

A year of audacious actions and intent to deliver joy

Dear Shareholders,

When the pandemic started in the early parts of 2020, many thought it to be a transient phase and that it was a passing phase. However, more than 2 years later, we as a society are still in transition, constantly evolving and adapting our responses to deal with the multiple mutations of the virus, with the sole objective of making our lives better. Businesses likewise, have been constantly evolving too, adapting their models, their go-to approach to deal with the changing operating environment with the express objective of taking the business purpose forward. We, at Asian Paints are immensely proud that over this period, we have emerged as an organisation which is audacious in its intent and actions to bring joy to people's life. This has been a consequence of the customer passion and creative zeal with which each one of us in the organisation has responded to the unprecedented challenges of recent years, standing true to our AP Charter which we collectively created at Asian Paints in 2020.

The results delivered for the year bears testimony to this phenomenal work done by Team Asian Paints. Let me give you a brief insight into some of the key highlights of our performance this year.

The Environment

FY 2021-22 was another tumultuous year with covid uncertainty on demand conditions still playing out to differing extent across

markets and across businesses. Given the discretionary nature of our business we got more affected with every wave of Covid, since customers looked at deferring their purchase. While the demand conditions turned for the better post the second wave impact, all the businesses had to deal with the runaway inflation and supply shortages, adding its own complexity in an already difficult business environment. Infact, the inflation experienced in FY 2021-22 was unprecedented and we have not seen such a steep inflation in the last four decades and the whole Supply Chain was more stretched than ever. Amidst this challenging environment, the entire team at Asian Paints has rallied in a strong collaborative manner, standing true to the AP charter promises and pushing forward the strategic intent being pursued for each of our businesses.

Decorative business, India

It was another year of stellar performance in the Decorative business in India making further inroads in the organised as well as the unorganised part of the paint industry. We delivered an industry beating revenue growth to further reinforce our leadership position. This gain was on the back of a focused drive to upgrade the 'bottom-of-the-pyramid' demand to the superior 'value-for-money' products from our stable and an equally sharp focus to grow the premium and luxury bucket bringing out unique and innovative value propositions in this segment.

Our Smartcare waterproofing business is one of the largest and the best solution offered to the customers for their dream homes and continued to grow in leaps and bounds. It is also commendable that we had a phenomenal volume growth as well indicative of the trend of the market leader expanding the market.

We have been able to expand our retail presence across the emerging cities and the ever growing smaller towns in a big leap this year using allied delivery channels and upgrading the retailing formats to meet the evolving demands of our customers.

Our zeal to provide quality experience to our customers during the painting process has resulted in a rapid expansion of the Safe Painting Service which is now available in over large number of towns across the country. This is an unparalleled world class service proposition offering customers top-end delivery through professional service providers using mechanised painting implements. The Projects business segment catering to B2B customers, continued to scale higher trajectory, expanding presence across all categories of institutional customers. We have now established ourselves as a 'waterproofing expert' of choice, giving us unique leverage to associate with large institutional customers from an early stage of the project and thereby capture a larger part of the project journey.

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Home Décor Business

Over the last few years we have made clear our intent to evolve from 'share of surface' to 'share of space' and our endeavours in the Home Décor space are testament of this resolve. We have adopted a comprehensive omnichannel approach to help us realise this vision of being the preferred partner in the space of Home Décor, empowering the customer to dream and partnering the customer in making her dream home. The idea is to become one of the best Home Décor providers in India, offering digital, physical visualisation and execution for our customers. We have now one of the most inspiring and cutting edge décor engine 'www.beautifulhomes.com' where customers come in large numbers and find their inspiration to their dream Homes. In order to ensure that customers get the best in Home Décor we have been able to expand 'Beautiful Home Stores' to various cities. We have now 29 stores and expanding these stores quite rapidly. These one stop state-of-the-art Décor stores offer almost everything related to Home Décor with a world class phygital experience and an unparalleled inspiring consumer journey. We also have a world class Home Décor execution platform offering end to end personalised Home Décor. The 'Beautiful Homes Service' as it is called, offers customised design and professional execution service handholding the customer through her entire homemaking journey, and has gained significant traction since we launched it last year. It is now available in top 11 cities and we intend to expand it beyond, magnifying our ability to partner with multitude of our customers.

Our foray in the Bath and Kitchen space, has gained good momentum in the last two years registering exceptional revenue growth. We have looked at expanding this business significantly with innovations at the premium luxury end in a strong manner. More importantly to give credence to our Home Décor business, we have been successful in delivering positive operating margins over the last couple of quarters in both these segments. Kitchen and bath categories remain as a key focus in the Home Décor category given the huge potential of housing in India supported by the Government as well.

Taking forward our ambitions in the wider Home Décor space, we have recently entered into partnerships with 'White Teak' and 'Weatherseal', two established names in the Decorative & designer lighting and uPVC windows & door systems space, respectively. We had last year aligned with a fabric and furnishing Brand 'Pure' which has now given us presence across the country in the furnishing and Décor stores. These partnerships tremendously enhance our ability to cater more comprehensively

to the Home Décor needs of our customers and we are excited to leverage this potential further and make Home Décor a strong part of our strategy complementing our coatings business.

Industrial business

The Industrial business, too delivered robust performance, despite many challenges in the environment. It is good to see that the business has been able to grow exponentially in the last 2 years with good profitability despite the steep inflationary trends. The automotive industrial coatings business delivered good growth tackling the dual challenges of uncertain automotive sector demand in a commendable manner. At the same time, the non-automotive industry coatings business delivered record growth with a spate of new customer acquisitions and new product enhancements, continuously striving to deliver higher value to its customers.

International business

The year has been extremely challenging for our International business with multiple hurdles emerging during the year. At an overall level we have been able to still report double digit value growths led by price increases at an overall level. While multiple Covid waves meant that the demand conditions remained under stress in the initial part of the year, specific challenges in key markets of Ethiopia, Egypt, Sri Lanka further derailed the recovery. Despite these challenges, International business has launched a slew of initiatives which are giving us the competitive edge. The Safe Painting service has enabled us to create a strong differentiator in the market place vis-à-vis the established competition. Similarly, in most of our international markets, the Waterproofing range introduction has seen a huge success and has provided a strong impetus to the units to look for a rapid growth trajectory as we move ahead. However, the inflationary pressures coupled with significant currency devaluations across some key markets have significantly dented the profitability of the International business operations and this will clearly be a key area to improve in the coming year.

Looking Beyond

The eventful last two years have bolstered our confidence in our ability to treat each and every challenge as an opportunity to evolve stronger in our journey to fulfil the aspirations of our customers. Our customer-first approach and innovation in products and services, is the source of this confidence and provides us the energy to continuously push the boundaries to deliver value that our customers cherish. As we look forward to this new financial year, the customer confidence appears strong despite the challenging inflation and geopolitical uncertainties. We foresee a strong consumer demand and with normal monsoons predicted we look forward to a good festival season ahead. We at Asian Paints continue to be committed to our stakeholders, igniting unlimited possibilities to take the Asian Paints journey beyond – Beyond the current realms and into a trajectory never seen before!

Warm regards,

Amit Syngle
Managing Director & CEO

