

MANAGEMENT DISCUSSION AND ANALYSIS





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Management Discussion and Analysis



Macro-economic landscape

During FY 2023-24, the global environment continued to be challenged by the continuing war in Europe and it was further disturbed by the ongoing conflict in the Middle East. Uncertainty around both these conflicts and their resultant impact on the supply chain routes led to volatility in the global financial and commodity markets. On the other hand, the US economy demonstrated resilience amidst the challenging environment putting the recession fears to rest. Inflation that had hit historically high levels in the previous year, took a breather and its effect was a huge support in a subdued demand environment across many geographies. Contrary to the year's beginning expectations, the slowing inflation was not enough to push the monetary authorities to look at a dovish monetary stance.

At the same time, the rapid developments in Artificial Intelligence (AI) and its adoption across streams of business

processes, along with enhanced digitalisation, data sciences and the growing focus on sustainability, are transforming business operations. Businesses and financial institutions focused on innovation, efficiency, and sustainability as they strived to further their business objectives and meet the changing customer preferences.

Despite the challenging global landscape during the year, India emerged as the fastest-growing major economy, driven by a robust push in capital formation with public investment leading the path. The large domestic consumption basket in the country also supported this growth, though overall, it showed signs of moderation from the earlier years. Government-led strategic reforms, substantial investments in physical and digital infrastructure, and initiatives like 'Make in India' and the Production-Linked Incentive (PLI) scheme bolstered the country's growth, resilience, and self-reliance.

The National Statistical Office (NSO) projected a real GDP growth of 7.6% for FY 2023-24, supported by a broad-based strengthening of industrial sectors, particularly manufacturing, and the financial services sector playing a pivotal role in driving the economic momentum.

Inflation moderated to a four-month low of 4.9% in the third quarter of FY 2023-24, as a result of the Reserve Bank of India's prudent management, balancing inflation control with growth stimulation. This is believed to have created a stable interest rate environment conducive to long-term investments and spending. Government strategies have continued to focus on onshoring and friend-shoring production, leveraging AI to maintain competitiveness in digital services, and achieving non-fossil fuel power generation targets.



Outlook

The International Monetary Fund (IMF) projects global growth to remain at the same levels as the past year, indicating a stabilising global economy with monetary policies finding new balance. However, it is anticipated to be a year of diverging growth trends emerging in various economies, especially in the major developed economies where US growth is expected to be stable while the Euro Zone outlook looks uncertain. Similar uncertainties also abound on the growth outlook in China where the authorities have been experimenting for some time now, to shift the growth focus towards domestic consumption, albeit with marginal success. Developing Asian economies are likely to see accelerated growth, while regions like the Middle East and North Africa and Sub-Saharan Africa anticipate modest growth, emphasising the need for vigilance and adaptability in navigating the complex global environment.

Amidst the broader global economic context, India remains strongly on its path of sustained economic growth with ongoing reforms across critical sectors such as healthcare, energy and MSMEs. The large public and private investment cycle and strong domestic consumption potential augur well for continuity of its growth momentum. Inflation, though above the target levels of the monetary authority, is expected to be largely in control with the expected good monsoon season providing further room for cooling. Infrastructure development, propelled by public policies, is set to drive gross fixed capital formation, while initiatives like the PM Garib Kalyan Anna Yojana are aimed at bolstering rural demand. In this vibrant economic landscape, the banking sector and rapidly evolving fintech space are anticipated to further financial inclusion to the last mile, thereby supporting manufacturing, job

creation, income augmentation, and infrastructure investment.

India is also well positioned to enhance its participation in global value chains with its policy reform agenda, thereby nurturing vertical markets with a sustained growth phase. The influx of foreign direct investment (FDI) and the expansion of the digital infrastructure is expected to create an opportune environment—where India is looked at not just as a consumption market considering its strong domestic consumption potential but also as a market offering superior technology skill sets to cater to evolving aspirations of global players across sectors.



Management Discussion and Analysis



Business review

Decorative business in India

FY 2023-24 began with positive consumer sentiments for the Decorative business both in the retail and large user business segments. From Q2 onwards, we saw a dip in demand owing to reduced household spending. Domestic growth was supported by the continuing push in public investments while household consumption was impacted on the back of persistent inflation.

The subdued consumption impacted the demand for Premium range of our product portfolio, especially in the rural regions, looking at downtrading to counter the price impact. Strong growth was seen in the Economy range of products strengthening our 'bottom of the pyramid' segment. The Luxury range of products continued to do well with various new products offering superior value propositions, driving strong interest from the consumers.

Overall for the year, we delivered a robust high-single-digit volume growth of 9% with a value growth of 3%. Putting the consumer first has always been at the core of our business, in whatever initiative we undertake, whether in terms of the launch of new products or service offerings. This year, too, we brought delight to consumers with a range of new product launches and offerings. The year witnessed 24 products getting launched in the decorative coatings space.

At the top end of the spectrum, we launched Emporio Self Heal, a top-of-the-line wood finish product with self-healing properties, which is the first of its kind in this category. Our Damp Proof Play offers decor plus protection solutions for terraces. Apcolite Insect Shield Enamel is a pioneering enamel paint, which is effective against mosquitoes, ants, cockroaches, and flies.

Continuing with our work on one of our focus areas of democratising décor and enabling every Indian to create a beautiful home, we have introduced 'Neo Bharat' – a latex paint reinforced with special polymer technology, which gives a smooth finish and three times better durability than distempers and local paints. Another such groundbreaking innovation is 'Flash' in the space of wood finishes. It provides best-in-class gloss and grain filling at the most competitive price against local polishes.

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Asian Paints has been an integral part of the cultural fabric of the nation, inseparable from festivities across the decades. In an industry first, we launched limited-edition festive packaging this year to celebrate the rich culture and heritage of West Bengal, Tamil Nadu and Kerala during the Durga Puja, Pongal, and Onam festivals respectively.



Equipped with new packaging technology, the Asian Paints Royale Glitz festive pack and Ultima Protek pack featured an exciting Augmented Reality (AR) feature. By scanning the QR code on the pack, consumers were taken on a delightful journey through AR.

