGAP



- General Industrial and Refinish segment grew well; Auto OEM revenue growth declined in line with Automotive industry performance
- Stable profit margins. PBT margin flat at 15.7% in Q2

APPPG

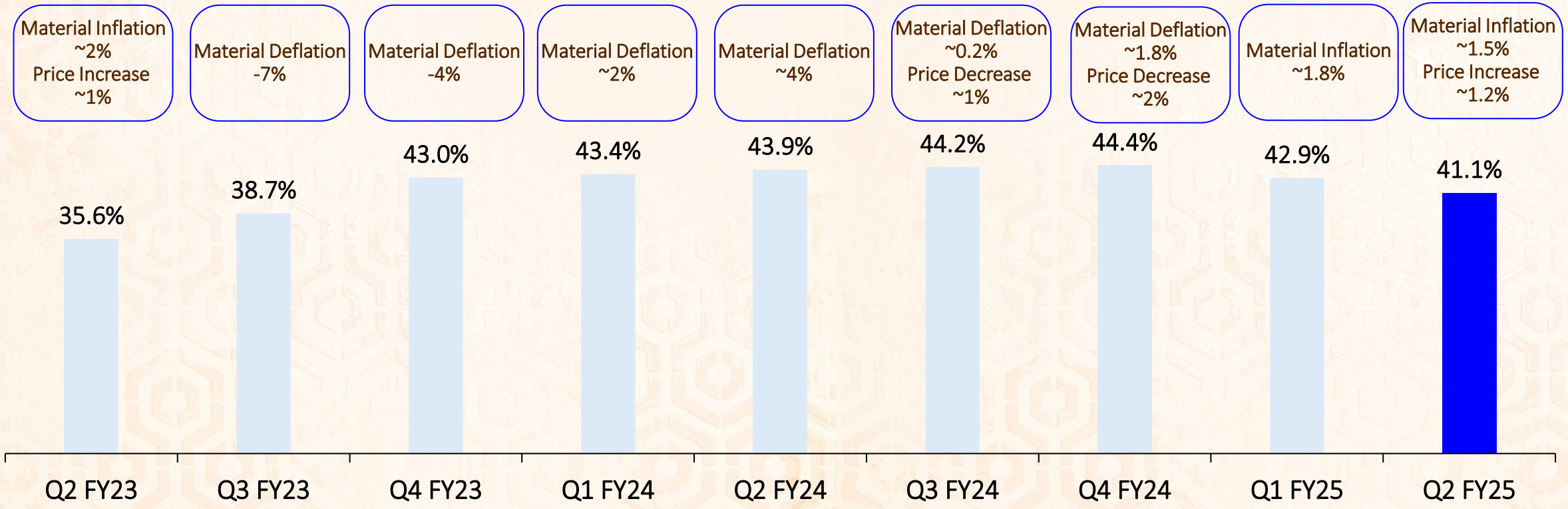


(figures in columns in ₹ crs)

- Growth in both Protective & Powder coating segments
- Customers seeing value add from the comprehensive Asset Service programme; Continued to gain traction
- Tightness in pricing environment led to decline in PBT margins from 11.3% in Q2 last year to 7% this year

Material Price Inflation Coupled with Previous Price Reductions & Increased Rebates Impacted Gross Margins

