

Asian Paints Limited

CHAIRMAN'S SPEECH

73RD ANNUAL GENERAL MEETING

THURSDAY, 27TH JUNE, 2019

Good morning everyone.

On behalf of the Board of Directors and the entire Asian Paints family, I extend a very warm welcome to all of you to the 73rd Annual General Meeting of the Company.

I am delighted to introduce you to the new Directors of the Company – Mr. Manish Choksi, Non – Executive Vice Chairman, Mr. Suresh Narayanan, Independent Director, Mrs. Pallavi Shroff, Independent Director and Mr. Jigish Choksi, Non – Executive Director.

As I began addressing all of you, the first thought that comes to my mind is of my dear friend and the ex – Chairman of the Company, Mr. Ashwin Choksi. We joined the Board on the same day in October, 1970 and he was my close friend and colleague since then. He was truly an inspiring leader, passionate about social causes and committed to the growth of the organisation. I will continue to draw inspiration from his humility and profound wisdom.

I would request you all to observe a minute of silence remembering Mr. Ashwin Choksi.

Thank you.

I would now take this opportunity to provide a brief overview of the performance of the Company and its various business segments during the financial year 2018-19.

But before that, I would like to place on record my sincere gratitude to you, our valued shareholders, for your unstinted support that has made this organisation to what it is today.

The Notice convening this meeting and the annual report containing the audited standalone and consolidated financial statements for the financial year ended 31st March, 2019, along with the Board's and Auditors' report and Management Discussion & Analysis, have already been circulated through the permitted mode to you and with your kind permission, I take them as read

YEAR 2018-19 IN PERSPECTIVE

Your Company was successful in delivering a steady performance in a rather challenging year which had its share of uncertainty and volatility. Demand conditions witnessed some improvement with the economy coming out of the after effects of demonetization and GST rollout. Increase in the raw material prices, however, led to tight operating margins despite the price increases taken during the course of the year. Notwithstanding these difficult business conditions, your Company managed to register good growth in the domestic markets. In the international markets, the business environment was challenging with high inflation, currency depreciation, forex shortage, rising raw material costs and subdued economic growth in some of the key markets.

Let me now elaborate on the performance of various business segments.

BUSINESS PERFORMANCE

Over the second half of the previous financial year, the paint industry had gradually returned to normalcy from the de-stocking effects of GST roll-out. However, the first half of financial year 2018-19 was impacted by the supply chain disturbances due to reduction in the GST rate. The second half of the year saw an improvement in demand conditions helped by the GST rate reduction as well as good festival season demand. Overall, the domestic decorative paint business of your company did well, with higher growth coming from upgradation of products across categories and introduction of top-end products like Royale Health Shield, Ultima Protek Lamino. Your Company emerged as one of the most preferred brands with sales revenues growing in healthy double digits in the financial year 2018-19. Your Company's retail channel business saw good growth across regions providing over 8 lakh in-store consultancies through Colour Idea Stores and painting over 40,000 homes through Paint Total, Paint Rite and Home Solution Services. Your Company continued on the path of inspiring and assisting the homemakers to create their 'Dream Home' and be the one-stop partner for offering solutions towards complete Home Décor. On the channel front, more than 3,000 retail outlets were opened during the year, taking the total strength to over 60,000 retail outlets. The AP Homes store format continues to garner further interest and we now have 6 AP Homes offering complete décor solutions under one roof.

Few years ago, your Company embarked on the journey of transformation by expanding its offerings into the kitchens and bath segment – the Home Improvement business. Your Company's Home Improvement Business did well growing over 20% with expansion of the network geographically, onboarding new dealers, improving service levels and launching new products.

For the International Business, financial year 2018-19 was challenging with subdued economic conditions in some of the key markets where your Company operates. The increase in the interest rates by US Fed led to depreciation of the currencies of the emerging economies against the US dollar. In Africa, performance took a beating due to a weak demand and high inflationary conditions in

Egypt and foreign exchange crisis in Ethiopia. Poor retail conditions and dull growth in the housing / construction sector across the Middle East region impacted the performance of your Company's units in the region. Similarly, in Asia, Sri Lanka suffered from currency depreciation, lackluster consumer demand and volatile political conditions. Unit in Nepal did well with good growth in sales and profits and so did the greenfield venture in Indonesia. Paint sector in Bangladesh was impacted by the political conditions and unseasonal rains.

