

Robust performance across key metrics

We always strive to ensure healthy returns for the providers of our financial capital. Our success in this regard is evident from our continued growth and wealth creation over the years. During the year, we continued our double-digit revenue growth trajectory despite the steep material inflation that compressed margins. Our cost efficiency, price increases and turnaround in the Décor business helped us withstand the temporary upsets. We have registered strong volume growth, led by our expanding business in the Tier I and II centres as well as the urban markets.

Strategic focus areas

- Strong revenue growth, expanding from 'share of surface' to 'share of space'
- Cost optimisation to deliver sustainable profits
- Efficient asset utilisation and working capital management
- Effective capital allocation for future growth and sustained return on investment

Key material issues

- Financial performance
- Organisational resilience
- Business ethics and corporate governance
- Anti-corruption
- Anti-competitive behaviour

SDGs impacted



FY 2021-22 key highlights

- 36.8%** Growth in Revenue from Sale of products and services
- 3.7%** Growth in EBITDA
- 21.4%** Growth in Market Capitalisation
- 58.6%** Dividend pay-out ratio

Interlinkages to other capital

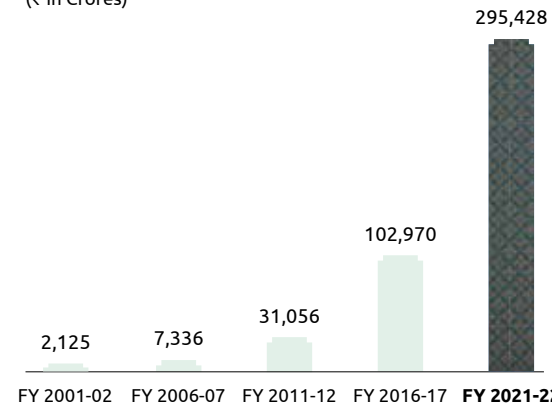
-  Manufactured capital
-  Human capital
-  Intellectual capital
-  Social and relationship capital
-  Natural capital



Our market capitalisation has grown at a robust CAGR of 28.0% since 1st April 2002 from ₹2,125 Crores to ₹295,428 Crores as on 31st March 2022. We are proud to have retained the consistent support and trust of our shareholders, who have committed their wealth and supported our growth story. In return, we have constantly strived to maintain a healthy dividend pay-out ratio. The average dividend pay-out of 55.7% of our earnings over the past five years reflects our commitment towards sharing the wealth generated with our shareholders.

Creating sustained value for investors

(Market Capitalisation as at 31st March)
(₹ in Crores)



*Source: www.nseindia.com

Both on the volume front as well as on the value front, we have continued to report healthy performance and have taken key decisions in the past two-three years that have helped us deliver value for our investors and shareholders despite the prevailing uncertainties caused by the pandemic. Our foray into the Home Décor business has enabled us to capitalise on the synergy between home renovation, new homes and home makeovers, thus allowing us to capture the customer lifecycle while retaining our core strength in the home painting category. The waterproofing and other admixtures sections have gained traction and we are seeing a strong uptick from new launches in the premium space. We have also been making deep inroads across the customer segments of builders, government, factories, and cooperative societies.



Economic value creation*

Particulars	₹ in Crores)	
	FY 2021-22	FY 2020-21
Direct Economic Value Generated	25,640.4	18,882.9
Revenues	25,188.5	18,516.9
Other Income	451.9	366.0
Economic Value Distributed	24,339.9	17,564.6
Operating costs	20,011.6	13,601.5
Employee wages and benefits	1,310.1	1,128.7
Payments to providers of capital	1,836.9	1,712.2
Payments to Government [^]	1,110.5	1,059.2
Community investments	70.8	63.1
Economic Value Retained	1,300.5	1,318.3

[^] It does not include amount paid by the Company towards Goods and Services Tax (₹ 1,366.4 Crores for FY 2021-22 & ₹ 1,702.4 Crores for FY 2020-21)

Strong revenue growth, expanding from 'share of surface' to 'share of space'

We continued to grow at a robust pace across all our business segments, well supported by the recovery in the overall economic activities, emerging out of the pandemic-impacted previous financial year as well as drawing from the multi-pronged initiatives to push higher customer value proposition across products and services. The underlying favourable factors of low per capita consumption relative to other economies — developed as well as emerging, significant middle class with rising aspirations provide significant tailwinds for continued growth for the entire paint industry. As a leading paint manufacturing company, we focus on tapping into this significant potential, continuously looking at avenues to upgrade our customers towards superior quality and superior value products as well as leveraging our established customer and network connect to expand into allied product categories, such as the waterproofing and adhesives space to offer comprehensive solutions to our customers. We also look at leveraging the strengths from our leadership presence in the domestic markets, taking our key learnings and adapting them to the local requirements to service the global markets that we operate in.