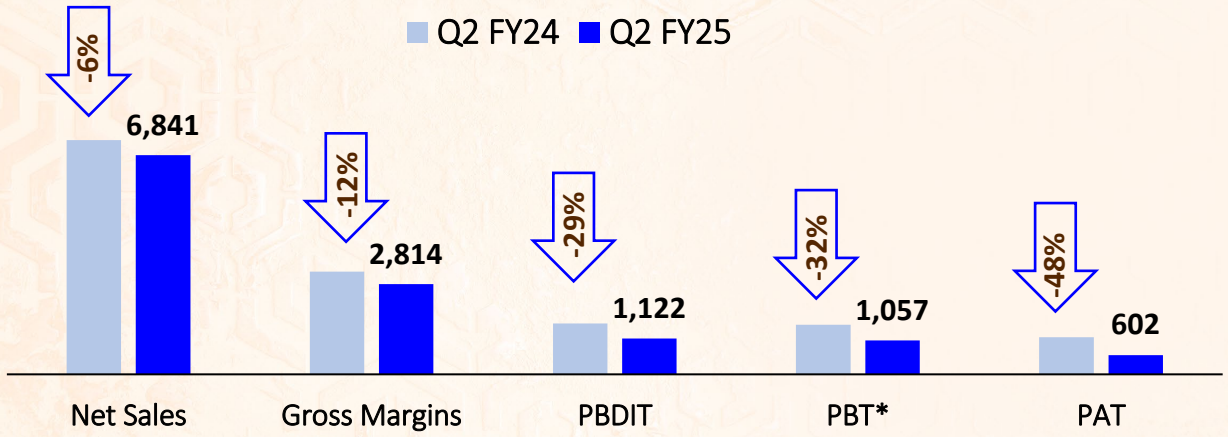
Benefit of Price Increases Taken in Q2 This Year to Flow Through Largely in H2



Gross margins shown here is at standalone level & as a % of Net sales

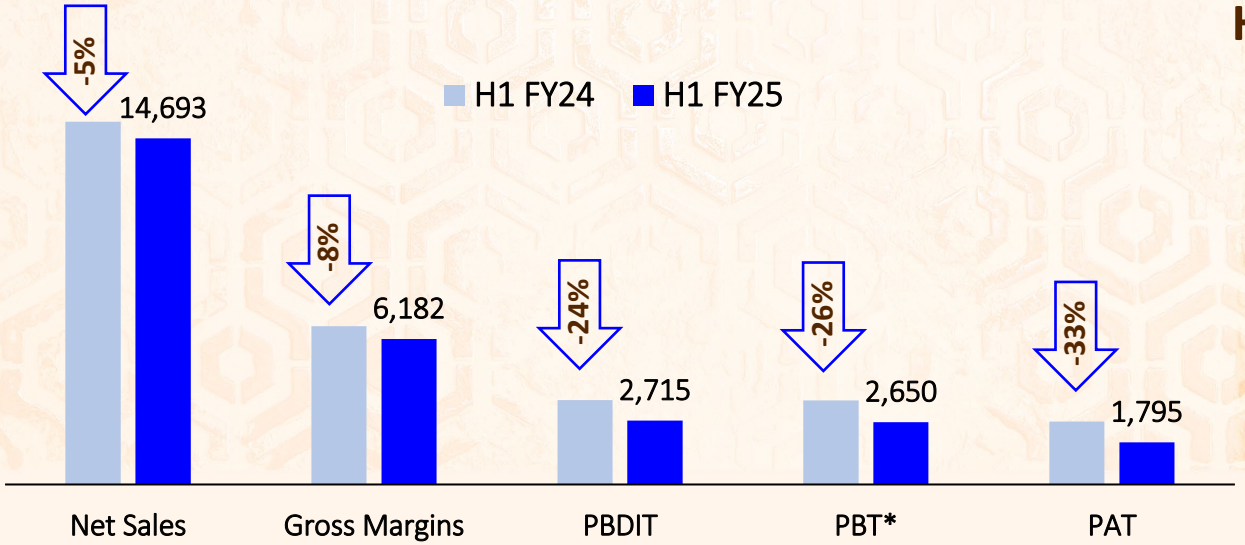
Summary Standalone Financials

Q2



- Net Sales de-growth of 6%; Impacted by subdued demand & price reductions
- Gross margins at 41.1% in Q2; ~280 bps decline over Q2 last year given the price decrease taken in H2 last year, product mix & material inflation in the current year
- PBDIT margin at 16.4%; ~530 bps lower than Q2 last year
  - Higher employee cost, Increased sales expenses

