



UBS India Conference

Mumbai, India

November 17, 2017

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This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements. The future involves certain 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 fluctuations, competitive product and pricing pressures and regulatory developments.

Responses can only be given to questions which are not price sensitive.

Agenda

Group Overview

Economic Environment – Q2 FY18

Financial Performance – Q2 FY18

Business Review – Q2 FY18

Risks and Outlook

Asian Paints Group Today...

No. **1**
Paint Company
in India

Over
USD **2** Billion
Group revenue

3
Times nearest
Competitor in India

3rd Largest Paint
Company in Asia
10th Largest Coating
Company In the World

Operations in
16
countries

25
Paint
Manufacturing
Plants

Part of
30 share
BSE
S&P SENSEX

50
Years of Market
Leadership in India

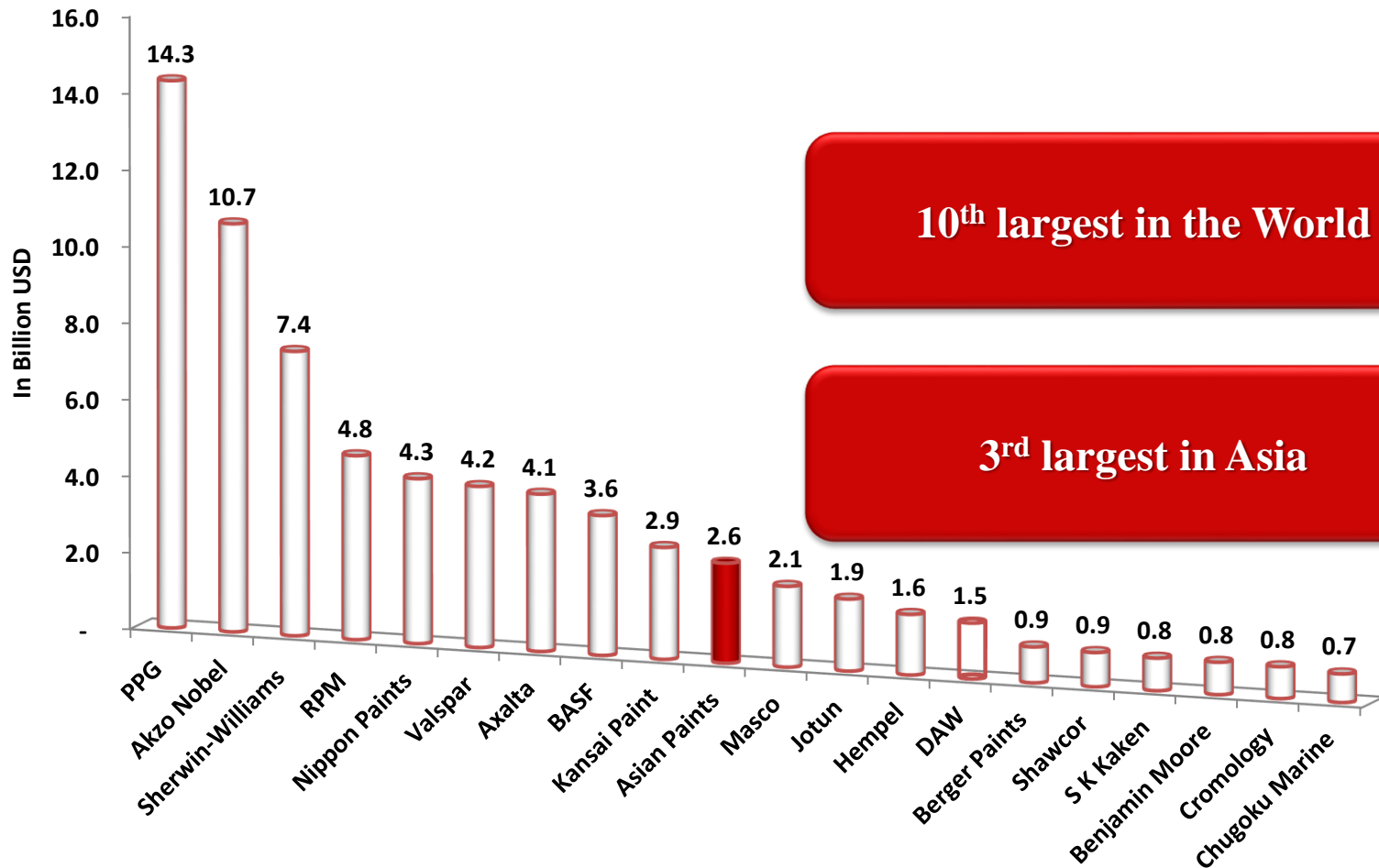
Forbes Asia's Fab
50
Company; Four
times in a row