During the year, we continued to scale up the Industrial Coatings business despite multiple challenges faced by key consumer segments like the automotive industry due to the global supply chain issues. This was driven by continued focus on expanding our customer base with competitive offerings, network expansion and new product introductions to meet specific customer requirements. The government's intent in establishing a strong manufacturing sector in the economy, servicing not just the domestic demand but also catering to the overseas demand, augurs well for the overall industrial coatings business in the years to come.

We continue to look at charting a higher trajectory for our Bath and Kitchen business. We are exploring newer markets in Tier II and Tier III cities and further expanding our product portfolio with some innovative product offerings.

In addition to expansion and growth in our product portfolio, we continue to push our service brand — 'Beautiful Homes Service', to cater to the evolving needs of customers who are looking at a trusted brand offering unique, bespoke Home Décor inspirations to realise that dream home. This service, a comprehensive end-to-end interior design to execution service, has been expanding month-on-month catering to an ever larger number of homes and customers since the time we launched it in the second half of the previous financial year. This is enabling us to realise our intent of shifting from 'share of surface' to a 'share of space' player, partnering strongly with our customers in their Home Décor journey. Keeping up with this focus, we are expanding our product offerings in the Home Décor space. Our Furnishings range, in tie up with Pure Concept, is gaining significant traction with its unique, quality offerings. More recently, we have acquired interest in White Teak and Weatherseal Fenestration, which are established brands in the designer & decorative lightings and uPVC windows & door systems space, respectively. This will help us further our Home Décor aspirations.

Cost optimisation to deliver sustained profits

The steep and unprecedented inflationary trend in raw material prices witnessed throughout the year meant that we had to step up our R&D efforts so as to find alternative and cost-effective material sourcing avenues. It also meant optimisation of product formulations and manufacturing processes to reduce our costs, so that we could generate higher savings to cushion the impact of the inflation. At the same time, given the continued pressure of rising raw material prices, we had to look at judiciously raising the prices of finished goods to protect the operating margins, taking utmost care not to adversely impact consumer demand in a significant manner. We resorted to some smaller price increases in the first half of the financial year as the economy was emerging out of the impact of the second COVID wave. Significant price increases were taken in Q3 to mitigate the continued inflation impact, which enabled us to improve the operating margins on a sequential basis.

Efficient asset utilisation and working capital management

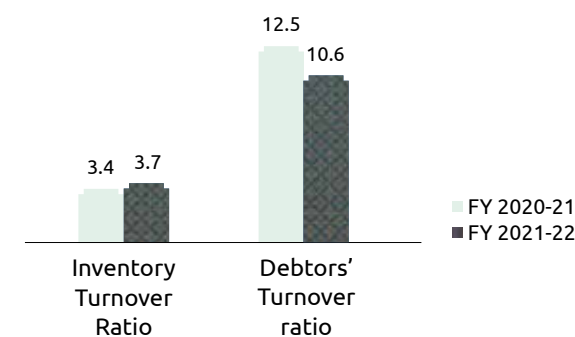
Our focus is always to better our manufacturing asset utilisation across all facilities through continuous process improvement initiatives. During the year, we continued to drive higher utilisation at our recently commissioned large-scale manufacturing set-ups at Visakhapatnam and Mysuru, which offer us the benefit of lower operating cost per tonne of manufactured output.

Efficient working capital management while adapting the parameters to the uncertain external environment is a key imperative. Our organisation has looked at continuously optimising the deployment of working capital in a manner that supports our business growth and profit objectives.