We created a new paradigm in our relationship with our contractors with the introduction of instant direct benefit transfer (DBT), enabling an immediate and anytime redemption of loyalty points. We also introduced an industry-first 'Legends' programme, which rewards contractors for their long-term loyalty towards Asian Paints. We are also the only player to provide health insurance to contractors. Our contractor finder service continues to provide direct business to thousands of contractors.

We have been studying colour and its varied influences on lifestyle since 2003, and we remain fascinated by the big and small stories that emerge out of the vibrant landscape in the world. Every year, we collaborate with experts from a range of

creative disciplines – architecture, art, interiors, fashion, sociology, media and FMCG – to put together a comprehensive forecast of design directions in colours, materials, textures and finishes that are relevant to the world. 'Dessert Love', a Terra shade, is anointed the 'Colour of the Year' 2024, amidst a growing desire for familiarity, comfort, and emotional grounding in these ever-changing times. Resonating with our deepest memories, it takes us on a journey of self-discovery. It echoes the warmth of a homecoming, where familiarity envelops us in the sanctuary of emotional stability. In a world that often feels disconnected, Terra is the thread that stitches us back to the fabric of our being, a colour that speaks the language of belonging.

In the areas of Projects and Large User segments, we have sustained our leadership position amongst builders, government and cooperative housing societies. Our stand-out product range and customised value-added service offerings have carved out a distinctive niche among customers. We have developed a concerted strategy to cater to the needs of large corporates and infrastructure projects by collaborating closely with national civil construction companies and consultants engaged in such projects. This, coupled with collaborated way of working with our Industrial Coatings joint ventures has catapulted us to being a comprehensive solutions provider for all surface needs. Our strategy for creating long-term customer value in large government projects has yielded us consistent business results. Our newer forays in product categories of admixtures, flooring and repair products continue to help us develop our leadership and become a one-stop solution provider for our customers.




Management Discussion and Analysis

Home Décor

Asian Paints is establishing itself as the foremost integrated home décor brand in India. This ambition will be realised through the development of a robust Phygital network – digital presence via the website and social media platforms and strategically located physical stores to enable unparalleled consumer accessibility.

At the heart of the digital experience for décor are inspirational content, engagement, and good design curation to build a new-age home décor brand that is tasteful, approachable, and trustworthy.

 The digital décor engine www.beautifulhomes.asianpaints.com, continues to be India's leading destination for home décor enthusiasts and design professionals for home décor inspiration, design services, and products.

Beautiful Homes Stores

It has been an incredible year for the network of Beautiful Homes Stores as we expanded our presence across 45 towns with 60 stores. This expansion came with a continued focus on providing the best-in-class consumer experience through expert consultation, 3D visualisation, endless customisation and one-stop shop for décor, enabled by cutting-edge technology, the best physical store elements, and other exceptional services to our consumers, resulting in us earning amongst the highest Net Promoter Score (NPS) for such services.

We continued to augment our décor offerings for our décor conscious customers. Our range now includes products in furniture, furnishings, lights, rugs, modular kitchens, bath solutions, wooden flooring, home automation and doors and windows. We continued to reinvigorate our furnishings fabrics by offering new and exciting collections which helped us become one of the leading players in the Indian furnishing fabric industry.

Wall coverings saw unprecedented action with the launch of 50+ collections to almost double our range. This was a mix of in-house collections as well as new international partnership with iconic brands. We also launched our economy wall coverings range to further expand our offerings into the economy segment. We launched the latest collection in wallcoverings and fabrics from the master designer Sabyasachi Mukherjee called Paris-Calcutta. With hand-painted motifs created by The Sabyasachi Art Foundation, this collection of wallpapers and fabrics, co-created with Asian Paints, brings together the sophisticated artistry and cultural heritage.

In FY 2023-24, we set the groundwork for further developing our Beautiful Homes Stores brand, enhancing our services, and aiming to reach higher NPS. Our priority includes a comprehensive digitising of our services – from customer interactions to internal operations. We anticipate robust traction on this initiative as a result of the positive customer experiences.

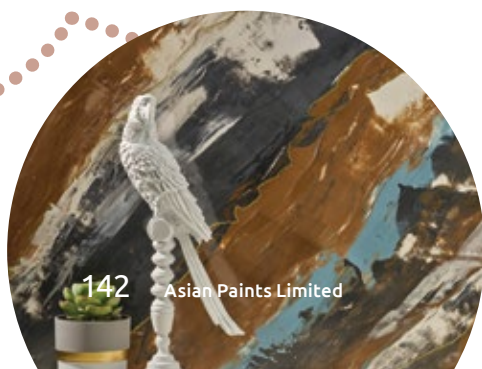
Décor Pro

In our endeavour to deepen market penetration and improve our relationship with our value chain partners – Architects and Interior Designers (AIDs), we strategically implemented 'Category Expertise' programmes for our executive cadres across paint and décor categories in the top 11 cities. This initiative not only bolstered our understanding of market dynamics but also facilitated our collaboration with 150+ leading AIDs. By functioning as a channel with direct primary-secondary billing capabilities encompassing PU+, paint categories, fabrics, wallpaper, decorative lighting, Kitchen, and uPVC, we have established a robust framework for sustained growth and comprehensive market coverage.

White Teak

During the year, we consolidated our position as the market leader in decorative lights, achieving revenue of ₹ 133 Crores, a 23% y-o-y increase from ₹ 109 Crores in FY 2022-23. We have introduced innovative retail formats, transitioning from a Company Owned, Company Operated (COCO) model to a Franchise Owned, Company Operated (FOCO) model, together with ramping up the establishment of Beautiful Homes Stores and Beautiful Home Studios. Adding to our footprint, we opened nine full-format stores of White Teak during the year, with additional five stores in the pipeline.

Asian Paints is establishing itself as the foremost integrated home décor brand in India. This ambition will be realised through the development of a robust Phygital network – digital presence via the website and social media platforms and strategically located physical stores to enable unparalleled consumer accessibility.