Part of NSE Nifty
50

Servicing
Consumers in over
65
Countries

7500+
Employees
worldwide

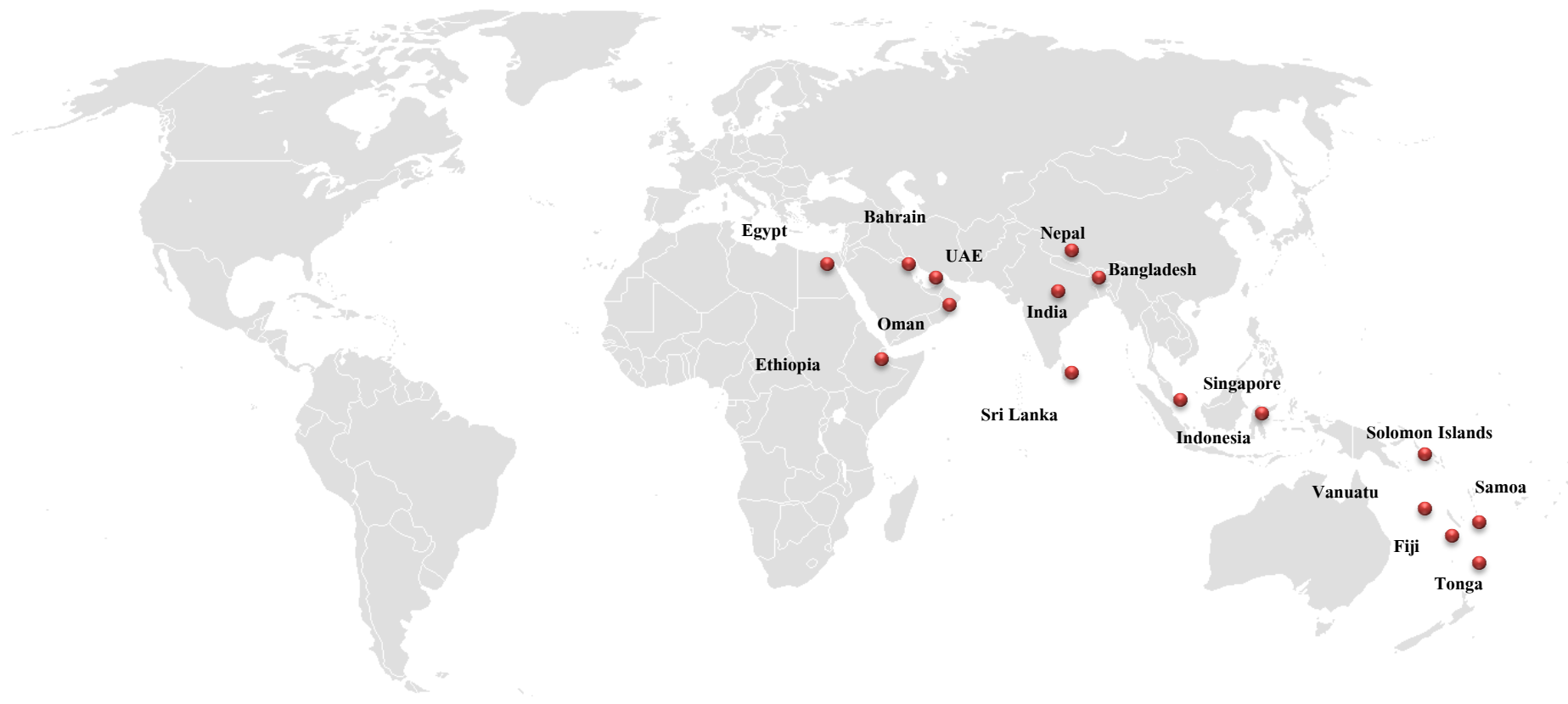
Global Standing...



Sherwin Williams has completed the acquisition of Valspar. It is now the 2nd largest coatings company in the world. At an overall level, it will be the largest company

** Coating World 2017 Rankings (only revenue from coatings sales considered for the ranking)*

Worldwide Operations...



Strong Brands...



Aspiration...



“To be the fore runner of inspiring décor and to actively empower customers to create their dream homes”

Stand for...

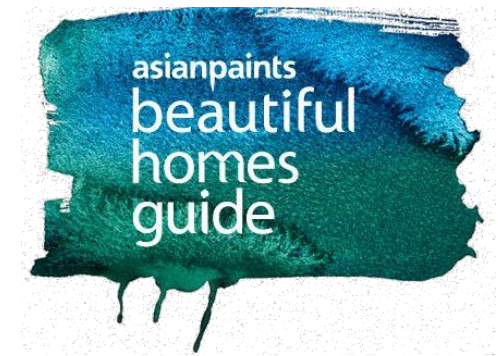
- ☐ Belief in fostering the principles of trust and transparency
- ☐ Ability to adapt itself to the changing environment
- ☐ Dynamic professional management team focused towards delivering stakeholder value with highest levels of corporate governance
- ☐ Innovative strategies in the marketplace
- ☐ Efficient manufacturing and logistics
- ☐ Capabilities to effectively harness Information Technology to improve efficiency in operations (SAP, i2, etc.)
- ☐ Prudent management of financial resources
- ☐ Focus on Research and Development (dedicated group R & D centre in India at Turbhe near Mumbai)

Innovative Market place Strategies



- ☐ Small Packs
- ☐ Exterior Paint Segment
- ☐ Consumer and Dealer helpline
- ☐ Colour Next (Prediction of Colour trends through in-depth research)
- ☐ Special effect and textured paints
- ☐ Signature Stores / Colour Ideas store / AP Homes
- ☐ Samplers
- ☐ Beautiful Homes Guide
- ☐ Water Proofing and Wallpaper business
- ☐ Ezycolour Service brand
- ☐ Home Solutions (Painting solution service)
- ☐ Colour Consultancy @ Home
- ☐ Adhesives

 **asianpaints**
ezycolour
home solutions



Powerful Consumer Connect



Signature Stores in Metros



Colour Ideas Stores



AP Homes

- *Innovative retailing strategy showcasing latest product and solution offerings enabling consumers to get inspired, try and decide*
- *Strong presence in all product segments, servicing over 45,000 dealers*

www.asianpaints.com 

Robust Supply chain and IT

- ❑ State of the art Supply Chain system using cutting edge latest technology for efficient management and execution
- ❑ World Class, large manufacturing facilities with latest automation technologies
- ❑ Largest single location paint manufacturing capacities at Rohtak (Haryana) and Khandala, (Maharashtra)
- ❑ Setting up new, fully-automated paint manufacturing facility at Mysuru and Vizag in South India
- ❑ Strong distribution and logistic network across geographies using modern material storage and handling technologies
- ❑ Dedicated in-house IT team adding value to business process in terms of higher productivity, lower costs, speed, consistency and standardization



Dedicated R&D

- Dedicated Research and Technology facility at Turbhe (Near Mumbai) with over 150 scientists
- Supports company strategy around Technology development, Sustainable new products, Green products, Value re-engineering for productivity improvement and cost optimization
- Our scientists had won the Roon award in 2013 – one of the highest technical achievements in the coatings industry