H1



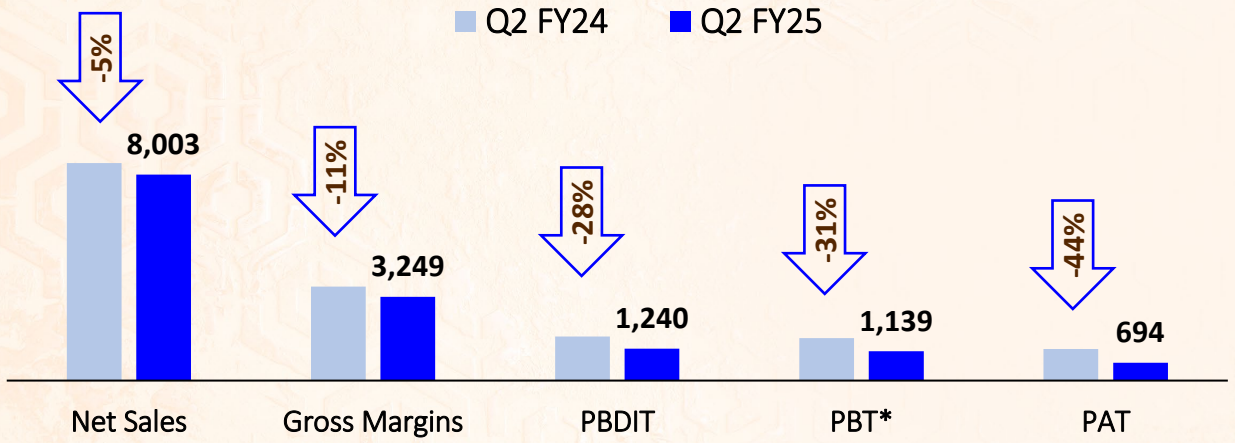
- Net Sales de-growth of 5%
- Gross margins at 42.1% in H1; 155 bps decline over H1 last year
- PBDIT margin at 18.5%; 480 bps lower than H1 last year (450 bps lower excluding one-time impact** in Q1 last year)

