asianpaints

CHAIRMAN'S SPEECH

72nd ANNUAL GENERAL MEETING

TUESDAY, 26th JUNE, 2018

Dear Shareholders,

Good morning and a warm welcome to the 72nd Annual General Meeting of Asian Paints Limited. I am very pleased to see our shareholders and business partners here today and thank you all for your continued trust, encouragement and support to the Company and its management. The audited financial statements for the financial year ended 31st March, 2018 together with the Board's Report, Auditor's Report and Management Discussion & Analysis, have been circulated to you. With your kind permission, I would like to take them as read.

In the current times, a complex, volatile and fast changing business environment is a certainty and year 2017-18 was no different. I am happy to note that our Company has managed these external volatilities to deliver yet another year of robust performance. Let me take this opportunity to provide you with a brief overview of the performance of the various business segments of the Company.

YEAR 2017-18 IN PERSPECTIVE

Economic conditions in the domestic market took a beating in the first half of the year 2017-18 due to GST implementation and continued effect of Demonetization. However, despite these jitters and added pressures from rising crude oil prices and widening fiscal deficit, the Indian economy witnessed a gradual recovery as the year progressed with consumer demand showing signs of improvement towards the last quarter. Global economy, on a whole, witnessed robustness on the back of good growth across developed countries and resilient emerging economies. However, towards the end of the year, we witnessed significant increase in crude oil prices which has made the business environment a bit uncertain.

DIRECTORS

I am saddened to inform you that one of the Company's long-time Board colleagues, Mr. Dipankar Basu, who had resigned from the Board in January 2017, passed away in February 2018 after prolonged illness. Mr. Basu was the Chairman of the Audit Committee along with being a part of the Nomination and Remuneration Committee. I express my gratitude for his immense contribution and guidance to the Company during his long association with us.

THE FUTURE

The new financial year has begun with rising commodity prices and weakening rupee. The impending elections across many states and the general elections early next year will add to the uncertainty in the domestic environment. However, early indications of a normal monsoon, increase in minimum support prices in the Union Budget, farm loan waivers and Centre's effort to streamline GST rates and minimize compliance burden affirm our belief of a positive outlook.

With the able guidance provided by the esteemed Board members and the continued support of all the stakeholders and the entire Asian Paints team, we will continue on our journey to keep the needs and requirements of our customers at the centre of all our endeavors and relentlessly push ourselves to be our customers most trusted and preferred home décor partner.

Thank you all, for making it convenient to attend this meeting.

ASHWIN CHOKSI

Asian Paints Limited
CIN: L24220MH1945PLC004598
Regd. Office: 6A, Shantinagar, Santacruz (East), Mumbai 400 055
Website: www.asianpaints.com
email: investor.relations@asianpaints.com
Tel No.: (022) 6218 1000

BUSINESS PERFORMANCE

At the start of the year, with de-stocking following the GST rollout and overall suppressed construction sector, the Company faced slow demand and fell short of expectations. However, with fading uncertainties post 1st July 2017 and early festive season, demand conditions picked up. The Company registered good growth in the domestic market, marginally increasing its market share in Projects, Wood Finishes and Economy Interior Emulsions. Our Company also launched multiple new products throughout the year – Royale Atmos, Ultima Duralife, Tractor Shyne Emulsion and Royale Healthshield and is focused to innovate further.

The Company continued on the path of inspiring and assisting the homemakers to create their 'Dream Home' and be the one-stop partner for offering complete Home Décor. On the Channel front, more than 4,000 retail outlets were opened during the year, taking the total strength to over 52,000. We got good response from customers for our color consultancy and Paint Total services and also saw good interest for our latest store formats – AP Homes.

As you all are aware, five years back, the Company forayed in the Home Improvement segment to complement its vision to be a complete home décor partner. Continuing with the emphasis to strengthen this vision, this year, the Company acquired the remaining 49% stake in Sleek International, the Kitchen business. Despite the slow first half which was affected by the GST implementation, both the businesses – Kitchen and Bath space, came back strongly in the second half. The businesses focused on the expansion of its sales network, improvement of service level, brand building and rolling out newer offerings like Wardrobes.

The year 2017-18 was equally challenging at the international front for the Company on account of adverse political and economic conditions. In the African region, performance took a beating due to a weak demand and high inflation conditions in Egypt and severe foreign exchange crisis in Ethiopia. Similarly, persistent floods and droughts for couple of months dragged the performance in Sri Lanka. Nepal, Bahrain and Oman were the key growth drivers for this year. This year was marked by addition of Causeway Paints, Sri Lanka and divestment from the low growth Caribbean markets, streamlining our Company's focus on Asia, Middle East and Africa portfolio.

This year we completed all the formalities related to merger of Asian Paints (International) Limited, Mauritius with the parent company Asian Paints Limited. Last year the Company had completed work on consolidating all its overseas operating subsidiaries under a single overseas holding company.

The two Industrial coatings joint ventures with PPG Industries Inc, USA performed well over the year, after a slow start in the first half of the year. The double-digit growth in two-wheeler and powder market gave impetus to sales performance over the year. However, the steep rise in material cost posed a challenge. Overall, significant market share gains were observed with the successful launch of industrial tinting machines in the dealer network, direct-to-metal coatings and gains in Ford, Hyundai and other Indian Auto manufacturers.

On the manufacturing front, work progressed further on building the 2 megaplants – at Mysuru and Vishakhapatnam, both with an initial capacity of 3,00,000 KL per annum. These water-based paint plants would be commissioned next year to augment the Company's ability to manufacture paints at lowest cost to meet the future needs. The Company is in the process of seeking approvals for expanding production capacity at Ankleshwar as well and phased out the operations at the adjoining Phthalic plant during the year as part of this expansion project. This year, PPG Asian Paints, the auto industrial JV of the Company, commissioned an Industrial Coatings cell at its manufacturing site at Sriperumbudur, Tamil Nadu and also progressed towards setting up of Industrial resin plant at Dahej. Substantial investments were committed during the year in the area of Renewables, reaching the milestone of 35% of the power consumed in the Company's manufacturing plants being sourced from Renewable energy. We continued to focus on initiatives to lower our water consumption and over the last 5 years and we have lowered our non-process freshwater consumption by 63%. As always, the company views commitment towards environment as well as adherence to the strictest corporate governance norms as an ethical requisite rather than a regulatory necessity.

FINANCIALS

Against the backdrop of this challenging business environment, the Company reported a 11.2% increase at standalone level in net revenues from operations at ₹ 14,154 crores. However, with the material cost inching up, Profit after Tax for the year increased by only 5.2% at ₹ 1,895 crores against ₹ 1,802 crores in the previous year.

At a consolidated level, the Group achieved a net revenue growth of 11.0% at ₹ 16,844 crores and Net Profit after Minority Interest for the year increased by 5.1% at ₹ 2,039 crores against ₹ 1,939 crores in the previous year.

DIVIDEND

The Company had paid an interim dividend of ₹ 2.65 per equity share of face value of ₹ 1 each. The Board of Directors have recommended payment of ₹ 6.05 per equity share of face value of ₹ 1 each as the final dividend for the financial year 2017-18. If approved, the total dividend (interim and final dividend) for the financial year 2017-18 will be ₹ 8.70 per equity share of face value of ₹ 1 each against ₹ 10.30 for the previous financial year which included a one-time special dividend of ₹ 2 per equity share of face value of ₹ 1 each. I would request all the shareholders to approve the recommended final dividend for FY 2017-18.