Changing with times



asian paints



1954

asianpaints

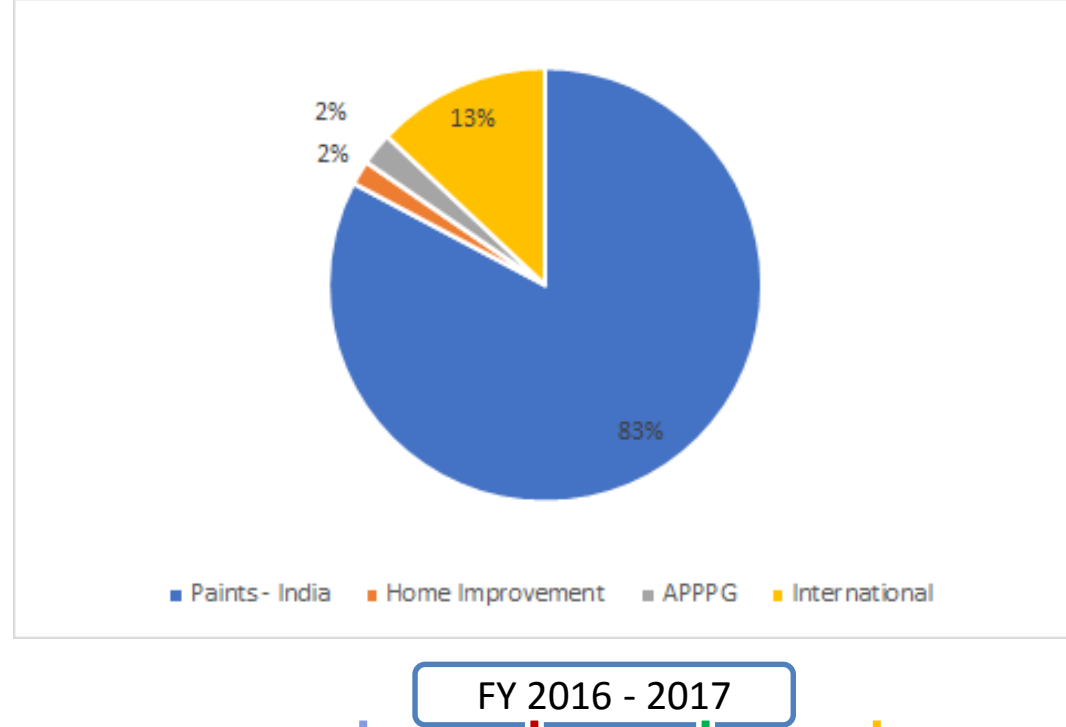
2002



2012

Business Portfolio

- Decorative Coatings – India
- Industrial Coatings – India
 - PPG Asian Paints
 - Asian Paints PPG
- International Operations
- Home Improvement Business – India
 - Sleek
 - Ess Ess
- Chemical Business
- Adhesives



Exited Caribbean operations and discontinued manufacturing of Phthalic Anhydride in July 2017

Decorative Coatings - India

- ❑ Largest business unit of the company
- ❑ Primarily operates in four segments
 - ❑ Interior Wall finishes
 - ❑ Exterior Wall finishes
 - ❑ Metal Finishes (Enamels)
 - ❑ Wood Finishes
- ❑ Introduced new categories like water-proofing, wallpapers & adhesives
- ❑ Product for every price point and requirement



Smartcare – Water proofing



Interiors



Exteriors



**Metal & Wood
Finishes**

Industrial Coatings - India



- Asian Paints participates in the Industrial Coatings segment, through two 50:50 JVs with PPG Inc. of USA



- PPG Asian Paints (For Auto Coatings)

- The Auto segment is catered through our JV (PPG AP)
 - Second largest supplier to the auto segment in India
 - Now, the largest player in auto refinish segment, post acquisition of ICI India's 2k auto refinish business in 2007
 - Commissioned a 3,200 KL / year plant in Chennai, Tamil Nadu in 2007

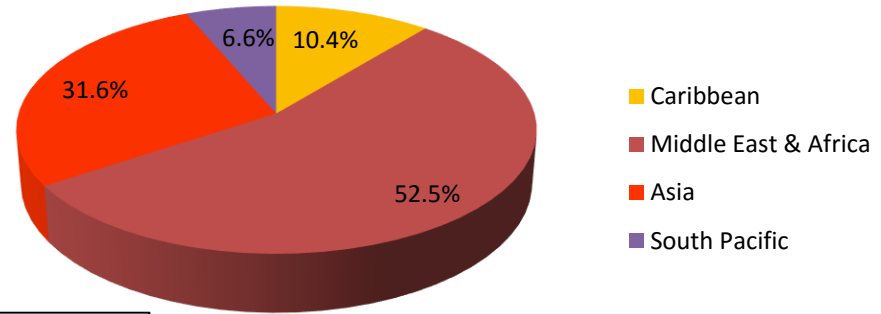


- Asian Paints PPG (For Non Auto Industrial Coatings)

- Protective coatings, floor coatings, road marking paints and powder coatings segment catered to by this JV
- Services customers in the sectors of Infrastructure, Oil & Gas, Power Plants, White Goods, etc.