** Above PBT is before exceptional item of ₹ 200 crs in Q2 FY25*
(figures in columns in ₹ crs)

** * PBDIT in Q1 FY24 included one-time provision reversal of ₹ 39 crs due to change in leave policy*

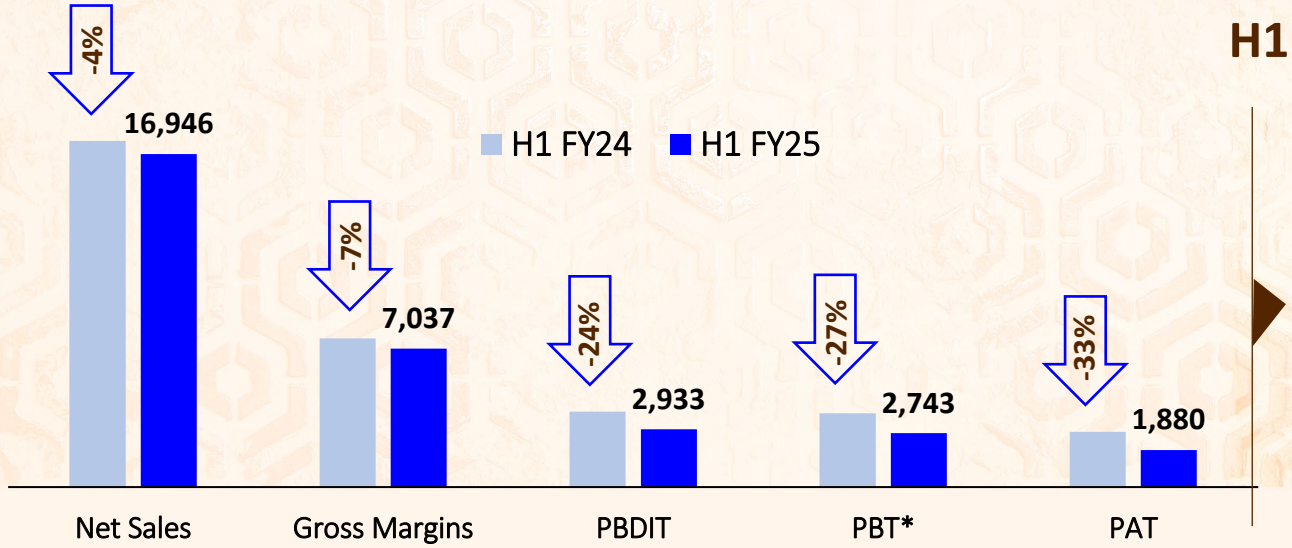
Summary Consolidated Financials

Q2



- Net Sales de-growth of ~5% given subdued growth in domestic decorative segment. Relatively better performance in Industrial segments
- Gross margins at 40.6% in Q2; ~260 bps decline over Q2 last year
- PBDIT margin at 15.5%; ~480 bps lower than Q2 last year due to operating deleverage

H1



- Net Sales de-growth of ~4%
- Gross margins at 41.5% in H1; over 140 bps decline over H1 last year
- PBDIT margin at 17.3%; ~450 bps lower than H1 last year (430 bps lower excluding one-time impact** in Q1 last year)

** Above PBT is before exceptional item of ₹ 180 crs in Q2 FY25*
(figures in columns in ₹ crs)

*** PBDIT in Q1 FY24 included one-time provision reversal of Rs. 41 crs due to change in leave policy*

Exceptional Items in Q2 Financials

- **White Teak & Weather Seal Impairment:**

Considering the past performance and revised business plans, we have taken prudent assessment of our investments in White Teak and Weather Seal, which has resulted in:

- **Standalone Financials:** Impairment provision on ‘investment in subsidiaries’ of ₹ 100.5 crores, recognized on Weather Seal & White Teak and of ₹ 99.3 crores towards fair valuation loss on derivative contracts for future stake purchases in White Teak (40% stake) and Weatherseal (23.9% stake) respectively
- **Consolidated Financials:** Impairment provision on 'Goodwill on Consolidation' of ₹ 124 crores, recognized on White Teak

- **In addition, in Consolidated Financials:**
  - **Forex Loss in Ethiopia (₹ 56 crs) :**
    - Significant currency devaluation in Ethiopia during the quarter has resulted in recognition of an expense of ~ ₹ 56 crores towards exchange loss arising on foreign currency obligations of our subsidiary in Ethiopia. The same has been disclosed as an exceptional item

Dividend Distribution

FY 2024-25

- Interim Dividend 425% (₹ 4.25)

