



KEYTAKEAWAYS FROM ANNUAL REPORT 2015-16

Innovate to inspire

CHAIRMAN'S LETTER

“Over the longer term, the growth potential for your Company’s various businesses is immense especially given the large impetus being put on infrastructure development and urbanization through creation of smart cities”

Your Company took various measures on enhancing the positioning and range of its products and services during the year to reinforce its leadership position in the market. Continuing with its agenda to expand offerings beyond the traditional paint products, your Company entered the retail segment of the adhesives category with a distribution arrangement with Henkel Adhesives Technologies, Germany to sell the Loctite brand of adhesives under a co-branding initiative. In the International business, your Company got a fillip from the acquisition in Ethiopia. Operations in Ethiopia contributed significantly to the growth in the international business and helped soften the impact of weak demand conditions resulting from declining crude prices in some of the Middle East economies where your Company operates.

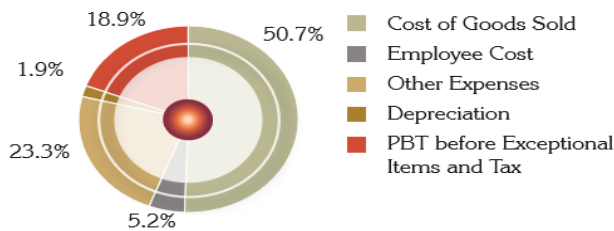
Consumer experience delivery was taken a notch higher during the year with the launch of “AP Homes” – a multi-category décor store, in partnership with one of its dealers in Coimbatore. The consumer will be able to avail an integrated décor consultancy across categories ranging from paints, bath fittings, kitchen, sanitary ware, wall papers, furniture, tiles etc. all under one roof at this store. Your Company aims to take its journey in the Home Décor space forward through such initiatives to enhance its capabilities to cater to the décor aspirations of consumers on a much wider board.

As we move ahead in the new financial year, the demand conditions still remain uncertain. While India continues to enjoy the benefits of a strong domestic consumption base, it cannot remain isolated from the external world where most of the large economies continue to exhibit weak growth trends. However, the advance estimates for a good monsoon are encouraging signs and could provide a real push to the rural sector demand. Your Company is geared to meet the challenges arising out of this uncertain environment and would work towards furthering its position in the market.

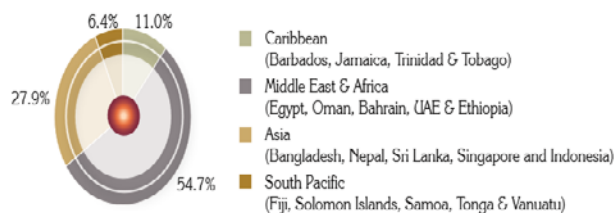
Your Company is confident of its abilities to convert this potential into reality and as a mark of this confidence; your Company has initiated work on setting up new manufacturing facilities in the states of Karnataka and Andhra Pradesh. Your Company would be investing in phases at both these facilities to enable it to service the future demand adequately.

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Percentage of total revenue built-up for 2015-16



Percentage of Net Sales contribution of each region to overall International operations for 2015-16



MANAGEMENT DISCUSSION AND ANALYSIS

Brand ‘asianpaints’ stands for inspiring décor and partnering with consumers in creating their beautiful homes.

Your Company benefited during the year on account of the declining raw material prices and a part of this benefit was passed on to the customers through a price reduction taken in March 2016. Your Company had taken a price reduction in the fourth quarter of FY 2014-15 before this.

The Smart Care range of waterproofing products offered by your Company is a revolutionary range of hi-tech products that are designed to address lasting protection against dampness.

In the wood finishes category, the focus of your Company is to drive growth in the premium end. Products at the top end, launched in collaboration with Renner Italia registered strong growth during the year. At the lower end, “Genie Polish” which was launched during the second half of the year, is one of its kind in the industry as it offers an economic upgrade to traditional French polish with the added advantage of being water based and low odour.

New products have been an area of thrust for your Company. Several new products were launched during the year and most of them received excellent response in the market.



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Your Company continued its foray in the home décor category by rapidly increasing the sales of its Nilaya range that includes wall papers and decals.

Your Company has taken many steps to promote brand 'Ezycolour'. The Ezycolour network with more than 2,000 stores across the country help consumers get solutions for their needs while making their dream homes through self-help colour consultation kiosk, finishes demonstration and inspiration kits, trained shop assistant and trained contractors.

This year, your Company launched a variant under this service called "Express Painting" for completing painting in 3 or 7 days.

Manufacturing

The expansion project at Rohtak plant in Haryana to double the capacity from the existing 2,00,000 KL per annum to 4,00,000 KL per annum was successfully completed this year. Your Company would now be focusing on ramp up and stabilization of output from the Rohtak plant.