International Operations

- Contributes about 13% to the group turnover
 - Began by establishing presence in Fiji in 1978
- Presence in 15 countries spread over 4 regions



Middle East & Africa : UAE, Bahrain, Oman, Egypt & Ethiopia

Asia : Nepal, Sri Lanka, Bangladesh, Singapore & Indonesia

South Pacific : Fiji, Tonga, Solomon Islands, Vanuatu & Samoa

FY 2016-2017
Net Sales Break-Up

- Focus on establishing presence and growing in high growth emerging markets
 - Looking for expansion in key markets of Africa and South East Asia
 - Acquired 51% stake in Kadisco Chemical Industry PLC, Ethiopia in Feb 2015
 - Paint manufacturing facility at Indonesia
- Acquired 100% stake in Causeway Paints, Sri Lanka in April 2017
 - Key player in the Sri Lanka Coatings market operating for more than 2 decades and supplies mainly Decorative Coatings (Including Wood Finishes) and Automotive Coatings
- Exited Caribbean (Barbados, Jamaica, Trinidad & Tobago) Operations in July 2017

Home Improvement Business - India



- In 2012, Asian Paints announced plans to consider opportunities in the area of Home Improvement and Décor
- Entered Kitchen space in India in Aug'13 by acquiring 51% stake in Sleek International
 - Sleek is a major organized player in the modern kitchen solution space with pan India presence
 - Engaged in the business of manufacturing, selling and distributing kitchens, kitchen components including wire baskets, cabinets, appliances, accessories etc.
 - Retail network of more than 30 showrooms including shop-in-shops and 250+ dealers
 - Launched “Smart kitchen range” for easy installation and design
- Entered the Bathroom fitting business in June'14 through acquisition of front end sales business (including brands, network and sales infrastructure) of ESS ESS Bathroom products Pvt Ltd
 - ESS ESS is a prominent player in the bath business segment in India and has high quality products in this segment
- Launched Sanitary ware range ‘Bathsense’ & premium range of Bath fittings ‘Royale’

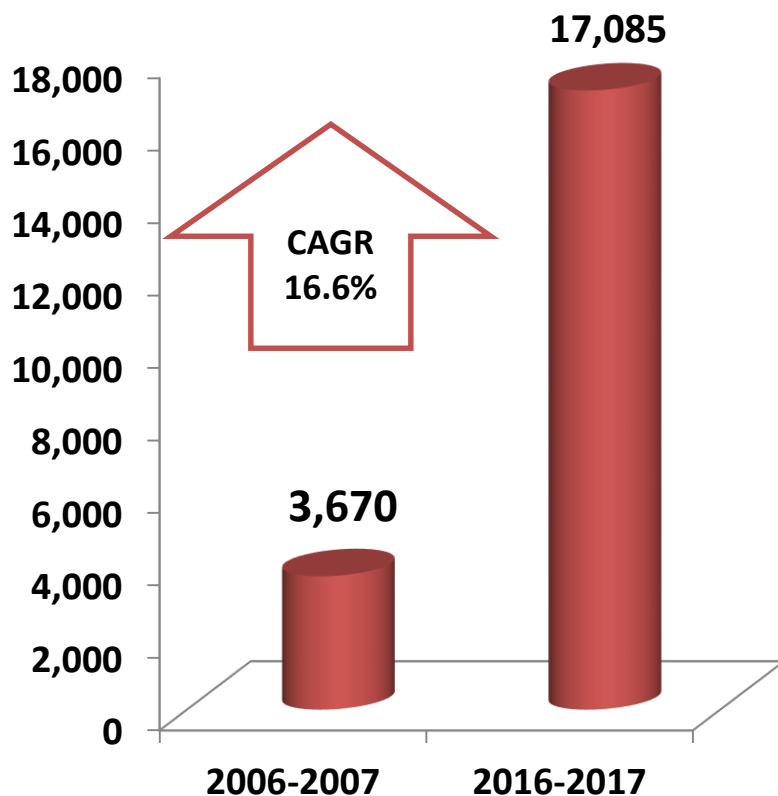


Chemicals

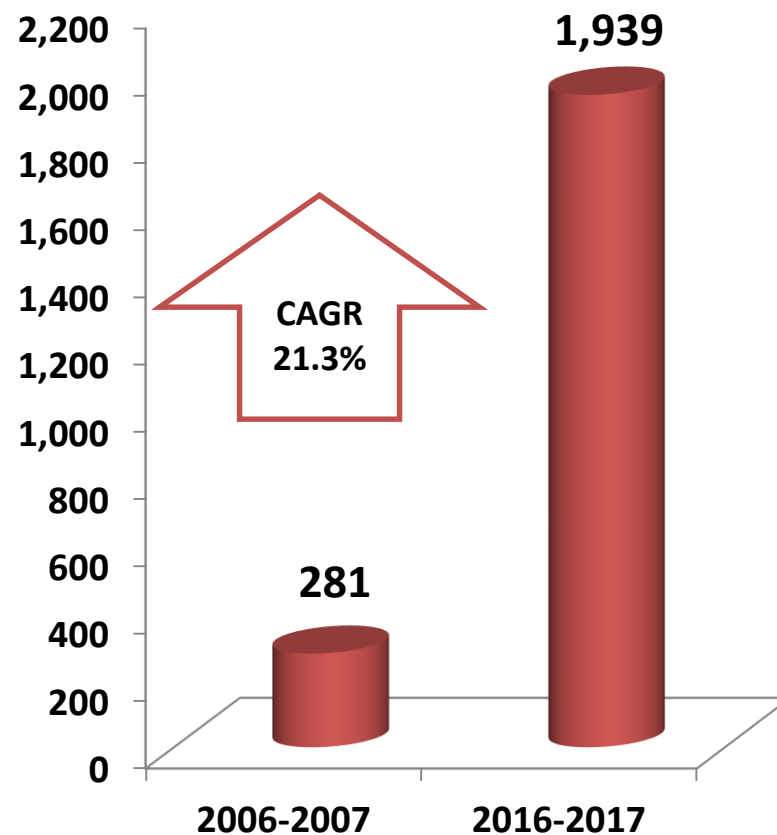
- Asian Paints manufactures Pentaerythritol (Penta) at its plant in Tamil Nadu
 - More than 50% consumed internally
- Discontinued manufacturing of Phthalic Anhydride at the Ankleshwar (Gujarat) plant by August 2017 to augment the manufacturing capacity of paints, synthetic resins and emulsions
- Contribution to the group's revenue has been continuously decreasing

Consistent Performance...