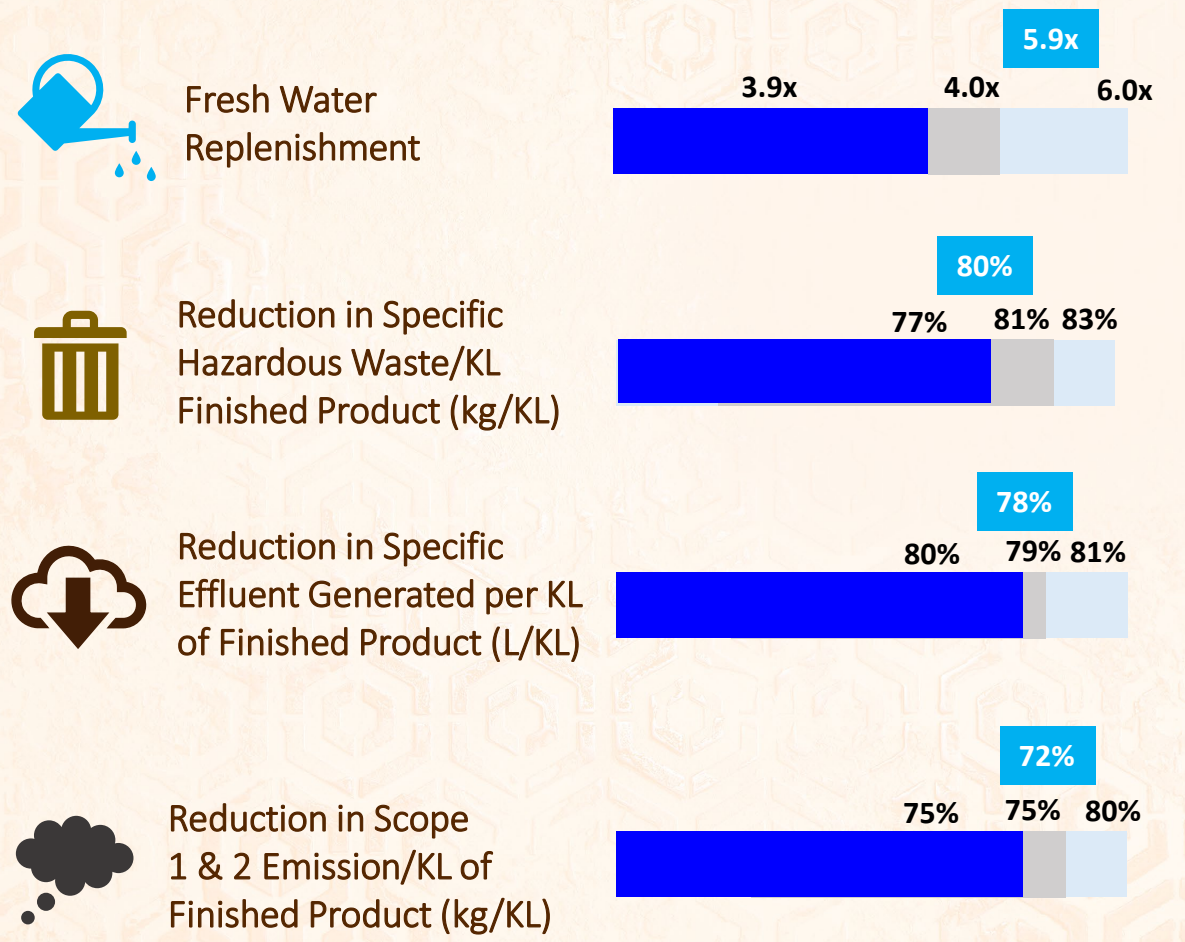
FY 2023-24

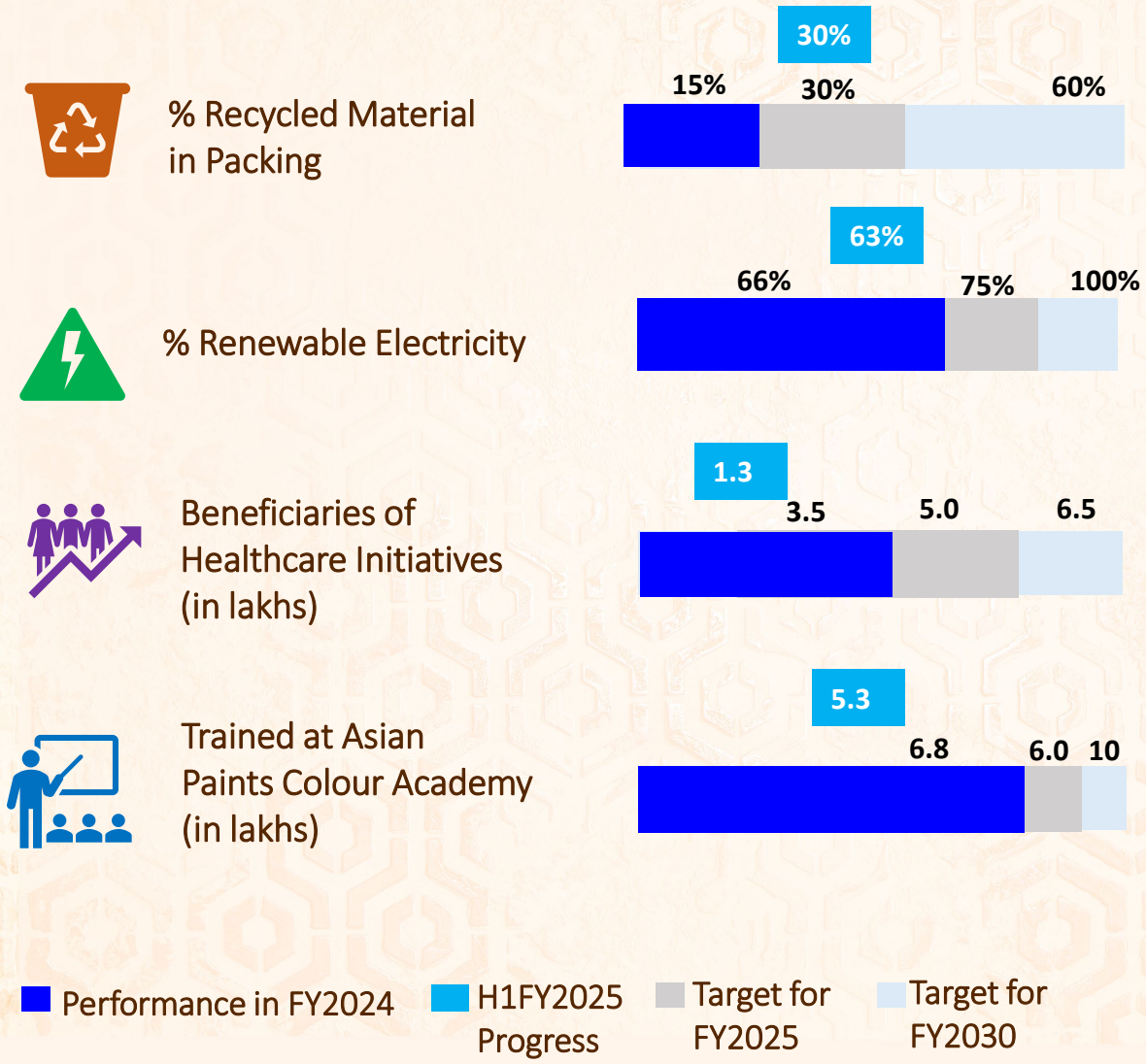
- Interim Dividend 515% (₹ 5.15)
- Final Dividend 2815% (₹ 28.15)
- Total Dividend 3330% (₹ 33.30)
- Payout Ratio : 60%

Outlook for FY2025

- Demand conditions challenging; Cautious about immediate recovery in Q3 despite good wedding season
- Adequate monsoons coupled with expected boost in Government spending should aid recovery in rural demand in Q3 and Q4
- Stronger focus on the core; strengthening the brand
- Focus on growing and scaling our Industrial Businesses
- Macro-economic situation remains constraining in some of our key International geographies
  - Especially in Asia and Africa
- Expect some softening in the raw material prices; However, need to maintain caution on the volatility in crude & other raw key input/materials

Near & Medium Sustainability Targets & Progress





For further data & information on the above, read our FY24 Integrated Annual Report at:Asian Paints Annual Report

'Dawn of Valour' murals unveiled in Tawang

On our 78th Independence Day, we celebrated the unveiling of the 1st project under 'Asian Paints St+art Frontier' initiative featuring art interventions devoted to honoring the bravery and dedication of our armed forces.

THANK YOU