Our innovation strength helped us unveil a design blitz, featuring the launch of 150+ decorative light families, 60 new fan designs, and 500 Décor artifacts. This has fuelled excitement around the White Teak brand, especially with the introduction of a customised design vertical for decorative lights that significantly contributes to our topline growth. We also scaled up a new business arm focused on architectural lights, with a dedicated team driving product innovation across interiors and façades. To strengthen our omni-channel model, we bolstered online engagement, which witnessed a substantial increase in monthly unique visitors to our website from approximately 10 Lakhs to a peak of 25 Lakhs. Through these initiatives, we have successfully engaged with 1,200+ AID firms.

Weatherseal

We made remarkable strides in positioning ourselves as a dominant player in uPVC windows and doors category, doubling our topline from ₹ 25 Crores in FY 2022-23 to ₹ 52 Crores in FY 2023-24. This impressive achievement has solidified our position as the second-largest organised player in this category in the domestic market. Our concerted efforts in network expansion resulted in increased Weatherseal touchpoints in 20+ new cities, extending the Weatherseal proposition to a broader audience.

We also undertook significant backend scale-up initiatives

enhancing operational efficiency and our capacity in a complex made-to-measure category. The introduction of a custom profile through an exclusive partnership further enhanced the branded experience for our consumers.

Décor and consumer services

Beautiful Homes Service, our flagship interior design service is now available in 13+ cities. A Phygital end-to-end décor service, it has been growing in strength offering superior products as well as credible dealer-led painting services.

Our products are made keeping in mind the urban sensibilities of homeowners. The offering includes a comprehensive solution for homeowners seeking designs that blend adaptability and functionality, style, and personalisation. With the addition of newer categories such as wall panels, false ceilings Beautiful Homes Service will become the most sought-after brand in the world of interior design.

Additionally, our brand's Trusted Contractor Service and Beautiful Home Painting Services connects customers with trained

contractors, providing affordable options and further enhancing customer satisfaction.

With an extensive network and innovative features like real-time dealer dashboarding, product scanning for secondary liquidation visibility, and geotagging capabilities, we continue to redefine excellence in the professional painting services landscape. Demonstrating remarkable growth, adaptability, and innovation, we continue to improve our painting services and boast a service partner footprint spanning hundreds of towns across India, catering to the needs of 2.5+ Lakhs consumers. During the year, we solidified our position as the largest painting service brand in the country, further elevating our service through superior workmanship, attention to detail and customisation as per individual tastes and preferences together with premium quality products and professionalism. Our Platinum tier of service has continued to be well-received across the country. Through a further scaling up of our Contractor Service across geographies, we have continued to build strong relationships with trained contractors, who also act as influencers, and with our customers who have access to cost-effective paint solutions.



Management Discussion and Analysis

Kitchen Business

Sleek International Private Limited (Sleek), our wholly owned subsidiary, operates in both the Kitchen Components and Full Modular Kitchen Solutions sectors. Within the Kitchen Components segment, we distribute a comprehensive range of kitchen hardware, accessories, and kitchen appliances through a wide distribution network. In the Full Modular Kitchen Solutions segment, we offer end-to-end design-to-execution services for complete kitchens, wardrobes, and fitted furniture through a robust network of Sleek showrooms owned by franchisees nationwide. Our premium kitchen offerings represent our technical, material, and design excellence, accommodating a diverse range of preferences across consumer demographics. Additionally, we have a specialised team dedicated to providing Full Modular Kitchen Solutions for new constructions, particularly in upcoming residential projects. During the year, the Board of Directors of Asian Paints and Sleek approved the Scheme of Amalgamation of Sleek with Asian Paints to generate revenue synergies through shared consumer insights and optimise back-end operations.

Luxury kitchens contributed to about one-third of the value sales in FY 2023-24 further strengthening Sleek's brand positioning as a premium player in the market.

Business performance

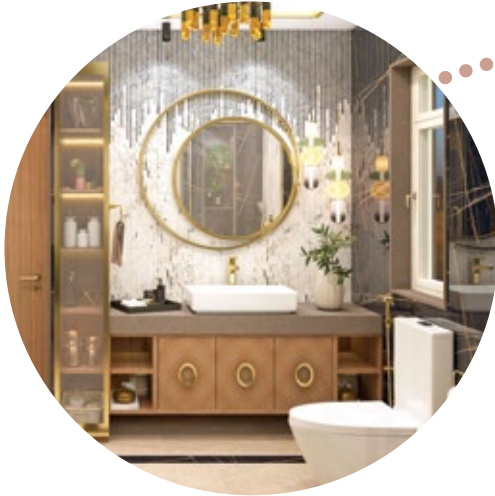
During FY 2023-24, Sleek registered sales of ₹ 394 Crores. Luxury kitchens contributed to about one-third of the value sales in FY 2023-24, further strengthening Sleek's brand positioning as a premium player in the market. Wardrobes made significant gains in numbers across the country with a variety of options across different price points. Top-end walk-in wardrobes were added to the luxury segment options as well. Fitted furniture made gains in the latter part of the year.

Our premium offerings under the 'Crest 2.0' label have been a runaway success. For the next financial year, metal carcass and waterproof kitchen concepts have been developed providing unique, relevant, and new-to-industry options in the ever-evolving kitchen solutions landscape, which is seeing increasing traction owing to changing lifestyle aspirations. The additional manufacturing set-up at Wada in Maharashtra, commissioned

during the year will drive further cost efficiencies for the business.

The overall business performed in line with industry growth rates, supported by the launch of new products and expansion of the portfolio beyond kitchen hardware and accessories. Raw material prices were relatively stable during the year. We have been focusing on indigenisation for the past few years, and this positions the business favourably in the coming years. During the year, we continued to focus on expansion in underdeveloped markets in order to expand our geographical reach, market penetration of products, and achieve a greater distribution depth. Together with an enhanced portfolio, the Sleek Select programme was launched for improved product showcasing, better collaboration with contractors and interior designers and lead generation through digital and physical means.