**Consolidated Net Sales and
Operating Income
(₹ Crores)**

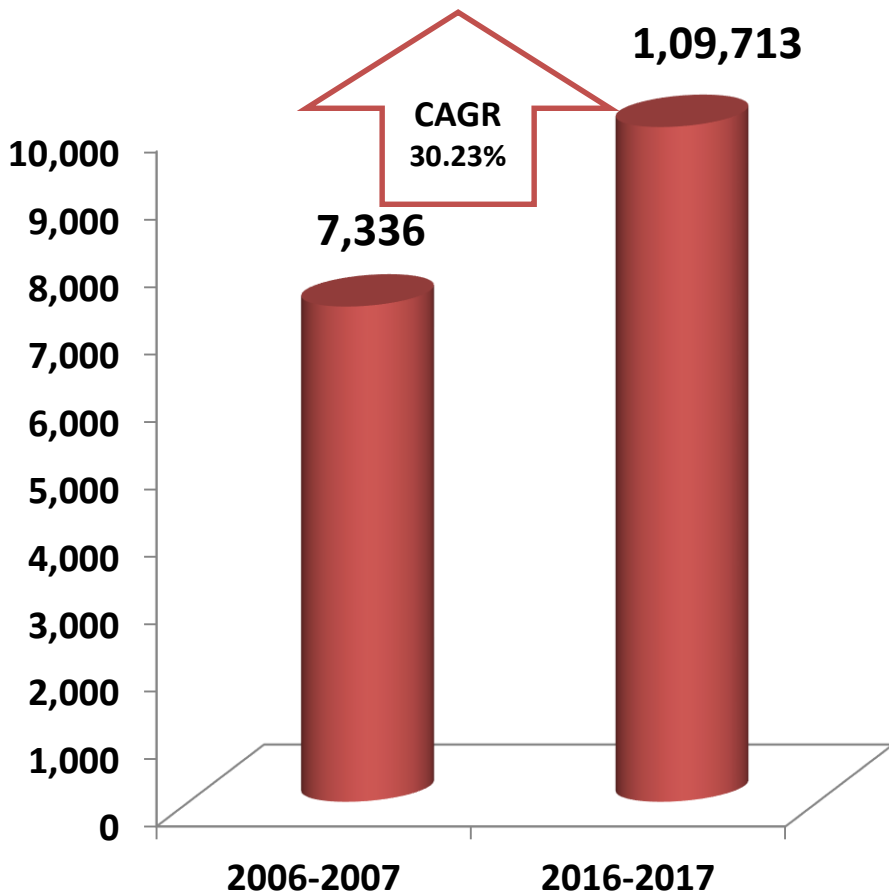


Net Profit (₹ Crores)

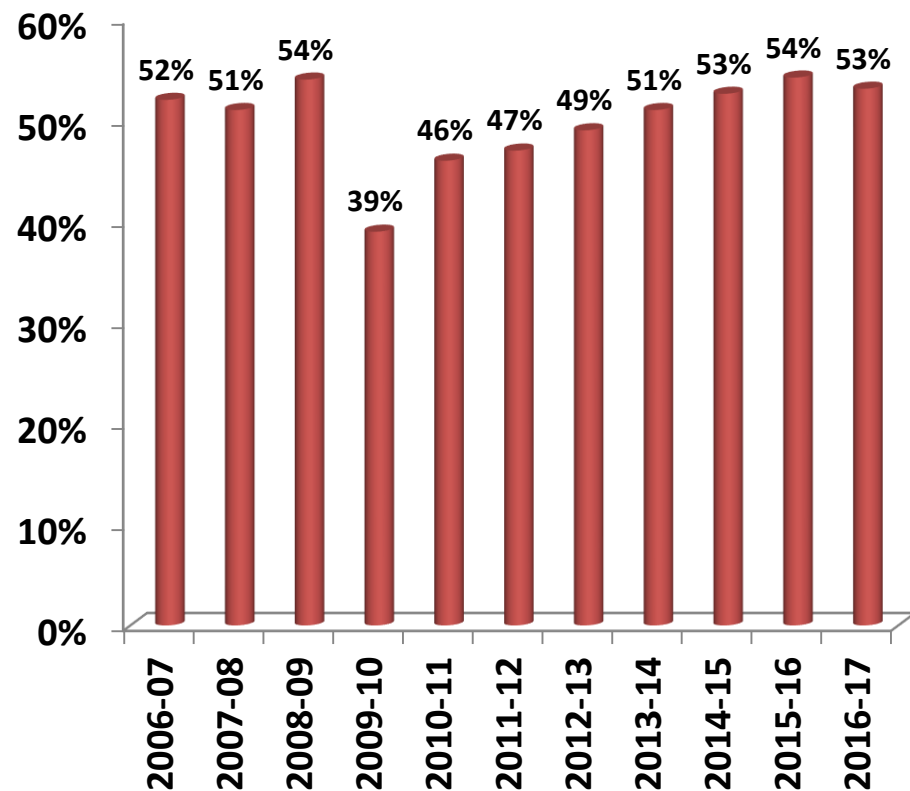


Sustained Value Creation...

Market Cap (₹ Crores)



Dividend Payout Ratio



Recent Accolades...