Through the year, we maintained a higher raw material inventory than normal to address raw material supply uncertainties on account of global supply chain disruptions as well as to contain the impact of rising inflation across key raw materials. We also leveraged our forecasting capabilities to secure timely placement of raw material requirements and collaborated with vendors to ensure their timely delivery for processing.

To ensure no loss of sales amidst the uncertain customer demand, we increased the finished goods inventory levels across our depots. This resulted in the overall inventory levels increasing by 1.7x of that of last year, but this enabled us to deliver industry beating revenue growth in a highly uncertain environment and minimise the impact of rising inflation.

On the trade receivable front, taking cognizance of the impact of the pandemic on the unorganised sector of the economy, we have introduced new credit terms for our dealer network, leading to an increase in the average receivable days. At the same time, we had a continuous drive for recovery of overdue receivable from our dealers. Dedicated efforts were taken by the Company in that direction, resulting into considerable recovery from the debtors.



Effective capital allocation for future growth and sustained return on investment

The improved scale of operations, supported by significant revenue growth despite the challenges posed by the pandemic, warrants continuous evaluation for investments in capacity expansion to support future growth needs. At the same time, our focus on innovation to bring out new product and service propositions and continuously enhance our customer engagement, requires sustained investments towards technology improvement in manufacturing, research & development, information technology, sustainability and so on. We look at capital allocation towards all these requirements with a sharp focus on ensuring that these investments not only push the business growth objectives forward but also result in delivery of sustained return on investments for shareholders. During the year, we initiated capacity expansion projects at our existing plants at Ankleshwar, Khandala and Kasna. We are also investing in manufacturing facilities for the Kitchen and Bath business at Wada, in Maharashtra. Further, capacity expansion has been planned at Mysuru to meet long-term demand. In the International operations, one of the major investments undertaken during the year was towards setting up a second manufacturing facility in Bangladesh to support the growth in operations.

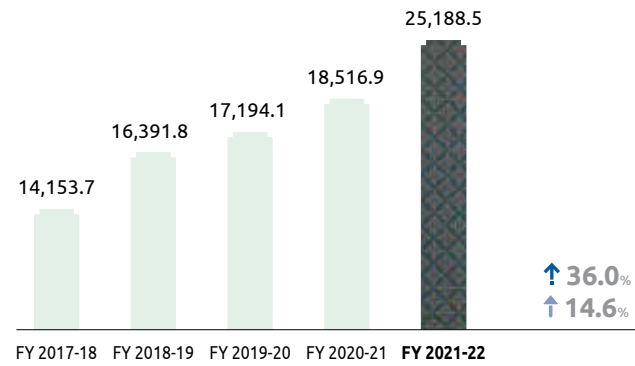


* GRI 201-1 Direct economic value generated and distributed

Profit and loss indicators (Standalone)

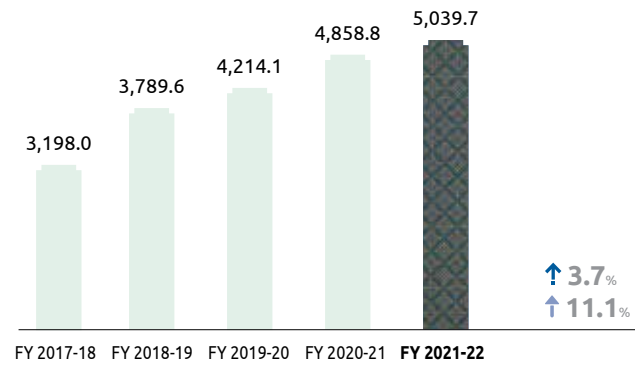
Revenue from operations

(₹ in Crores)



EBITDA

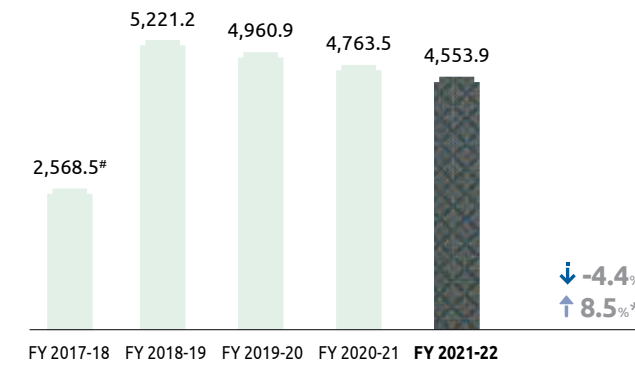
(₹ in Crores)