We continued to broaden our network and product range, providing innovative bath products and solutions, offering consumers a range of tailored solutions to meet diverse functional, design, and décor requirements.

Bath Fittings and Sanitaryware

In the Bath Fittings and Sanitaryware business, we continued to broaden our network and product range, providing innovative bath products and solutions, offering consumers a range of tailored solutions to meet diverse functional, design, and décor requirements.

Business performance

The Bath industry had a challenging year with price reductions, a strong base effect, competition from new entrants in the business and rapid commoditisation in some product segments. Furthermore, sales from exports saw a substantial decrease. The business recorded revenues of ₹ 340 Crores during the year, leveraging the network and product expansion initiatives undertaken.

Given the challenges of the year and industry changes, we maintained a strong focus on premiumisation. The product and network portfolio are undergoing a shift towards a higher contribution from new and top-tier products, along with

deeper integration within our adopted and partnered networks. The Bathsense CANVAS range has made a strong impact on architects and top-end channel partners. This is a differentiated offering with a superior coating that has been developed with the in-house R&D expertise and provides a 25-year warranty with its unique Lotus-25 hydrophobic technology.

During the year, Bathsense also introduced top-end thermostatic options supporting the technical superiority of the product offerings and attractively positioned Bathsense in the market as a partner of choice. The business also launched Ess Ess Sanitaryware, which offers competitively priced products, and Ess Ess Ezyclean faucets in neutral colours of white and grey that guarantee protection against stains

and damages due to pitting, patina, or salt marks.

Bathsense's Bespoke design service, available through the website and dealer partners, has accelerated the sale of high-end products while supporting dealers in addressing consumer demand for diverse design and décor options. Bathsense Bespoke Pro is an end-to-end service available in seven select towns and cities in the country. As before, plumber training and knowledge development have been focal points during the year, and these were driven by accreditation-led programs. Our commitment to strong after-sales service standards remains a significant factor that sets us apart in both project-based and retail channels.



Management Discussion and Analysis

Supply chain

From the perspective of supply chain, the year presented a contrasting picture. While on the one hand, we encountered significant deflation in upstream raw materials, we also experienced a chain of events across the globe that disrupted the supply chain.

In this context, our integrated supply chain approach – that spans sourcing, procurement, manufacturing, logistics, manufacturing technology, sustainability and joint value creation – provided the strategic and tactical lever that ensured that we were able to offer differentiated products as well as opportunities to delight our customers together with our commitment to service excellence.

In line with the highest commitment to servicing that we hold ourselves for, we continued to surpass our world-class same-day order fulfilment benchmarks. This achievement was supported by process improvements driven by the Next Generation Planning and Execution engines. Even as we foray into multiple product categories and continue to launch a plethora of innovative products, a segmented supply chain approach has allowed us to remain agile and adaptive. We strived to ensure that we maintain optimum working capital despite the complex business conditions leading to challenging demand forecasting environment.

The rapid changes in India's logistics sector continue to present opportunities to optimise costs. We have adopted multi-modal transport options that enable us to reduce both our costs as well as our carbon footprint. We are also changing the game through cross industry collaboration, such as the uberisation of trucks with leading companies, first ever palletised dispatches using customised trucks on dedicated high-volume routes. This helps us create a world-class, unmatched service delivery infrastructure that will serve as the foundation for meeting our delivery needs at scale, enabling us to accommodate the diverse requirements and flexibility demanded by our customers.

We continued to work on bringing in sourcing and formulation efficiencies by collaborating with our suppliers, intensifying our R&D endeavours. These endeavours will not only bolster our performance in the current year but also create a long term advantage for us.

Through our joint value creation program, we institutionalised a culture and process of impactful collaboration with suppliers. This led to rapid innovation in our raw material sourcing, granting us early access to technology, supported by cost advantage and the unique value proposition of our products. Our strong focus on innovation in packaging allowed us to increase the percentage of recycled materials in our containers, thereby contributing to our sustainability agenda.

During the year, our factories continued on the maturity curve of the lean excellence program that saw strong engagement from our shopfloor teams. This led to the highest ever 12,500+ Kaizens and 130+ Blitz and Profit Improvement projects, thus creating a substantial measured value on the ground.

Under the Vyansamadhanam initiative, we continued to demonstrate our sincere commitment towards the safety and well-being of our people and operations. Four of our plants have achieved the 'Generative Stage' in Behaviour Based Safety (BBS) – up from one plant last year – and four other plants are in the 'Proactive Stage' This year also, the focus was also to go beyond the factory and sensitise our teams on road safety and contract workforce safety. Our process safety approach strives to protect our assets by systematic risk profiling, using a 14-element framework of process safety management. We are also creating a one-of-a-kind digital twin of our critical operations to give proactive and reliable detection of process safety incidents and escalation in case of deviations.





Asian Paints (Middle East) SPC at the Interior Design Furnishing exhibition

International Business

Beyond India, Asian Paints operates in 14 countries spanning across four regions globally: Asia (including South Asia and Indonesia), the Middle East, Africa, and the South Pacific. Our products and services are marketed under seven corporate brands: Asian Paints, SCIB Paints, Apco Coatings, Asian Paints Berger, Taubman, Asian Paints Causeway, and Kadisco Asian Paints. The group remains dedicated to expanding its footprint in high-growth emerging markets, particularly in Asia and Africa.

Operating environment

In FY 2023-24, many economies experienced a deflationary trend in raw materials and packaging materials. This created a more favourable environment compared to FY 2022-23, allowing us to concentrate on overall business growth. However, interest rates continued to be at a record high in many of the economies we operate in. Inflation in Egypt and Ethiopia continued its upward trend, as a result of which steep price increases were resorted to in the Egypt and Ethiopia markets to protect margins. Operating costs were also under

tremendous pressure across these markets owing to the inflationary environment. The Israel-Palestine conflict and the Red Sea crisis added to supply chain bottlenecks intermittently. The US Dollar remained strong across most of the markets, significantly impacting business in Egypt, Ethiopia, and Bangladesh. Demand environment in Nepal remained extremely challenging with tight liquidity conditions across the trade channel severely impacting the business.