- ❑ Ranked 8th amongst “Top 100 Most Innovative Companies in the world” by Forbes (Aug 2017)
 - ❑ 5th consecutive appearance by Asian Paints in the elite list
- ❑ Ranked amongst 'India's Most Respected Companies' by Business World Magazine (Aug 2017)
- ❑ Makes it to the Forbes India's List of “Super 50 companies in India” 2nd time in a row (Aug 2017)
- ❑ Received ‘Outstanding Company of the year’ award for 2016 at the ‘CNBC TV18 India Business Leader award’ ceremony (March 2017)
- ❑ Ranked as the 4th ‘Most Admired Company’ in the FMCG Sector by Fortune India – Aug 2014
- ❑ Presented with the Asian Centre for Corporate Governance & Sustainability Award for the ‘Best Governed Company’ in 2011
- ❑ Asian Paints receives the ‘Best Audit Committee’ Award from the Asian Centre for Corporate Governance & Sustainability in 2011

Presentation Structure

Group Overview

Economic Environment – Q2 FY18

Financial Performance – Q2 FY18

Business Review – Q2 FY18

Risks and Outlook

Economic Environment

INDIAN ECONOMY

- Challenging year for the Indian Economy
 - Disruptions on account of demonetization and rollout of GST within a span of 7 months.
- GDP growth trend has been on a downward trajectory with the Q1 growth rate falling to a low of 5.7%.
- Monsoon, though 5% below normal, has been largely good across regions.
- Company witnessed some demand pickup Q2FY18 on the back of a challenging first quarter
 - Early Festive season also helped in demand revival

GLOBAL ECONOMY

- There are signs of strength especially in the US economy giving rise to heightened expectations of tightening by the US Fed.
 - However, However, the global economy, at large, continues to face challenges around subdued inflation, low potential growth and an uneven recovery
- In our International markets, key units in Egypt & Ethiopia, continued to face challenges around foreign exchange and raw material availability
 - The overall International performance was also impacted by adverse exchange rate fluctuations.

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Risks and Outlook

Financials - Q2 FY18 Results

Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July, 2017, Central Excise, Value Added Tax (VAT) etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT etc. are not part of Revenue. The figures and growth percentages given herein have been suitably adjusted to make the revenue from operations for periods upto 30th June 2017 comparable.

The Consolidated results for the current year include the results of Causeway Paints Lanka (Private) Limited, Sri Lanka, in which Berger International Private Limited, Singapore (BIPL), subsidiary of the company acquired 100% controlling stake on 3rd April 2017 and hence the results are not comparable with the previous periods.

Financials - Q2 FY18 Results

Consolidated (₹ Crores)	Q2FY18	Q2FY17	Gr(%)	6MFY18	6MFY17	Gr(%)
Revenue from Operations	4274.18	3757.66	13.7%	8083.97	7384.93	9.5%
PBDIT	801.13	705.41	13.6%	1466.5	1521.57	9.5%
PBDIT (%)	18.7%	18.8%		18.1%	20.6%	
PAT	593.66	494.76	20.0%	1034.4	1047.32	9.5%

Standalone (₹ Crores)	Q2FY18	Q2FY17	Gr(%)	6MFY18	6MFY17	Gr(%)
Revenue from Operations	3602.2	3143.71	14.6%	6790.93	6159.78	10.2%
PBDIT	720.09	631.25	14.1%	1317.17	1361.38	-3.2%
PBDIT (%)	20.0%	20.1%		19.4%	22.1%	
PAT	473.45	435.27	8.8%	874.4	936.45	-6.6%

Dividend

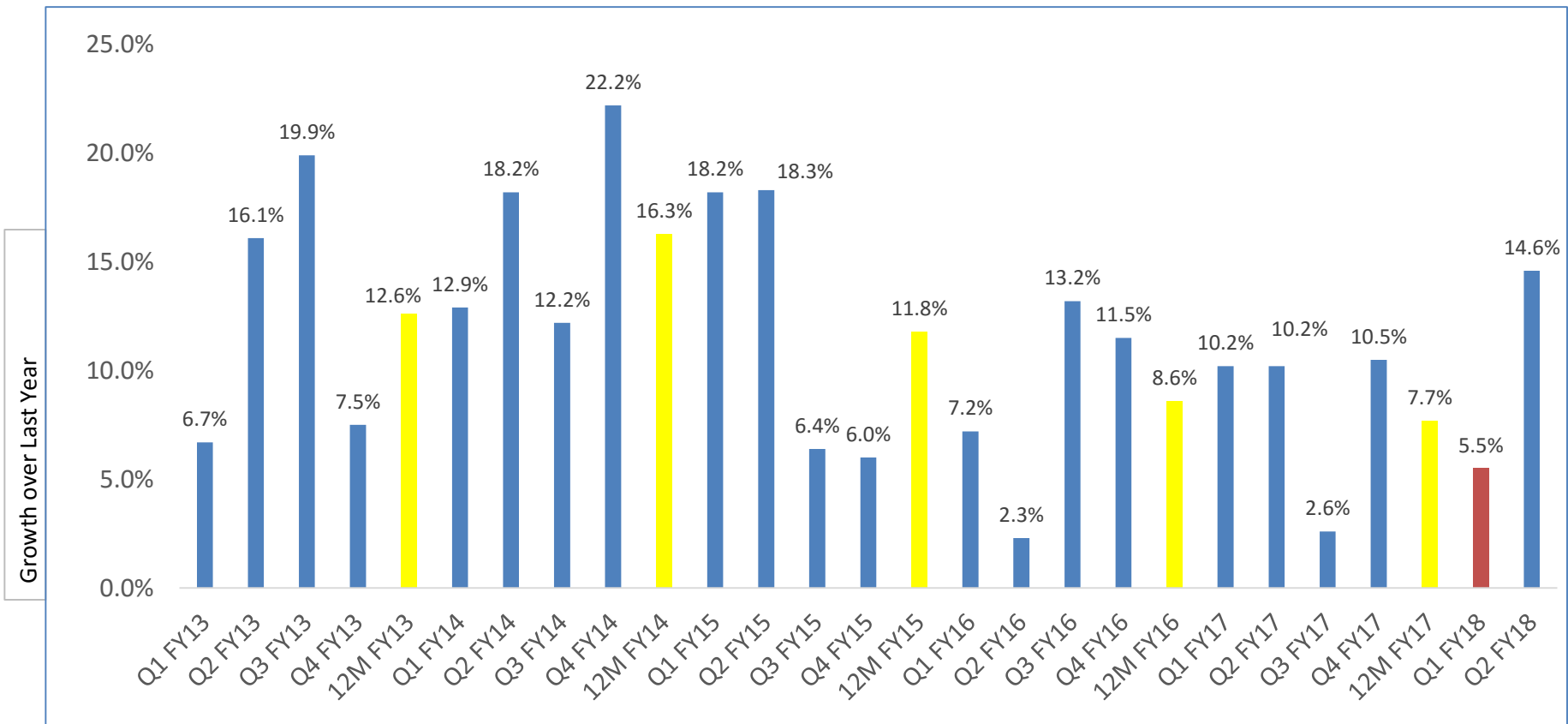
☐ In FY 2017-18

- ☐ Interim Dividend of ₹ 2.65 per share (265%)