Balance sheet indicators (Standalone)

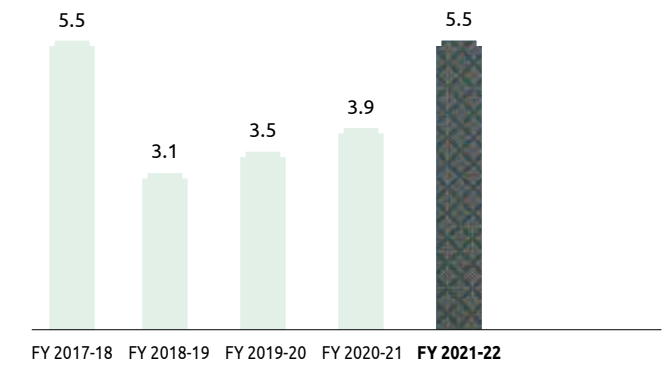
Net fixed assets

(₹ in Crores)



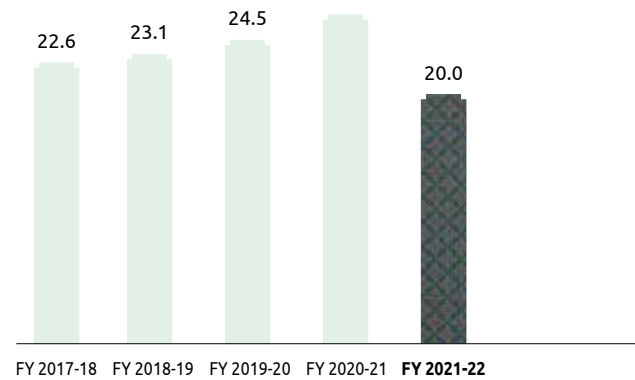
Asset turnover ratio

(x times)



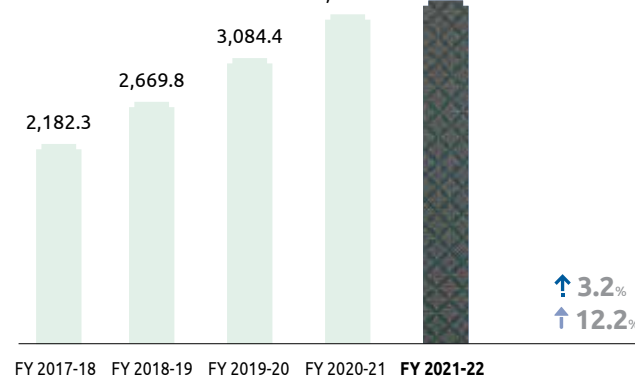
EBITDA margin

(%)



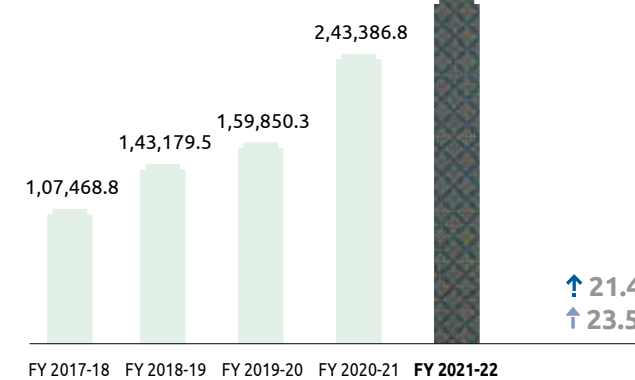
Cash profit

(₹ in Crores)



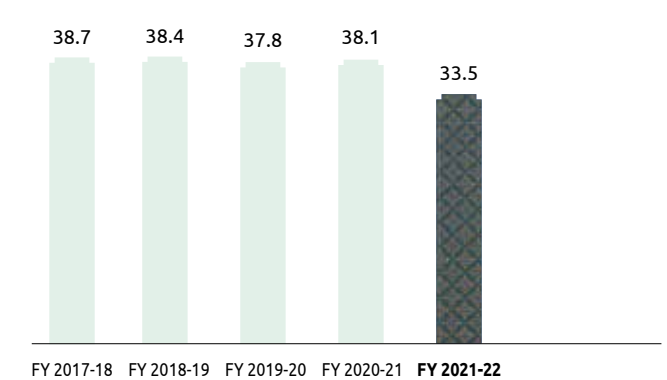
Market capitalisation

(₹ in Crores)