The Egyptian Pound continued to be under pressure and depreciated by close to 53% by the end of FY 2023-24 on the back of an almost 66% depreciation in the previous year. With political stability and International Monetary Fund (IMF) support, the situation is expected to improve in FY 2024-25. A series of fiscal and non-fiscal measures were undertaken by the government in some of the countries that we operate in, to improve overall confidence. Sri Lanka continued to take extensive measures to promote tourism and investment. Its currency appreciated against the US Dollar during the year as a result of these measures and committed support from the IMF. The Bangladesh Taka remained under pressure together with the low availability of the

US dollar, leading to issues in raw material supplies. Ethiopia, which has been experiencing US Dollar shortages for many years now, continued to face intense pressure.

Business performance

We have consistently focused on efficient business operations across all geographies, especially the ones impacted by high inflation and US Dollar shortages. Initiatives for better working capital management, margin protection and cash preservation were carried out at all our units. Price increases were undertaken wherever necessitated by the inflation in raw material and packing material.

In all the markets, our strategy was to capture new network counters, enrol new contractors and improve consumer mind share. An enhanced portfolio of premium-luxury products played a pivotal role in meeting our objectives and in enabling deeper shop-shares in existing critical and competitive retailers. We also continued our focus on product value propositions and worked on launching/revamping products across markets, ensuring better quality and comprehensive offerings to consumers.

Our above strategy has led to significant growth in waterproofing category. Based on our learnings from the success of our well-established waterproofing portfolio in India, we leveraged valuable insights and synergies to enhance our offerings. Our Beautiful Home Painting Service, introduced in FY 2020-21 across various regions, continued to thrive. The décor and painting solutions offered under this initiative have been widely acclaimed, transforming customer experiences and establishing a compelling point of differentiation from our competitors.

Management Discussion and Analysis

Asia (South Asia and Indonesia)

Nepal, one of our largest international subsidiary, continued to be impacted in both the paints and sanitary business by the lack of liquidity and overall slowdown. Collections have been under tremendous pressure and this is an area where we have maintained a sharp focus. Adequate steps were taken by the subsidiary there to provide assistance to customers in areas of financing and secondary sales. It was in Nepal that we inaugurated our first ever Beautiful Home Boutique store outside India in September 2023, providing enhanced customer experience in the areas of home décor.

Uncertainty in Bangladesh's economy due to elections, concerns over forex availability and inflation pressurised the business across all segments. The top line faced challenges during the year. However, the profitability improved due to reduction in material prices. We extensively focused on working capital management despite the uncertain business scenario. In Bangladesh, the Safe Painting Service brand continues to perform well year on year, seizing considerable mind share of the consumer.

Sri Lanka's revival journey has been nothing short of heroic. The country took extensive confidence-building measures and the currency strengthened with IMF intervention at regular

intervals. We also undertook several measures to promote growth in the market and achieved a much better than expected performance. Products were launched to cater to the demand generated by an improved scenario in Sri Lanka. At the same time, demand for existing products was created through marketing campaigns and enhanced network reach.

In Indonesia, we also made extensive efforts to grow the waterproofing business and promote premium products, along with seeding products in the 'Value for Money' segment. Extensive work was carried out in the areas of activation, demand generation and overall network reach. Cost optimisation remained a strong pillar for sustainable business operations. The growth journey in Indonesia remains tough with growing pressure on profitability and working capital management.

Africa

The Egyptian market remained uncertain and volatile. Unprecedented inflation and US Dollar shortage created panic several times during the year. However, a series of price increases were taken in line with competition to ensure that margins are protected. The Safe Painting Service continued to do well, and cost reduction initiatives were undertaken across all areas to ensure minimal impact on profitability. Working capital management and supplier

relationships were managed delicately, thereby ensuring availability of cash and supplies.

In Ethiopia, civil unrest continued in parts of the country, creating supply chain bottlenecks. We took sufficient measures to ensure the supply of raw material, which resulted in a performance exceeding expectations at all fronts. The US Dollar shortage continues to be the biggest challenge to operate in the country.

Middle East

The Middle East region, untouched by currency issues, has been a strong contributor in the overall success of our operations. A deflationary environment aided overall profitability in the region. Cash flow issues were managed effectively across the region through various initiatives across segments. The premium luxury product category along with waterproofing and construction chemicals continued to be the strategic focus areas. We invested in engaging with contractors and consultants to create a long-term partnership. The Protective Coating and Project business segment performed well in the UAE. In Oman, we received the prestigious 'Oman Most Trusted Brand' award in the Paint category. Retail business in Bahrain continued to be slow, and with decent growth in the Projects segment, the overall market share was maintained. We formed a 100% owned subsidiary in Qatar for enhanced customer experience and growth in the region.

South Pacific

Operations in South Pacific were impacted by the increased movement of manpower to nearby regions. Recovery in tourism has been good and aided overall growth. Our unit in the region continues to perform well in a difficult and uncertain terrain.



Industrial Business in India

Asian Paints operates in the Industrial Coatings segment through two 50:50 JVs with PPG Industries Inc. USA – PPG Asian Paints Pvt. Ltd. (PPG-AP) and Asian Paints PPG Pvt. Ltd. (AP-PPG).

Automotive, industrial, refinish, packaging and marine coatings

PPG-AP is the first 50:50 JV of our Company with PPG Industries Inc., USA. One of the largest industrial coatings suppliers in India, PPG-AP manufactures and trades in paints, coatings, adhesives and sealants for automotive Original Equipment Manufacturers (OEMs), industrial segments, the automotive refinish segment, and the packaging and marine segments.

Operating environment

Automotive OEMs have ramped up production and India is now the world's 3rd largest automotive market. Almost all automotive OEMs have committed to substantial investments in either expanding their capacities or building infrastructure for EVs and batteries. Some new entrants are also joining the fray. The Government of India is also enabling the sector with Faster Adoption and Manufacturing of Electric Vehicles (FAME) and PLI schemes to drive EV penetration.