☐ In FY 2016-17

- ☐ Total Dividend of ₹ 10.30 per share (1030 %)
 - ☐ Final dividend of ₹ 5.65 per share (565%)
 - ☐ One time Special dividend of ₹ 2 per share (200%) for celebrating 75 years of Excellence at Asian Paints
 - ☐ Interim dividend of ₹ 2.65 per share (265%)
 - ☐ Payout ratio of 65.9% (on standalone financials)

Standalone Revenue Growth Trend



The growth % in Q2FY18, Q1FY18, 12MFY17, Q4FY17, Q3FY17, Q2FY17 & Q1FY17 is as per the new Indian Accounting Standards (IND AS) which was adopted wef 1st April 2016 ; hence it not comparable with the numbers for the previous quarters.

Presentation Structure

Group Overview

Economic Environment – Q2 FY18

Financial Performance – Q2 FY18

Business Review – Q2 FY18

Risks and Outlook

Business Review : Q2 FY18



DECORATIVES BUSINESS

- Decorative Paints business in India registered high single digit volume growth in Q2FY18
 - Recovery from Q1 which was affected by the impact of destocking due to GST
 - However, the impact of GST continued through July and a recovery of sorts was seen only in September
- On a sequential basis, material prices were stable helped to an extent by the strong currency
 - No price revision in Q2FY18
 - Affected Price increase of 3% in Mar'17 and 2.68% in May'17
- Continued focus on network expansion and opening new 'Colour Ideas' store
 - 40,000+ 'Colour World' machines and 350+ 'Colour Ideas' stores across the country
- SmartCare range of waterproofing products continues to grow well
- Good response to "AP Homes" store in Coimbatore, New Delhi and Kochi
 - Integrated décor store across categories of paints, wall papers, kitchen, bath fittings, sanitary ware, furnishings, light fittings, etc.

Business Review : Q2 FY18



INDUSTRIAL BUSINESS

PPG-Asian Paints (PPG-AP)

- Subdued demand in the Auto OEM and General Industrial business segment

- Even the Auto Refinish segment continued to witness challenging conditions in the market



Asian Paints PPG (AP-PPG)

- Performance of the Industrial coatings JV was satisfactory



Under IND-AS, PPG-AP to be treated as an associate company wherein only APL's share of Profit after Tax of PPG-AP consolidated as against proportionate consolidation of every line item of P&L. At the same time, AP-PPG to be consolidated as a subsidiary of APL in the consolidated financials.

HOME IMPROVEMENT BUSINESS

- Both the segments within the Home Improvement business – the Kitchen business under Sleek and the Bath business under Ess Ess, performed better than Q1FY18
- We continue to enhance our distribution reach and drive operational efficiencies in both the businesses



INTERNATIONAL BUSINESS

- Financials of the current quarter include the financials of Causeway Paints, Sri Lanka which was acquired by Berger International Private Ltd (BIPL), our wholly owned subsidiary, on 3rd April 2017
 - Hence the numbers are not comparable with the financials of the previous quarter
- Units in Nepal, Bangladesh and Oman and Bahrain witnessed good topline growth
 - However, currency devaluation in Egypt and forex unavailability in Ethiopia, impacted the overall performance of the International operations
- Inaugurated the first paint plant at Indonesia in the month of September 2017 with an initial capacity of 5,000 MT/year on a single shift basis
- Completed the divestment of the company's entire stake in the Caribbean region (Jamaica, Barbados, Trinidad & Tobago) effective 24th July 2017

- Total capex at the Standalone level for FY18 estimated to be about ₹ 1200 crores
 - ₹ 1000 crores towards the two new paint manufacturing facilities being built at Vizag (Andhra Pradesh) and Mysuru (Karnataka)
 - Setting up 5,00,000 KL/annum plant at Vizag at an investment of ₹ 1785 crores and 6,00,000 KL/annum plant at Mysuru at an investment of ₹ 2300 crores
 - On track to commission the first phase of both the plants in FY 2018-19

- Discontinued the production of Phthalic Anhydride at the Ankleshwar (Gujarat) plant since August 2017 and plans to augment its manufacturing capacity for paints, synthetic resins and emulsions at the location

Presentation Structure

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Risks and Outlook

Risks & Outlook

- There are signs of some recovery towards the latter half of Q2FY18
 - Coupled with a good monsoon and settling down of the trade channel from the initial hiccups of GST rollout, we are hopeful of better demand conditions in the second half of the year
- Raw material prices continue to be higher and we will need to monitor this trend very carefully and take necessary action to protect margins
- In the international markets, forex situation in the international markets of Egypt and Ethiopia is a key cause of concern