As informed in the last annual report, your Company will be setting up a paint manufacturing plant with a maximum capacity of 4,00,000 KL in phases at Visakhapatnam in Andhra Pradesh at an approximate investment of 1,750 crores. In addition, your Company would be investing approximately 2,300 crores to set up a paint manufacturing facility with a maximum capacity of 6,00,000 KL in phases at Mysuru in Karnataka. The capacities at both these manufacturing facilities will be built in a phased manner that your Company is able to service the future demand conditions adequately.

Your Company also made a fresh equity investment of SGD 30 million (equivalent to 143.16 Crores) in Berger International Private Limited through Asian Paints (International) Limited to fund the Indonesia greenfield investment as well as to reduce the borrowings at Berger International Private Limited.

Your Company forayed in the Home Improvement business in 2013-14 by acquiring a majority stake in the Sleek group which caters to the organized modern kitchen space. In 2014-15, your Company moved a step further with acquisition of the front end sales business of Ess Ess Bathroom Products Private Limited, a quality player in the bath fittings segment.

Year 2015-16 was the first full year of operations for the Bath business foray of your Company. Focus was placed on engaging and building confidence with all stakeholders like distributors, dealers and employees to help expand the business. Priority was placed on learning the business model and evolving models for future.

OVERVIEW OF COMPANY'S FINANCIAL PERFORMANCE

Net revenue from operations on standalone basis increased to 12,645.88 crores as against 11,648.83 crores in the previous year – a growth of 8.6%. The performance includes results of bath

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business acquired in June, 2014. Cost of goods sold as a percentage to net revenue from operations decreased to 51.6% as against 55.3% in the previous year. The decrease is on account of reduction in key raw material prices on the back of significant drop in crude prices. Employee cost as a percentage to net revenue from operations increased to 5.3% (664.20 crores) against 5.2% (606.94 crores) in the previous year. Other expenses as a percentage to net revenue from operations increased to 23.5% (2,972.55 crores) as against 22.2% (2,591.52 crores) in the previous year.

Your Company has made an assessment of the fair value of investment made in its subsidiary, Sleek International Private Limited ('Sleek') taking into account the past business performance, prevailing business conditions and revised expectations of the future performance given the understanding built up since acquisition. Based on above factors and as a matter of prudence, your Company has made a provision for diminution in the value of investment made in Sleek to the tune of 65.30 crores in the year ended 31st March, 2016. The same is disclosed under "Exceptional items" in the Statement of Profit and Loss. The details of "Exceptional items" are given in Note [51] to the Standalone Financial Statements and Note [28] to the Consolidated Financial Statements.

The Profit After Tax for the current year is 1,597.43 crores as against 1,327.40 crores in the previous year – a growth of 20.3%. The growth in profit is mainly driven by increase in net revenue from operations and softening of input prices during the year.

On a consolidated basis, your Company achieved net revenue of 15,534.14 crores as against 14,182.81 crores – a growth of 9.5%. Net profit after minority interest for the group for the current year is 1,726.21 crores as against 1,395.15 crores in the previous year – a growth of 23.7%.

There are no material changes and commitments affecting the financial position of your Company which have occurred between the end of the financial year 2015-16 and the date of this report.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2016

	Notes	Year 2015-16	Year 2014-15
(₹ in Crores)			
(I) INCOME			
Revenue from sale of goods and services (Net of discounts)	20 A	16,946.82	15,473.19
Less: Excise duty		1,616.10	1,467.86
Revenue from sale of goods and services (Net of discounts and excise duty)		15,330.72	14,005.33
Other Operating Revenue	20 B	203.42	177.48
Other Income	21	200.72	169.71
TOTAL REVENUE (I)		15,734.86	14,352.52
(II) EXPENSES			
Cost of Materials Consumed	22A	7,311.09	7531.17
Purchases of Stock-in-Trade	22B	723.20	588.37
Changes in inventories of finished goods, work in progress and stock-in-trade	22C	171.30	(148.07)
Employee Benefits Expense	23	1,017.84	907.11
Other Expenses	24	3,502.09	3068.82
TOTAL (II)		12,725.52	11947.40

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NOTE 24 : OTHER EXPENSES	(₹ in Crores)	
	Year 2015-16	Year 2014-15
Freight and handling charges	808.32	708.86
Advertisement and sales promotional expenses	904.90	743.86
Cash discount	628.78	567.55

ASSETS

NON CURRENT ASSETS

Fixed Assets			
Tangible Assets	11 A	3,074.59	2,290.16
Intangible Assets	11 B	130.82	124.07
Capital work-in-progress		110.80	196.00
		3,316.21	2,610.23

The financial performance of each of the subsidiaries and joint venture companies included in the consolidated financial statements are detailed below:

Sr. No.	Name of the Subsidiary/Joint Venture company	Turnover			Profit/(Loss) Before Tax			Profit/(Loss) After Tax		
		Current Period	Previous Period	Growth %	Current Period	Previous Period	Growth %	Current Period	Previous Period	Growth %
A) Foreign Subsidiaries										
1	Berger Paints Jamaica Limited	112.19	101.19	10.87	7.76	4.32	79.63	6.68	3.66	82.51
2	Berger Paints Trinidad Limited	56.60	59.49	(4.86)	1.18	2.91	(59.45)	0.63	2.18	(71.10)
3	Berger Paints Barbados Limited	57.62	53.30	8.11	6.34	4.66	36.05	5.61	4.19	33.89
4	Berger Paints Emirates LLC	249.31	222.01	12.30	12.71	4.56	178.73	12.71	4.56	178.73
5	Asian Paints (Middle East) LLC	122.14	109.13	11.92	6.43	6.15	4.55	5.72	5.44	5.15
6	Berger Paints Bahrain W.L.L.	97.80	92.24	6.03	14.82	12.27	20.78	14.82	12.27	20.78
7	SCIB Chemicals S.A.E.	431.56	428.73	0.66	56.26	45.42	23.87	42.77	31.70	34.92
8	Asian Paints (Lanka) Limited	90.78	92.22	(1.56)	0.08	(1.89)	-	(0.76)	(2.15)	-
9	Asian Paints (Nepal) Private Limited	163.32	157.32	3.81	28.50	22.39	27.29	22.74	17.55	29.57
10	Asian Paints (Bangladesh) Limited	315.00	268.56	17.29	24.36	12.56	93.95	12.84	7.34	74.93
11	Samoa Paints Limited	8.08	6.79	19.00	1.98	1.02	94.12	1.44	0.77	87.01
12	Asian Paints (South Pacific) Limited	96.98	88.27	9.87	15.87	14.50	9.45	12.66	11.85	6.84
13	Asian Paints (Tonga) Limited	8.80	7.75	13.55	1.13	1.40	(19.29)	0.84	1.20	(30.00)
14	Asian Paints (S.L) Limited	15.64	13.86	12.84	4.62	4.90	(5.71)	4.74	4.89	(3.07)
15	Asian Paints (Vanuatu) Limited	7.77	5.40	43.89	1.56	0.56	178.57	1.56	0.56	178.57
16	Berger Paints Singapore Pte Limited	81.43	93.23	(12.66)	(4.82)	(1.36)	-	(3.93)	(1.06)	-
17	Kadisco Paint and Adhesive Industry Share Company [†]	182.33	26.99	-	52.12	7.52	-	36.47	5.53	-
18	PT Asian Paints Indonesia	-	-	-	(6.64)	(0.08)	-	(6.64)	(0.08)	-
19	PT Asian Paints Color Indonesia ^{**}	-	-	-	(1.33)	-	-	(1.33)	-	-
20	Berger International Private Limited	-	-	-	55.45	3.40	-	55.54	2.67	-
21	Asian Paints (International) Limited	-	-	-	11.59	26.79	(56.74)	10.86	25.67	(57.69)
22	Enterprise Paints Limited	-	-	-	*	*	-	*	*	-
23	Nirvana Investments Limited	-	-	-	-	*	-	-	*	-
24	Universal Paints Limited	-	-	-	9.87	14.11	(30.05)	9.87	14.11	(30.05)
25	Lewis Berger (Overseas Holdings) Limited	6.28	5.62	11.74	1.89	2.03	(6.90)	1.16	1.42	(18.31)
B) Indian Subsidiaries										
1	Asian Paints Industrial Coatings Limited	9.73	8.28	17.51	(0.15)	0.23	-	0.84	0.38	121.05
2	Sleek International Private Limited	138.35	121.81	13.58	(19.54)	(16.73)	-	(20.15)	(16.73)	-
3	Kitchen Grace (India) Private Limited*	-	9.65	-	-	2.23	-	-	2.23	-
4	Masbhumi Developers Limited	-	-	-	(0.24)	(0.96)	-	(0.24)	(0.96)	-
5	Multifacet Infrastructure (India) Limited ^{††}	-	-	-	(0.01)	(0.01)	-	(0.01)	(0.01)	-
C) Joint Ventures*										
1	Asian Paints PPG Private Limited	323.12	289.64	11.56	6.79	(5.57)	-	6.79	(5.57)	-
2	PPG Asian Paints Private Limited	990.50	952.88	3.95	87.01	67.26	29.36	61.60	53.88	14.33
3	Faaber Paints Pvt. Limited [‡]	32.19	33.06	(2.63)	5.44	3.56	52.81	3.71	2.30	61.30
4	PPG Asian Paints Lanka Pvt. Limited [‡]	4.43	3.79	16.89	0.58	0.30	93.33	0.40	0.18	122.22