During FY 2023-24, the two-wheeler industry remained muted, especially in H1. However H2 has seen a good recovery with overall demand picking up well. Over the past few years, the increase of mobility options has led to the emergence of E-scooters as a popular mode of individual transportation in urban areas.

Business performance

During the year, PPG-AP registered double digit growth in terms of sales, with a significant improvement in profitability across all businesses. The year witnessed softer raw material costs and stable currency. All plants – from Sriperumbudur and Dahej to Moraiya and Puducherry – delivered higher y-o-y volumes. Innovation in formulation, sourcing efficiency and other cost optimisation efforts helped to further improve profitability.

PPG-AP remains committed to continuously enhance the value proposition for its customers leveraging the technological expertise from its parents, PPG Industries Inc., USA and Asian Paints.



Cartisan by PPG Asian Paints

Management Discussion and Analysis

Non-auto industrial coatings

AP-PPG, the second 50:50 JV of our Company with PPG Industries Inc., USA, serves the non-automotive industrial coatings market of India and operates in the protective coatings, powder coatings and road markings segments, catering to clients in infrastructure, oil and gas, power, construction, machinery and equipment, and functional and domestic appliances sectors, among others.

Operating environment

Multiple factors have contributed to growing share of the non-automotive industrial segment over the past few years. This solid growth is bolstered by government spending on infrastructure and incentives to boost domestic manufacturing, coupled with strong fundamentals with respect to infrastructure, renewable energy, and allied industries, which have fuelled demand for industrial coatings.

Manufacturing activity, however, remained subdued throughout the year due to weak consumer sentiments and high interest rates. The industry experienced a favourable development with the softening of raw material prices from their previous highs. Price corrections in crude oil and other essential components also resulted in improved margins

Business performance

AP-PPG recorded a robust double-digit revenue growth with notable rise in profitability. The strategy of offering better value to customers through superior quality and wide product range, top-notch service standards, and improved delivery capabilities led to enhanced customer confidence and trust in



Saudi Aramco Marjan II - Offshore Platform project at Hazira, Surat by Asian Paints PPG (Contractor - L&T Hydrocarbon)

the brand. Further, expansion of the network coupled with partner loyalty programs and digitisation initiatives elevated AP-PPG's share in certain key segments and improved its industry standing.

The topline growth of industrial liquid paints was driven by major infrastructure investments, including the construction of airports, commercial buildings, ports, and power generation (renewable and thermal). Increased awareness of safety also fuelled the demand for passive fire protection solutions. Export fabrication, building and factories, and wind power sectors experienced increased capital expenditure, further boosting demand.

AP-PPG's powder coatings are a sustainable alternative to liquid paint, with further expansion in powder coatings to the Pipe and Valves segments during the year. Growth in the domestic appliance market, driven by the 'Make in India' initiative and supportive policies for infrastructure development, continued to spur the demand for powder coatings.

ESG integration

ESG considerations have been integrated into every facet of our business strategy, including our investment evaluation process. We are committed to maintain an optimal balance between People, Planet and Profits objectives. We have set targets across our Environment, Social and Governance focus areas in 2021 and are regularly tracking process progress of it. As an industry leader, ESG-related due diligence has become a pivotal component of our investment procedure. This enables us to make our operations more sustainable, build stronger relationships with our stakeholders and create a strong governance structure.

₹ 60.4 Crores Capex invested to improve ESG impact of our products and processes

Read more on how we make our operations more sustainable on [+ Pg. 44](#)

Read more on how we build strong relationships with our stakeholder universe on [+ Pg. 62](#)

Read more on how we work towards creating a stronger governance structure on [+ Pg. 96](#)

Internal control systems and their adequacy

Asian Paints has implemented robust internal control systems to ensure the effectiveness and efficiency of its operations, reliability of financial reporting, and compliance with applicable laws and regulations which are commensurate with the size, nature of business, geographical presence, and complexity of the business. The governance structure assigns responsibilities to the Committees of the Board, function heads, and process owners. Policies and procedures are reviewed periodically to keep them relevant in the changing business environment.

Detailed standard operating procedures and their controls are well documented and embedded in business processes to mitigate risks in operations, reporting, and compliance. Our Company's ERP, system infrastructure and checks are integral parts of the internal control system. Our Company leverages data analytics, predictive and visualisation tools to identify data exceptions

and trends, and actively invests in moving from manual to automated controls. A strong compliance management system monitors the compliance status online and updates compliance requirements with the latest changes in statutes and business operations.

Our Company's key functions and processes are certified with ISO 9001, ISO 14001, ISO 45001, and ISO 27001, focused on quality, environment, occupational health & safety, and information security. Regular communication and awareness towards the Code of Conduct, whistle blower process, and various policies and procedures are done to ensure common understanding through leveraging e-modules and online training sessions.

Our Company has strong internal audit governance to assure the adequacy and effectiveness of internal controls. The risk-based internal audit plan is approved by the Audit Committee, which periodically reviews the adequacy and effectiveness of our Company's internal financial controls.

Enterprise Risk Management

Our Company has implemented an advanced enterprise risk management process to assess and monitor risks in the business operations for their likelihood and probable impact on the business and to ensure their mitigation. The constantly evolving business environment, customer preferences, and compliance landscape have led to significant changes in the variety of risks faced by our Company, which are addressed by the Enterprise Risk Management process.

For more details on Enterprise Risk Management, please read more on

[+ Pg. 108](#)

Please refer to the narratives forming part of the Synergising relationship of this Integrated Report for the material developments in respect of Human Resources and industrial relations.