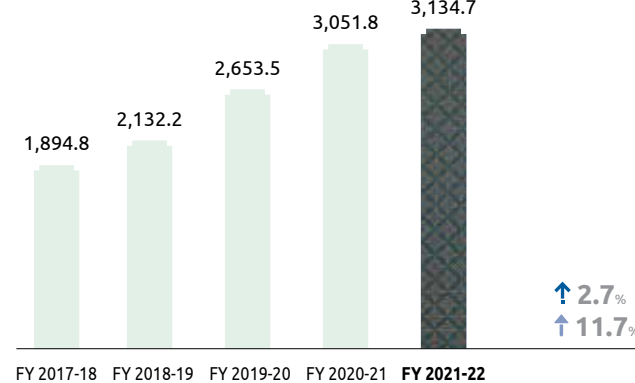
Return on capital employed (ROCE)

(%)



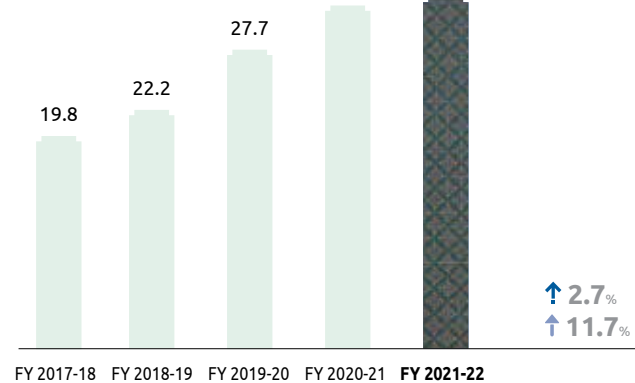
Profit after tax (PAT)

(₹ in Crores)



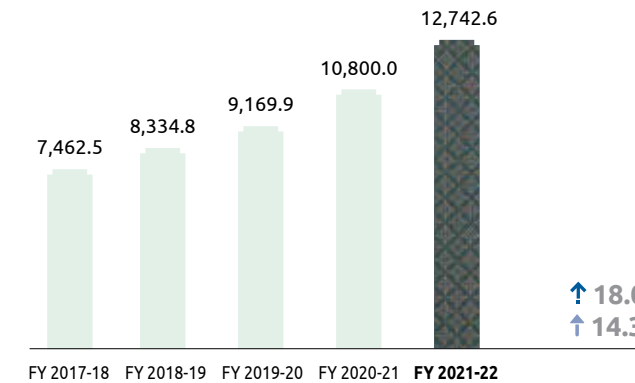
Earnings per share (EPS)

(₹)



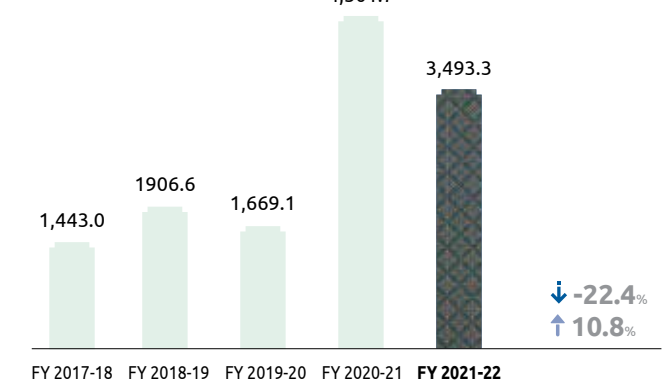
Average capital employed

(₹ in Crores)



Surplus Cash on books

(₹ in Crores)



Note: The figures for FY 2019-20 and FY 2020-21 have been restated (wherever necessary) on account of amalgamation of Reno Chemicals Pharmaceuticals and Cosmetics Private Limited with the Company with the appointed date of 1st April, 2019.

↑ Y-o-Y growth

↑ 5-year CAGR