The two Industrial coatings joint ventures with PPG Industries Inc, USA were impacted by increase in raw material prices and slowdown in the automotive sector. Asian Paints PPG Private Limited did well making competitive gains across market segments.

Your Company successfully commissioned its two paint manufacturing facilities at Mysuru, Karnataka and Visakhapatnam, Andhra Pradesh, both with an initial capacity of 3,00,000 KL per annum. I am proud to inform you that both these manufacturing facilities are fully automated with world-class automation systems in manufacturing as well as deploying newer technology in packing floor and finished goods warehousing.

Your Company continued its efforts in sustainable water management, waste management and energy management. Substantial investments were committed during the year in the area of renewables, reaching the milestone of sourcing 50% of the power consumed in the Company's manufacturing plants from renewable energy. As always, your Company continued its vigil to enhance the positive attributes of paint while arresting its negative impact on the environment and maintaining high quality and safety standards. Our Research and Technology Function has taken many initiatives to introduce innovative products which not only add more value to the consumers but also address their health and safety needs.

Your Company's strong belief in bringing about social transformation continues to motivate us constantly to do more, achieve more and connect with more people from various communities we interact with. Your Company is committed to ensure that the social responsibility finds an inherent space in every area of the organisation. Some of key activities by your Company during the financial year 2018-19, were running learning enhancement programs at schools, improving infrastructure and other facilities through school adoption programs, skilling and vocational trainings, delivering primary healthcare support and free medical camps for rural communities and promoting integrated watershed development in the areas around our manufacturing locations. Your Company will continue to invest in a socially responsible ecosystem with inclusive and equitable growth of communities around its areas of operations.

FINANCIALS

Against the backdrop of this challenging business environment, your Company reported a 15.8% increase in revenue from operations on standalone basis at ₹ 16,392 crores. With the material cost inching up, profit after tax for the year increased by 12.7% at ₹ 2,135 crores.

At a consolidated level, the Group achieved growth in revenue from operations of 14.9% at ₹ 19,350 crores and net profit after non-controlling interest for the group for the year increased by 5.9% at ₹ 2,159 crores.

DIVIDEND

Your Company had paid an interim dividend of ₹ 2.85 per equity share of face value of ₹ 1 each. The Board of Directors have recommended payment of ₹ 7.65 per equity share of face value of ₹ 1 each as the final dividend for the financial year 2018-19. If approved, the total dividend (interim and final dividend) for the financial year 2018-19 will be ₹ 10.50 per equity share of face value of ₹ 1 each against ₹ 8.70 per equity share paid in the previous financial year. I would request all the shareholders to approve the recommended final dividend for the financial year 2018-19.

DIRECTORS

On 31st March, 2019, three stalwarts of our Board, Mr. Mahendra Choksi, Mr. Mahendra Shah and Mr. S. Ramadorai who served your Company for many years, retired. I, on behalf of the entire Board of Directors place on record appreciation and thank each one of them for their invaluable contribution and guidance to your Company during their long association with us. Mr. Abhay Vakil and Mr. Malav Dani, Non-Executive Directors are liable to retire by rotation, at this Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors have appointed Mr. Jigish Choksi as an Additional Director with effect from 1st April, 2019. The Board recommends their re-appointment and appointment as Directors of your Company.

THE FUTURE

Every passing year of your Company's journey brings with it a sense of fulfillment as we witness launch of a new products or new brands, expansion to new markets, or new capabilities in manufacturing. Yet, there are miles to go. As enriching as this journey of transformation has been, it is my belief that the best is yet to come. I am sure Asian Paints' world-class team of dedicated professionals will leave no stone unturned in continuing the quest to take your Company to greater heights and serve our society, and you, our shareholders.

I conclude by thanking all my colleagues on the Board for their continued support. I also thank the Asian Paints team, our business associates and the shareholders for their trust and encouragement that inspire us in our journey to achieve greater heights.

Asian Paints Limited

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