Management Discussion and Analysis



Financial review

Standalone results

	(₹ in Crores)	
	For the year ended 31 st March, 2024	For the year ended 31 st March, 2023
Revenue from sale of products and services	30,727.7	29,953.1
EBITDA	7,855.0	6,338.5
Net profit	5,321.6	4,100.2
EPS (in ₹)	55.5	42.8

Consolidated revenue

	(₹ in Crores)	
	For the year ended 31 st March, 2024	For the year ended 31 st March, 2023
Decorative & home décor business	31,205.1	30,327.8
International business	3,061.5	3,084.4
Industrial business	1,115.5	955.6

Key financial ratios

	Standalone		Consolidated	
	For the year ended 31 st March, 2024	For the year ended 31 st March, 2023	For the year ended 31 st March, 2024	For the year ended 31 st March, 2023
Debtors turnover ratio	8.7	9.4	7.4	8.1
Inventory turnover ratio (on cost of goods sold)	3.3	3.5	3.3	3.4
Interest coverage ratio	184.9	158	63.4	72.0
Current ratio	2.3	2.4	2.1	2.1
Debt equity ratio	0.005	0.006	0.059	0.062
Operating profit margin (%)	25.5%	21.1%	23.3%	19.3%
Net profit margin (%)*	17.2%	13.6%	15.7%	12.2%
Return on net worth (%) (RONW)**	31.3%	28.3%	31.0%	27.4%

* Net Profit Margin increased on account of declining material prices

** RONW has increased in FY 2023-24 by 10.4% (Standalone) and 13.2% (Consolidated) mainly due to increased profitability

Creating long-term investor value

Over the past two decades, our market capitalisation had experienced a remarkable CAGR of 25.5%, soaring from ₹ 2,892 Crores as of March 31, 2004, to ₹ 273,060 Crores as of March 31, 2024. Committed to delivering sustained value, we have consistently prioritised the interests of our stakeholders. Over the last 5 years, we have diligently increased our dividend payout ratio raising it to 60% in FY 2022-23. We have maintained the dividend payout ratio of 60% even for the financial year 2023-24 in line with our Dividend Distribution Policy which recommends a dividend pay-out ratio between 55% to 65% of our annual standalone Profit After Tax (PAT). Emphasising responsible financial management and growth, we provide sustainable returns, ensuring our shareholders continue to benefit from our progress.

Our Board has established various mechanisms aimed at promptly resolving any issues encountered by our shareholders. This includes the Stakeholders' Relationship Committee, dedicated to safeguarding their interests. Additionally, our Investors' Grievance Redressal Policy ensures efficient service and timely resolution of investor concerns.

Economic value creation*

	(₹ in Crores)	
	FY 2023-24	FY 2022-23
Direct Economic Value Generated[#]	31,674.7	30,596.4
Revenue from sale of products and services	30,727.7	29,953.2
Other operating revenue	122.4	125.2
Other income	824.6	518.0
Economic Value distributed	29,541.9	28,991.5
Operating cost	22,830.9	23,515.8
Employee Wages and Benefits	1,747.9	1,513.9
Payments to Providers of Capital	3,194.1	2,460.3
Payments to Government [^]	1,678.2	1,424.3
Community Investments	90.8	77.2
Economic Value Retained	2,132.8	1,604.9

[#] Direct Economic Value generated includes financial assistance/grants accrued from Government authorities by our Company in the form of subsidies and export duty credits amounting to ₹ 62.7 Crores for FY 2023-24 and ₹ 62.1 Crores for FY 2022-23

[^] It does not include the amount paid by our Company towards Goods and Services Tax (₹ 2461.2 Crores for FY 2023-24 and ₹ 2,016.9 Crores for FY 2022-23)



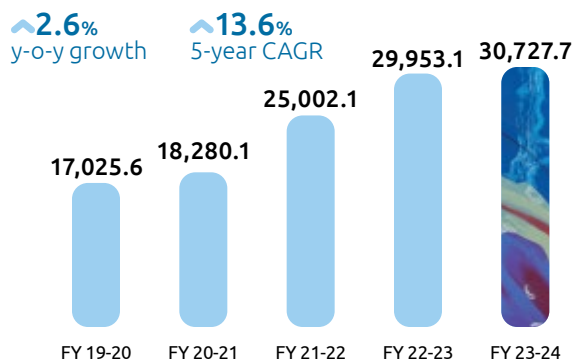
Management Discussion and Analysis

Numbers that make us proud

All figures here are on Standalone basis

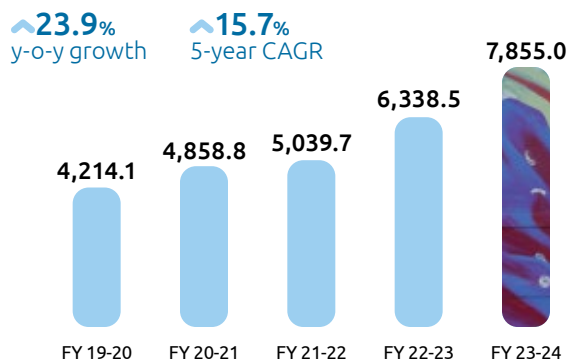
Revenue from sales of products and services

(₹ in Crores)



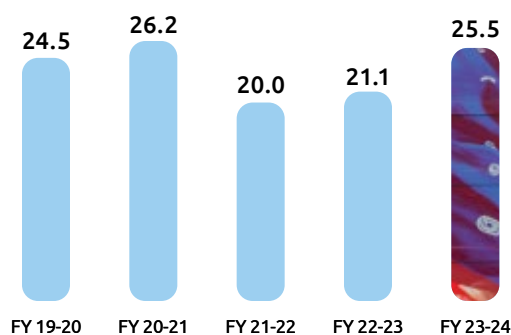
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

(₹ in Crores)



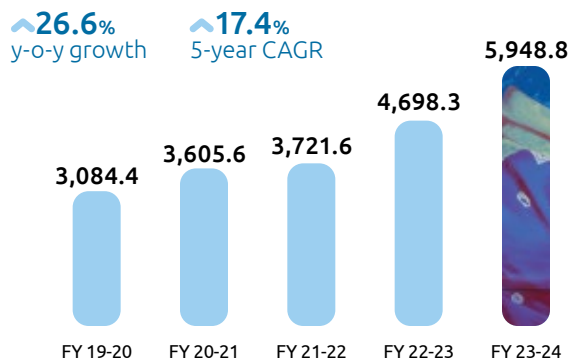
EBITDA margin

(%)