Thank you

STANDALONE Q2 & H1 FY 2017-18

₹ In Crores

Particulars	Q2 FY 18	Q2 FY 17	Gr %	6M FY 18	6M FY 17	Gr %
Revenue from Operations	3,602.20	3,553.23	1.4%	7196.77	6960.96	3.4%
Material Cost (Including excise duty)	2,080.91	2,137.09	-2.6%	4273.92	4098.66	4.3%
Employee Cost	202.03	192.69	4.8%	408.04	381.68	6.9%
Other Expenses	599.17	592.2	1.2%	1197.64	1119.24	7.0%
PBDIT	720.09	631.25	14.1%	1,317.17	1,361.38	-3.2%
Depreciation	77.15	73.07	5.6%	152.9	147.09	3.9%
Profit from Operations	642.94	558.18	15.2%	1,164.27	1,214.29	-4.1%
Other Income	63.84	84.77	-24.7%	149.98	163.54	-8.3%
PBIT	706.78	642.95	9.9%	1,314.25	1,377.83	-4.6%
Finance Cost	4.97	4.4	13.0%	9.26	8.58	7.9%
PBT before Exceptional Item	701.81	638.55	9.9%	1,304.99	1,369.25	-4.7%
Exceptional Items	-	-		-	-	
PBT after Exceptional Item	701.81	638.55	9.9%	1,304.99	1,369.25	-4.7%
Curr. & Def. Tax	228.36	203.28	12.3%	430.59	432.8	-0.5%
PAT	473.45	435.27	8.8%	874.40	936.45	-6.6%
Other Comprehensive Income (OCI)	27.57	28.75		17.06	85.25	
Total Other Comprehensive Income	501.02	464.02	8.0%	891.46	1,021.70	-12.7%
EPS	4.94	4.54		9.12	9.76	

STANDALONE Q2 & H1 FY 2017-18

Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July, 2017, Central Excise, Value Added Tax (VAT) etc. have been subsumed into GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, unlike Excise Duties, levies like GST, VAT etc. are not part of Revenue. The figures and growth percentages given herein have been suitably adjusted to make the revenue from operations for periods upto 30th June 2017 comparable.

₹ In Crores

Particulars	Q2 FY 18	Q2 FY 17	Gr %	6M FY 18	6M FY 17	Gr %
Revenue from Operations (A)	3,602.20	3,553.23	1.4 ⁰ %	7196.77	6960.96	3.4 ⁰ %
Excise Duty on sale (B)		409.52		405.84	801.18	
Revenue from Operations excluding Excise Duty on sale (A-B)	3,602.20	3,143.71	14.6 ⁰ %	6,790.93	6,159.78	10.2 ⁰ %

CONSOLIDATED Q2 & H1 FY 2017-18

₹ In Crores

Particulars	Q2 FY 18	Q2 FY 17	Gr %	6M FY 18	6M FY 17	Gr %
Revenue from Operations	4,274.18	4,178.61	2.3%	8,502.44	8,210.31	3.6%
Material Cost (Including excise duty)	2,513.19	2,532.81	-0.8%	5,107.45	4,873.54	4.8%
Employee Cost	282.15	266.26	6.0%	568.32	529.85	7.3%
Other Expenses	677.71	674.13	0.5%	1,360.17	1,285.35	5.8%
PBDIT	801.13	705.41	13.6%	1,466.50	1,521.57	-3.6%
Depreciation	88.91	83.28	6.8%	179.43	167.71	7.0%
Profit from Operations	712.22	622.13	14.5%	1,287.07	1,353.86	-4.9%
Other Income	53.40	79.25	-32.6%	131.74	151.11	-12.8%
PBIT	765.62	701.38	9.2%	1,418.81	1,504.97	-5.7%
Finance Cost	8.77	5.89	48.9%	16.73	12.14	37.8%
PBT before Exceptional Item	756.85	695.49	8.8%	1,402.08	1,492.83	-6.1%
Exceptional Items	-	-	-	-	-	-
PBT after Exceptional Item	756.85	695.49	8.8%	1,402.08	1,492.83	-6.1%
Curr. & Def. Tax	245.88	220.00	11.8%	461.92	479.25	-3.6%
PAT before share in Profit of associate	510.97	475.49	7.5%	940.16	1,013.58	-7.2%
Share in Profit of associate	15.22	13.77	10.5%	24.24	26.32	-7.9%
PAT the period from continuous operation	526.19	489.26	7.5%	964.40	1,039.90	-7.3%
Profit from discontinued operation	67.47	5.50		70.00	7.42	
Profit for the period	593.66	494.76	20.0%	1,034.40	1,047.32	-1.2%
Other Comprehensive Income (OCI)	45.00	12.09		31.22	81.39	
Total Other Comprehensive Income	638.66	506.85		1,065.62	1,128.71	
Profit for the period attributable to:						
Owners of the company	575.89	475.94		1,003.30	1,010.99	
Non-Controlling interest	17.77	18.82		31.10	36.33	
Total Other Comprehensive Income for the period attributable to:						
Owners of the company	621.18	493.22		1,031.98	1,094.30	
Non-Controlling interest	17.48	13.63		33.64	34.41	
EPS from continuing operation	5.30	4.91		9.73	10.47	
EPS from discontinued operation	0.70	0.05		0.73	0.07	
EPS from continuing & discontinued operation	6.00	4.96		10.46	10.54	

CONSOLIDATED Q2 & H1 FY 2017-18



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₹ In Crores

Particulars	Q2 FY 18	Q2 FY 17	Gr %	6M FY 18	6M FY 17	Gr %
Revenue from Operations (A)	4,274.18	4,178.61	2.3%	8502.44	8210.31	3.6%
Excise Duty on sale (B)		420.95		418.47	825.38	
Revenue from Operations excluding Excise Duty on sale (A-B)	4,274.18	3,757.66	13.7%	8,083.97	7,384.93	9.5%

KEY RATIOS

	Standalone			
% to Revenue from Operations	Q2 FY 18	Q2 FY 17	6M FY 18	6M FY 17
Material Cost (including excise)	57.8%	60.1%	59.4%	58.9%
PBDIT	20.0%	17.8%	18.3%	19.6%
PBT after Exceptional Item	19.5%	18.0%	18.1%	19.7%
PAT	13.1%	12.2%	12.1%	13.5%

	Consolidated			
% to Revenue from Operations	Q2 FY 18	Q2 FY 17	6M FY 18	6M FY 17
Material Cost (including excise)	58.8%	60.6%	60.1%	59.4%
PBDIT	18.7%	16.9%	17.2%	18.5%
PBT after Exceptional Item	17.7%	16.6%	16.5%	18.2%
PAT	13.9%	11.8%	12.2%	12.8%