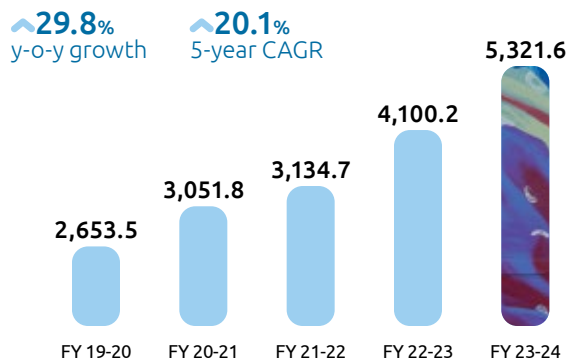
Cash profit

(₹ in Crores)



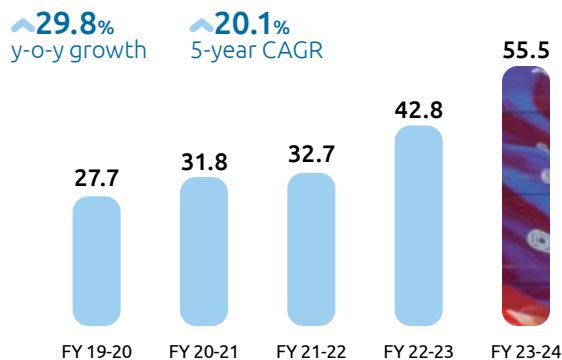
Profit After Tax (PAT)

(₹ in Crores)



Earnings Per Share (EPS)

(₹)

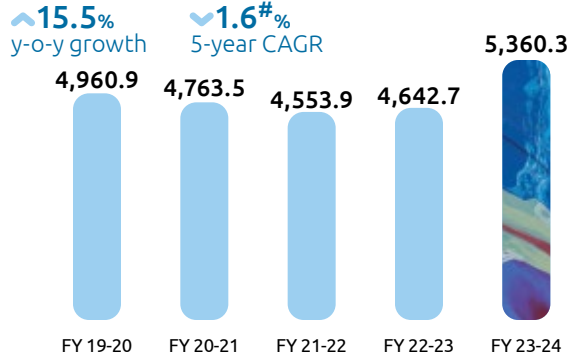


Note: The figures for FY 2019-20 and FY 2020-21 have been restated (wherever necessary) on account of amalgamation of Reno Chemicals Pharmaceuticals and Cosmetics Private Limited with the Company with the appointed date of 1st April, 2019.

All figures here are on Standalone basis

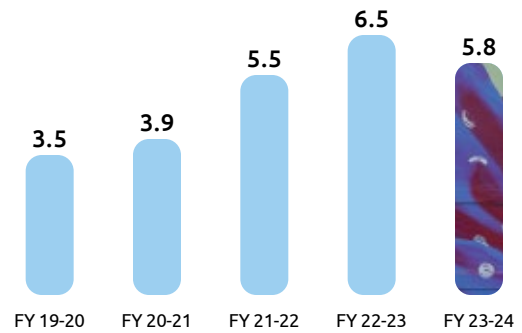
Net fixed Assets

(₹ in Crores)



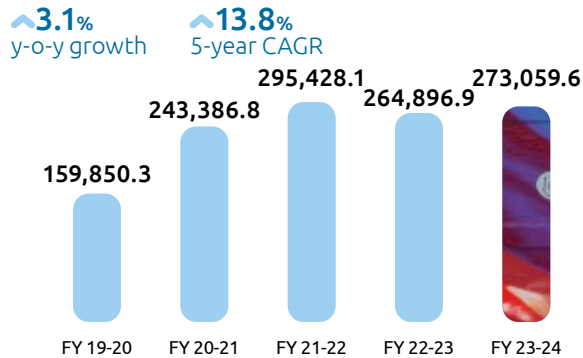
Asset turnover ratio

(x times)



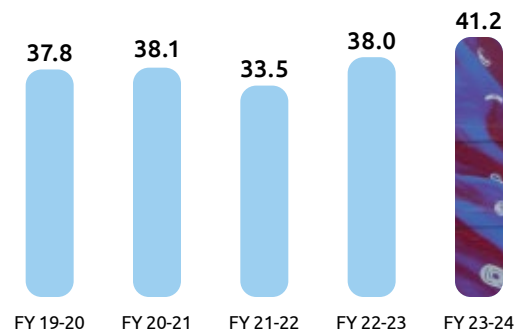
Market capitalisation

(₹ in Crores)



Return on Capital Employed (RoCE)

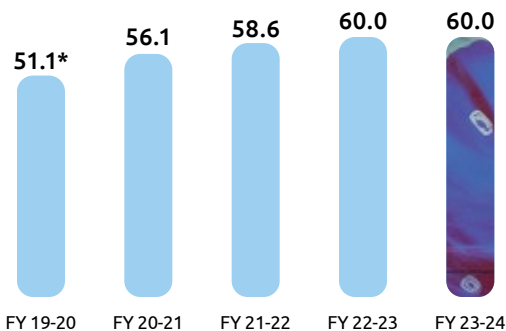
(%)



Note: The above data is as on 31st March of the respective financial year

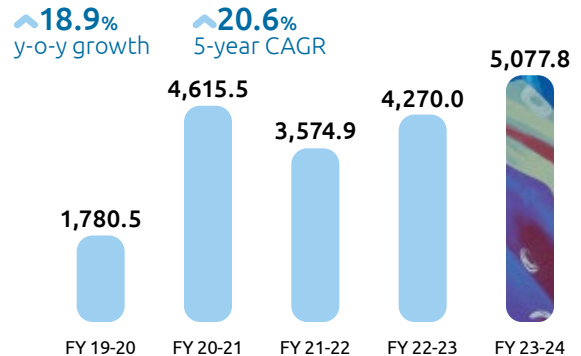
Dividend Payout Ratio

(%)



Surplus cash

(₹ in Crores)



* Includes Dividend Distribution Tax

Degrowth in CAGR due to high base of fixed assets (capitalisation of plants in Mysuru and Visakhapatnam) in the FY 2018-19.